Implementation of the "Market for the Poor" approach: Capitalizing on the experience of the South Caucasus
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The SDC also should be thanked for believing in the implementation of M4P as an alternative to previous development programs conducted in the region, in addition to its involvement and flexibility.

Finally, I thank the members of the technical department at ACH, for their review work, the discussions and teamwork that has made this document what it is.

I can’t conclude this section without thanking Celine Carre for her unselfish collaboration and for conveying her enthusiasm for a project in which she believed in from the beginning.

TO THE READER

Thank you for commenting and proposing improvements for this document / approach, even better if it can be based on concrete experience.
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<th>ACRONYMS</th>
<th>Description</th>
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<tr>
<td>ACH</td>
<td>Action Against Hunger - Spain</td>
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<tr>
<td>ACF</td>
<td>ACH International Network</td>
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<tr>
<td>IGA</td>
<td>Income Generating Activities</td>
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<td>M4P</td>
<td>Market for the Poor</td>
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<td>M&amp;E</td>
<td>Monitoring and Evaluation</td>
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<td>NGO</td>
<td>Non-Governmental Organization</td>
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<td>SC</td>
<td>South Caucasus</td>
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<td>SDC</td>
<td>Swiss Development Cooperation</td>
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NOTE

The term "Market for the Poor" or "Inclusive Market for the Poor" is how this methodology is known. However, ACH establishes its criteria for identifying intervention communities depending on the degree of vulnerability rather than poverty. For this reason, throughout the document, ACH defines vulnerable producers similar to how M4P defines the poor.
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1. Introduction

In February 2006, ACH began implementing the markets for the poor approach in its projects in the South Caucasus region (SC), specifically in Armenia and Azerbaijan, as part of the food security strategy. The implementation of this approach is the result of the evolution of ACH interventions in the region.

ACH’s food security intervention in Armenia and Azerbaijan has evolved from an emergency intervention during the collapse of the Soviet Union to a rural development intervention according to the evolution of each country from 1994 (Armenia) to the present.

The main objectives of this paper are:

1. Presenting the M4P approach to ACH missions as an approach within the food security strategy of ACH.

2. Demonstrate how the implementation of the approach includes the vulnerable in markets (M4P) and has a positive impact on vulnerable groups, based on the experiences of Armenia and Azerbaijan.

3. Inspiring M4P to deploy to other missions.

This document describes the main guidelines for the implementation of M4P, obtained as the result of the implementation of this approach in SC. Moreover, it aims to provide support to missions that are rethinking the development of interventions to strengthen livelihoods, promoting self-reliance and socio-economic development through improved access to food through interventions in the markets.

During the first year of implementation, both projects have faced various obstacles resulting from inexperience in implementing this approach. This paper shows how these barriers have been overcome and what lessons can be taken into account to accelerate changes in the functioning of markets, promoting the inclusion or the more efficient functioning of markets for the vulnerable.

The added value of M4P to other existing approaches is often questioned, such as Income Generating Activities (IGA) – market oriented. This paper shows the added value of the M4P approach versus other approaches, and identifies the main differences between them.

It is worth noting that throughout the document, the M4P approach refers to the reduction of poverty, since this approach was originally developed as a comprehensive response to combat poverty.
2. Abstract

In 1994, ACF started its work in SC, particularly in Georgia and Armenia, following the detection of acute malnutrition in children under 5 years due to the collapse of the Soviet Union.

From 1994 until today, the ACF type of intervention in the region has evolved in parallel to the regional context. This evolution began with the direct intervention of food supplies for families with symptoms of malnutrition in response to a detected food crisis (1994). In subsequent years, ACF interventions in the region were responding to the need to strengthen livelihoods to prevent a food crisis. In this regard, several projects were undertaken to strengthen the income generating capacity of the communities in which ACF worked.

In 2006, following the results of income-generating projects in rural areas undertaken in the region, ACH, along with the SDC (Swiss Development Cooperation Agency), decided to take a further step towards sustainability of its interventions, and proposed “Market for the Poor” approach as a new framework for the next stage of its interventions in the region.

After several projects in the region on capacity building to generate revenue, producers that were working with ACH found themselves struggling against barriers for accessing markets. That is, it was not the farmer’s own ability to produce that was an obstacle, but his or her ability to interact in the market with other players and make a profit. For example, the ability to negotiate with buyers to enter a market and be assured the sale, or the ability to negotiate with service providers for such things as feed, artificial insemination, and so on, in order to increase the production of meat and milk.

For this reason, the intervention was directed toward the capacity of integration of vulnerable farmers into markets in the region.

In this sense, it has been observed that food security is closely linked to market access, and under the proposed M4P approach there is analysing of problems and their causes through analysis of market research intervention. This study should take into account the greater number of actors interacting in the market: sellers, buyers, service providers, suppliers, creditors, legal frameworks and public institutions. This analysis should seek to identify the reasons why a market is not inclusive for vulnerable producers or why it is not as inclusive as the producers would want it to be.

This market study should identify the problem (effect) that is voiced by the complaints of the producer: the lack of access to markets, low competitiveness, lack of organization among producers to negotiate prices and other issues of common interest. But this analysis must go beyond identifying the problem; its causes must also be identified and there is need to provide sustainable solutions.

On numerous occasions, the reasons why markets are not inclusive for vulnerable groups are within the market itself. Therefore, for solutions to be sustainable, they must also be sought from within the market itself, and in the interrelations with buyers, service providers, local authorities, etc. That is, under M4P, solutions must be found that promote inclusion and improve markets for groups that are vulnerable through the internal mechanisms of the markets, resulting as little distortion as possible.

1 Market Distortion: Alteration of prices upward or downward in relation to the actual market price. International NGOs are agents outside the context where they work. The presence of NGOs in certain contexts may lead to increased demand for goods and services, producing a rise in market prices (distortion of the market to rise). But they can also cause downward distortions, when introducing goods or services at prices below the actual market. Thus, the number of offers for goods and services increases, and therefore lowers prices. An upward distortion particularly affects consumers and a downward distortion affects the vendors.
An example of this is the difficulty of access for cattle feed in Agjabedi (Azerbaijan) due to the lack of information or the lack of bargaining power. This difficulty was not solved through the delivery of fodder directly to farmers, but went further and was solved by trying to find out why these producers had this difficulty in the first place. In this case, the project intervention was not based on direct assistance that could run the risk of distorting prices unsustainably, but concentrated on improving access to information and facilitating business relations between buyers and vendors.

This way of finding solutions to problems encountered is more sustainable, addressing causes, not just the effects, and trying not to distort markets through the strengthening of contacts between actors, promoting access to information and strengthening the organization of structures: this is the type of intervention that M4P proposes to NGOs. Such interventions require NGOs to develop their skills as a facilitator of information and contacts between actors.

In this type of approach, the causes of why there is social and economic exclusion and whether there is potential for inclusion or for the improvement of conditions of vulnerable producers in markets is worked on. The markets, in which there is a possibility of inclusion and improving conditions for the vulnerable, are called "markets for the poor".

Once the potential inclusion or improvement for vulnerable groups is detected, the type of intervention that is done is based on the change of commercial relations between the different actors involved: the improvement of information, organizational capacity and negotiation, etc. Such changes in the market that formerly excluded the most vulnerable groups are what M4P calls "Systemic Changes" (changes within the market system).

ACH is currently working in the rural communities of Armenia and Azerbaijan identifying market potential for vulnerable producers. However, there are currently no mechanisms to facilitate their inclusion or allow them to be competitive. In both countries we are working to improve access to markets and to improve the competitiveness of vulnerable producers in the dairy market in Armenia, and the meat market in Azerbaijan.

This document is trying to share with other missions the pilot experiences of the ACH South Caucasus Mission through the main paradigms, ideas, problems, solutions and tools that have emerged during the first year of implementation of M4P in Armenia and Azerbaijan.
3. Main concepts of the "Market for the Poor" Approach

There is considerable literature to theoretically go deeper in the M4P approach. In this sense, this document is based on papers published by the Springfield Centre\(^2\) and focuses on the Technical Manual written by ACH called "The Market for the Poor approach - a new methodology to integrate poor people in the Market System, 2008", ACH.

This document is not intended as a theoretical document, but nevertheless there are a series of concepts that need to be defined in order to understand the practical part. This section addresses the key theoretical concepts necessary for understanding the implementation of M4P.

3.1 What does M4P mean?

The M4P approach aims to accelerate change within the structures and characteristics of markets to promote inclusion of vulnerable people into the markets.

The following are the main characteristics that define the M4P approach:

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<tr>
<th>Characteristic</th>
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<td>• An approach that helps the understanding of how the vulnerable interact within markets (analysis) and that studies how to reach effective change for them in the markets (answers).</td>
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<td>• An approach that is based on the acceleration of changes in the functioning of markets by addressing the causes rather than symptoms that make the vulnerable marginalized or excluded from participating in them.</td>
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<td>• An ambitious approach that aims to have an impact on a large scale instead of a small number of communities.</td>
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<td>• An approach based on the sustainability of actions.</td>
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<td>• An approach where NGOs have the role of FACILITATOR whose function is to catalyze different actors within the market but not being part of it.</td>
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<tr>
<td>• An approach that complements and reinforces other development methodologies, as Income Generating Activities (IGA).</td>
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Table 1. Characteristics of the M4P approach according to the Springfield Centre.

\(^2\) Springfield Centre is an independent consultancy company, for training and research, which is specialised in the development of the private sector in low or middle incomes economies, [www.springfieldcentre.com](http://www.springfieldcentre.com)
3.2 What are the markets for the poor?

They are those with existing conditions that favour the inclusion of the vulnerable within the market, or also those markets that have the potential to change to favour the inclusion of the vulnerable in markets to thus improve their socio-economic needs.

The identification of markets for the poor is normally determined by three factors:

- **Poverty reduction potential**: The number of vulnerable people who are directly and indirectly affected by the intervention is crucial for the suitability of the intervention, as this indicator measures the achievement of the goal of the project of "Poverty Reduction". In Armenia, the sector of intervention is the dairy sector and in Azerbaijan the meat sector. In both sectors there is a high proportion of vulnerable producers.

- **Pro-Poor access or growth potential**: It is important to consider whether vulnerable producers are able to enter the market under analysis, and therefore whether there will be a chance to develop it in the future. For example, in a rural context, such as Armenia and Azerbaijan, vulnerable producers have greater access to agricultural markets and livestock markets than to manufactured goods. Therefore, M4P is more likely to work to improve access to agricultural markets or farmers markets than to manufactured goods markets.

- **M4P intervention Potential**: We need to know whether the market being analysed is a growing market and if it is flexible to allow for the possibility of changes, or if instead it is a market with no growth prospects or it is closed, such as a market monopoly. For this, the analysis of the market’s growth rate should be examined over recent years and the relationships studied between different market players. The aim is to detect whether the market has growth potential and if there are opportunities for change, for inclusion or improving the market’s functioning in a favourable manner to vulnerable producers.

Key factors to create change are: the motivation of the market players to create change; the flexibility of the legal framework; the existence of social and economic rules that do not discriminate against vulnerable groups, etc.
3.3 How markets are understood under the M4P approach.

In M4P, markets are understood as dynamic systems that go beyond the market chain, which is the dimension in which ACH usually works. However, the markets have more dimensions through the participation of other agents. The three dimensions that form the markets are: the market chain, infrastructure services and rules.

![Diagram of three dimensions of Markets: Services, Value Chain, and Rules](image)

Source: Springfield Centre

Figure 2: The three dimensions of Markets: Services, Value Chain, and Rules.

This view of the market as a three-dimensional system requires that the analysis takes into account the actors acting in every dimension.

For example, the Sector of dairy sector in the Syunik Region of Armenia is an example of this three-dimensional system market:

- Value Chain: Milk producers, dairy cooperatives, dairy companies.
- Functions of markets: Artificial Insemination Services, veterinarians, agro-machinery, micro-credit institutions, etc.
- Rules: For example, the sale of cattle is an activity undertaken primarily by men.

3.4 What are the objectives of M4P?

1. The main objective of projects based on the M4P approach is to produce systemic changes in the markets so that these changes favour the inclusion of vulnerable producers in the markets in an effective and sustainable manner.

According to Springfield Centre, systemic change is a change in current operating conditions
of the markets, which are causing the exclusion or marginalization of vulnerable households in the markets. The change of these conditions usually occurs through changes in market rules and the market support functions. These changes make markets work more efficient, sustainable and inclusive for vulnerable families.

In both Armenia and Azerbaijan, the project objective is to reduce poverty through improving economic security as in both countries economic security is directly related to access to basic services: food, clothing, education, and health. Improving economic security means allowing families to plan costs and revenues on both a basic and productive level, for example small-farm investments through the purchase of livestock, feed, etc. The possibility of being able to plan and invest may give families a greater capacity to react to unforeseen or adverse situations.

M4P proposes to improve economic security through causing systemic changes in markets where we intervene. In both projects, interventions are designed to produce systemic changes in services because access to them is one of the main barriers to vulnerable producers to be more competitive in the market.

2. The result of including as many vulnerable producers in markets is to have a large-scale impact. Unlike other food security approaches such as IGA where interventions are focused on a particular group of beneficiaries or communities, under M4P the aim is to have an impact reaching beyond the group of beneficiaries or communities that have been selected for the project.

To produce systemic changes in the markets, interventions do not only directly target vulnerable producers, but also target other players in the market such as local authorities, utility companies, etc. The changes make these agents more accessible to vulnerable producers’ communities and respond to their needs, but the changes also have an impact on other communities that have not been selected for the project. A clear example is the impact on service providers, as they offer their services to other communities and beneficiaries who have not been selected for the project.

It is true that working directly with services or other agents has its risks, such as discontinuing work with vulnerable producers after the intervention. However, to anticipate such situations, it is crucial that a market analysis is done during the identification phase of the intervention. At this stage, special attention must be paid to the motivation of different actors to participate in the project to ensure that their motivation is to obtain the greatest benefit through the integration of vulnerable producers in the market.

3. The sustainability of the changes that favor the inclusion of vulnerable producers in the markets should be a constant throughout the project.

Both in identifying which markets will be selected for the project, as in the design of interventions, the sustainability of the action must be a continuous, since the facilitating role for NGOs reduces the scope for action. This means that under M4P, an intervention strategy can not be based on the provision of productive assets. Such strategies should be envisaged only if justified in terms of sustainability, and to achieve an expected outcome, not the result itself.

Before defining an intervention strategy for the project, there must be an analysis of sustainability. One way to do this analysis is offered by the Springfield Centre through a sustainability matrix:

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3 In ACF, the component of economic security is included within the Food Security and Livelihoods interventions, in terms of improvement of economic access to support and strengthen livelihoods.
Table 2: Sustainability Matrix

This matrix provides some questions to ask when identifying possible interventions in markets which are inclusive for the poor.

This analysis allows us to anticipate the sustainability of interventions over time. For example, an intervention of a project with no transfer of know-how but requiring the purchase of expensive production assets, will most likely end when the NGOs leaves, because it is not sustainable, as local actors are not trained to continue the activity or to finance it if needed.

Therefore, when designing an intervention strategy based on sustainability, two questions must be kept in mind:

*When we leave these communities:*

1. *Will they be able to continue to benefit from the improvements of the project?*
2. *Will they have the resources to extend these improvements over time?* This question should not only consider the resources of vulnerable producers, but also their ability to acquire them.

In Armenia, after: 1st Analysing the potential of the dairy market in the region for vulnerable producers, 2nd Studying and analysing what were the key factors to facilitate their inclusion in the market and 3rd Finding out the reasons for which key players were interested in participating in the project, the intervention strategy was defined.

One of the areas of the project intervention was based on improving the quantity and quality of artificial insemination in the region through the local Insemination Centre. For improving the effectiveness of the inseminations, problems like lack of training, low semen quality and obsolete equipment were detected.

Improved insemination equipment and purchasing better quality semen was identified as a crucial step to achieving the desired result. ACH’s purchase of a new insemination equipment and semen of better quality contradicted the role of facilitator, or external player, seeking to intervene in the market as little as possible. However, the total purchase of the material by the insemination center was impossible. After several meetings with the insemination centre, an agreement was reached to co-financing the purchases, where over time the percentage of co-financing by ACH would be reduced because the centre would improve its services and therefore obtaining a greater benefit.

### 3.5 What are the main benefits of the M4P approach to vulnerable producers?

The main benefits of M4P for the vulnerable are to improve their access to markets as buyers, producers or workers. These improvements of market access for vulnerable producers’ means:

1. Meeting basic needs.
2. Increase productivity.
3. Achieving sustainable income over time.
4. Promoting the strengthening of vulnerable producers.

These four aspects are consecutive. To reach the next level requires the completion of the former level.

Sustainable inclusion of the vulnerable in the market for the poor has a direct impact on strengthening the vulnerable and therefore their ability to produce and consume.

The Figure 3 explains this dynamic:

The inclusion and improvement of vulnerable producers in the markets should provide them with an income throughout the year to enable them to meet their basic needs such as food, health, and education. For this inclusion to be sustainable, producers must be competitive in the market, forcing them to increase the quantity and quality of their productions. This improvement in their competitiveness will provide to them greater revenues.

In the case of Armenia, in the Syunik region, dairy cooperatives with which ACH works, negotiated with one of the country’s major dairy companies the selling of their milk. Thus, the cooperative acquired a degree of assurance that their purchases of milk would be sold in the Armenian dairy market (market entry). The regular sale of milk would provide fortnightly cash income to milk producers who sell their milk to cooperatives. Obtaining this cash income should allow them to cover part of their basic needs like buying food that they do not produce, clothing, medicine, education, etc.

This periodic income should allow them to invest in efforts to increase the quality and quantity of their production, such as investments in improving the feeding of cows, artificial insemination, etc. (increasing consumption). This investment in improving production conditions on the farms should have a direct impact on increasing their competitiveness and therefore on revenue.

This causal loop should occur under ideal conditions, but every context may have different situations or problems to overcome that differ from the overall scheme.

According to the experience in the markets where ACH has worked in the Southern Caucasus, those actors involved in markets are dynamic and change their strategies toward maximizing profit.
Increased production also lies in a decline in purchase prices (the more the offer the lower the price).

In the region of Syunik (Armenia), after several years of always selling to the same purchaser, the cooperatives complain that milk prices remain at very low levels, although the quality of the milk increases. Given this situation, ACH with Syunik cooperatives, are investigating the possibility of diversifying their buyers so that the stimulation of competition between buyers will benefit producers through the sale price.

Armenia's experience reveals how vulnerable these producers may be in a market where there has been no previous work of organizational and institutional strengthening, such as organizing through cooperatives or other formal or informal organizations. The lack of organization among producers implies weakness against major market players such as big buyers, and so on. This weakness forces them to take on unfair conditions and reduces their bargaining power.

Strengthening organizational capabilities will provide greater bargaining power, which is absolutely necessary and indispensable when dealing with market uncertainties.

It is therefore advisable that prior to the M4P phase, there has been work done with producers about their organizational capacity, such as the creation of cooperatives, producer groups, and so on.
4. Why is M4P important for ACH? A logical evolution of the technical work of ACH in food security.

The causal framework of malnutrition is the backbone of ACH for interventions in the field. This analysis considers three types of causes of malnutrition: immediate, underlying and basic. These are what determine the nutritional status of an individual. This integrated approach is represented by the conceptual framework of malnutrition (Figure 4) which clearly indicates the integration of the factors that at all times guide the process of analysis of malnutrition. Within this causal scheme, M4P would be integrated into the basic causes.

The implementing of a M4P approach entails working with basic and underlying causes that directly affect the access and availability of markets for the vulnerable. Prevention strategies, capacity building, actions on the environment, access to markets as sellers, buyers or labour, etc., enables them to improve their economic security and thus reduce their vulnerability to food insecurity.

ACH’s approach is an integrated approach which aims to work, according to the type of context, to improve the food security status of vulnerable populations, starting from the basic to the immediate causes of malnutrition. Thus, ACH works against malnutrition from diagnosis and treatment to prevention.

ACH works on food security for families to improve their access and availability to food, taking into account its use within the household.

Access to food and its availability are closely related to the ability of families to generate sustainable income. The generation of income not only depends on increased production, but also, and crucially, on access to markets. The inclusion of the vulnerable in markets generates a number of mechanisms that allow them to be competent, allow them to have a sustainable income that will help prevent food insecurity and ultimately make them stronger against the risk of malnutrition.
In the context of Armenia and Azerbaijan, ACH intervention has varied according to the nutritional and socio-economic needs detected over time. This has addressed the various causes of malnutrition: immediate causes with interventions of food distribution in canteens, the underlying causes by promoting income generating activities (IGA), and the root causes by interventions based on socio-economic development (M4P). Among the root causes which make access to food difficult is the difficult access to markets, and this is where M4P has its specificity within the food security strategy of ACH.

Figure 4 shows the evolution of ACH interventions in Armenia and Azerbaijan, in response to the identified causes:
M4P is found in the third level of this process. This level is focused on strengthening the environment and improving the socioeconomic conditions of the vulnerable. This level is critical because it is based on the fundamental principle of sustainability in order to ensure an exit strategy with the least possible impact.

Therefore, one of the main features that differentiates the M4P approach from IGA is that it attempts to address the root causes of malnutrition through a multidimensional approach involving all actors directly involved in the market (three-dimensional approach), while IGA addresses the underlying causes of malnutrition through a direct one-dimensional approach (market chain) and indirectly with the rest of actors involved.

At the operational level, the differences between the two approaches are quite large. The IGA approach basically works on strengthening the income generation capacity of a group of beneficiaries: how to produce, how to improve production and how to improve the competitiveness of the target group. This approach often works with services indirectly related to the activity of the group, but usually their participation is often as consultants, trainers, etc., in other words, as project support staff. However, the M4P approach works directly on the production capacities and competitiveness not only of the target group but also other actors in the market, and has a direct synergy with vulnerable producers.

As has been mentioned in the previous section, access to markets and hence income generation affects directly the strengthening of the families. This strengthening will enable them to consume and produce in a way which reduces their food vulnerability.
5. Internal and external conditions for the implementation of M4P

5.1 Background

5.1.1 Description of the Region

South Caucasus region includes Georgia, Armenia and Azerbaijan. This is a region with a complex transition context in which, after the collapse of the Soviet Union, there has been a coexistence of acute crisis (conflicts such as Nagorno-Karabakh), with uneven economic development.

In the field, the transition of the economic and production models meant moving from a production model with full involvement of the Government, in which the Government provided the main inputs required to produce and buy production, to a market model in which the producers themselves have to provide inputs and seek buyers and markets for income.

Most families in rural areas had to face this transition without any financial cushion that would have facilitated adaptation to the new model, and this model changed so quickly and without resources given to farmers, forcing many families to migrate to cities or stay in their villages, living on subsistence agriculture sensitive to weather conditions, especially drought.

In addition to the transition of socio-economic models, with the collapse of socialist republics, there was a rise of nationalism. As a result, many conflicts arose between the former Soviet republics based on territorial sovereignty. The Nagorno-Karabakh conflict, between Armenia and Azerbaijan, prompted hundreds of thousands of civilians to be displaced and live in poverty due to the loss of their livelihoods.
The rate of malnutrition in the region soared as a result of these two factors, and ACH decided to intervene. Since then (1994), ACH is implementing projects in the region, responding to the needs of a continually evolving context.

Today in the region there is a rapid and uneven socio-economic growth concentrated in major cities of both countries, which is mainly due to foreign direct investment, which has been directed towards the energy sector in Azerbaijan and the mining sector in Armenia. This uneven economic development has been reflected in high rates of inflation and unemployment. This situation prevents many families, mainly concentrated in villages, from obtaining the necessary resources to meet their basic needs.

5.1.2 Evolution of ACH interventions in Armenia and Azerbaijan

ACH began its work in the South Caucasus (SC) in 1994 in Armenia and Georgia, and in 2001 in Azerbaijan. The strategy of the mission has gradually evolved from a humanitarian aid strategy through distribution of food in canteens to a strategy aimed at socioeconomic development and food security.

During this evolution, ACH has adapted to the context and needs identified by following these steps (chronologically): Direct provision of food, strengthening income-generating capacities (IGA) together with community development programs, IGA oriented to access of markets, and finally an intervention based on the M4P approach.

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<td>Relief and Welfare</td>
<td>Nutrition and canteens</td>
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<tr>
<td>Small scale self reliant</td>
<td>Community development</td>
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<tr>
<td>development</td>
<td>Economic development</td>
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<tr>
<td>Sustainable systems development</td>
<td>Market system development</td>
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Table 3: Evolution of ACH’s food security approach in the SC.

Armenia.

ACH's intervention in Armenia has always been done in the same region, Syunik, and has evolved since 1994 until today. This development has included different phases:

The first phase was a direct intervention of humanitarian aid based on the distribution of food through canteens. The second project focused on capacity building and income generating activities to improve livelihoods (IGA) and community development projects. During this second phase, in addition to sectors such as sheep, honey, etc., the dairy sector was also addressed. This sector showed great potential. Through the following stages of the intervention, the dairy sector evolved. These phases are oriented towards organizational improvement of the dairy producers through the establishment of dairy cooperatives, of contacts between dairy producers and other actors in this market (market oriented income generating activities).
The development of the dairy sector in the region was very large, and went from an absence of a dairy market to the establishment of dairy cooperatives, which currently sell milk to the largest buyer of milk at the national level, Ashtarak Kat. The low participation of farmers in dairy markets was due to the vast distance between Syunik and the capital, Yerevan, where the market is centred. The long distance was only permitting the sale of cheese and other processed dairy products.

After a period of negotiations, Ashtarak Kat started collecting milk regularly in the milk collection points ACF supported.

Based on the previous phases, ACH decided to implement the next phase under the M4P approach in order to improve the functioning of the dairy market in Syunik for the vulnerable producers.

ACH projects in Armenia:

*Humanitarian Aid:*
  - Distribution of food through canteens

*Community Development:*
  - Support for public infrastructure
  - Mobilizing civic and community members
  - Projects with components for strengthening women's capacities

*Economic Projects:*
  - IGA (Several sectors, dairy, sheep, honey, etc.), production for wheat, construction of a drier for herbs, improvement of pastures, revolving fund projects and others
  - Strengthening of contacts within the markets (market oriented IGA)

**Azerbaijan.**

ACH began its work in Azerbaijan in 2001 through IGA projects, but unlike Armenia, in Azerbaijan a strong gender component in the design of the interventions was taken into account from the beginning. The sectors covered were: the production of fodder, wheat and fattening calves. Farmers began to work in groups and reached some results.

The following phase of intervention was aimed at identifying communities where it would be possible to implement a project based on a M4P approach. This stage was very important and focused on conducting a socioeconomic survey and a socioeconomic atlas of the communities in the region (Annex 6).

Through these two tools, a new set of communities were selected according to socioeconomic status and development potential of these markets. Not all communities were new; and some of the selected communities participated in the previous phase.
5.1.3 Is the implementation of M4P unique to contexts of economic transition?

This document reflects the experience of the SC Mission where ACH is working in countries undergoing socioeconomic transitions. According to national statistics, currently in the region high levels of malnutrition do not exist.

However, national data contrast with the reality of rural communities in which ACH works. In these communities there is a very high percentage of families with difficulties to have a diversified diet. It is also important to note that the income of these families depend primarily on agricultural production, which does not provide enough income to deal with unexpected expenses such as illness, crop failure, etc.

ACH is implementing food security strategies in countries with a subsistence economy in which there are also markets that the vulnerable have access to, or could access. M4P focuses on these markets, how they work and how the vulnerable can improve their access to them.

Currently, ACH is not implementing M4P in any country with high rates of malnutrition. However, there are countries with high rates of malnutrition in which other agencies are implementing it. The main reason is that the inclusion of the poor in sustainable markets makes them stronger against the risk of malnutrition, and other organizations have found markets in which poor producers can participate in a sustainable manner.

Presented below in Table 4 is an example of implementing a project under the M4P approach in one of the countries with the highest degree of malnutrition, Bangladesh.

<table>
<thead>
<tr>
<th>Title</th>
<th>The case of fisheries in Faridpur, Bangladesh</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agency</td>
<td>KATALYST.</td>
</tr>
<tr>
<td>Support</td>
<td>Springfield Centre</td>
</tr>
<tr>
<td>Country</td>
<td>Bangladesh</td>
</tr>
<tr>
<td>Malnutrition Rate</td>
<td>Bangladesh has one of the highest rates of child and maternal malnutrition in the world, say health experts. According to the State of the World's Children (SOWC) Report 2008, issued by the UN Children's Fund (UNICEF), 8 million or 48% of all children under 5 are underweight.</td>
</tr>
<tr>
<td>Project Description</td>
<td>Pond fish is one of the fastest growing agro-sectors in Bangladesh, <strong>growing at 15-20% annually</strong> and now the largest sub sector in fisheries.</td>
</tr>
</tbody>
</table>

(1) Brood fish: It all begins with the brood fish, the “mother fish” who produces fry (eggs... compare to foundation seeds).

(2) Spawn. Hatcheries extract the eggs from brood fish, mix that with sperm and cultivate spawn (spawn = unhatched fish eggs) into fry.

(3) Fry. Nurseries buy fry from the hatchery (or produce their own, which is of much lower quality, meaning high mortality rate) and cultivate that into fingerlings.

(4) Fingerlings. Pond fish farmers (an estimated 22,000 farms) buy fingerlings either directly form the nursery or from hawkers (traders).
Table 4: Example of a project implementation under the M4P approach in one of the countries with the highest level of malnutrition, Bangladesh.

In this case, the first step was to detect whether the market for fish farming was an inclusive market for the poor. In other words, if the three factors that determine whether a market is inclusive for the poor were present: the number of poor involved, directly or indirectly in the fish farming sector, the growth potential of this sector along with its ability to absorb increased supply, and access to productive resources.

As the three factors existed, the project was developed with the aim of improving the competitiveness of fish farmers, who were a high percentage of vulnerable producers. The main interventions were based on training in production techniques and marketing, and strengthening networking among service providers and suppliers related to fish farming.

At the end of the project an improvement in the fish farming process was achieved, and therefore an improvement in the quantity and quality of fish was also achieved. This improvement in breeding allowed, on the one hand, an improvement of the competitiveness of farmers and their subsequent income growth, and on the other hand, an increased consumption of fish among the vulnerable, therefore improving the amount of protein in their diet.

In conclusion, the most important elements for a M4P intervention are mainly due to the following three factors:

1. A previous organizational and institutional strengthening of vulnerable producers who will be involved in the markets, reinforcing them in order to negotiate and to deal with market threats, such as vendor price increases, price decreases in purchases, etc.

2. The identification of markets inclusive for the poor where the vulnerable can participate and obtain more benefits than under the current market.

3. Identification of the type of intervention and the local partner through which to try to create changes in the markets.

Indeed, the context of socio-economic transition is more likely to generate greater market fluidity, yet, regardless of context, one can always identify markets in which vulnerable producers are excluded or discriminated against, and where there exists markets with the potential to be developed.

This integration of M4P in contexts with high malnutrition rates is dealt with only minimally in this document, since this document is based on the experience of the South Caucasus, which corresponds to a context of socio-economic transition, but certainly the M4P can provide answers in contexts where different variables are involved and are more closely linked to malnutrition. These contexts need to be investigated to see if this type of intervention could be useful in other ACH missions.
5.2 The Mission has completed necessary internal conditions for the effective implementation of M4P.

The efficient implementation of M4P requires some preconditions in missions that are considering implementing this approach. These preconditions are related to the strategy of the mission and where the mission wants to direct its attention in the future.

In the case of the SC mission, the decision to adopt a new phase in Armenia and Azerbaijan using the M4P perspective was agreed to by the different actors involved in both projects: ACH, SDC and the Springfield Consulting Centre.

After implementing projects in the region based on grouping producers by activity (IGA groups) based on the reinforcement of their capacities for income generation, and even looking towards the next phase based on strengthening the entrepreneurial skills of producer groups that had worked better in the previous phase, producers were left with a very difficult barrier to overcome, which was that of access to markets. In both Armenia and Azerbaijan, market access for vulnerable groups was very limited but for different reasons. In Armenia, the communities are in very remote areas, far from major market centers. In Azerbaijan, the limitations to the market were because it was controlled by families or clans and some sectors were highly monopolized.

The identification of the difficult access to markets created a dilemma for ACH, since recognition of this need showed that ACH had no experience or tools to address a multidimensional approach to facilitate the inclusion of the vulnerable in the markets.

SDC was also interested in continuing work with ACH in the region and took as a challenge the next phase of the projects it was financing to improve the market access to the vulnerable. This new phase, based on the theory of Market for the Poor, was presented to SDC as a challenge in the region, as SDC was aligned with a trend of current thinking on development, based on a multidimensional approach and enhancing access to markets as an important component of development.

The adoption of this new approach required mentoring and technical support from the beginning. SDC contacted one of the consultants that have further developed the theory of M4P, The Springfield Consulting Centre, which signed a contract for backstopping and supporting SDC and ACH.

SDC decided to take a big bet by using this approach relevant to the context, however, it also needed to know the disposition of ACH's mission to take on this new approach in its food security strategy and its commitment to invest in training.

We could say that before one decides to implement the M4P approach in its mission, there are a number of questions to ask. These questions are:

- In what direction is the strategy of the mission headed?
- Does it have resources to address a new approach?

5.2.1 What is the strategy of the Mission?

The evolution of the food security strategy in both Armenia and Azerbaijan has been very similar and therefore it was appropriate that the new approach include the two countries.

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2 SDC: Swish Development Agency, is funding both projects and their previous phases. They are very involved in both interventions and together with Springfield Centre proposed to ACH the introduction of the M4P approach in the new phase.
In adopting this new approach in an ACH mission, it was first important to know whether the food security strategy of the Mission is capable of aligning with the M4P approach, namely to:

1. Take up the role of facilitator required by this approach.

2. Addressing the root causes of malnutrition through an intervention strategy focused on markets.

Both the adoption of the role of facilitator by ACH and the adoption of a food security strategy based on the inclusion of the vulnerable in markets is out of the scope of ACH’s traditional food security strategy operations. For this reason, the adoption of the M4P approach requires theoretical and operational training of ACH’s technical team, project leaders and local technicians.

Considering the above factors, the mission determined the evolution of the food security strategy towards the adoption of the M4P approach was relevant and therefore the mission accepted this new approach as a challenge.

The main handicap of the ACH team was the lack of experience and skills in this new approach. To this end, the Springfield Centre mentored the two projects from start to finish through regular visits to projects, and SDC funded high-level training on M4P at the Springfield Centre headquarters in Glasgow. At the time of this report, four technicians have been trained in Glasgow, two of whom are expatriates and two of whom are locals.

Attending these courses required a degree of commitment to the mission, both for the expatriate (minimum two years in the mission) and for the nationals, in order to ensure that the know-how would stay in the mission. In addition, in order to further strengthen the technical team of the Mission, Glasgow attendees made presentations and trainings on M4P to the rest of the team.

After the experience of the South Caucasus, the capacities required by a mission to enable it to meet the challenge of the M4P approach are:

a) Technical staff trained or experienced in Marketing (agro-marketing) and Economics.

b) Ability to have a broader vision of the markets within the food security strategy.

c) Ability to establish a food security strategy that goes beyond subsistence.

In the case of the implementation of the M4P approach in a new mission, it is important to consider these three requirements, as they will help from the beginning to understand this new approach and transfer the know-how to the rest of the mission.

a) Technical staff trained or experienced in Agro-Marketing and Economics.

M4P requires technicians with expertise in agricultural marketing or economics because this approach is based on market analysis for identifying interventions and the study of the causes of exclusion of vulnerable groups from markets.

The lack of technical staff trained in these areas can be covered in different ways:

- Recruitment of an agro-economist or economist in the mission’s technical team.

The mission of the SC did not hire an economist, but invested in the training of the
technical coordinator of the mission in the M4P approach, this person being the one who would train the rest of the mission team. Therefore, it is advisable to include in the technical coordination team some technical expertise in agro-economics and agro-marketing.

In the case of Armenia, the head of base has experience in agro-economics projects, and the project manager went to Glasgow to the M4P training provided by the Springfield Centre.

In the case of Azerbaijan, as the project would be conducted through partners, the launch of this new phase was conducted by a head of base with extensive experience in team management but without experience in agro-economy. To fill this gap in agro-marketing, the head of base was trained in Glasgow and was, for nearly three years, working with local partners to complete the implementation of this new approach through them. Then, during the implementation phase of the project, a new head of base with experience in agro-economy and agro-marketing was hired so that the change at management level would have as little impact throughout the course of the project.

Currently, ACH's SC mission has people trained and experienced in this approach, which could be taken into consideration for training teams in other missions.

- **Hiring an ACH technical consultant to regularly visit the mission.**

  In the SC, the role of the technical consultant for regularly visiting the projects, was carried out by the socio-economic consultant, in order to design and launch a monitoring system in Armenia and Azerbaijan.

  This figure is very useful to support and follow up on various projects within the same mission on particular aspects such as M4P, monitoring systems, evaluation systems, etc.

  ACH is giving increasingly more importance to this figure for advising and supporting missions in certain areas where the mission has a knowledge deficit. It is essential that this figure is budgeted in projects. This technician can be on the mission on a periodic or permanent basis during the duration of the project.

  In the case of M4P, this may be a solution that does not require as many resources such as hiring an agro-economist at the technical coordination team level, and yet it can cover the mission's needs for support during the design and implementation of this new approach.

- **Recruitment of an expert consultant in M4P.**

  This option was chosen by SDC for backstopping M4P projects conducted in the region, thus giving support to both ACH and to SDC regional technicians. Hiring the Springfield Centre by SDC to mentor the M4P projects funded by SDC has been a key decision for the understanding and implementation of the new approach in both interventions. Springfield Centre experts participated in the following project phases:

  **Identifying potential markets for including the poor:**
  In Armenia, there was a diagnosis of the following sectors: dairy production and wheat production. In Azerbaijan, the following sectors were explored: meat and dairy production.
Project Formulation: Springfield Centre technicians had a key role during the reformulation of both projects in accordance with the principles of M4P. Springfield Centre helped focus the interventions of both projects in a realistic number of markets in terms of time and resources, and provided very useful tools for the formulation to ensure consistency from project activities to objectives.

The option of hiring an expert may be the most efficient option but is also more expensive. If this option could be envisaged within the project budget, or through the donor, it would be the best option.

However, when hiring a M4P expert by the donor is impossible, or is incompatible with the resources of the mission, ACH should capitalize on the lessons learned in other contexts and use existing resources within the organization to provide this consultancy support to missions interested in implementing the M4P approach.

Therefore, at the strategic level, the mission should strengthen its resources in agricultural marketing and economics to offer support and self-confidence to the bases where projects are being implemented under the M4P approach.

**b) Ability to adopt a global vision of markets within the food security strategy.**

The adoption by the missions of a global vision that allows them to analyse markets (in the present and future) must go from the analysis of current market conditions offered to the vulnerable to building a future vision on how these markets work. This exercise of visualizing who performs the activity and who will pay in the future is useful in identifying possible types of food security interventions based on sustainability over time.

The construction of this global vision of markets requires a tandem between a highly specialized analysis (technical view) and a more participatory one (view from the perspective of local stakeholders in the markets).

An specialized and technical analysis of markets is more efficient and more directly addresses the roots of the problems identified in the markets, but it runs a serious risk of being an analysis far from reality. Hence, it is necessary to complement this analysis with the participation of stakeholders in the market. This participation slows down the process of analysis, yet it provides a realistic component that sometimes the technical specialist does not consider.

For the missions it is important to understand the markets by taking into account the two analyses, technical and participatory, as it affects the effectiveness and efficiency of market analysis.

An analysis of more participatory markets requires more time, and the information obtained will need to be interpreted and developed until the causes of the problems are identified, as the sources of information are not specialized.

This participatory process is enriching for the local stakeholders in the market analysis, but requires time and sometimes the quality of the analysis is not the one expected.

By contrast, an overly technical analysis can be an excellent quality analysis but not easily understood by those involved in the markets, therefore the risk of a highly technical analysis is the lack of ownership by stakeholders involved in the markets.
Finding the perfect tandem between the two types of analysis to obtain an overview of the markets in each of the contexts in which we work must be one of the objectives of the mission’s technical team.

Table 5 lists the advantages and risks of each analysis.

<table>
<thead>
<tr>
<th>Participatory Analysis</th>
<th>Global Vision of Markets</th>
<th>Specialized Analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Participative process to build ownership</td>
<td>Key emphasis</td>
<td>Tight, rigorous analysis</td>
</tr>
<tr>
<td>Eliciting shared commitment among stakeholders</td>
<td>Facilitator add value by: Overall orientation</td>
<td>Introducing new knowledge, perspectives and insights.</td>
</tr>
<tr>
<td>Bottom-up; Operational</td>
<td>Depth of analysis</td>
<td>Top-Down; Strategic</td>
</tr>
<tr>
<td>Symptoms; Organization level</td>
<td>Speed of process to discuss to action</td>
<td>Causes; System level</td>
</tr>
<tr>
<td>Quick</td>
<td>Risks</td>
<td>Slow</td>
</tr>
<tr>
<td>Superficial analysis that provides no sound basis for intervention (&quot;wish-list&quot;)</td>
<td></td>
<td>Abstract and Distant: divorce between analysis and action</td>
</tr>
<tr>
<td>Loss of the bigger strategic pictures</td>
<td></td>
<td>Miss out on vital knowledge source</td>
</tr>
</tbody>
</table>


Table 5: Balancing the participatory approach and the technical approach to achieve a global vision of the market analysis.

Below is a description of how the type of analysis has evolved in both projects to reach to the desired global overview of the market.

Armenia: Work in Armenia has been under a more specialized analysis because the local technical team has extensive experience in the region. This experience has led in numerous cases to using a rigorous analysis of the market conditions that are offered to vulnerable producers.

This type of analysis was based largely on the implementation of different technical analysis of the markets. The methodology used in this type of analysis focuses mainly on the technical capacity and experience of ACH.

The methodology for the market analysis was as follows:

1. Planning. ACH as the main actor.
2. Obtaining information. The main sources of information were: ACH experience and meetings with key stakeholders involved in the markets.
3. Analysis. ACH as the main actor.
4. Dissemination of conclusions. ACH to key stakeholders.
5. Defining the strategy of the intervention. ACH with stakeholders.

This methodology began with a more specialized analysis based primarily on ACH experience and knowledge in the region, and once the findings and conclusions were
obtained, stakeholder participation increased. This model requires more time to take action, because sometimes the conclusions drawn from the technical actor are too theoretical and not easy to apply to reality.

This process has taken almost a year since the process of market analysis began till the definition of interventions.

**Azerbaijan:** The working model in Azerbaijan has been more participatory, since the project was executed in full by local NGOs. In addition, a goal of the project was to transfer know-how to local counterparts so they could implement in the future the M4P.

In this model, the ownership of the project by stakeholders involved in the market was more rapid, although it is true that ACH invested much time in training ACH workers and local counterparts who led the project.

This participatory process quickly led to the identification of symptoms or problems in the markets, but not its causes. For this, the ACH team, along with a Springfield Centre technician, had to work very closely analyzing the information of local NGOs to find the causes of why vulnerable farmers were not involved in markets on an optimal level.

This more empirical process in which the risk of the information analysis is greater, involved several attempts to identify the real causes of the exclusion of the vulnerable to markets, and it implied a greater difficulty in establishing a comprehensive strategy intervention.

This high participation of local stakeholders throughout the process implied a continuous training of local counterparts, which was highly positive for the project objectives.

In conclusion, the type of market analysis to be used to achieve an overview of the market will depend on the technical knowledge of the mission and the importance of the ownership felt by the other actors involved in the market. From the point of view of a participatory expert analysis, the most important thing is to adapt the type of analysis to the resources available and target them to get an overview of the market and the causes of exclusion of the vulnerable.

c) **Ability to establish a food security strategy that goes beyond subsistence.**

The ideal strategy for food security is one that meets the needs of the context in which we work. As already mentioned, in the South Caucasus Mission, the food security strategy has evolved in parallel with the context. In communities where ACH works, the household economy is usually of subsistence. After the great crisis of 94 (collapse of the Soviet Union), many families migrated to the capital cities, but many chose to remain in their communities and they adapted their productive capacities to the resources that were left.

ACH has been working in these communities so that the food vulnerability of these families decreases, and it has been developing food security strategies according to identified needs.

Currently, ACH projects in the South Caucasus aim at **improving the economic security of families.** This economic security is based on improving livelihoods and on obtaining regular and planned income. In this way, families can also cover their basic needs, and can also have a certain amount of money to enable them to cope with unforeseen expenses such as health, repairs, and education, without having to borrow money from relatives or credit institutions. In short, this is to reduce their vulnerability through an improved household economy.
The M4P model fits under the spectrum of food security strategy based on improving the economic security as a strategy to reduce the vulnerability of families. In this sense, improving the inclusion of vulnerable producers in the markets is absolutely necessary to strengthen their livelihoods and improve their earning capacity and ability to cope with typical annual expenses, and also other unexpected ones.

It is true that working towards economic security through increasing inclusion in markets does not guarantee success, because markets are not static nor totally predictable, and what today may be a thriving market in a few years may be failing. However, this is a risk facing all societies. The important thing is that vulnerable households have developed response mechanisms that enable them to react to potential risks in a market. Some of these reaction mechanisms could be more competition, the ability to promote investment into markets inclusive for the poor, etc.

It is also worth noting that a food security strategy based on the M4P approach requires time, because changes in markets develop slowly. This time requirement is due to the fact that the role of NGOs is to facilitate, and therefore it is not the NGOs that directly implement the project. The changing conditions that make markets more inclusive for vulnerable producers must occur through the market players themselves, and the NGO should simply be a local facilitator or tutor to boost and accelerate these changes.

In the case of Azerbaijan, after several years of intervention in the country to strengthen productive capacities, development indicators showed the country having more resources (through the energy sector) to meet the needs of families with less resources. ACH decided that in Azerbaijan this phase of intervention that includes the vulnerable in the markets, could lead to an exit strategy.

For this to occur, this food security strategy should address not only current needs but also an exit strategy. Thus, ACH decided to execute the entire project through local partners and in this way enhance the transfer of knowledge to local bodies, making the impact of ACH’s departure from the country minimal.

Therefore, the food security strategy of the missions in Armenia and Azerbaijan should respond to the following:

1. The identified current food security needs that go beyond subsistence, based on economic security through the M4P approach.

3. An ACH exit strategy in Azerbaijan, strengthening ownership of the M4P approach by local NGOs.

5.2.2 What resources does the mission need to tackle a new approach such as M4P?

As already mentioned, it is important to keep in mind that the implementation of M4P requires many resources. These resources come in the form of human resources, capital and time.

- **Human Resources:** Implementing M4P requires trained personnel to perform an analysis of markets for the mission. These personnel profiles often are not found in ACH missions, and therefore, a mission that decided to move towards the inclusion of the vulnerable in the markets should take this aspect into account.

In the case of the SC mission, recruiting experts in M4P was done by the donor, but in other missions, the hiring of this reinforcement should be provided and budgeted for through the projects, since we often find donors who are not very involved in the projects.
Implementing a new approach always requires extra investment in training. This investment in training must also be taken into account at the budgeting level, starting at the formulation stages, in order to cover the project with our own funds, in the event that the donor does not cover them.

- **Economic Resources:** Now that we are addressing economic issues, it is important to note that the expenditure during a M4P-based project decreases over the execution. That is, there is an inverse relationship between investment-impact over time.

During the first year of launching the project, it is necessary to carry out activities that require greater financial investments, such as training, market research, surveys, etc. These activities require significant resources and yet their direct impact on the vulnerable is very small.

During project implementation, because the role of NGOs is a facilitator and not a "sponsor", the activities carried out by the NGOs are more connected to the mentoring of local stakeholders in the market and for the poor identified to promote changes that facilitate the inclusion of the vulnerable in markets. These activities over time increasingly require fewer financial resources because gradually local actors will lead more interventions, and therefore the impact will be greater.

Furthermore, the M4P approach is based on the assumption that an intervention in markets is not an isolated intervention, since several agents interact, such as services, vendors, etc., and the dissemination of results is fast and goes beyond the communities of intervention of the project. In this way, the dissemination of results is produced automatically and the impact grows. This dissemination throughout the project implementation requires less investment over time, and at the same time, the impact in terms of the number of beneficiaries should increase.

- **Resources in Time:** Projects based on the M4P approach require time, since their implementation begins with the training of facilitators on M4P up to making changes in the functioning of markets to promote the inclusion of vulnerable producers.

This process takes time, as the market changes must occur for the actors involved, and this always takes longer than if the actor producing change was the NGO.

According to Springfield Centre, the estimated time for a project based on the M4P approach to achieve the expected impact is about 7 years. However, through different programs, different markets within the same sector of intervention can be addressed. In the cases of Armenia and Azerbaijan, the selection of markets in each of the sectors had to adjust to the resources of time and money available after the start-up phase (1 year). For example, in the case of Azerbaijan, the original plan was to intervene in several markets within the meat production chain, such as veterinary services, feed, artificial insemination, meat sales markets, sale and production of fodder, etc. However, being realistic with the resources of time and money that were available, both projects had to select preferred markets. In the case of Azerbaijan, the markets that were selected were cattle feed and artificial insemination.
5.3. Key considerations to be taken into account when implementing M4P concerning: NGOs, donors, local partners, vulnerable groups.

In section 5.2 we saw the most significant aspects that a mission should take into account in order to ensure the implementation of development projects based on the M4P approach.

This section focuses on other considerations that should be taken into account before deciding on a M4P based intervention. These considerations relate to the main actors involved: NGOs, donors, local partners and Vulnerable Groups.

The role of these actors is crucial to the implementation of this approach. Furthermore, in the event that the implementation of M4P is new for all stakeholders due to its innovative approach, the communication and flexibility between all actors will be crucial to the success of the project.

5.3.1 NGOs

The ability to implement a project based on M4P by an organization is closely related to the

- Economic specialists
- Alignment of the mandate of the NGO with the M4P approach

a. Economic Specialists

As mentioned in the previous section, the implementation of M4P requires knowledge and skills on economics and marketing to understand and analyze the markets in which the vulnerable can participate. In addition to understanding the markets, this type of knowledge is crucial for the NGO to develop its role as facilitator, and may well accelerate, along with the actors involved in the markets, the necessary changes in the markets that facilitate the incorporation of the vulnerable.

These capacities have been developed in ACH through experience and backstopping.

a.1) Experience.

The experience in implementing projects based on enhancing income generating capacities and improved livelihoods (IGA), is an added value when conceptually assimilating and implementing an approach such as M4P. The reason that this experience is an added value is because in many contexts, when working to improve livelihoods through improved productive capacities, inevitably other agents that affect the ability of production have to be dealt with. For example, a project that is intended to increase the generation of income through increased dairy production will inevitably have to work on how veterinarians, markets, suppliers of fodder, and so on, can interact with producers to increase production.

In other words, M4P works indirectly with the most vulnerable and directly with various partners in the production sector. In M4P, through the detection of the needs of vulnerable groups, the work is done directly with actors that can facilitate the inclusion of vulnerable groups in the market.

The previous use of IGA project is not exclusive to undertaking an approach such as M4P, but what is certain is what they provide. Based on ACH’s experience, through IGA project implementation is easier to identify needs related to the inclusion of the vulnerable in the markets.
Previous experience in IGA projects allow for:

- Development of capacities for increased income generation, allowing greater speed in understanding the M4P approach. Therefore, it results in saving time allowing for carrying out other activities.

- Greater confidence among stakeholders (vulnerable groups, market players, etc.) with the NGO to address a new approach.

- A faster analysis of markets, since much of the necessary information will already have been collected.

- An increased knowledge on vulnerable groups and their main sources of income.

- A smoother transition from the role of implementer to facilitator by NGOs, thanks to confidence built.

**a.2) Support and Backstopping.**

The decision to incorporate into the organization on a more frequent basis staff profiles of support and reinforcement in areas that have been identified as a weakness should be a more common practice in the organization. Capacity building through Backstopping and Support in the case of the SC has been a key factor in project implementation, since it has brought the perspective of a specialist and of a person coming from outside of the mission that can bring new ideas.

The Springfield Centre has been the main tutor in both projects. In moments of doubt and uncertainty during the planning and project implementation, Springfield Centre specialists have been able to offer guidance and tools to facilitate project management. The support offered has been done through quarterly visits, and through direct inquiries via email.

According to the SC mission experience, the backstopping and support from Springfield Centre during the first phase of the project have:

- Covered the lack of knowledge about market analysis and on identifying M4P interventions.

- Provided guidance and advice on the implementation of M4P

- Created tools for the planning, monitoring and evaluation of projects.
In general, the missions will not have this support from donors, meaning they will have to take into account this external contracting in the project budget. If the hiring of external consultants assumes a high burden on the budget, the missions may use ACH personnel:

**Backstopping and Technical Support:**

The backstopping and technical support received during the project was done by:

1. The Springfield Centre offered support and guidance to the mission through two consultants. These consultants visited the project during the first year of implementation and thereafter their visits were planned every six months. In addition, the consultants have been following closely, consulting and clearing up doubts that have arisen during project implementation. The support of these consultants was key during the identification of sectors of intervention and for the definition of such interventions.

2. ACH, as the Socioeconomic Technical Advisor Partner, offered the Monitoring System design and launched the baseline for both projects.

3. ACH, as the Water Governance Advisor, provided guidance in the irrigation management component in both projects.

Financing the Springfield Centre consultants was done directly through the SDC, but the support made by the technical consultants of ACH was within the budget of each project.

**Periodic evaluation by external experts:**

Springfield Centre provided two consultants, one per country, to periodically evaluate the two projects. In both countries, the specialists provided crucial advice, providing the main guidelines for market analysis and tools for managing and monitoring the project.

In Armenia, the periodic evaluation involved the reorientation of the project towards services. In addition, the consultant presented a very useful technical tool to identify interventions called "Impact Logic" (see paragraph 6.1-C) and to evaluate these impact logics, a “Monitoring Plan” (see Section 6.3).

In Azerbaijan, the periodic evaluation was very useful because it served for establishing the working time of the interventions of local NGOs that implemented the project, in addition to guiding in their decisions. They also helped refocus the intervention of ACH to a more participatory role in decision making as a facilitator with local NGOs. Until then, the role of ACH had been focused on providing training to local staff and local NGOs, but the consultant encouraged to move beyond the training, moving from theory to practice through the completion of participatory market analysis.

The consultant also provided a very useful technical tool to identify interventions called the "Intervention Matrix" (Annex 12).
Technicians with experience in M4P: Personnel of the SC mission could provide support as technical consultants to other missions.

- Specialized technicians in M4P and specific project components such as Gender, Water Management, M & E systems, baselines, etc.

b. Alignment of the NGO’s Mandate to the M4P approach

The implementation of the M4P approach represents a change in the way of implementing the projects and the role of NGOs as that of facilitators. This role involves a number of changes during project implementation that NGOs should consider before embarking on the implementation of this approach.

<table>
<thead>
<tr>
<th>Implementation of M4P</th>
</tr>
</thead>
<tbody>
<tr>
<td>❖ A minor role in the actions and a decreased visibility due to the role of facilitator.</td>
</tr>
<tr>
<td>❖ The solutions to the identified needs are proposed by the actors of the project who are involved in the market. The role of NGOs is to accelerate the process through institutional strengthening and capacity building.</td>
</tr>
<tr>
<td>❖ The vulnerable groups with which M4P works aren’t the most vulnerable (the poorest), but are those who at least have a minimum of productive assets such as cattle, arable land, etc.⁵</td>
</tr>
<tr>
<td>❖ Firm commitment to the sustainability of actions.</td>
</tr>
<tr>
<td>❖ The interventions are mainly focused on services and rules of markets, which have an indirect impact on the vulnerable and this always implies risk.</td>
</tr>
</tbody>
</table>

Table 6: Key factors that an NGO should take into consideration when implementing M4P.

These five areas are often quite controversial and it is important that NGOs have an established and agreed-upon position before implementing M4P.

b.1) Adaptation of procedures and tools of the NGOs

Current ACH procedures are created from the needs found in disaster relief interventions. However, under the focus of M4P, the NGO exerts the role of facilitator. This role involves mechanisms and processes of response that are different from the current ones which are focused on the purchase of goods and the outsourcing of services.

During the implementation of projects we have found some tools that were difficult to adjust to the implementation of M4P:

- Progress Report of Activities (Activity Progress Report): This tool is a planning and monitoring tool of the activities, and as such should be adapted to the logic of the intervention. Therefore, the type of activities included should correspond to the ones related to the facilitator role of ACH, including the follow up of the progress of the local actors.

- Logical Framework: The logical framework tool is a tool for managing and implementing projects. This tool shows the logic of intervention when the NGO has a role of implementer. However, when the NGO has the role of facilitator, the logical framework does not cover all of the intervention logic.

³ The selection of vulnerable target groups will be explained in this paragraph when addressing the analysis of vulnerable groups.
According to the M4P logic of intervention, interventions are aimed at accelerating changes in market functions (services, information and infrastructure), so that these changes have an impact on production levels for vulnerable producers, and that this impact on the production level has a social impact.

The following Table 7 shows an example of the M4P intervention logic, and how the logical framework tool as used by other approaches does not cover all of the intervention.

For this, differences between the logic of intervention of projects are contrasted, with an implementer focus, e.g. IGA, and a facilitator focus, M4P.

<table>
<thead>
<tr>
<th>ROLE: IMPLEMENTER</th>
<th>ROLE: FACILITATOR</th>
<th>Level of Impact of Intervention</th>
</tr>
</thead>
<tbody>
<tr>
<td>Activities: ↓</td>
<td>Activities: ↓</td>
<td>Level of Impact of Intervention</td>
</tr>
<tr>
<td>Training for bee farmers</td>
<td>Training services</td>
<td></td>
</tr>
<tr>
<td>Results: ↓</td>
<td>Results: ↓</td>
<td>More capabilities for better service</td>
</tr>
<tr>
<td>Increased ability to keep bees</td>
<td>More revenue for better use of the service</td>
<td></td>
</tr>
<tr>
<td>Objectives: ↓</td>
<td>Objectives: ↓</td>
<td></td>
</tr>
<tr>
<td>Increased revenue</td>
<td>More revenue through greater and better use of the service</td>
<td></td>
</tr>
<tr>
<td>Target</td>
<td>Target</td>
<td></td>
</tr>
<tr>
<td>Poverty Reduction</td>
<td>Poverty Reduction</td>
<td></td>
</tr>
</tbody>
</table>

Table 7: Comparing logics of intervention

The main shortcomings of using the traditional logical framework for the formulation of interventions following the M4P approach are:

1. The logical framework has 4 levels: general objective, specific objective, outputs and activities. However, the relationship of results at the service level does not fit as such, rather the results are directly targeted towards vulnerable groups.

2. The results at the production (farm) level are due to interventions in services which are not reflected in the traditional logical framework. Currently the way to integrate the impact of NGOs working in the services as facilitators is incorporating it as indicators of the outcomes.

To monitor all levels of involvement of a project under the M4P approach, the Sisian team, under the guidance of Springfield Centre, developed a monitoring plan for each intervention at all levels. This plan may be seen in Annex 15.
5.3.2 Donors

Knowledge and understanding of the M4P approach by the donor greatly facilitates the reporting of the progress of the project (responsibility) and its management, because M4P requires some flexibility in order to move to action.

*Reporting on the evolution of the project* (accountability)

The projects implemented under the M4P approach are not projects that quickly obtain visible results. This is important to the donor because it must be understood that under this approach, projects are not based on NGOs’ direct implementation of activities, but on their function as a facilitator, and that this work is based primarily on strengthening institutions (cooperatives, companies, producer associations, etc.) and of capabilities. The impact of this type of activity is slower.

Furthermore, donor understanding of M4P, besides helping donors understand the speed of progress of the project, also helps them justify it to their headquarters.

In the case of the SC, the donor is SDC. This donor has been involved in the project during all stages and is responsible for hiring the Springfield Centre to provide support and training both for the NGOs and for the donor. This situation is unusual, so the mission should make an effort to bring this approach to the donor. If hiring a consultant through the project, this person could also provide a training seminar for both the NGO workers and for donors.

In the case of the SC, because of the extensive involvement of the donor, the donor has adapted itself to the speed of the project in the field, even when there has been delay to move from start-up phase to implementation, the donor, along with Springfield Centre, offered its support.

*Flexibility in project management*

The M4P approach requires a certain degree of flexibility since the project's implementation does not depend on NGOs but depends on local partners involved in the markets.

It is likely that within a sector of intervention there are several markets in play, also called subsectors: for example in the livestock market we can work with feed, veterinarians, artificial insemination, fodder, credit institutions, stock purchase and sale of animals, etc. Selecting one of these markets to define the project intervention will depend heavily on the skills and motivation by which a local actor (local partner) is willing to work on the project. It is advisable to select more than one market intervention within a project, since once the implementation of the project has begun, one of the local partners abandons the project, or that their motivation decreases, in such a way that if only one market was selected, the project would end. Put another way, it is not advisable to put all your eggs in one basket.

This methodology of work that requires the selection of multiple labour markets, in case one fails, is called "portfolio approach" (focus on market portfolios). And the ability to change a market intervention by another portfolio due to causes that made your performance during the project inadequate, is called "drop-add-building" (remove and add markets).

This method of work requires willingness to accept certain flexibility by the donor, since it is understandable that not being the NGOs which run the project, there can always be factors that change the type of project intervention, but it is nevertheless important to note that the goal should be the same.
In the case of the SC, both in Armenia and Azerbaijan, the initially selected markets of intervention within the dairy and meat markets were all markets involved in both sectors. However, since the time of the market analysis phase was greatly extended, common sense would say there was not enough time to make as many interventions in each of the sectors of all the markets. Therefore in the two sectors priority markets were selected that influenced more directly on improving production, which was artificial insemination, feed, and cooperatives. The rest of the markets remained in the project portfolio for the next stage.

As shown, the dynamics of work under M4P must allow for flexibility, and this should be understood by the donor. In return, the donor should be involved in the project in order to be bale to understand the changes proposed by the NGO.

Other missions with more rigid donors will require a more open formulation, so as to allow flexibility for changes. In these cases, it is more convenient to work with markets that have already been addressed in previous projects and with local partners who already have ties and mutual trust in order to reduce the risk of failure in a market intervention.

5.3.3 Local Partners

M4P is an approach intended to accelerate changes in market conditions so that they foster the inclusion of the vulnerable in the markets.

To accomplish this, ACH, through the role of facilitator, aims to accelerate this change through institutional strengthening, capacity building and strengthening of links between actors involved in the markets.

To achieve this acceleration of change, ACH gears its interventions towards what we call market functions (services, information and infrastructure) and towards those actors responsible for setting the rules of markets (Figure 2) so that they adapt their function to promote the inclusion of vulnerable producers in markets.

For this ACH will need to identify the actors that respond to the roles and rules of the market, and consider the possibility of working with them as local partners. For example, if a market intervention through artificial insemination in the dairy or meat production sectors is defined, it will be necessary to identify which actors are involved in that market, e.g. the Regional Centre of artificial insemination, and if that actor is willing to participate in the project as a local partner.

The identified local partners will be those with whom we should work to modify their functions within the market to make it more favourable to the inclusion of vulnerable groups. For this, the NGO, through the role of facilitator, will mentor and provide support through institutional strengthening and capacity building.

The criteria that can be used to identify which actors in markets can be potential local partners are many, but the key criteria are:

- Willingness to participate in the project.
- Motivation before and during the project.
- Capacities.

The NGO must assess these three criteria for selecting local partners, as they will be the ones who will implement the project, and therefore the success or failure of the project depends on them.

As was mentioned in the previous section on donors, as it is advisable to have a portfolio of
possible market interventions, so it is of potential local partners, so that in the case of failure of one, the possibility of replacement for another can by studied.

As capabilities are more or less easily measurable, the main reason for failure in the selection of local partners is due to the identification of their motivation. This motivation must go beyond mere participation in a project with an international NGO with the aim of raising funds for their own interest. This motivation is quite common, and it will be important to identify it, as it will affect the willingness of local partners when participating in the project, and therefore the outcome of the project.

The motivation of the local partner must face the need to adapt their service to the inclusion of a greater number of customers so that over the long term vulnerable groups continue to have a secured place in the markets.

A case that could happen is that the local partner participates in developing the project activities, benefiting from strengthening both their institution and their capabilities, and once the project is finished, the partner invests everything towards those that are not vulnerable (the richest). To avoid such risk, it is very important to clearly identify the motivation of the local partner and have them be directly involved in all activities of the project, so that in this way the change that favours the inclusion of the vulnerable is directly appropriated.

Importantly, it is the local partner who implements the changes, in other words, it is the local partner who implements the project. The NGO is only a facilitator and accelerates this change through mentoring and supporting the local partner.

As project implementation depends directly on local partners, the willingness and motivation of these partners should be evaluated periodically during the project, but especially during the start-up phase, since it is during this stage that the NGO's effort focuses on identification of markets inclusive for the poor through market analysis and on verifying different possible local partners.

In the case of Azerbaijan, the number of actors involved in the project is greater than the scheme in Figure 6, since in addition to the NGOs and local partners involved in the markets, the mission proposed that the role of facilitators should not be conducted by the NGO (ACH), but by other local NGOs who would serve as facilitators with local partners.

The main reason for this decision is due to the fact that this stage, based on the implementation of a project using the M4P approach, could be the exit strategy for ACH in the country.

The decision that this phase would serve as an exit strategy out of the country was based on the fact that the country's socio-economic indicators, reflected at the community level, did not indicate that currently there was a significant degree of food vulnerability to justify the implementation of the ongoing food security strategy of the mission for more time in the country.

After several years of work strengthening the income generating capacity of vulnerable producers in the communities identified by ACH, there has come a time when food
vulnerability in these communities has been greatly reduced. In addition, the government is more active now thanks to the energy sector, and therefore also has increased resources to meet the needs of the Azeris.

This phase, identified as an exit strategy, does not necessarily mean leaving the country, but makes reference to the exit of the current country strategy, since the role of ACH under its current strategy of food security no longer adds value to improving the socioeconomic conditions of the communities in which it works. However, advocacy and governance oriented strategies could be relevant in a context like Azeri. However, these strategies do not respond to the experience of ACH.

For these reasons, and as an exit strategy, ACH implemented M4P in Azerbaijan as an approach to strengthen the capacities of local NGOs to enable them to be facilitators and accelerate the process of changing the functions of market during and after the presence of ACH in the country.

The selection of local NGOs that would preside over the project in Azerbaijan was a long process and required the definition of the following selection criteria:

1. Work experience with ACH in the previous stages.
2. Socioeconomic knowledge of the region.
3. Demonstrated entrepreneurial instinct to understand M4P more easily.
4. The motivation and willingness to accelerate change.

Just like local partners in the markets, in the case of local NGOs it is also very important to identify and monitor their motivation throughout the project, because learning a new project approach will require an extra effort of learning.

In Azerbaijan, three local NGOs were selected, one per component of the project: Agro-economics, Gender and Governance in Irrigation. Although each NGO focused on the needs analysis and on market research from its specialization, the process was led by the agro-economic NGOs, because the actions and conclusions of this NGO had an impact on the rest.
During the initial phase of the project, ACH invested much time and effort in training to build capacity not only at the M4P level but also at the organizational level. According to the Springfield Centre, the role played by ACH in this case was the Supra-facilitator. At this stage, ACH objectives were to accelerate the process of assimilation by local NGOs to the facilitating role, and finally worked hard to improve coordination between the local NGOs themselves in carrying out activities to achieve a common goal.

This approach to the project through local NGOs requires hard work and dedication, as learning processes are slow. Moreover, as local NGOs have become accustomed to carrying out many project activities on behalf of international NGOs, adopting the role of facilitator has been a considerable change that implies a close monitoring of their work and their evolution by ACH.

To do this, the mission developed tools for monitoring the work of local NGOs, which provided indicators of the results of their work and motivation. This tracking tool can be found in Annex 2.

ACH’s work of supporting and monitoring local NGOs focused on the first phase of the project and required a significant investment in time and resources.

From other points of view, like that of the donor or of the Springfield Centre, the need to involve local NGOs in the project was asked. However, from ACH, given that this stage could be used as an exit strategy, this investment was considered essential in strengthening local capacities.

### 5.3.4 Vulnerable Groups

The multiple dimensions of poverty require different specific solutions for each context. Many poor people can benefit from improved access to markets if they have at least minimal resources such as land, health, education or a small income to build upon. But others, virtually without assets, can hardly enter the market. They need specific support to help build sustainable livelihoods and benefit from interactions with the market.

As stated by UNDP, the M4P approach is geared towards the vulnerable who have at least a minimum of resources to produce. Those without such minimal resources, even though they can also benefit indirectly as labor, will need more direct intervention aimed at building livelihoods.

In the cases of Armenia and Azerbaijan, during previous phases projects orientated and building and enhancement of livelihoods were implemented. Having analyzed the results of previous phases, it was decided that it could be time to take another step and "jump into the market."

The identification of vulnerable groups with some resources was necessary to justify the relevance of acting. This identification was done differently in each of the projects.

In the case of Armenia, the identification of vulnerable groups was done through the experience in the region. In previous phases, ACH implemented a series of projects to strengthen

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3 Creating Value For All: Strategies For Doing Business With The Poor, July 2008. UNDP.
4 UNDP: United Nations Development Programme
productive capacities and income generation for the vulnerable in the region. During these phases, ACH worked to strengthen the dairy sector through capacity building of producers and their organization by creating dairy cooperatives. Furthermore, in the preceding stage to M4P, ACH intervention was directed towards the analysis of potential markets for intervention under the M4P approach, and conducted an analysis of the dairy sector in order to ascertain whether ACH intervention in this sector would have an impact on reducing poverty.

Therefore, ACH, through its experience, had information on who might be the producers who would benefit from the project. In principle they would be the members of cooperatives, e.g., the producers with whom in previous phases ACH had worked with to strengthen their productive and organizational capacity.

ACH team conducted a diagnostic study that generally describes the context and relevance of the M4P approach in the market for dairy (Annex 5).

In the case of Azerbaijan, before the M4P phase, a diagnostic phase was conducted based on analysis of context to define where and who would run the project based on the M4P approach. This diagnostic phase led to the following phases:

1. **A socio-economic atlas** through which, using socio-economic indicators, communities were classified into four categories: low income / lower-middle income / medium income / well-off.

   The indicators used were Population, Agricultural Production, Livestock Production, Irrigation and Geographic (see Annex 8).

   The communities selected for the project were the communities classified as "lower-middle", which in terms of production and according to socio-economic parameters were below average but which nevertheless had resources.

2. **A household survey** based on analysis of the following four aspects (Annex 7):
   
   a. General Situation
   b. Economic Component
   c. Social Component
   d. Gender Component

   Through the data obtained through the economic component, families were classified into five groups: very poor / poor / few resources / medium resources / with resources.

   - **Very poor**: Families that had no productive resources.
   - **Poor**: Families with few productive resources.
   - **A few resources**: Families that had fewer productive resources than average.
   - **Medium Resources**: Families with productive resources at a medium level.
   - **With resources**: Families with productive resources above average.

   Through these two tests, resources and income, the communities of intervention of the project in Azerbaijan were defined.

   However, having the intervention areas identified, in the two projects it was necessary to establish a link between the families with whom we worked and poverty reduction, since it is
the overall goal of both projects. That is, define which vulnerable group the project would
directly address. This group would be:

**Vulnerable target group of both projects:** Families with incomes below those required to
access the local food basket, but with a minimum of productive resources related to dairy
production in Armenia and the meat sector in Azerbaijan.

For the identification of target households, a baseline study was conducted in targeted
communities (see Annex 8). This baseline study collected the following socioeconomic
information:

- General information of the composition and characteristics of the family
  (number of men or women, education, etc).

- Information regarding the ability to generate family income in order to
calculate the income per household (sources of income, production,
sales, etc.)...

- Information regarding the productive resources of each family (cows,
chickens, land, machinery, etc.).

- Information regarding the involvement of families in the markets of
intervention through the buying and selling and use of services.

The baselines for both projects were outsourced to consultants because specialized
resources were required. For this, a specific budget was defined for the completion of this
baseline and monitoring over the implementation period of the project (see ToR for the
outsourcing of the Baseline and the proposal made by one of the consultants in Annex 9 and
10).
6. M4P Implementation during project management.

This section represents the more operational part of the document and it will present the different tools used by the teams of the two projects in each of the phases of the project.

In operational terms, the M4P intervention process is divided into five components corresponding to the main stages of a typical project cycle:

1. Setting the strategy framework
2. Understanding market systems
3. Defining sustainable results.
4. Facilitate systemic changes in the markets.

![Project Cycle Diagram]

Source: Springfield Centre.

Figure 8: Components of the intervention process and M4P project cycle.

The intervention components are presented in a sequential manner, but in practice the application of M4P is rarely a linear progression.

6.1 Inception Phase

At the operational level, it is important to note that in projects based on a M4P approach, moving from the start-up phase to project implementation normally requires more time than projects based on other approaches.

The reason is because the activities undertaken during the inception phase of M4P require considerable time, and until we have done these activities, we will not have the defined intervention (sustainable results). In the cases of Armenia and Azerbaijan, the activities took place in approximately eight months.
These pre-implementation activities are:

- Identification of the area of intervention.
- Definition of a strategic framework for work.
- Market analysis.
- Definition of the intervention.

This delay in the definition of the intervention may cause conflict with the donor because during almost all of the first year, no great results are seen. Therefore, communication with the donor, donor involvement in the project and their understanding of M4P are essential for good coordination between donors and NGOs.

If the donor requires a very rigid formulation, the mission may look for alternatives such as:

- A formulation that allows a degree of flexibility in setting interventions. Do not go into detail of the intervention.

- Anticipate the situation and seek funding for implementation of the inception phase that aims to identify the causes of exclusion of the vulnerable in the markets. After this project begins, the results will allow for a new project as a continuation of the previous project to implement the intervention under M4P to respond to the conflicting needs.

- Another possibility is to suggest having the start-up phase be a co-financed project of a larger project based on the implementation of M4P.

We turn now to describe the components that are part of the start-up phase of the Project Cycle.

A. Setting the strategic framework of the project (component A)

The strategic framework defines the general direction of the project to the facilitators and donors from the outset. It also establishes the parameters for the analysis of specific markets and provides the basis for defining the interventions (outcomes) of the project.

The definition of a strategic framework is due to the fact that at first there is not enough information to write a detailed logical framework to describe the interventions that will accelerate a change in the functioning of the markets.

This is a dynamic tool, and based on how it is defined during the inception phase of the project, it provides basic information for the logical framework.

In the case of flexible donors, they permit the formulation of the proposal based on the strategic framework for action, and based on how the project advances through the start-up phase and defining the strategy, they will allow the results of the logical framework to be adapted to the conclusions found.
Process of defining the Strategic Framework

Step 1. Define the objectives of poverty reduction: profile of the target group, the nature of exclusion or inequality, the desired final impact.

Step 2. Define the objectives of growth and access: opportunities favouring the vulnerable, the possibility of improving the group's position in the market system.

Step 3. Define the objectives of systemic changes: Changes needed in the functioning of the market to better include the vulnerable.

Step 4. Define an extensive reliance of the intervention strategy, avoid a rigid definition of the operational details and input.

Both in Armenia and Azerbaijan the strategic framework began being defined in the previous phase of the project. Once ACH intervention under the M4P approach within the SDC was planned, Springfield Centre experts visited the two projects and made a diagnosis of the sectors that could potentially be the areas of intervention for the M4P project (Annex 1).

The diagnosis of possible areas of intervention was based on analysis of the following factors:

- The orientation of the work of the NGO towards market development: The two projects in the previous phases integrated the market factor into their IGA drafts. ACH therefore already had some capacity to undertake a project that was oriented towards developing markets.

- Rationale of the Intervention to Reduce Poverty: To justify the relevance of the intervention of ACH in a sector, it should be geared towards reducing malnutrition. The analysis of the relevance of the intervention was performed through the main factors determining whether a market is inclusive for the poor (Figure 1):

  - Potential for favouring vulnerable groups - Is the dairy sector important for vulnerable producers in the Syunik region?
  
  - Growth potential of the sector for the vulnerable – Do dairy products have favourable growth potential for the inclusion of small vulnerable farmers?

  - The Development Potential of the sector studied.

The analysis of the relevance of the intervention was conducted by ACH teams in the previous phase following the guidelines of Springfield Centre (Annex 5). The study and findings were evaluated by Springfield Centre, serving as an entryway to the market analysis. This analysis took approximately eight months.
• **Understanding the Market:** Understanding the market as a three-dimensional system (Figure 2), in which producers have synergies with other actors within the market which act directly or indirectly in their market share. These actors are services, local authorities, etc.

The understanding of markets is based on the analysis of the following factors:

- The market chain in the region.

- Actors who develop the various functions of the market such as service providers, local authorities, etc.

- Standards and norms, formal and informal, that effect the functioning of the markets.

• **Future Vision:** This vision of the future is an added value to this approach since its analysis is essential to study the sustainability of the inclusion of vulnerable groups in the market. For this analysis a sustainability matrix is applied which is an analysis based on “who does it and who pays for it” in the today’s market and who will do it in the future (Table 2).

• **Potential Interventions and Results:** Through the lessons learned in the diagnosis a number of potential interventions can be identified based on improving the quantity and quality of production, and how the different actors involved in the market could affect these interventions.

Based on the market diagnosis made by Springfield Centre, the areas of intervention were identified. In Armenia, the dairy cow industry was selected and in Azerbaijan the meat sector was selected.

<table>
<thead>
<tr>
<th>The reasons for the intervention of ACH as a facilitator for both projects were:</th>
</tr>
</thead>
<tbody>
<tr>
<td>- A very high percentage of vulnerable producers in the dairy and meat sub-sector.</td>
</tr>
<tr>
<td>- Opportunities for vulnerable producers to benefit from the growth of dairy and meat processing.</td>
</tr>
<tr>
<td>- Ability to intervene and change the sub-sector of dairy and meat processing in an inclusive way for vulnerable producers.</td>
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</tbody>
</table>

The diagnosis and identification of the sector of intervention set the strategic framework of the project from which to work. The study of the relevance of the intervention done by ACH and the diagnosis made by Springfield Centre has outlined the work for the teams for the coming months.

Furthermore, based on the conclusions obtained, the project submitted to the donor was formulated based on the following established intervention strategy:
B. Understanding markets systems (component B)

Having identified the sector of intervention, the teams had to conduct a thorough diagnosis of the sector based on experts to understand the operation and synergies in the sector.

On the advice of the experts of Springfield Centre and guidelines and advice they provided in their regular visits, the teams of both projects defined a plan of action to analyse the sector of intervention in depth.

This phase corresponded to the first months of the M4P project implementation itself, because as mentioned above, the identification phase of the sector and diagnosis was made in the previous phase.

Moreover, during these months, the mission also invested time in M4P training and capacity building of local NGOs, because to understand the functioning of markets, previous training and skills are needed for understanding and analysing those markets.

This training was conducted by staff of the mission who had done Springfield Centre’s course on M4P in Glasgow, one in Armenia and one in Azerbaijan, and then two workshops held by the technical coordinator of the mission and the technical staff involved.

The plan of activities to improve understanding of markets in each project was as follows:

1) Market Analysis (sub-sectors) that are within the dairy / meat sector: Artificial insemination, fodder, feed and micro-credit.

2) Studies on (Annex 11)
   - The adequacy of ACH’s intervention in improving the governance of institutions / organizations involved in the dairy sector.
   - Gender Analysis in the Syunik region.
   - Improving dairy market access for vulnerable families in Salvard valley.
Market Analysis of the sub-sectors that are within the dairy / meat sector

The market analysis was done following these steps:

1) Understanding the profile of vulnerable groups, including identifying opportunities and key drivers of change.

2) A mapping of the market system, its dynamics and interaction between different market functions that affect the sector concerned.

3) Identify problems and causes of exclusion of vulnerable groups in markets. What opportunities are there for inclusion?

4) Analysis of the functions of the market and market players, their limitations, motivations and strengths.

5) Identify the strengths of markets and market players to design the intervention strategy.

Below are the findings of the market analysis done in the project in Armenia:

<table>
<thead>
<tr>
<th>1. Understanding the profile of the vulnerable groups in the region:</th>
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<tr>
<td>Population of the region</td>
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<tr>
<td>Percentage of people involved in the dairy sector</td>
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<tr>
<td>Availability / existence of final purchasers of milk</td>
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<tr>
<td>Availability / existence of infrastructure (milk collection points) in the region</td>
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<tr>
<td>Average cash income for dairy producers per month</td>
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</tbody>
</table>

2. Mapping of the market system for the dairy sector

The mapping helped identify and understand the synergies of the dairy sector in the region and what were the main barriers to the participation of vulnerable groups in markets.
Figure 9: Diagram of functions of the market features that affect the dairy sector in Syunik.

Figure 9’s vertical columns show the marketing chain of the dairy production from supplier to consumer. The vertical arrows represent the services (functions of the market) that impact heavily on the competitiveness of vulnerable dairy producers.

The mapping of the sector’s operating system intervention helps to identify where the major problems or opportunities for vulnerable producers are.

It is true that the competitiveness of vulnerable producers depends not only on the quality of cross-cutting sectors that affect the quality and quantity of milk production, but also depends on their strength as producers, formally or informally, to negotiate with market actors, being actors or services, that form part of the production chain market.

3. To Identify problems and causes of exclusion of vulnerable farmers from markets

In the dairy sector there are several barriers to increased access for vulnerable producers to markets.

The study of these barriers is done through the study of interactions of different levels of the production market chain. When the transition from one level of the market chain to the next is difficult, then we study the cause of this barrier and try to identify ways to facilitate the advancement so that actors can help get to the next level.

A common example is when production, of milk or meat, does not go from producer to buyer because the poor quality of the product. In this case we will study what cause and what market function are unfavourable and undesirable to the production quality. The reasons could be because cattle breeds are not improved breeds of meat or milk, or because the sanitary conditions of livestock are not adequate, and so on,
and then the next step would be to study what possibilities there are for these services (market functions) to adjust their conditions in ways that are favourable for the inclusion of the vulnerable in markets.

Following the case of Armenia, the main problems identified for dairy development in the region were:

1. Decrease in the number of cattle.
3. Periodic droughts.
5. The financial and economic crisis / devaluation of money (AMD)

4. Analysis of market functions and market players, limitations, motivations and strengths.

Having identified the main challenges to the inclusion of vulnerable producers in the markets, it is necessary to analyse the different functions of the market to identify the causes of these barriers.

This analysis of market functions also serves to identify opportunities to help overcome these barriers and to identify market agents that may be local partners of the project.

In the case of the dairy sector in Armenia, the identified problems were analysed and a study of what were the main functions of the market that created a barrier or an opportunity for dairy development was made.

We studied the four main market functions that affect the dairy sector in the region (Figure 9): artificial insemination, fodder, micro credit and veterinary services.

In the study of the main functions of the market, in addition to analysing strengths and weaknesses of facilitating the inclusion of vulnerable producers in the market, it is also necessary to analyse the market agent responsible.

Following the example of Armenia, in the study of market functions one of the markets in the dairy sector was the Artificial Insemination (AI). The main conclusions of this study were:
- Lack of knowledge of AI service for farmers (limited demand).
- Lack of experience in the provision of services by the AI Centre in Sisian (limited supply).
- Weakness of the supply chain and service network.
- Old equipment and lack of semen stock available in the AI Centre
- Lack of transparency of government's role in the rules and regulations governing AI.

5. Identifying the strengths of market functions and market players to design the intervention strategy

It is not sufficient to identify the causes of exclusion or marginalization of vulnerable groups within the system of market functions or in the proper organization system, it is also necessary to consider what agent is responsible for performing each market function to see what opportunities for change there may be and if the agent can be an agent that accelerates change or on the contrary is a barrier.

The analysis of the market agent in charge of each function is crucial to the project, since the project will depend on the agent's willingness to change so that it occurs within the market system, because the role of the NGO is a facilitator and not as the
entity that creates the changes. In projects based on other approaches, once needs are identified the NGOs get involved running the project, and the best cases local NGOs get involved so that they are the ones leading the process.

In the M4P approach, the market players are the ones that implement the activity to overcome the barriers identified in market research, and the NGO (local or international) is the one who guides the agent in its implementation as the facilitator.

The main factors to consider in identifying local partners are:
- The ability to assimilate the project.
- Willingness and motivation to change.
- If the market function being developed is a primary or underlying cause of the exclusion of the vulnerable.

In the case of Armenia, one of the market players that became part of the project as a local partner was the Sisian artificial insemination centre. The lack of quality dairy breeds and the declining number of cattle were two major causes of low productivity of vulnerable producers in the region. Through artificial insemination, the breed would improve and the number of births would increase, so the producer would earn on the one hand the quality and quantity of milk, and on the other hand, the number of cattle that would allow them to increase their holdings or selling them in the future.

The motivation of the centre of artificial insemination to participate in the project was very positive from the start of the project. In fact, in earlier stages ACH had worked with this centre. Its main motivation was that since the collapse of the Soviet Union, the use of artificial insemination was decreasing because the quality of services had been deteriorating (sperm quality worsens over time, obsolete equipment, etc.). Participation in this project would enhance the dissemination strategy of the Artificial Insemination Centre.

The relationship between improving this service and the reduction of poverty is that most dairy producers in the region are vulnerable, with a small number of cattle (between three and ten).

### Studies on the relevance of ACH intervention

Conducting a study of gender and governance was intended to:

1. Define the relevance of the ACH intervention in these sectors within a project based on M4P.
2. Provide information for the definition of the intervention.

These studies sought to determine whether an intervention in improving governance was relevant to a project focusing on the inclusion of vulnerable groups in the dairy market / meat markets.

The study noted that improved governance through institutional strengthening is a key factor in the inclusion of vulnerable groups in the market. Both the strengthening of producer organizations, and using irrigation of pasture and fodder, as well as producers managing
services themselves, are elements favourable to making them increasingly stronger when negotiating and seeking alternatives to the imposition of conditions such as unfair purchase prices by other agents.

In the case of Armenia, after studying the different functions of the dairy sector market, the project interventions focused on: artificial insemination, fodder production, improved market access through the strengthening of cooperatives. In the three components of the project, cross-governance was directly addressed as a factor in the project. With regards to gender, it is also crucial in the project, but as of this writing it has not been determined how this approach will be addressed in the project.

The main reasons why the functions of micro-credit and veterinary services were not addressed at this stage are that in the first place, micro credit institutions are highly centralized in the capital and at the moment are quite rigid, and in second place, it is a market function that is very disorganized, and therefore the possibility of changes with time and available resources was very limited.

In the case of Azerbaijan, this level of understanding of the sector of intervention required an extraordinary effort by the ACH team and the consultant from Springfield Centre, as the study of the market and the different roles of the meat market was conducted by the three local NGOs responsible for being the facilitators.

Each NGO was responsible for analyzing a component of the project (agro-marketing, irrigation governance, gender), which forced them to work in coordination.

One of the biggest challenges was to move from the identification of symptoms and effects of the exclusion of the vulnerable from the meat market, such as high prices of fodder, difficulty acquiring loans, etc., to the identification of causes.

The ACH team did a thorough job of supporting and monitoring, so that local NGOs were making progress in identifying causes of exclusion of the vulnerable, such as identifying strengths within the system that could be used for inclusion of vulnerable groups in the market.

This process lasted about four months, and after a market study was presented by each NGO, an analysis was carried out to identify the different types of interventions.

In the case of Azerbaijan, at first an intervention was selected for each function of the market (service) involved in the meat sector, but as in Armenia, taking into account the time and resources available for the project, ACH opted for the selection of the functions with more possibilities for change. These were the buying and selling of feed and micro credit institutions to improve women’s access to resources.

C. The definition of the intervention (component C)

The definition of the intervention or of the sustainable outcomes as stated in Figure 9, each project was carried out following a different methodology.

In the case of Azerbaijan, a "Matrix of Intervention" was used and through which local NGOs responded to the following questions in order to define the relevance and purpose of each intervention:

Type of intervention, Name of the intervention (what?) / How to make it / Who does it / Who will be the facilitator / Where will it be implemented (Annex 12).
Table 8: Example of the intervention Matrix in the meat sector, Azerbaijan.

The identification of interventions is based on identifying market opportunities in the study of each of the functions of the market. Therefore, it is important to emphasize what are the opportunities and not just stay focused on the problems. Sometimes the solutions are in the context itself and we do not see them, for example, identifying and studying how other producers who were initially vulnerable were able to become middle-income producers. Perhaps if we find these types of cases, their strategies could be replicated or at least identifying possible interventions could be done.

In the case of Armenia, the methodology used was the Impact Logic.

This methodology starts from the study of the impact that each of our interventions will have at different levels: social level, farm level, service level.

The objective of this methodology is to define the link between the interventions defined by services (service level) and the aim of the project which is the reduction of poverty (social level). The connection is formed through the Impact Logic that an intervention will have on the next level.

This analysis defines the causal logic between the intervention and the ultimate goal of the project, because without this causal logic, the work done with services does not logically imply a reduction of poverty.
In Annex 13 there is an example of how project interventions in Armenia, artificial insemination (AI), fodder and market access, have been defined according to the methodology of Impact Logic.

Using this methodology requires highlighting the following aspects:

- The results of the project (interventions) are at the services level, their impact is at the level of production and social level (poverty reduction).
- The project must have a clear focus on services and institutions.
- There should be logical links between all paths of change, but this logic is based on assumptions.
- The link between activities and the objective is defined, and problems or incidents can be clearly identified.
- Facilitates monitoring of the effects of interventions and their impact.

Figure 10: Impact Logic scheme of M4P interventions.
6.2. Implementation phase: facilitating systemic changes in the markets (component D).

The implementation phase of the project can be said to theoretically begin when interventions have been defined. However, the facilitator's work done in the start-up phase is also part of project implementation.

During the intervention phase, unlike other approaches, there are two important points:

1. As mentioned above, the market portfolio approach allows that in the case a market or a local partner loses motivation or a study becomes unfeasible by unforeseen difficulties, both the market of intervention as well as the partner may be replaced by another, provided that this change does not involve a breach of the project objective.

2. Early interventions have little impact since they are based on institutional strengthening and capacity building of local partners. However, over time the impact increases, since interventions based on M4P have an effect due to the potential impact of a service improvement, which is not limited to a particular community group, but has a wider impact.


Figure 11 Understanding the market in reality as a dynamic and interactive process.
At the time of writing this document, the project was in its implementation phase. A forthcoming paper will reflect the methodology used by each project and how they have overcome the main barriers and difficulties in this phase.

### 6.3 Monitoring and Evaluation Phase (Component E).

The monitoring component (monitoring) for projects based on the M4P approach is a constant throughout the project.

The main reasons that the definition of a monitoring system is especially important in this type of project are:

1. Monitoring the work of local partners and local NGOs in the event that they take on the role of facilitator. The role of facilitator excludes the NGO implementing the project, yet it must ensure compliance with the expected results. For this, the NGO facilitator should use the monitoring tools to identify possible errors or deviations in the implementation of the project, but also to identify best practices so we can display them as results.

2. The continuous evaluation of the project is necessary to measure its impact.

Both projects developed a monitoring and evaluation (M & E) system based on the performance of a baseline that would determine the initial situation of the project (Year 0), two follow-up studies in the middle of the project (one in year 1 and another in year 2) to identify possible distortions of project implementation or good practices, and an impact study at the end, which, by comparison with the baseline, will show the impact of the project (Year 3).
To design the monitoring system, the mission hired a socioeconomic technician, who was budgeted for the two M4P projects.

The main difficulty encountered by the technician create the baseline in both projects was the dynamism of the process of identifying project interventions. The formulation of the project was varying according to the conclusions reached at the stage of understanding of markets, and until the logical framework and the logical flow impact, as in the case of Armenia, were not defined and validated, the baseline could not be defined.

The methodology and the main problems and recommendations for designing and implementing a monitoring and evaluation system based on M4P is available in the final report of the technicians M & E: Design and Implementation of the monitoring and evaluation system in Sisian (Armenia) and Agjabedi (Azerbaijan), (Annex 14).

In Armenia, in addition to the baseline, we have implemented a monitoring and evaluation system presented by SDC and jointly designed by the Springfield Centre and SDC (Annex 3).

In this system a methodology for monitoring the system is designed from the Impact Logical system. It details each of the boxes corresponding to an impact and each number is assigned an indicator measuring the impact of the box assigned (Figure 11). In this way, all the impacts reflected in the Impact Logical flow will be reflected in the monitoring plan.

The main benefit of this system is that it clearly states what information to collect and how to measure what. The content of the monitoring plan is as follows: (Annex 15)

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<th>Contents of the monitoring plan</th>
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<tr>
<td>• Number of Impact Logical tables</td>
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<td>• Name of indicator</td>
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<td>• Line Base 2007</td>
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<td>• Survey 2008 / 2009</td>
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<tr>
<td>• Final Impact Study 2010</td>
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<td>• Source</td>
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<td>• Expected impact / Objective - forecast</td>
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<tr>
<td>• Date of data collection</td>
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<tr>
<td>• Sources of Verification</td>
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An external evaluation of the project in Azerbaijan has recently been conducted, where the main recommendations made by the technician one year ahead of the end of the project can be seen (Annex 17). Among the key recommendations are:

1. The definition of an exit strategy, logical and consistent with the development of interventions in the region.
2. Orient existing interventions to guide their sustainability once the project is completed. In this regard, it is advisable to rethink the role of local NGOs and local experts so that their work can continue once the project ends.
3. Increase dissemination of the project in the region so as to contribute to greater participation of beneficiaries in the activities.
4. Increase the participation of local authorities in the dissemination activities and exhibits.
7. Case Studies

Story 1

<table>
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<th>Country: Azerbaijan</th>
<th>Region: Agjabedi</th>
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**Title:** SMALL CREDITS FOR BIG CHANGES

**Aim**
Increase access of targeted farmers to micro credit in order to improve their capacity to manage their farms and thus improve their incomes.

**FACILITATOR**
The socio-economic development project of ACH is led by local facilitator ELAT (local NGO).

**Methodology of the workshops**
ELAT organized several workshops in which both breeders and microfinance institutions (MFIs) operating in the region were called to attend.

The composition of the workshops changed. Initially, the workshops were done with men and women together. Thus it was found that female participation was very low and consequently it was decided to hold separate meetings so that the women could voice their concerns and difficulties in access to micro credit. Once the information was collected separately, the two groups were reunited so that the talks with the MFI technicians were the joint. As the facilitators had taken up the concerns of both groups, participation in technical meetings with MFIs was higher for both men and women.

The MFI technicians explained the main financial products they could offer and the conditions they would require. Some examples of financial products were: micro credit for individuals, groups, business, livestock, etc. Each technician distributed informative material.

The advantage of the credits for groups was that they did not require a deposit as a guarantee, and this was crucial for producers, the aim of the project, because the need to provide a deposit was a major difficulty in accessing these products in an individual way.

The MFIs have had positive experiences with providing micro credit to women because in their experience the default rate was significantly lower with women than men.

During the workshops, women and men that already had access to micro credit shared it with the rest by way of lessons learned. In the case of women, it is noteworthy that pro-activity, self-confidence and the loss of fear to ask questions were the three key factors to overcome their own barriers.

**Results**
The number of women and men who have succeeded in obtaining MFI credits in Beylagan, Tazakand, Agjabedi and Galabadin.
As a result, 4 groups of men, 4 of women and 4 mixed were created and applied for loans. In addition, some producers also managed to negotiate with lending institutions.

**Monitoring of performance**

Follow-up visits to the communities showed that most of the loans were intended for livestock activities, especially for meat production because this sector is considered one of the most profitable.

**Future prospects**

Soon these activities aimed at improving access to micro credit will be replicated in other communities that were classified in the socioeconomic atlas as communities with below average income. The dissemination of experiences will promote understanding of financial products, as well as the rights and obligations of producers.

Access to these small loans will enable producers to be economically strengthened and this may allow them to initiate changes in their production systems in order to reduce their vulnerability.

**Recommendations**

It would be advisable that in future meetings MFIs be incorporated because this would favour more competition and farmers would have a greater choice of financial products to choose from.

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**Story 2**

**Country:** Azerbaijan  |  **Region:** Agjabedi

**Title:** TOWARDS AN M4P APPROACH

**Aim**

To introduce an improvement in animal feed for meat production through improved relations and understanding among the cattle herders and feed suppliers in the region and training for cattle herders on their use and efficiency.

**Facilitator**

The socio-economic development project of ACH is led by local facilitator ELAT (local NGO).

**Methodology: Workshops and Training**

Numerous workshops were organized by ELAT in which links were created between targeted farmers and the leading feed company for fattening cattle of Azerbaijan, Azeryem.

The aim of the workshops with Azeryem was to improve knowledge of this type of food among the targeted farmers, and to show them that this type of animal feed was not excluded for them due to a lack of resources, but that the feed company would also be interested in expanding its coverage of clients.
The workshops provided an opportunity for farmers to discuss the current situation of access to quality feed, share their main problems and needs, and share experiences.

The farmers of the region had not had contact with any feed company or with Azeryem, and therefore fed their cattle in the traditional manner. The traditional system had deficiencies of micronutrients for optimal growth of livestock. Besides this, this traditional way implicated the family members to spend more time feeding, especially for women since this activity is traditionally attached to them.

The participants showed their interest in introducing this new type of food on their farms. In several cases, after the workshop the farmers made their first order of feed to try it. Most farmers who tried it repeated it as the effect of this type of food is rapidly visible.

The farmers, tutored by ELAT, reached an agreement with Azeryem to organize and be able to make periodic purchases by communities, because in this way through buying large quantities, the supplier offered a better price and free transportation.

Results

Results at the time of writing this report the number of men and women that were buying feed on a regular basis was 230. This number is expected to increase.

Farmers that also had other animals such as sheep, goats, etc., also took advantage and also made purchases from Azeryem since this company has different types of feed for different animals.

Several targeted farmers who participated in all trainings have applied for credits to buy more feed. Thus we have seen how the different project interventions have been converging on a common objective.

The farmers have expressed interest in continuing to use this type of animal feed.

Future Perspectives

It is currently expected that this component of the project will be replicated in other neighbouring communities since the dissemination of results through the exchange of experiences is implying that each time there may be more buyers of such feed.

Recommendations

It is advisable to incorporate into the project a greater number of suppliers of animal feed, because currently there is only one supplier, which is Azeryem.

This is an ongoing process in which the identification and incorporation of new actors in the project must be the work of the facilitator.

For now it seems that in the region the only supplier of quality feed is Azeryem, and therefore the possibility of importing is under consideration. In order to import, first potential suppliers are being identified and we are studying together with groups of targeted project farmers the profitability of imports. This would favour the creation of competition, which could have an impact on prices.
Expanding the use of Artificial Insemination in the Commonwealth of Salvard.

Salvard is one of the communities in which ACF works, and it is located in the highlands of the Sisian region surrounded by alpine meadows. Livestock production, especially production of milk and meat, is the main source of income for producers in the community.

While farmers in the community make every effort with the resources available, in reality the milk yields do not exceed 1,600 gallons annually. With regard to the calves, they are currently born with less weight than desired.

According to the farmers and experts, the main reason for low productivity is the degeneracy of the genetic characteristics of livestock due to having been crossed at random, instead of using artificial insemination. Therefore, the current cows are not genetically prepared for expected production.

Studying the case of farmers, ACH noted that artificial insemination services (AI) are practically inaccessible to farmers for the following reasons:

1. Some farmers are unaware of the service.
2. Other farmers, while having information about the service, are inexperienced and uncertain about the effectiveness of AI.
3. Other farmers are aware of the service but cannot access it because of its cost. This cost is due to the fact that in this community there is no AI technician, so should they wish to do inseminations, the Salvard ranchers have to ask for technicians from other communities and this implies a price increase of the service due to the cost of transportation and expenses of the day.

After identifying the problem, ACH and the insemination center of the region jointly developed a work plan to address this need identified in Salvard, which is already yielding results. The whole process was conducted under the focus of the facilitator, following the methodology of M4P as follows:

From a more traditional approach, this same intervention would have been approached by ACH through the purchase of animals with good genetic characteristics and which would have been delivered to farmers in the community. ACH also could have organized a generic artificial insemination in the community offering its support through the payment of costs. This solution would not have covered all animals, and in the future the genetic degeneration would have been repeated because ACH would have worked on the effect and not the cause.

Whereas ACH has chosen a facilitator approach dictated by the M4P methodology, its work was to promote sustainable processes and actors involved in the market, thereby improving the relationships between them. This type of intervention keeps ACH as an actor outside the market and its involvement should not be distort markets.

According to ACH, promoting AI activity in a sustainable and independent manner among farmers was through the strengthening of relations between the AI Centre and farmers, leading to improved access to AI services, given that the AI centre is a trusted actor in the region and is interested in expanding its services.
Following the project, the AI centre of Sisian organized several diffusion campaigns in Salvard on the benefits of AI in which besides sharing information on the benefits of AI, it also performed exhibitions. ACH, as well as facilitating collaboration between the Centre and ranchers, also provided support by funding with project funds these days of diffusion. As a result of the campaign, a technician was trained by the AI centre to offer this service to the community and was endowed with the necessary equipment by the centre. Consequently, the link and exchange between the needs of farmers and the centre improved.

As a result, 175 cows were inseminated Salvard, in other words, the total number of cows increased from 0% to 57% in Salvard.

With regards to increased income of farmers, they have already been informed of the advantages of AI in the birth of calves. To compare, artificially inseminated calves 4 to 6 months were sold at AMD 60,000-90,000 ($200 - $300), while a calf born without AI was sold for 30,000-50,000 AMD ($100 - $170).

Increased milk production is still not as obvious as in the birth of calves, however, this increase is expected next year when heifers grow to become dairy cows.

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Story 4

**History on the milk collection in the community of Lor, Sisian**

The community of Lor is located in the valley of Dzorer and surrounded by mountains. The community is very small, with 358 inhabitants and 131 families. The resources of this community are very scarce, including the resources from livestock, meat and milk.

When the need for milk collection was identified as a result of a survey in Lor and other surrounding villages, most people resisted and did not agree on the establishment of a milk collection centre in their community. The reason was that they wanted to continue producing traditional cheese despite the fact that this market was declining. The issue here was not only the production of cheese, but also obtaining the serum with which they fed their pigs. Based on market analysis made by ACH and Springfield Centre, ACH was able to convince working families to boost the market for the production of milk and for processing milk into cheese and other products.

Then, with the help of a consultant and a dairy company with which milk was negotiated to regularly be bought, ACH installed a milk collection center in the community of Lor. At first, ACH did most of the investment, but then along with Lor farmers began motivating the company responsible for the collection of milk to make small investments that would enhance the quality of their service. As a result of the work of ACH as facilitator, the milk purchasing company invested about $18,000 in interest-free loans to farmers, which should be returned in full by the farmers. These credits would be invested to increase the quantity and quality of milk.

The first year yielded an income of approximately $73,000. On average, a farmer received $72 per month, which is slightly lower than the basket in Armenia ($125 per person). The mayor conceded that they had never received an amount in cash like that for any product.
Since the residents of Lor have a constant income, the number of migrants to the city has decreased. Moreover, as the collection of milk is also produced in other communities, the interaction between them has increased and this has meant an increased number of marriages. As a result, the population is increasing and the authorities have approved the renewal of the community school. The number of stores in the community has also increased because there is more money in cash.

Lor dwellers are increasing the number of cows, which will increase milk production and therefore their future income.
8. Conclusions and lessons learned.

- M4P should be a complementary approach within a comprehensive food security strategy.

- Implementing an M4P approach means working with basic and underlying causes that directly affect the access and availability of markets for vulnerable groups.

- M4P can provide answers to different contexts where different variables involved are more closely related to malnutrition. Markets in which vulnerable groups are excluded or discriminated against can always be identified, and ones in which a potential for sustainable development exists. These are the types of contexts where it would be necessary to investigate in other ACH missions.

- ACH is implementing projects in the South Caucasus to meet the needs in a context that is continually evolving. In the communities where we work there are still a very high percentage of families with difficulties for diversifying their diet.

- It is recommended that the M4P approach is preceded by institutional and organisational strengthening of producers, focused towards the establishment of IGAs, because if they do not participate in the market in an organized manner through cooperatives or other types of organizations, they will be highly vulnerable to market threats.

- The first premise in order to implement projects based on the M4P approach is the necessity for having identified markets inclusive for the poor.

- The adoption by the missions of a global vision that allows them to analyse markets should go from the analysis of current market conditions offered to vulnerable groups, to building a vision of how these markets will operate in the future.

- In M4P the investment-impact relationship in results is reversed over time: the implementation of activities requires considerable resources in the beginning and yet its direct impact on vulnerable groups is very small, and vice versa in the second half of the project.

- In missions with rigid donors at the technical level, it will be necessary to have a formulation as open as possible, so as to allow possibility for changes.

- It is good practice to predict all types of expenditures in terms of appropriation of M4P and the capitalization of lessons learned (training, consulting, capitalization), and integrate expenditure in the budget or co-financing.

- M4P requires NGOs to strengthen their role as facilitator, which implies to maintain and seek consensus among all stakeholders throughout the project.

- This role of facilitator requires training and a process of assimilation to understand that the NGO is not the one who implements. This role can be used to slow down the pace of projects, but in exchange an increased ownership is expected by the actors themselves who are involved in the markets, so that changes occur in a sustainable manner over time.
- In the implementation phase of M4P, communication between all actors and their flexibility throughout the process is crucial to the success of the project.

- One of the core points of M4P is the improvement of relations between actors. Therefore, a quantitative assessment of the intervention and a qualitative one are necessary.

- At the operational level it is important to note that in projects based on a M4P approach, the step from the Inception phase to project implementation normally requires more time than projects based on other approaches. For example, the phases of diagnosis of the situation and intervention design tend to be different from what we usually do in the organisation. There are new concepts and methodologies that must be taken into account: Impact Logic, "market portfolio approach", "drop-add-building." Therefore, communication with the donor, their participation and understanding of M4P are essential for good coordination between donor and NGO.

- Implementing M4P requires an adaptation of project management tools to be more useful in interventions as facilitator, such as the logical framework.

- In this approach, the project implementation is carried out by local partners that have a role in the market. Their goal is to change / adapt the way they work within the market to make it better and more inclusive for vulnerable groups. This type of intervention requires more time and a very thorough job of project monitoring.

- The objective of the NGO (ACH) is to accelerate the changes in the functioning of the market. "The NGO does not create new forms of work, does not change the functioning of the market system, but rather accelerates changes through the actors who are motivated to make change."

- M4P requires great effort in training and motivation of members to assume their responsibilities.

- There is a danger that local partners are only interested in the technical improvement of their services and do not give importance to institutional strengthening.
## ANNEXES

1. Diagnosis of potential areas of intervention, Springfield Centre:
   

   1.2. Diagnosis of the wheat sector in the Syunik region, Armenia, Marieke de Ruyter de Wildt, Springfield Centre, 2007.

2. Tool for monitoring the work of the local NGOs (designed by the technical team of Azerbaijan).

3. SDC document on Monitoring and Evaluation System (M&E System)

4. Case Study Sisian, SDC Workshop March_09, Tbilisi.

5. Syunik dairy sector study conducted by the ACH team in Armenia.


8. Baseline Indicators.

9. ToR for a consultancy to undertake the baseline.

10. Proposal baseline surveys by Consultants.

11. Studies on the relevance of the ACH intervention:

   1.1. Improving the governance of institutions/organizations involved in the dairy sector.

   1.2. Gender analysis in the Syunik region.


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