

Alliances Lesser Caucasus Programme

Transforming access to veterinary services in Georgia



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Overview

Introduction

The south of Georgia is an ethnically-diverse, semi-mountainous region in the Caucasus with a rural population of 700,000 that relies heavily on livestock farming. Sheep, dairy and beef cattle farming, mostly as a family-scale enterprise, provides a mainstay subsistence income for 95 percent of these small-scale farmers of whom half are living on less than \$1.25 a day. Maintaining livestock health is crucial for the resilience of these families' livelihoods. This depends on their access to reliable veterinary services, products and information.

This case study concerns an initiative that the [Alliances Lesser Caucasus Programme](#) (also known as Alliances) implemented by Mercy Corps Georgia and funded by Swiss Agency for Development and Cooperation (SDC), undertook in Georgia. Alliances has been working in three isolated mountainous regions since 2008 using the M4P approach to improve the livelihoods of rural households.

One component of the programme was concerned with creating lasting and widespread improvements in animal health – through upgrading veterinary services. The Alliances programme used a 'market systems approach', which sought to address the root causes of farmer's poor access to veterinary services in remoter rural areas.

Ultimately it did this through a partnership with Roki Ltd: a national firm that imports and manufactures veterinary products in Georgia. The collaboration led to a commercially-viable system to distribute veterinary products in rural areas, and upgrade rural pharmacist's premises and knowledge.

By March 2016, Alliances was able to report that 105,617 farmer households in the programme area alone were directly benefiting from better access to veterinary services. At least forty percent of these farmers were women.

The benefits reported by farmers – healthier, more productive livestock that fetch better prices at market – go well beyond the regions where Alliances' directly operated. Roki has rolled the model out in other parts of Georgia, and when copying by other companies is included, Alliances calculate that over 466,299 farmer households now have better access to veterinary services.

Table 1: Impact of Alliances' veterinary sector work, by numbers

	Local regions where ALCP operated				Replicated by Roki in other areas	Copied by other firms	Grand Total
	Kvemo Kartli	Samtskhe Javakheti	Ajara	Total			
Pharmacies improved	20	12	12	44	284	11	339
Villages with better access	118	77	62	257	284		541
Farmer HH with better services	54,574	20,260	30,783	105,617	335,072	25,610	466,299
% of women reached	40%	42%	42%	41%			
Net income change (US\$)	\$0.57m	\$0.86m	\$0.12m	\$1.55m	\$3.79m	\$0.27m	\$5.61m

Livestock farming in Georgia

Farmers had a tough time after Georgia gained independence from the Soviet Union in 1991. Georgia went through a period of sustained civil unrest and economic difficulty until 2003 when a new government began social and economic reforms.

Agriculture was particularly affected with the collapse of all government services, as it was fully under the national Kolkhoz (cooperative) system. National policies in support of agriculture were patchy and ad hoc and are only now growing in coherence and scope.

If it can overcome recent history, livestock farming has strong potential in Georgia. Demand for food safety and hygiene-compliant, quality-assured branded food products – including honey, dairy and meat – is growing among urban populations driven by the rapid expansion of supermarket chains all over Georgia. With the upgrading of quality and regulatory control there is also potential for export to diverse markets in the Caucasus, Central Asia, the Middle East, the Ukraine and the EU. The Alliances programme aims to turn these economic opportunities to the advantage of small-holder farmers.

The Alliances programme

Alliances is a multi-phase programme to reduce rural poverty in south Georgia by helping livestock farmers gain better access to markets, information services and public goods works. Ensuring these benefits include women is a particular priority.

The programme is implemented by Mercy Corps – an international NGO – with funding from the Swiss Agency for Development and Cooperation (SDC). Work began in Samtskhe Javakheti in 2008, and was then expanded to two other mountainous regions: Kvemo Kartli in 2011, and Ajara in 2014. SDC is now committing US \$2.7 million (2.5 million CHF) per year until 2017.

Ninety percent of the rural population (an estimated 635,000 people) in these regions rely on subsistence farming. The households targeted by Alliances generally own less than one hectare¹ of land that is remote and poorly served by roads. Their typical earnings from farming are under US \$150 per month (approx. 350 Georgia Lari).

A defining feature of Alliances' work is their use of a market systems development approach. The programme was designed as an 'M4P' initiative from the outset. Using this approach the programme aimed to create lasting changes in several agricultural market systems – in particular dairy, beef, sheep and honey production – that are vital to large numbers of farmers. The programme benefits small scale livestock producers as consumers, producers and rural residents. Broad

¹ Alliances Kvemo Kartli (2012) Alliances Informal Economy Report

Figure 1: Alliances programme regions in Georgia's southern livestock producing region



programme objectives are to facilitate access for livestock farmers to:

1. Better target services for improved productivity through working with private sector input firms.
2. Enhanced market access in dairy, meat, wool and honey by working with private sector production companies and the business services sector.
3. Create a more efficient and resilient operating environment for small farmers through working with all levels of government and civil society

The first objective is where veterinary services work took centre stage. Alliances started research and analysis in this sector from 2011.

The M4P approach

Markets matter for everyone, but especially for women and men living in poverty. Since the poor have weaker informal networks and fewer links to government patronage, markets may provide a direct means to participate in economic activity – find jobs, earn income and access services. However, all too often, poor people are disadvantaged by the way that markets operate. Alliances understood that widespread and lasting improvements in farmer's lives required transformation in markets in the livestock sector, including veterinary services. Various changes were needed in relationships, functions, infrastructure, rules or norms that make up these [‘market systems’](#).

The donor, SDC, had initially specified that the programme adopt the [M4P approach](#) and Alliances adhered to, learned and continued to develop expertise in the approach because it provided a coherent, rigorous framework to understanding and intervening in these systems. The M4P approach works by identifying the underlying causes of weak performance of a system, such as the veterinary services market. Rather than just reacting to symptoms, it looks to leverage the actions of market players – public and private, formal and informal – to bring about extensive and deep-seated system change.

The focus in M4P is on engaging business partners, and stimulating changes that leave them both more able and better motivated to perform important market functions effectively and inclusively in the future. An important sign of success is when this leads other players to adopt, adapt, expand or replicate new behaviours and business models elsewhere.

Practitioners cherish the capability of market system players to respond to changes and generate social and economic benefits beyond the period of intervention. To this end, agencies using M4P play a temporary and facilitating role. They seek to catalyse others within the market system while not becoming part of it themselves.

Veterinary services in Georgia

The incomes of farming households living in poverty typically depend on relatively few animals (e.g. fewer than 10 milking cows or 50 sheep). This makes them especially vulnerable to disease outbreaks, as well as the low productivity of their livestock in general.

Early Alliances' research revealed that away from the main towns, veterinary services in Georgia were very weak. Only 8 to 14 percent of farmers had access to local veterinary services, and just 5 to 8 percent were using appropriate products, such as de-worming drugs. Livestock were often underweight, suffered from unnecessary disease and high mortality rates.

Rural pharmacies were few in number, and ill-equipped, selling a limited selection of drugs which were stored incorrectly and often out of date. With few qualified veterinarians, the pharmacies often lacked knowledge about how to control animal diseases or how to best use available products. Unsurprisingly, farmers were reluctant to go to them for help.

At the time, veterinary product manufacturers and importers – such as Roki Ltd – had no rural distribution channels for their products. Instead both farmers and rural pharmacists had to make long journeys to the capital Tbilisi to buy veterinary products and get advice. The expense of these journeys was pushing up costs and inhibiting ever further the demand for the few rural services that existed.

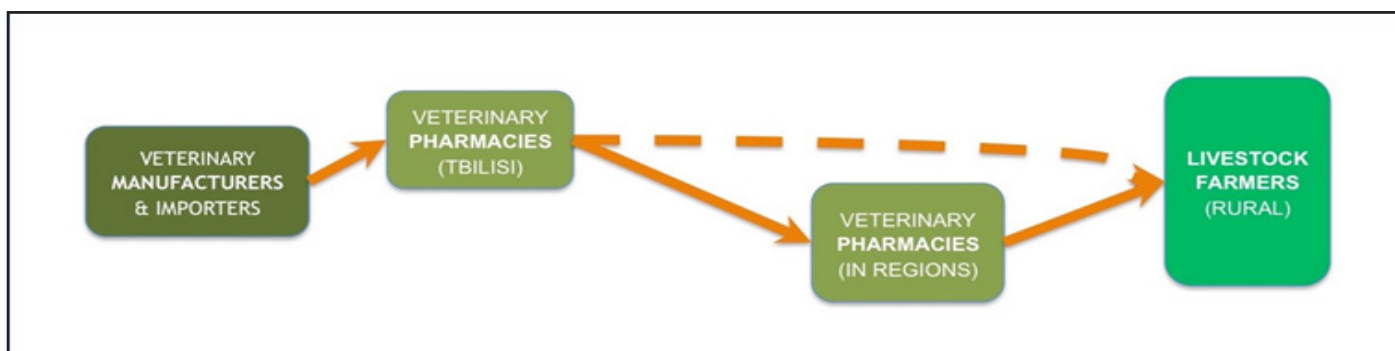


Figure 2: Original structure of veterinary services (2011)

The root causes of poor veterinary services

When Alliances began working in the veterinary sector they did not take these problems at face value. A conventional development programme response might have been to give free support to rural pharmacies: train pharmacists and distribute veterinary products. This might create quick benefits for some (lucky) farmers in the short-term, but it would not achieve lasting changes in the veterinary ‘market system’.

Instead programme staff set out to understand the underlying reasons for the lack of distribution channels and inadequate training for rural pharmacies. Why hadn’t importers / manufacturers stepped into the gap created by the collapse of public veterinary services after independence twenty years earlier?

Alliances found that manufacturers and importers lacked the confidence to invest in rural distribution networks. Capital for upgrading pharmacies is expensive, and the risks significant.

Lacking reliable information about the need for vet services, they perceived limited demand. This caution was reasonable, since farmers did not have awareness of, or confidence in the benefits of veterinary treatments. This was especially true of women who do most animal husbandry work and are the first to notice signs of disease.

Alliances vision for sustainable systemic change

Alliances staff realised that a lasting transformation in the ‘market system’ for veterinary services in Georgia depended on building the capabilities and confidence of the veterinary product manufacturers and importers in Tbilisi. Only these businesses had the incentive to invest long-term in building services that reach large numbers of farmers: upgrading pharmacies, training pharmacists, educating farmers and ensuring distribution of products.

Alliances decided that if they could persuade at least one major manufacturer to upgrade rural distribution, they could demonstrate a viable business model, and give other businesses the confidence to invest too. This would catalyse the lasting large-scale change that Alliances sought.

Alliances work to transform access to veterinary services

The company that most closely shared Alliances vision turned out to be Roki Ltd – a national manufacturer and importer of veterinary products. Together they evolved a joint investment strategy to:

- Verify rural demand for services through market assessments
- Upgrade rural pharmacist’s premises with storage facilities, fridges and computers
- Provide pharmacists with refresher training and a manual on products and good husbandry practices
- Establish a veterinary services telephone advice hotline for pharmacists
- Develop informational and promotional materials aimed at farmers

On the back of these joint investments, Roki Ltd was able to provide pharmacies with an initial stock of products and essential equipment; establish weekly distribution of products at wholesale rates, and create a network of in-store phones linked to Roki’s advice hotline. Support for local advertising took the shape of brochures, flyers and shop banners. Training covered diseases, treatments and broader animal husbandry skills (including nutrition and breeding), backed up by a veterinary handbook.

Later Roki supported an additional network of small village-based satellite pharmacies, so that women farmers in particular could access products and advice more easily – and a mobile pharmacy at an important livestock market in Marneuli.

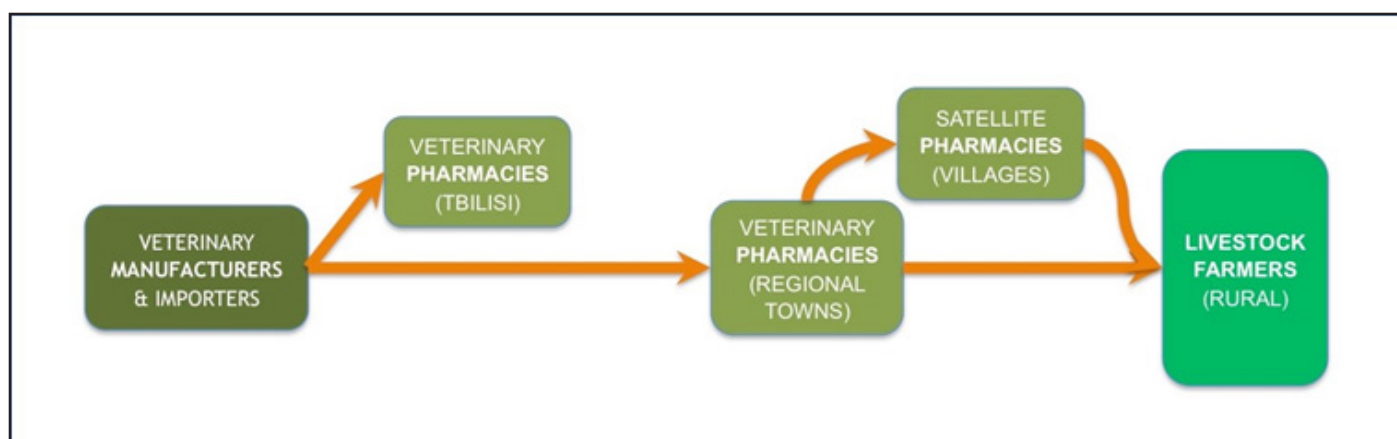


Figure 3: Improved structure of veterinary services (2015)

Training was extended to farmers, which helped increase business. To accelerate scale-up (as explored further in the accompanying case study ‘Stories of Systemic change’,) phase 3 included a new programme region Ajara, new warehouses and the development of Roki’s drug quality testing laboratory.

The strategy and activities were not all devised from the start. They evolved through a series of phases and across larger regions as Alliances and Roki learned more about the veterinary system, and gained confidence in the benefits of the partnership.

The interventions and investments in the veterinary services ‘system’ were negotiated carefully and incrementally by Alliances with Roki Ltd. Ownership – of ideas and the commercial strategy – were shared, not imposed by the programme. Costs and risks were also shared (see table 2).

With the knowledge and confidence gained through its partnership with Alliances, Roki has expanded the business model to Armenia and is exporting to Turkmenistan. The company has also built a commercial partnership covering 350 veterinary pharmacies in Azerbaijan.

The scale of these results is impressive: Alliances estimates that by 2019 over half a million farmer households across the Caucasus region will have better access to veterinary products and embedded services.

At a very profound level, the programme has helped transform gender-norms in the industry. The vet pharmacy trade used to be a narrow male-dominated sphere. Now it is becoming a much more women-orientated business, where half of the pharmacies are run by families, and the needs of women livestock farmers are paramount.

Table 2: Phases of Alliances work in the veterinary sector

Phase	Date	Objective	Nature of investment	Cost (US\$)	Alliances share
Phase 1a	Jan’ 12 - Jan’ 13	Prove viability of new distribution model	Five regional pharmacies in Kvemo Kartli	38,000	58%
Phase 1b	Dec’ 12 - Jun’ 14	Expand and develop the distribution model	Eight pharmacies and increased support to advertising services in Samtskhe Javakheti	93,000	62%
Phase 2	Feb’ 13 - Jun’ 13	Develop distribution model and improve access for women	Build the capacity of mobile pharmacy and five new satellite pharmacies in Kvemo Kartli	26,000	59%
Phase 3	Jul’ 14 - Feb’ 17	Scale-up distribution model to Ajara then nationally	Build capacity of nine pharmacies, two distribution warehouses and lab testing equipment in Kvemo Kartli, Ajara and Tbilisi	741,000	33%
Total	5 years			898,000	38%

Based on this experience, Roki has become a major veterinary sector advocate for agriculture and rural livelihoods in Georgia.

Roki is now a regular sector representative and founder member of a private sector lobby group which helps deal with the challenges faced by business and farmers associated with the rapidly changing regulatory environment and increased formalisation in value chains, much of which is being generated from Georgia's signing of the Association Agreement with the EU in 2014.

The table on page 6 gives a very simple overview of the work ALCP undertook in the veterinary sector. For a more detailed exploration of the challenges Alliances faced, the missteps they took and the lessons learned, please see these three in-depth case studies:

In depth analysis of the lessons learned by Alliances

Collaborating with business: some practical lessons.

Discover how Alliances worked with Roki to bring about pro-poor change in the way veterinary drugs and services were distributed in Georgia. This in-depth study describes how the two actors came together and how they developed this relationship over time. It then focuses on how Alliances managed the process – starting with partner selection, programme design, with lessons on who pays for what and how much, and what flexibility and facilitation look like in practice. The case study ends with three key messages: businesses need to share the programme's market vision; developing strong working relations is a priority; as is the need to carefully review the business acumen of lead firms.

Dynamic market intelligence: the key to success

Explore how Alliances used market awareness to drive decisions based on reactions to the ways in which the market was moving. This study describes the value of maintaining continual awareness of changes in the market and adapting intervention strategies. ALCP developed a set of tools and processes to do this, in addition to building a highly skilled team. The case study ends with three key messages: The importance of keeping initial market analysis to the point; ensuring market intelligence is not a one-off but a continual process; the who of market intelligence is just as important as the how.

Achieving lasting, large-scale results: stories of systemic change

This study looks at how Alliances managed to spark long term pro-poor changes in the veterinary drugs and services market. Then how it designed activities with these changes in mind and then scaled them up through a series of phases. These phases helped build a network of independent pharmacies selling drugs from multiple suppliers to a growing market. It rounds up with three key messages: how results chains were used to plan for deep-seated change; how judgement, honed by experience, is vital to how changes are scaled up; and how programmes should be designed with links to other market players in mind to bring about lasting change through good design, market awareness and facilitation.

Collaborating with business: how to make it work

Introduction

Alliances' collaboration with businesses in the livestock sector was not an end in itself. It was a tool to bring about pro-poor change in the veterinary market system. In a programme adopting a market systems approach, it is critical to select the right business partners and develop appropriate interventions with them. Success relies on the partners, not the programme, making those pro-poor changes endure. To ensure collaboration leads to social benefits and more inclusive markets, Alliances has a systematic process for finding partners with whom to design, implement and monitor interventions.

Preliminary engagement

"As an implementer of a market systems development programme you do not fully control impact: you 'facilitate' and hence rely on market players to lead the change process. That's how sustainability is achieved. Catalysing lasting change requires partnerships and success will depend upon who you partner with, what you do with them, and how you do it. From the very first interaction with a market player, you must carefully manage and assess your relationship with them, and your intervention's progress." [The Operational Guide for the M4P Approach](#) (2015)

Alliances did not set out initially to work with a leading veterinary inputs company like Roki Ltd. The original idea was to support five small vet pharmacies operating in towns in a rural livestock producing region of Kvemo Kartli, South Georgia. Quickly however, programme staff learned that the root causes of poor vet services lay further up the supply chain. They decided that working directly with a lead business would have a much greater impact on farmers and have the potential to upgrade many more pharmacies than Alliances could ever reach on its own.

Alliances' process of learning and developing market intelligence is explored in depth in the 'Dynamic Market Intelligence' case study. Armed with this understanding of the veterinary services market, Alliances held preliminary meetings with veterinary product suppliers in late 2011 to understand their business operations, the constraints they faced and the ideas they had for business development. Potential entry points were explored, and Roki Ltd was selected for several reasons:

- Roki was judged to be the most competitive input supplier. It had the largest market share and

was the business that Alliances had seen most pharmacies and farmers buying drugs from. It was also manufacturing (and exporting) several generic medicines of its own.

- In contrast to its competitors, Roki was building capacity within the sector. Via an NGO arm, it was providing limited training for veterinarians, pharmacists and farmers and operating a hotline for technical questions.
- Roki's management already understood that future growth required improved management of distribution systems, customer relations and pharmacist capacity.

Roki's growth had been held back by the risks and uncertainty of investing in a rural distribution system. It had limited access to finance and was uncertain about demand and the ability of poor farmers to pay. Roki was generally risk averse – a mentality developed during the challenging post-soviet years in Georgia and reinforced by current regulatory volatility.

Alliances met with Roki to explore the potential for collaboration. It approached these meetings with a clear vision and relevant market knowledge. Within a general aim to improve vet services in rural areas, Alliances had some thoughts about what it could potentially fund, such as pharmacy equipment, but no specific intervention in mind.

Instead, Alliances encouraged Roki to outline ideas for potential collaboration. Alliances presented its vision for the market in Kvemo Kartli, and the potential for Roki to expand its distribution and services. Market analysis provided evidence of robust demand for drugs among farmers, as well as the value Alliances could offer as a facilitator.

Alliances' vision appealed to Roki, which realised it could be a way to lower cost of outreach and growth, while reducing investment risk. Moreover, Roki also recognised the value Alliances could bring in terms of its understanding of rural markets, ability to link the company with pharmacists and other market players, and, on a more psychological level, bolster its self-confidence to take on more risk and significantly grow the company. Still unsure of market demand, Roki then undertook its own market analysis to confirm findings before collaboration with Alliances began.

The first intervention phase involved co-investment in Roki's product distribution chain in Kvemo Kartli (see Fig 5 in the Overview document). With advice from Alliances,

Roki began to engage with the original five pharmacies identified by Alliances in the market analysis phase, initially to support those which had good knowledge of their local market, and an owner, manager or worker with sufficient veterinary training and knowledge, linked to the pharmacy whose capacity could be built. The businesses selected had to demonstrate their ambition to increase local farmers' access to products, and be willing to accurately report monthly sales figures and customer breakdowns vital for programme monitoring.

Following initial success, the intervention expanded with further phases, outlined in table 2. After expansion to eight pharmacies in neighbouring Samtskhe Javakheti came in under budget, Alliances agreed with Roki's proposal to use funds to help pharmacies with further local marketing. The next phase innovated with satellite veterinary pharmacies to increase women's access to services, a phase designed to address disappointing figures for women's access to the services which didn't tally with the expected projections for women's access derived from the market analysis. Phase 3 involved developing infrastructure for national expansion and export including to a new programme region Ajara, new warehouses and the development of Roki's drug quality testing laboratory.

Deciding who to collaborate with

Alliances end goal was systemic change and the Stories of Systemic Change study shows how it planned interventions with this in mind. A vital aspect of Alliances' method lay in assessing the characteristics of the partner business. The characteristics they sought included:

1. **Alignment between business interests and programme vision.** This lies at the heart of any intervention strategy, and underpins the long-term sustainability of any changes in the system. In contrast to more short-term sales-focused competitors, Roki saw its own success as reliant on the broader competitiveness of the livestock sector. It had demonstrated this already with its first steps to increase the availability of information on good veterinary and livestock management practices and build the capacity of vets and pharmacies. Roki was keen to invest further, but faced constraints due to limited access to finance, an aversion to risk and limited knowledge of, or connections to, rural markets. Further negotiations were necessary to explore which activities would be supported and by whom, but fundamentally Alliances and Roki had aligned goals.
2. **Existing relationships with farmers.** Alliances was looking to work with input suppliers that had significant numbers of customers that are small-scale livestock producers. This criterion was written into ALCP's [Investment Manual](#). Roki already had customers, indirectly, which were farmers living in poverty. It was

clear that their products were relevant to these farmers and that Roki had overcome some of the challenges of working with them.

3. **Business acumen.** Alliances' staff understood that competent, business orientated management is a vital characteristic of successful partners. Technical expertise and local community knowledge matter; but to quote the ALCP [Investment Manual](#): without a business mind driving the idea, understanding forward planning, staffing efficiencies, phased planning etc., interventions will struggle. Roki's management had shown a solid grasp of operations, finances and supply and distribution chains, producing and exporting its own drugs and building up and sustaining a successful company during the upheaval of the 1990's.
4. **Management attitudes.** Motivation to grow their business, rather than just pursuing grants is also crucial. Georgia is a small country which has at times seen flushes of donor funding convening on key areas in the agriculture sector amongst others. Alliances had already experienced a viable intervention in breeding, failing with a partner whose main orientation had increasingly become directed towards servicing the many grants available in their sphere and which were undeniably weakening their commercial vision. Alliances thus looked to avoid companies already funded by donors as well as businesses with blatantly non-commercially viable proposals for use of funds. It sought out managers who were receptive to new ideas and who it felt it could trust e.g. who were open with information about their business. They also looked for a social ethos: people willing to put in the hard work, accept risks and overcome internal barriers to develop more inclusive business models.

"With this intervention, not only does our business grow, but we can see results at the farmer level ... this is what I think is most successful from the intervention ... it is not only about money and having a good business, but improving the sector to reach more farmers helps us as scientists to feel better."

Nickoloz Zazashvili, Roki Managing Director.

Formalising the grant agreement

Alliances' process for designing, implementing and monitoring interventions is laid out in its [Investment Manual](#). The steps include:

Application: following preliminary meetings, potential partners fill out an application form, generally guided by Alliances. The form includes a section on business co-investment, which emphasises that both parties will be investing. The application is reviewed by key programme staff and presented to management.

Investment plan: if an application is approved by management a more substantive investment plan is drawn up by Alliances. This requires the assessment of applicant capacity, further market analysis and the likely impact of collaboration. The investment plan details the investment in depth, such as goals, impact including projections on gender sensitised activities, budget, profit and loss, cash flow and balance sheet.

Business plan: written by an external consultancy, with the business covering 20 percent of costs, supported by programme co-investment. This allows the business to understand the investment from its own context and strengthen its capacity, and triangulates the advice and facilitation given to the client, reduces the onus on the programme and reduces risk.

Grant agreement: a formal, legally binding grant agreement is then signed. This ensures that business activities remains consistent with the plan – if not, it sets out Alliances' rights to re-appropriate assets it has paid towards.

Co-investment negotiation

Alliances interventions require co-investment from partners, whether in cash or in-kind, to leverage partner finance and ensure buy-in. The negotiation steps for tailoring co-investment are included in the [Investment Manual](#). This study focuses on two specific elements – determining the programme-business co-investment ratio and who pays for what.

Finding the right co-investment ratio is important. A ratio that is too high reduces the programme's value for money and risks creating dependency. Offering too little can push enterprises to take on too much risk. Alliances' maximum co-investment ratio is 65 percent, a rate determined by the local context (including the lending market) and previous experience in Georgia. This ensures there is always a sizeable business stake in the intervention success. Alliances argues that this level of support is justifiable where there is good potential for systemic change, as with the Roki interventions.

Alliances will normally propose this ratio. However, it considers a number of other factors as well:

- It offers less if the client has financial resources available, such as access to credit or reserves.
- Type of costs, such as large equipment purchases are more challenging for partners to finance; on-going, small-scale renovations are easier to cover from normal business cash flow.
- Alliances looks to reduce its contribution for secondary and follow up investments. Alliances' contribution to the Roki investments almost halved from 62 percent to 33 percent by Phase 3.
- In exceptional situations, such as pilot interventions to test very innovative market ideas driven by the programme, Alliances may cover more than 65 percent.

Who pays for what is an important negotiation element.

Alliances normally requires businesses to pay salaries and working capital, while it is more open to covering equipment, building work, external services (engineers, consultants etc.), marketing and expert travel.

In keeping with this, the respective activities funded by Alliances and Roki have remained broadly consistent. Roki's has funded drug distribution to pharmacies. Alliances has funded pharmacy fixed assets and advertising. Together they fund training on drug use and animal husbandry and, in Phase 3, warehouses and laboratories (with the latter funded primarily by Roki).

This arrangement leaves Roki covering the costs more directly associated with its business operations, with Alliances focusing on building up the capacity of other players in the distribution chain. These are the investment areas most risky for Roki because they depend on other actors such as pharmacies with little collateral and limited income streams.

By focusing on these, Alliances supports those goods that the market would otherwise be least likely to provide and buys down the risk for Roki. In addition, and where possible, Alliances invest in assets it can reclaim if an enterprise is not carrying out its responsibilities, which provides an additional rationale for funding pharmacy equipment.

Flexibility and facilitation in practice

Alliances aimed for interventions which were flexible and able to adapt to the changing market environment without wavering from programme goals. This approach allowed it to tweak interventions as implementation progressed.

Flexibility was possible through:

- Not limiting Roki Ltd to activities prescribed in the investment plans and grant agreements alone, if goals can be reached more effectively otherwise. Budget lines were flexible and over- or under-spends could be balanced out with other budgets. This happened with the expansion into Samtskhe Javakheti where under-utilised funds were allocated for marketing costs. Changes often only required a call to Alliances and then a follow-up letter.
- Separating collaboration out into different phases enabled strategic changes to interventions. Phases along with tranches into which payments for activities within phases are separated, allow for the segmentation of natural phases of implementation and allow for adjustments to be made based on the relative success of that particular part of the implementation. They are thus key tools for managing risk in an intervention. In Phase 2, for instance, Alliances introduced satellite pharmacies in response to market intelligence showing limited impact of earlier developments upon women. Phase 3 addressed the bottleneck in infrastructure, preventing the national and international expansion of the model with warehousing allowing access to western Georgia, and a laboratory to allow for a quicker turnaround on the development and manufacture of Georgia-made generic veterinary medicines.
- Alliances also invested significantly in market awareness and M&E systems so it had solid real-time data to make decisions. This included monthly sales and customer data provided by Roki. Interventions were regularly reviewed in weekly meetings and data in bi-monthly meetings. Results chains were updated at least annually.

These elements help create an overall staff culture that adapts to intervention changes and is receptive to suggestions from partners.

Maintaining the relationship

Frequent meetings during planning and early implementation changed to more structured monthly reporting by Roki, and quarterly field checks and annual qualitative reviews by Alliances. This reflected not just a change in Alliances role from intervention development to monitoring but also increased levels of trust and respect between the two, as well as Roki's growing ownership of the distribution model.

Alliances cultivated this improved dynamic by presenting itself clearly, avoiding over promising and managing expectations. Rather than imposing business development ideas, it encouraged Roki to propose its own and its in-depth market awareness helped ensure its advice was viewed credibly. This created

an atmosphere where Alliances and Roki could safely discuss new ideas and differences of opinion.

Alliances, for example, proposed that Roki might offer artificial insemination services, a potentially important and dynamic market. Roki reviewed the proposal but wasn't convinced by the business model. Similarly, Roki suggested a new organic fertiliser intervention, which Alliances rejected as it saw limited poverty reduction potential and felt it would divert too much energy away from veterinary services. Increased trust has led to Alliances' negotiation tactics changing too.

In early phases, negotiations typically involved a 'to and fro' process around each activity. However, for Phase 3, Alliances gave Roki more scope to say what it needed to expand. Roki sent a list of market and business development activities to Alliances costing 400,000 Georgian Lari (\$US 195,000), knowing Alliances would chose a limited number to fund focused on market systems development, and it would cover the rest.

Facilitation is at the core of the market systems approach

Alliances had no direct involvement in Roki's distribution or supply chains. These functions are so core to business sustainability that a business needs to be able to manage them alone. While Alliances suggested the pilot pharmacies to support, Roki had the final say. Alliances meanwhile ensured that Roki's contribution covered ongoing business costs, such as distribution and increasingly market research, helping to ensure that once its support ended, Roki would have the finances and capacity to continue.

Low visibility was vital as awareness of Alliances' involvement could have distorted market expectations. If it was known, for instance, that Roki was working with donors, then farmers and pharmacies might have expected subsidised prices. Alliances therefore limited publicity within the veterinary market system about its role.

Alliances aligned its interests with Roki's, persuading the manufacturer to persevere with collecting monthly sales data following initial issues with pharmacies. Roki now sees the value of this data as it helps the company learn and respond to its ultimate customers, supplementing its sales data and helping better target drug and product development, marketing, training and online and SMS advice.

Alliances had learned in earlier interventions that actively participating in functions that were the remit of the business with whom it was partnering did not work. This is particularly important in key functions such as securing a supply of a raw material, like milk, from farmers or distribution chains and markets, however basic. These core functions have to be performed by the business.

However, helping it solve problems related to these, such as quality, transport, efficiency, targeting or regulations, knowledge and linkages preventing them from operating or limiting their business operations, are very much within the remit and expertise of the programme. This had been honed over time within the programme into an intuitive sense of what makes a good client to work with.

Key lessons

Collaboration with businesses follows the programme's vision

Alliances did not collaborate with just any willing business, but rather where it felt its co-investment would help bring about its pro-poor vision. This vision is the cornerstone of the intervention, with design and implementation decisions determined to deliver it. This means that initial partnership decisions are particularly important. Alliances first approached Roki, because it was the veterinary input supplier with the most aligned interests and individual characteristics to bring about pro-poor change.

Once the intervention started, Alliances ensured it was flexible and could be adjusted in response to new information and impact, while maintaining focus on the market vision. For instance, it worked with Roki to support satellite pharmacies based on programme data showing limited access to drugs among women and helped unlock massive impact for farmers across Georgia and the region by investing in key infrastructure, warehousing and a laboratory for quicker drug manufacture at a crucial time.

Prioritise developing strong working relations

Developing a working relationship with a business focused around trust, goodwill and dialogue is key to a successful intervention. It was a priority for Alliances from initial negotiations through to intervention monitoring. This required a credible programme partner that understood the market. Alliances focused initial conversations with Roki around the potential for investment in distribution networks to improve sales, based on solid market analysis. Alliances didn't over promise and took care to manage expectations.

Alliances worked to make its reporting requirements manageable, offering support to Roki to complete application forms, investment plans and later in fulfilling data provision obligations. Alliances did not pressure Roki into any particular activities but rather encouraged the company to suggest what it valued for its business development. Having designed from the outset a robust model in which growth was based on the sales of drugs to the huge market of small livestock farmers further expansion and diversification would in most cases heighten impact or deepen the services offered. Where the programme did not think suggested activities were in

line with its vision it could simply choose not to support it as in the case of organic fertiliser.

Equally Roki was free to comment on and reject ideas suggested by Alliances such as the suggestion to offer artificial insemination services. Not only did this promote an alignment of interests, it empowered Roki to value the relationship as one of equals. Ensuring intervention flexibility meanwhile, not only led to positive adjustments but also reinforced Roki's belief that its views were valued.

Always review the business level characteristics of partner businesses

Alliances vision in the veterinary sector was to make a lasting positive impact on large numbers of poor farmers. It achieved this by working with a single lead business (Roki Ltd), rather than collaborating directly with multiple rural pharmacies. As a result, Alliances investment leveraged support to 44 pharmacies directly and 284 indirectly. The intervention also created a strong player able to provide a voice for the veterinary sector in a volatile regulatory environment.

Alliances' staff were keen to highlight that partnerships with lead businesses are not always a recipe for success however. Large businesses can be harder to work with if they are more wedded to their existing business model and less open to new ideas. In other market systems, for example dairy products, Alliances encountered stiff resistance from leading players to sharing the knowledge created during interventions with other firms / competitors.

They learned that successful business partnerships arise from the business level characteristics of partners. Hence their investment manual advice to, "submit the lead player to the same level of scrutiny and evaluation as any other partner. Do not accept less buy-in than is expected from players lower down the value chain."

Dynamic market intelligence: the key to success

Introduction

“Information matters, it is our currency, the substance, the commodity which keeps our programmes running. We are aware of the need to manage information, to have enough of it and of the right kind and the need to understand its quality and to know when and what we have is enough or too little. Market systems approaches, such as Making Markets Work for the Poor (M4P) pose challenges in this regard. For me the use of information is at their heart. M4P is finely calibrated to need high quality information and implementers able to gather, sort and feed it into the programme, implementers who aware of what they are doing, and why they are doing it.” **Helen Bradbury, Alliances Team Leader, [BEAM blog](#)**

Programmes need to be continually informed in order to design and continually recalibrate the most effective interventions. They need a constant stream of information on what else is happening in the market and why, in addition to their own activities and impacts.

They also need to understand the lives of women and men in poverty, their contexts, the viability and opportunities of different livelihoods and sectors, the skills and incentives of different market actors, and the underlying constraints that obstruct markets from being more inclusive. However this is not a one-off task. Markets are volatile and often unpredictable, so programmes need this kind of market intelligence throughout their lifetimes.

This case study explores how Alliances ensures it has continual market intelligence and the implications this has for programme design – both in terms of the tools it uses and, of equal importance, who uses the tools.

The need for market intelligence

Alliances has invested considerable efforts into ensuring that it has this continual flow of information and this study explores how it has done that. It starts with a couple of examples to highlight the importance of market intelligence, how the different tools used fit it and ways market intelligence can be used.

Initial market analysis

Alliances' initial market analysis determined that the weakness of rural veterinary services – few ill-equipped rural pharmacies and qualified veterinarians – was

a key constraint to the health of farming households' livestock and family incomes. Alliances initially thought to work with several veterinary pharmacies to improve their capacity. Digging deeper – by interviewing pharmacists and exploring where their limited supplies came from, and by speaking to farmers who relied on relatives in Tbilisi to buy drugs – Alliances learned that the underlying system constraint related to very weak or limited rural distribution channels of veterinary product manufactures and importers.

Further interviews with these businesses revealed that manufacturers and importers lacked the confidence to invest in rural distribution networks. Capital for upgrading pharmacies was expensive, and the risks significant. Meanwhile, a lack of reliable information about the need for vet services, meant that demand was underestimated. Alliances' initial intervention with Roki then focused on proving the rural demand and de-risking the investment.

Initial market analysis identified the underlying constraint preventing the veterinary services market from working well for livestock farmers. However, as noted in the Collaborating with Business case study the initial analysis did more than this. It also helped Alliances plot a route of action. Interviews with veterinary product manufacturers identified Roki as the best company to start working with in order to address these constraints. Alliances' analysis was used in meetings with Roki to demonstrate that there was significant rural demand for veterinary services if distribution was possible. The strength of the analysis was key to the positive relationship between Alliances and Roki, allowing Alliances to come across as both credible and useful. Beyond this, it illustrated to Roki the importance of carrying out more of its own market analysis.

Ongoing market intelligence

Provides feedback to Alliances on its own impacts and changes in the wider market, which can then be used to recalibrate programme strategies and activities to ensure the most positive impact. Various examples are referenced across these mini case studies of Alliances using ongoing market intelligence to improve and recalibrate its work as it happens on a very regular basis. One particularly important example came in late 2012 when monitoring revealed that access for women to the new veterinary services was lower than expected.

The team explored why. They found that cultural norms were preventing many women, who traditionally attend

to livestock in the homestead, from travelling outside of their own villages to the pharmacies in nearby towns. In response, as noted in the partnership study, Alliances' and Roki's collaboration in phase two included additional investment in five smaller satellite veterinary pharmacies in rural areas targeted at women.

Alliances also ensures it is kept well abreast of wider market changes. For instance, well-aware of its potential for volatility, Alliances closely follows the policy and business climate in Georgia, maintaining regular communication with the National Food Agency and other regulatory bodies to help anticipate policy changes. The value of this was brought home when in June 2015 Alliances found out that, without consultation, the government was about to introduce a regulation requiring all imported drug labels to be translated into Georgian. Without time to prepare, this measure would have caused very costly disruption to veterinarian product imports. Alliances supported Roki to convene other actors and lobby for a "stay of execution" to the new regulations. This gave them all invaluable time to adapt.

Box 1: "Know your target group, without constantly bothering them."

At the core of Alliances' market intelligence is a deep understanding of its target group. As noted in the overview, they are generally households that own less than one hectare of land that is remote and poorly served by roads. Although the programme works with market actors one or two steps removed from them within the market system, such as veterinary product manufacturers, Alliances has ensured they remain its clear ultimate focus.

This focus can be traced back to farmer focus group interviews, explained below, which explore the contexts, livelihoods and challenges faced by farmers in each region, alongside broader sector analysis. It is also because after initial focus group discussions, Alliances ensures it remains informed on changes in its target group. It limits subsequent formal direct contact with farmers to annual qualitative assessments – because repeated focus groups are expensive and risk creating misconceptions among farmers about Alliances role in the market.

Instead Alliances relies on monthly monitoring from partners and the informal rolling communication between intervention managers and their clients, who deal with farmers as suppliers or customers and many of whom are based within the target communities. For instance, Alliances received monthly information from Roki, gathered from pharmacies on what veterinary products farmers are buying, the number of visits per week, the type of drug bought and number of cows they own, as well as information about the farmers in the same area from the dairy factories it was supporting in that region.

Getting the analysis right

When Alliances enters a new region or programme phase, first, it carries out a substantive initial market analysis that can take around four months to bring together, plus additional time for external reviews and edits. One of the key first steps is to conduct focus group discussions with livestock farmers. Considerable effort goes into these – for instance, when Alliances first started working in Kvemo Kartli, 85 focus groups were held with 940 interviewees between 27 of April – 10 of June 2011 in 41 communities (though in subsequent regions, with more experience, 2-3 weeks was sufficient), with approximately two months after needed to carry out the analysis.

Focus groups were gender disaggregated providing male and female data for each community. The ethnic make-up of each group also purposefully comprised of the four major ethnicities in this area: Armenian, Azeri, Georgian and Greek. The full focus group discussion agenda and analysis can be found [here](#), but in short farmers were asked questions in ten sections: (1) their backgrounds (2) their communities (3) agricultural services and inputs available (4) livestock and dairy marketing (5) pasture access and management (6) access to information (7) wealth and poverty (8) gender roles (9) and the government role in the agricultural sector. They were then asked (10) to sum up the agricultural development priorities of their communities.

Through the use of these focus groups, Alliances was able to put poor farmers at the heart of its work by ensuring it understood their livelihoods, communities and the contexts. It was able to understand how farmers understood the livestock market system, with further questions directly connected to the three constituents of the M4P market system 'doughnut' – core market, supporting functions, and rules. For instance, section 4 focuses on the core value chain of how they get their dairy and meat products to market. Sections 3 and 6 explore the supporting functions of market inputs and information. Sections 8 and 9 look at sectoral rules and norms. Rather than making assumptions, the focus groups allowed Alliances to learn what the biggest challenges farmers faced in agricultural markets – indeed, they asked farmers to identify this. Farmers highlighted in particular limited veterinarian services, cattle breeding services and access to machinery for hay making and cultivation.

Once it had built up this initial picture of the market system seen through farmers' eyes, Alliances then carried out broader sector analysis. It held key information interviews with market players, including private sector actors, civil society, NGO's and government representatives, in the sub-sectors identified as priorities by the focus groups, such as veterinary services. Secondary literature was scoured with wide ranging sources used, including donor reports, government statistics and research studies and media to broaden the understanding of the

sub-sectors. An example of the first full market analysis from Kvemo Kartli in 2011 is available [here](#), including a Key Informants Interview table as Annex 1.

Though this and later analyses were resource intensive, and included detailed qualitative and quantitative information, they do not go into the same level of detail as some value chain analyses do. For instance, they did not map flow of product costs or value add from farm-gate to retailers. The focus was on analysis of the underlying constraints within the market as these determined the programme's response. In this vein, Alliances' [Investment Manual](#) notes the following key analytical tools from the market assessment:

- **Summary Market Analysis Table:** This summarises for each sector whether it is relevant for poor farmers, whether there is potential for pro-poor growth, and if interventions would be feasible.
- **Core Market: Systemic Constraints, Cross Sectoral Drivers and Pro Poor Opportunities Table:** This identifies and defines for the core markets, systemic constraints, cross-sectoral drivers and pro-poor opportunities for the core markets (dairy, meat, etc.).
- **Systemic Constraints in the Supporting Functions and Rules Table:** This identifies and defines the systemic constraints in the supporting functions and rules of the core markets.
- **Sustainability Matrix:** This gives an overview of the current situation of who performs and who pays for key functions across the core market, supporting functions and rules.

Deeper analysis is then carried out when required on a case-by-case basis per intervention during the construction of the investment plan. This critical document links the programme strategy, implementation and monitoring and includes baselines, projections and a profit and loss account per client. It also maps out the expected impact according to strategy and forms the basis of the monitoring plan indicators. A separate client focussed business plan carried out by a business consultant includes factors such as different business models for growth over different time periods.

Cross cutting themes. In line with donor priorities, DRR, gender and governance are addressed as cross cutting themes in Alliances. To provide a broader understanding of the market context, Disaster Risk Reduction (DRR) sensitivity analyses were also carried out which examined wider risks and constraints livestock keepers face. Governance was also analysed. Initially the gender analysis was conducted separately after the market analysis. Then following extensive work on operationalising gender and women's economic empowerment in Alliances, market analyses were made fully gendered and included the key diagnostic tools: tables on gender roles and responsibilities, and access and control over resources. Now gendered market analysis is conducted as a matter of course and a stand-alone gender analysis is conducted when the focus group surveys and market analysis are felt not to have collected enough information on deeper gender issues

relating to social and cultural issues such as unpaid care burdens and mobility and the reasons for them.

Another factor can be that the survey techniques did not lend themselves to women being able to openly express their true opinions and need to be adjusted. This was the case when the programme expanded to a new region, Ajara. Although less ethnically diverse than the other two programme regions, Ajara has a clearly defined Christian and Muslim population and has had traditionally more conservative gender roles than other regions. The focus group surveys had been organised with the help and permission of the local government and mainly held in local government buildings. Local government had also involved a higher than average number of professional women such as teachers.

The new programme team learnt from the experience and conducted a separate gender analysis in the villages under the guidance of a gender expert, employing less formal research techniques which allowed women to speak more openly and fill in the gaps in information about village women.

Assessments vary across regions, the gendered market research in the Adjara region, for example, noted how women clean and feed animals, carry out milking, and are most likely to note the incidence of disease with men responsible for vaccine and medical treatment. In Kvemo Kartli women are also more responsible for medical treatment, telling the men what to buy from the pharmacy when in town. This meant that the Roki intervention in Ajara, particularly in relation to information dissemination, was adjusted accordingly from the model developed in the other two regions.

Tools for continual market intelligence

However important the initial market analysis, continual market intelligence is key to programme effectiveness- and Alliances makes a real effort to ensure it has the right systems in place to acquire this.

As Alliances' [Investment Manual](#) notes, programme staff are continuously updating data sheets, maps and directories as they acquire more information. When enterprises and service providers are identified it involves the production of profiles, reports and in-depth market research which lay the groundwork for producing Intervention Case Studies. In-depth market research refers to focused studies on specific issues where further information is needed to fully inform an intervention. Alliances has conducted or commissioned numerous such studies which can be found [here](#), such as an in-depth analysis of the bee-keeping region in Adjara as Alliances started work in a sector it hadn't previously, a study on the market for hay to inform a livestock nutrition intervention, and a report on the Georgian Animal Migration Route to support advocacy efforts with the Ministry of Agriculture and the National

Food Agency to make improvements to the route.

Alliances has invested significantly in a DCED audited M&E system, outlined in an [M&E manual](#), which is a vital source of market information. Key aspects include:

- **Baseline data collection:** Alliances collects basic operational information on each market actor it works with as part of intervention baseline, such as number of customers served, amount of commodity received/ processed/ sold, number of suppliers, turnover and profit.
- **Business data:** Businesses have to submit monthly data sheets covering their financial data, customer/ supplier information and market prices. Alliances works with its partners to include within this (where relevant) information on final purchases by farmers. For Roki, at least one step away from the farmers that buy their products from pharmacies, this has meant: (a) with Alliances support initially, working with pharmacies to ensure they keep records of who is buying from them (b) regularly collecting and combining this data from pharmacies and (c) passing it on to Alliances. Record keeping at an individual farmer level was a significant challenge to set-up, but it has paid dividends – not just for Alliances which though it receives good data, has found it unrealistic to store all data as the scale has grown and no longer requires it, but in particular for Roki which has not just adopted and maintained the system when Alliances stopped requiring it, but advanced it and is now looking into developing a system to manage this data online and use it to develop a new generation of tailored products and services for farmers through an online portal.
- **Impact assessments:** As Alliances interventions are clustered to benefit from a synergistic effect (noted in the 'Stories of Systemic Change@ case study). Alliances impact assessments measure the effects of all interventions together and potential synergies between them, with representative samples of beneficiary farmers drawn from the total population of livestock farmers. The methodology is in the [M&E Manual](#) and was recently used as an [DCED attribution case study](#) illustrating how a single impact assessment can assess attribution for multiple interventions.
- **Qualitative assessment:** Behind each results chain Alliances has a quantitative and qualitative monitoring plan. The qualitative monitoring plan measures key change steps and uptake for farmers and service providers and impacts on both. Questions can be calibrated for men and women based on information gained from the market research phase. It asks if a service has or has not been provided, has or has not been taken up has or has not had an impact and if not why not, as well as gaining insights into existing or new constraints or developments.

- **Systemic change log:** As systemic change has gathered pace, the programme has extended its monitoring and captures changes in its [systemic changelog](#). Communication between the programme and pharmacies, customers, Roki, National Farmers Association and media allow the programme staff to capture wider changes in the market and enter them into the log. The log ensures that systemic impact is correctly described, and attributed and impact entered into the monitoring system. It also serves as another feedback mechanism into programme implementation in exploring options for facilitating further changes.

In addition to these more formal approaches, there is a big emphasis at Alliances on informal data collection. For instance, a member of staff in each office makes weekly visits to the market to check the prices of goods, while all staff ensure they are often out and about meeting market actors and asking about any market changes, as well as regularly checking in with key informants and stakeholders.

As facilitation relationships mature and client's business expand, a natural interchange occurs where businesses often flag up key information about developments and changes in markets and the programme similarly offers recommendations, swaps information gleaned from other clients or policy news, and provides linkages or uses the information to further develop the intervention.

Observations on market changes or trends are routinely shared in team meetings. The importance placed on informal observation is not unique to Alliances, but Alliances has gone further centring this in the programme by creating a team culture where everyone feels both it is their responsibility and worth doing, as discussed in the next section.

Box 2: Information flow and market intelligence are not just key to effective programming but to effective markets as well.

Alliances has worked since 2008 to improve access to agricultural information in Georgia, which can be read about in more depth [here](#). One element of this has been working with newspapers, social media and TV channels to develop quality material on agricultural techniques that farmers can consume and learn from, to be broadcast in a commercially sustainable manner (as opposed to being dependent on donor funds). The programme has also concentrated on embedding advice in all interventions, for instance supporting Roki to utilise SMSs to communicate with customers, as well as help pharmacists provide in store advice shaped by Roki's customer database. Alliances has also encouraged market actors to invest more in their own market intelligence, for instance co-financing market analysis by Roki to demonstrate its value. Improved business market intelligence means businesses are better able to quickly adapt to market reactions and changing realities.

Who needs to be market intelligent?

Equally important to how the market intelligence is acquired is who is involved in acquiring it, with Alliances ensuring wherever possible that this function is carried out by the team rather than being outsourced. In fact for new staff, their first practical induction into the 'how to' of the programme is normally the development of a deep and detailed knowledge of the local context; by which, even as locals, they tend to be astonished by how much they learn about agriculture, and the differences between areas and ethnicities.

For initial market analyses, programme staff, guided by management, conduct the farmer focus groups, gender, DRR and governance surveys and the market actor mapping and interviews necessary to complement and input into the macro sector analysis overseen by management. As much as possible, in-depth market studies are purposefully carried out by members of the team rather than outsourced. They tend to only be carried out by external consultants where there are specific reasons to do so, such as technical needs and expertise of the research being beyond the team and not worth the investment, as in the case study on range land carried out with remote sensing i.e. airborne and satellite technology; or if there is a need for reports to carry a particular weight or sense of neutrality. For instance, the donor funding Alliances was interested in Alliances supporting community level pasture groups but Alliances' experiences indicated that these would not be viable in adding to systemic impact for their target group and that a comprehensive understanding of the legal status and fundamental constraints of the land market would instead provide the foundation for a multi-stakeholder discussion based on such a fundamental topic. A reputed private consultant was commissioned to carry out a relevant report which backed up Alliances concerns, with the report's findings seen as more credible and neutral than if Alliances staff had carried out the study.

When external consultants are used, Alliances ensures as much as possible that they coach its staff and other relevant stakeholders on how to use their methodologies. Also when outsourcing, Alliances staff must provide substantial guidance and input to ensure that the research is conducted in a way that serves the programme strategy, is in line with the programme's M4P approach and that staff can learn and benefit as much as possible from exposure to the consultants expertise.

While foreign experts may have more experience in analysis, this advantage is often outweighed by the better understanding of local contexts that home grown staff enjoy. More importantly analysis should be seen as a valuable way to invest in staff capacity. Carrying out analysis improves staff understanding of the sectors they are working in, allowing them to more easily incorporate insights into their ongoing work- rather than outsourced

reports which may not quite fit programme goals or may leave questions for local staff. Analysis also helps them build working relations with new market players, which can become the basis for future interventions.

Comparably for M&E, though overseen by a dedicated M&E team, Alliances has ensured M&E is a cross programme responsibility. For instance, though M&E officers are in charge of choosing appropriate measurement and data collection methodologies, intervention managers are in charge of data collection from clients. Interventions managers then lead on organising and presenting their data for bi-monthly monitoring action plan meetings, with support from M&E officers.

Such an approach has implications for programmes. More market analysis and a more effective M&E system come at a cost as they are likely to require more staff time and potentially more members of staff. It also requires flexibility in the budget and the donor needs a good understanding of the needs of a market systems development programme, as the programmes needs to develop over time. Alliances, for instance, developed the role of information manager to lead on the qualitative information data-collecting for its M&E system and has just created the new position of systemic change analyst to track, verify and measure change outside the programme area. Though it is a way of investing in staff, it also requires more initial investment in staff to coach them to be able to carry out assessments and M&E tools.

At Alliances, internal capacity building, including on facilitation, women's economic empowerment and monitoring has been ongoing and an essential management commitment. Management also invested in different sets of staff trainings, with all having attended gender training, both the Springfield and local M4P trainings, the Mercy Corps Entrepreneurial Leadership Programme and DCED related training and events. It can also mean that market analyses and data collection for M&E can initially take longer as staff carry them out for the first time – and require more management support time. However it is worth it. As the [2014 Alliances Biannual Report](#) states:

"The human capital resident in the ALCP staff is considerable and should be considered the most valuable asset of the ALCP. Those promoted to trans-regional and managerial positions are now growing fully into their roles. The ongoing commitment to learning and capacity building on Alliances has resulted in staff being highly trained and in possession of both technical and practical knowledge in terms of the market development approach and results measurement which puts them on an international par in the field of market development programming."

A further implication is the need to **pick the right people in the first place**. This includes hiring locally to bring in people who already know the system and have some contacts and credibility, as well as hiring a team with a diverse set of skills. At Alliances these include journalists, economists, development practitioners and local government personnel. Alliances also seeks more generally to hire people who are curious to learn about markets, unravel what they don't understand and follow up on leads; and who have good people skills, needed to establish valuable knowledge sharing relationships with market actors.

Alliances also locates all of its offices in the regions they operate within, meaning that staff operate out of towns (in the case of Kvemo Kartli, the office is in Marneuli) rather than the capital, Tbilisi. This makes it easier for staff to explore the field and meet market actors, and help keeps them grounded on their mission and keep informed on the local context.

Effective programme market intelligence also requires programmes to have the right culture where people are encouraged and feel inspired to speak up about market changes they have observed and feel such observations are valued – even when they are inconvenient. Alliances ensured it created spaces for observations to be valued and shared.

Weekly team meetings are used to discuss ongoing changes in the environment and with the partners. Bi-monthly monitoring action plan meetings for M&E, programme staff and management form the backbone of assessing intervention results. Here intervention managers present monthly business data and new qualitative information, and lead the team in a discussion about trouble-shooting, problem-solving and results to date to calibrate interventions for better implementation and impact.

Key lessons

Keep initial market analysis to the point

“What the deuce is it to me?” he interrupted impatiently; “you say that we go round the sun. If we went round the moon it would not make a pennyworth of difference to me or to my work.” So responds Sherlock Holmes in ‘A Study of Scarlet’ to Watson’s surprise that Sherlock didn’t know the earth rotated around the sun. There are so many interesting things to learn about, but they come at a cost – for Sherlock the fear of forgetting other things, for Alliances time and cost of who will carry out research.

Alliances’ initial market analyses are very thorough, but they are not the large research tomes of some value chain analyses. This is partially as such long analyses are often out of date by the time they are finished, and the fact that Alliances places a bigger focus on learning

Box 3: Good management is crucial

All this puts a heavy responsibility on management to create the right office environment, from making the case to donors to allow them to further invest in staff, to finding the time to coach staff to enable the right culture, “first, as a sender of signals; second, just as importantly, as an arbitrator that amplifies or dampens signals being sent by others, internal and external” ([Navigating Complexity](#), Amir Allana.) Building up staff capacity becomes more complicated as needs change over time, with the model, ‘[forming, storming, norming, and performing](#)’ outlined by psychologist Bruce Tuckman, a good fit.

At the start, the Alliances team leader had to play a dominant role in team ‘forming’, by defining team members’ roles and responsibilities. As the programme kicked off, the team moved into the ‘storming phase’ as staff, especially those who had worked for more direct delivery NGOs or with many years’ experience advising in the livestock sector, were initially sceptical about the market systems approach. This stage involved significant effort from the team leader to explain the approach and provide coaching.

The team then moved into a ‘norming’ stage, where staff internalised the market systems approach, especially as they started to see the results of their work. Finally they moved into the ‘performing’ stage, where with hard work but limited friction they are able to (over) achieve the programme’s goal. At this stage, the team leader is able to delegate much of her work and concentrate more on developing team members and responding to more strategic challenges.

by doing and ongoing market intelligence which will be honed as required as interventions are developed. More importantly, Alliances has learnt what to focus on – not the ‘celestial orbit’ equivalent of such thick sector description, but, of much more importance for programme activity, the realities which farmers face, both for men and women, the actual analysis of what causes this and the means to achieve solutions.

Market intelligence is not a one-off but a continual process

Alliances is clear that market intelligence does not just stem from analysis at the start of the programme, but is a continual process. In addition to more informal observation, it harnesses a variety of tools to this effect,

including frequent in-depth studies on specific questions and an M&E system that regularly feeds back to staff about how programme activities are impacting the market – in particular, through bi-monthly data from businesses on their activities. These tools are enhanced by hiring local people, basing the programme in the regions, not Georgia's capital and more broadly, a culture that stresses market intelligence is valuable and something for everyone.

The who of market intelligence is just as important as the how

Outsourcing market analysis to external consultants is appropriate at certain times, but generally Alliances tries to do as much market analysis as it can in-house. The programme management has a key role in at times carrying this out, but also increasingly in coaching, direction setting and quality control; while the M&E team have a key role in setting up systems used and processing the data gathered. However most market research is increasingly taken on by intervention managers, allowing them to grow on the job and alongside the programme, while developing key working relations and market insights to feed into their work.

Achieving lasting, large-scale results: stories of systemic change

Defining systemic change

This case study explores how Alliances facilitated systemic change in Georgia's veterinary services sector. Systemic change can broadly be described as *"alterations in the structures or dynamics of a market system leading to new patterns of behaviour of market system actors"* ([BEAM, 2014](#)). Kessler¹ identifies three particular characteristics of systemic change, all relevant to Alliances' goal *"to contribute to poverty alleviation and the transition to a durable market economy for the livestock sector in the selected regions of Kvemo Kartli, Samtskhe Javakheti and Ajara"*².

1. Scale. Systemic changes benefit a large number of people not directly involved in the original intervention. In this case it's not only farmers close to pharmacies in the project areas that have better access to veterinary drugs and information. Increasingly farmers in other areas are also seeing improved access to drugs from Roki and other suppliers.

2. Sustainability. Systemic changes continue long after a programme ends. In Georgia, the new distribution model reflects the genuine incentives and capabilities of permanent players, and is profitable for input suppliers, pharmacies and veterinarians. This means that not only are market changes likely to continue but they will expand. Alliances estimates that at least 600,000 farmer households will have access to veterinary products in the region by 2019.

3. Resilience. Market players adapt to changing contexts to continue to deliver pro-poor growth. Roki is diversifying its operations, expanding distribution across the country and region. Within Georgia, Roki and other input suppliers are increasingly able to lobby the government, which is also becoming more responsive to their concerns.

Initial indications of systemic change in the veterinary sector

Though the intervention will continue until 2017, there are already indications of systemic change in the veterinary sector in Georgia's southern livestock producing belt. These are outlined here, using the categories of Adapt, Expand and Respond taken from the Systemic Change Framework introduced in [The Operational Manual for The M4P Approach](#)³.

Roki's adaptation of the distribution network: Roki has scaled up its distribution network to 251 more pharmacies across Georgia. The company has also increased product exports to Azerbaijan, Turkmenistan and Armenia, using a similar approach. It is now looking to Ukraine and Belorussia. Roki is also championing the veterinary sector and the constraints it faces in the media and at conferences, including organising the first veterinary conference in Georgia, since the disintegration of the Soviet Union. It is engaging more actively with the government, lobbying on proposed changes to sector regulations and for its trainings to be accredited.

Competing players start to emulate the new model: The second largest veterinary input supplier in Georgia, Invet, which is working with another SDC-funded programme called MOLI, has started to adopt the Roki model – importing and producing similar drugs; creating a similar distribution system, website and drug use guide and launching consulting and training activities. At the pharmacy level, even before Roki decided to scale up its distribution system nationally, new independent pharmacies have opened. They include seven in Kvemo Kartli and six in Samtskhe Javakheti, all replicating the original model and engaging with Roki and other input suppliers.

Other actors providing support functions in the system, respond to the change: They are beginning to reorganise around the new distribution model and improved market environment, taking advantage of new opportunities. A number of pharmacies have been transformed into local livestock 'one-stop shops', selling goods from other input providers, such as combined feed.

Credo, a micro-finance organisation, started to independently work with Roki and a pharmacy in Tsalka, Kvemo Kartli. Since 2014, it has offered micro-loans to both their own customers (and for Roki, those visiting its store in Tbilisi) to purchase drugs and other equipment. Pharmaceutical manufacturers and retailers are also increasingly able to make their voices heard at government policy-related meetings (and also all relevant donor and NGO discussions), which never happened before.

¹ Kessler (2014) Assessing Systemic Change

² [ALCP \(2014\) Biannual Report](#)

³ The Springfield Centre (2014)

How Alliances achieved systemic change

Preparing for systemic change from the start

From the outset, Alliances designed its interventions with systemic change in mind. This approach helped facilitate later scale-up and imitation by other pharmacies and input providers. (Similar considerations in programme design are outlined later in this chapter under 'Harnessing synergies in related systems').

Interventions focused on the root causes of poor market system performance – rather than the symptoms. Underlying constraints in the veterinary sector fed directly into Alliances' strategy and intervention planning (read more in the 'Dynamic Market Intelligence' case study).

"If we weren't thinking about systemic change, we would go and buy veterinary medicine for farmers and give it for free or a 50 per cent discount as some projects might do. In Roki's case, as we are addressing the key constraints, already we are seeing systemic change of copying and crowding in."
Giorgi Sadunishvili, Alliances

Alliances had a clear vision of how indirect impact would occur. For each intervention it envisaged routes for crowding in by other enterprises and copying by farmers. For instance, crowding in by additional pharmacies is feasible due to large untapped farmer demand for drugs across Georgia, offering a clear business case for pharmacists to invest in new pharmacies. The selection criteria for businesses to partner with were also important. Alliances, for instance, decided to collaborate with Roki in part as it believed it could be a role model for other businesses in the sector. [Result chains](#) were used by programme staff to think through how crowding in was likely to happen as part of programme design. These were drafted in each case as soon as the programme received an application from a potential enterprise and/or the opportunity for a new intervention occurred. Once these and broader and more diverse change became apparent in the sector, they were captured by staff in the systemic change log for measurement and further informing the development of interventions.

Alliances facilitated business models with the potential to scale. The accompanying case study 'Collaborating with Business: How to Make it Work' explores some of the pros and cons of working with lead businesses. Generally, Alliances aims to work with enterprises higher up the value chain as they provide more market leverage. In this case, Alliances was able to have a larger impact on poor farmers by working with a lead input business, rather than a limited number of pharmacies. Additionally, Alliances opined that, if the intervention went well, Roki would likely scale up its investment in distribution networks. This was due to

economies of scale (up to a point) in supplying more pharmacies, following the significant one-off costs in initially developing training and data management systems.

Working to secure indirect impacts. Each of Alliances' interventions had [results chains](#), and copying and crowding in were included in each one. The first draft results chain is built as soon as an intervention starts, encouraging staff to develop interventions only where they can see the potential for systemic change. A final operational draft is produced later, alongside further research and documentation and approved by senior management. This final version, with its pathways for systemic change, is then used as the key Alliances strategic document for planning, analysing and decision making.

Strategic phasing of the intervention

Alliances phased its interventions to bring about systemic change in the veterinary sector, with each phase focused on different objectives. The 'Overview' study describes the particulars of each phase of the intervention.

"Increasingly the first phases of interventions are structured to enable, kick start or remove barriers to operation and following the proof of the successful operation of the business at this level. Subsequent interventions allow the programme to consider expansion and outreach, improvements to the enterprise for further efficiency, capacity or diversification activities" Alliances.

Broadly speaking, the work in 2012/3 and its expansion to Samtskhe Javakheti can be viewed as pilot phases. Their objective was to prove the rural market for good quality and accessible drugs, fine-tune a viable distribution model for reaching farmers, improve Roki's capacity and lower its perception of the risks.

Phase 3 (2014 - 2017) can be viewed as scale-up: addressing national systemic constraints such as limited veterinary product testing laboratories. It is focusing on accelerating the roll-out of the distribution model across the country, further establishing the new model in the market.

Continued collaboration with Roki. To date, Alliances has only collaborated with Roki rather than extending support to its competitors. Other partnerships were explored in 2014. However, at that time, Alliances found only one other credible competitor: a company that was already in partnership with another programme. Alliances judged there was little value in adding their support. Since then, the company in question began to replicate some features of Roki's investment in distribution networks. Alliances decided that continued support to Roki in later phases was not uncompetitive, because the interventions were helping other companies benefit from an expanded market. Pharmacies are independent stores which also sell products from other suppliers. The services of the new laboratory facilities are available to other veterinary companies.

⁴ [Alliances Kvemo Kartli \(2013\) Intermediate Report](#)

The rationale for reinvestment.

The principle of reinvestment is explained in Alliances' [investment manual](#) which states that, “secondary funding may be conducted for the purpose of facilitating scale, where initial funding of a client has led to growth or outcomes that are still subject to constraints and still require assistance to catalyse scale, potentially including encouraging copying and crowding in... [it should be] undertaken with care and a clear rationale within the context of the risks it may pose⁵.”

In this case, Roki was keen to develop its distribution model nationally and had started to grow it without Alliances' support. Roki was looking to towns outside of Tbilisi and training veterinarians. In addition, the company had also shown itself to be trustworthy, entrepreneurial and committed. However, the significant investment required to reach scale in a still weak market with very limited supporting functions was a sizeable barrier. Low net income and reserves following previous investments, and perceptions of risk meant slowed expansion. To mitigate risks of Roki becoming reliant on their funds, Alliances ensured that the co-investment ratio declined steadily from 61 percent to 29 percent.

Phased intervention helped avoid overwhelming the partner. *“If you go to someone with a fully pitched idea, maybe they can handle it, but maybe they can't, especially if they are not really lead firms. And you are asking for a lot of upfront commitment. Whereas if you phase it, start on a level people are happy with, they test it, they see if it works, and then often they come with the ideas you were leading to anyway ... I don't see it as repeatedly funding the same client in a senseless way – it's an intelligent drawing along the path.”* Helen Bradbury, ALCP Team Leader

Harnessing synergies in related systems

One feature of a market systems perspective is seeing that systems are interconnected. The veterinary system is a key facet of the market systems for meat and dairy produce, as described in 'Dynamic market intelligence: the key to success.'

Alliances' efforts to bring about systemic change rested in part on encouraging farmers, breeding services providers, livestock feed suppliers, information suppliers, retailers offering access to finance for key products and others providing input functions to connect to the new veterinary product distribution model and for these functions to be clustered around production enterprises. Alliances' M&E data shows the impact of this synergy. In regions where Alliances has improved farmers' access to produce markets, 78 percent of farmers use veterinary products, as compared to 50 percent where market access for their produce is unimproved.

Increasing the demand for veterinary products Farmers are more likely to purchase feed, veterinary drugs and services when they can see clear gains, particularly via increased sales. Regular, risk free demand for livestock

produce creates better returns and incentivises investment in inputs. Hence, there were also links between Alliances' work with Roki, and its initiatives in the meat and dairy market systems, such as helping processors understand and adhere to food-safety standards. Several processors have now independently hired veterinarians to carry out regular checks on the health of the cattle of their suppliers and have paid for blood testing for brucellosis. Alliances argues that the impact of their veterinary interventions was reinforced by these interventions in produce market systems – highlighting the importance of synergies in programme design.

Interventions with other functions of livestock markets bolstered the new distribution model. Demand for veterinary products is seasonal, decreasing when livestock are brought indoors. Related interventions have helped pharmacies cope by diversifying their income, for example by selling combined livestock feed in winter.

Giorgi Sadunishvili observed, *“If we see that Ednari Antadze [a nutritional input supplier] can now produce two more tonnes a day, we think ‘why don't we link him to the new pharmacies as outlets?’. Every day we have these ideas ...however we don't direct for example Roki to stock his products. We give information to our clients on what is available and what exists, and we have some ideas.*

Lack of access to information on veterinary product use and correct husbandry techniques constrains the growth of services. Alliances' intervened⁶ to build capacity of local and national media, as well as facilitating the production of [short technical videos](#) for use on smart phones and social media. These videos on production techniques, including milking practices, vaccination and nutrition, have proved extremely popular. Farmers are now better informed about animal husbandry and the inputs they need to improve it, which are available in the veterinary pharmacies. Roki has also become a main information supplier to media on veterinary issues and livestock related matters and is developing its own capacity as an information provider to farmers through increasingly sophisticated online services informed by information from its farmer database.

Bolstering the operating environment. Alliances worked with local, regional and national government to support its interventions in inputs and market access and to enhance synergies by addressing key cross cutting constraints in disaster risk reduction and gender that left untackled would undermine them and prevent their growth. Alliances adapted its approach to disaster risk reduction to include livestock diseases and established regional and municipal working groups to enable local government stakeholders to undertake key activities to protect local livestock based livelihoods, coordinate activities, including data collection and reporting on disease outbreaks, public information campaigns, imposing quarantine and local management of the [animal movement routes](#)⁷ used for migrating livestock between winter lowland and high summer pastures.

⁶ Read more at <http://bit.ly/28SSXp9>

⁷ Read more at <http://bit.ly/28UI7Ao>

⁵ [ALCP \(2015\) Investment Manual](#)

Pushing veterinary issues (and women's needs) up the policy agenda. Alliances also established regional advisory committees for a diverse variety of market actors including high-level national political stakeholders to discuss pressing and complex agricultural issues. These helped increase the profile of veterinary issues and indirect demand for services. There is a strong gender dimension to policy issues in the livestock sector, as women do much of the animal husbandry work. Alliances worked to improve women's access to public decision-making by persuading authorities to make designated rooms available for women to meet in municipal buildings and training local government representatives, using simple government adopted guidelines, to increase the participation of women in the annual village meetings where they vote on priorities for spending. These mostly related to measures allowing them to improve and invest in their livestock-based livelihoods. This initiative is being scaled up with assistance from the Georgian government and other donors. It has also been valuable in assisting the Roki intervention as the rooms have been used to train women, who are often discouraged from attending such public events.

Facilitating geographical linkages

Careful geographical planning and facilitation helps create programme synergies that enhance the veterinary sector.

At a municipality level, Alliances' interventions worked together to develop clusters of complementary enterprises that offer services to livestock owners, such as pharmacies, processors and equipment suppliers. To bring this about, Alliances learnt the critical importance of ensuring market access for livestock products in each municipality. A strong cheese processor buying local, high-quality milk, for instance, provided the incentive for farmers to invest in inputs such as veterinary products. Other interventions were then linked around the cheese processor.

At a regional level, Alliances encouraged replication of the distribution and service model in new territory. Similarities in veterinary service needs, access to information and constraints across the region enabled Roki to have confidence in expanding the business model from Kvemo Kartli to Ajara. Alliances' approach thus helped Roki optimise its distribution model and build confidence and capacity before scaling up nationally. This expansion also encouraged other pharmacies, such as a Tsalka-based pharmacist planning to open in Ajara, to crowd in. Further regional synergy occurred after Alliances market analysis found that Batumi, a seaside town in Ajara, was the second most important market for livestock products after Tbilisi. By specifically developing market access in Ajara for food enterprises, such as cheese processors, Alliances anticipate that demand for livestock produce will bring improvements in livestock health and productivity, and improved incomes for a growing number of farmers previously living in poverty.

Key lessons

Using results chains to think through the viability of indirect impacts

Alliances' result chains were designed and managed to facilitate systemic change. By requiring that each chain includes pathways for copying and crowding in, Alliances guided staff to develop interventions only where they could see systemic change potential. Senior staff with greater experience then reviewed the proposals to validate (or not) proposed systemic change pathways. As outlined in the 'Market Intelligence' study, this final version formed the basis of intervention measurement, ensuring that systemic change, at least in the form proposed, was actively monitored. Results chains were reviewed and revised annually to ensure that the theory of change and proposed indirect impact pathways remained on track.

The importance of judgement in scaling up interventions

Moving from pilot to scale is not always a process of transitioning from an initial business with a new business model to its competitors with the same, or a related, proven model. In many markets, especially thin markets or where other viable players are also being funded, working with additional businesses may not be viable or lead to the most sustainable market outcomes. Conversely, continued collaboration to build up one business might make more sense in certain contexts, for instance where business risks or investment needs increase as a business grows. The common practice of trying to work with other businesses to scale-up can be a sensible starting point though. Ultimately the right approach comes down to programme judgement about which potential options are most likely to deliver the market vision.

Encouraging programme links through programme design, market awareness and facilitation

Alliances found designing a programme with areas of work corresponding to the three constituents of the M4P market system 'doughnut' – core market, supporting functions, and rules – particularly valuable in making synergies happen. Within this framework, interventions are not designed in a isolation but with an understanding of how they connect to other market systems, and complement other interventions. Market intelligence is needed to understand demand and supply at a micro level, the plans and possibilities of enterprises and to spot potential linkages. Programme staff need to be regularly in the field and speaking to key informants to enable this. Regular staff interaction is also important to see if synergies between interventions are possible. Once potential connections are identified, Alliances facilitated rather than instructed businesses to work together – thus ensuring that collaborations made sound business sense.

