

THE PHOENIX FUND

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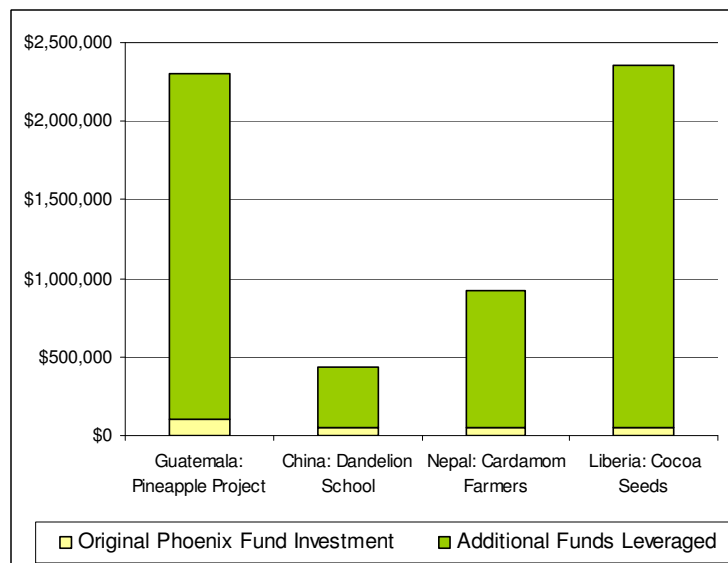
Semi-Annual Progress Report July – December 2008

The Phoenix Fund is a social entrepreneurship fund focused on creating economic opportunity in the world's poorest countries. Through seed capital grants and loans, the Phoenix Fund makes strategic investments to implement economic development projects led by local entrepreneurs. These types of unproven and innovative programs often encounter difficulty attracting funds from large foundations and government agencies. Phoenix Fund is a market-driven, business-minded approach to creating sustainable small businesses and open marketplaces that are at the core of any successful community. Phoenix Fund is designed to deliver the proof positive that is required for second stage funding, essential for scalability.

The Phoenix Fund currently supports eight projects in seven countries. Below are summaries of the projects, including one new project that launched in October. For detailed information on any of these projects, please refer to the contact information on the last page.

Program Update

By its very nature, seeding innovative unproven ideas means not all pilot programs will be successful. However, Phoenix Fund's portfolio has a high rate of success. To date, of the 11 completed programs, five have successfully leveraged additional funds to take the programs from pilot stage to impacting thousands of poverty-stricken individuals. At right is a summary of the amount the Phoenix Fund provided for each pilot program and how much was leveraged in additional funds as a result of the successful program. Overall, the 11 projects have generated nearly \$6 million in additional funds, for less than \$600,000 invested.



Project Summary

Country	Project Status
Liberia – <i>Cocoa Seed Farm</i> PROJECT COMPLETED	<ul style="list-style-type: none"> • Awarded \$2.38 million from the US Department of Agriculture to expand the program to 9,000 farmers in four counties. • Awarded \$50,000 from the Aspen Institute's Realizing Rights Project to continue working with cocoa farmers from February 2009 through January 2010. This funding will serve as a pilot for Realizing Rights, and may lead to two more years of funding. • All 25 farmers who participated in the project are now connected to the export market where they sell their cocoa beans directly, increasing their income by 25% to 75% as a result of improved cocoa production quality.
Ethiopia – <i>Fuel Briquette Manufacturing</i>	<ul style="list-style-type: none"> • The women participating in the program have doubled their monthly income to approximately \$18. • Working to secure additional funding to significantly scale the program. • Because demand for the briquettes is so high, the project is currently focusing on bringing production to full capacity.
Nepal – <i>Cardamom</i> PROJECT COMPLETED	<ul style="list-style-type: none"> • More than \$875,000 has been awarded to scale the program to 500 additional households, provide capital loans, and replicate the program in eastern Nepal with potato production. • Farmers were able to realize an immediate profit of nearly 10% for larger cardamom pods, and an overall increase of 3% for all pods due to a new sieve designed by Mercy Corps staff.
Indonesia – <i>Cookstoves and Biomass pellets</i> NEW PROJECT	<ul style="list-style-type: none"> • The stoves and pellets were ordered, and local retailers were selected for the distribution of this pilot project. • Training materials were developed for the retailers, who will be trained in cookstove technology and how to best market them for the launch in February 2009.
Kyrgyzstan – <i>Gardens and Plastics</i>	<ul style="list-style-type: none"> • A \$50,000 grant was received for rural waste management in the Issyk-Kul region to further expand work with the Phoenix Fund apple communities. • In the last quarter of 2008, GAP communities sold 360 tons of apples through the association, earning more than \$90,000. Overall, average total income for project participants has risen 25% in the last year. • EBay's MicroPlace program will be highlighting this program on their website, increasing the opportunity to attract additional funds to scale the farmers' ability to sell produce.
Bosnia & Herzegovina – <i>Solar Water Heating Systems</i>	<ul style="list-style-type: none"> • Existing heating businesses were selected and trained on how to install solar water heating systems. • Recipients of the solar systems were also selected and installations have begun. • Focus on raising awareness throughout the community of the benefits of solar energy.
Nepal – <i>Spice up the deal: Ginger</i>	<ul style="list-style-type: none"> • Farmers utilized a collective bargaining arrangement resulting in a more than 15% increase in the price offered in the local markets. This premium price was in part thanks to the higher quality of the ginger produced by the farmers participating in the project. • Forward contracts successfully negotiated with ginger exporters.
Zimbabwe – <i>Emergence of Small Scale Farmers</i>	<ul style="list-style-type: none"> • The extreme economic hardship that Zimbabwe is experiencing has all but eliminated farmers' resources. Mercy Corps received ten tons of fertilizer from DFID Protracted Relief Program and distributed it to 366 households. • The first group of farmers will be trained in February 2009. Trainings will focus on the use of the treadle pump and agronomic practices of cash crops. The trained farmers will later be linked to credit facility Micro-king where they can apply for loans to purchase irrigation equipment.

LIBERIA – final report

Compound #2, Grand Bassa County

Rehabilitating Cocoa Seed Farm

Project Dates: October 2007 – September 2008

Grant Amount: \$50,000



Cocoa pod sorting, following harvest

Background

Prior to its two civil wars (1989 – 2003), Liberia produced and sold cocoa for export on the world market. Farmers throughout Liberia still maintain cocoa farms or trees but the income they receive is minimal because production is low and the quality of the beans is poor. With support from the Phoenix Fund, Mercy Corps is working with the Liberia Produce Marketing Corporation to rehabilitate an 80 acre cocoa farm in Grand Bassa County, assisting farmers in reestablishing it as a new business.

Project Goal & Objectives

The overall goal of this project is to increase farmer income through the cultivation and sale of cocoa. Specific objectives include:

1. Increase the income for 25 farmers, 12 of them women, by better cultivation and post-harvest techniques, organizing them into a cooperative, and selling improved seeds and seedlings.
2. Strengthen market linkages for organic cocoa from target farmers.

Activities This Period

- Healthy pods harvested from the plantation were processed, packaged, and sold. A total of 2,300 pounds of beans were marketed at an average rate of \$0.57 per pound in the July – September quarter.
- To promote crop diversification, other fast growing perennial crops (335 plantain suckers and 382 pineapple suckers) were planted in empty spaces near the LPMC plantation.
- Two trainings were conducted on transplanting methods and harvest and post-harvest techniques. The training improved farmers' ability to produce quality cocoa beans.
- As a result of the heavy pruning carried out during the early period of the rehabilitation process, cocoa trees produced pods sooner than expected, known as the pre-harvest season. Unfortunately, more than 50% of these pods were infected with black pod disease. Mercy Corps has not used chemical fungicide, which could prevent black pod disease, because of its interest in producing organic cocoa.

Project Successes

- In August 2008, Mercy Corps Liberia received a USAID grant of \$2.38 million to improve agriculture and livelihoods in four counties in Liberia. This grant was awarded as a direct result of the Phoenix Fund pilot project. The new grant will reach 9,000 beneficiaries over an 18-month period.
- From the improvement in the lives of the 25 farmers, more cocoa farmers have expressed their interest in the project. The rehabilitation of this cocoa farm has attracted other stakeholders in the cocoa industry, recognizing the achievement made by Mercy Corps in transforming a cocoa farm abandoned for over 15 years to a viable, productive farm once again. As a result, a \$50,000 grant from the Aspen Institute's Realizing Rights: Ethical Globalization Initiative has been awarded to continue working with cocoa farmers from February 2009 through January 2010. This funding will serve as a pilot for Realizing Rights, and may lead to two more years of funding
- All 25 farmers who participated in the project are now connected to the export market where they sell their cocoa beans directly, thereby increasing their income by 25% to 75% as a result of improved cocoa production quality
- 250 non-cocoa farmers and community members also benefited from the project through Cash for Work (CfW) activities that included pruning the cocoa trees, clearing the grass from under them, and removing fallen or dead trees. The CfW participants earned income that enabled them to construct new homes, send their children to school or seek medical help at the hospital.

Lessons Learned

- Liberia is not in a position to produce organic cocoa for the world market due to the need for chemicals to combat crop disease. While this program originally aimed to connect to organic cocoa markets, the farmers are now focused on the production of high quality cocoa beans for a fair market price.

Beneficiary Profile

- Forty-eight year old Joshua Flomo, his wife Nowai, and their nine children reside in a thatch roofed house in Compound #2, where the Cocoa Rehabilitation Project funded by the Phoenix Fund was implemented. Flomo had always dreamed of building a zinc-roofed house for his family in his village. After working as a contracted-gardener with the Phoenix Fund cocoa project for 13 months, Flomo began constructing a new house, which he has roofed with zinc.

ETHIOPIA

Addis Ababa

Women in Business – Fuel Briquette Manufacturing

Project Dates: December 2007 – January 2009 (extended from November 2008)

Grant Amount: \$50,000

Background

Ethiopia ranks 169th out of 177 countries in the United Nation's most recent Human Development Index, which measures indicators that go beyond GDP and looks at life expectancy, education, and standard of living. Addis Ababa currently has a population of five million – double that of the 1994 census – and the country's highest concentration of poor. Unemployment is estimated at 40%, a result of little investment, capital, or saleable skills. As in many communities, women are often the most marginalized group with lower literacy rates, job opportunities, or earning power. Additionally, in an effort to curb deforestation, the government has put restrictions on the amount of wood and charcoal that can be brought into the city for fuel use.



Project beneficiary during briquette production

Project Goal & Objectives

The overall goal of this project is poverty reduction in Addis Ababa through the creation of businesses manufacturing cooking fuel briquettes from organic waste, testing the market, and increasing employees' incomes. Specific objectives include:

1. Establishing five sustainable businesses, employing six staff each, and bringing profit to the saving and credit cooperatives (SACCO).
2. Assisting at least 30 female-headed households in rising above the Ethiopian poverty line, i.e. annual income of \$602/woman (sole income for household of five)
3. Assisting at least 15 households in rising above the Millennium Development Goal poverty line, i.e. annual income of \$1,825/woman.
4. Increasing the capacity and professionalism of five business managers.
5. Increasing the income of at least 30 supplier businesses of raw organic waste.

Activities This Period

- The final two sets of briquette-making machines have been delivered from Selam College. All five sets of machines have been procured and installed in the sheds constructed in the respective SACCO marketplaces.

- Trainings were given to the SACCO leaders on how they could manage these businesses. Specific trainings included business planning, loan agreements, repayment schedules, and general business management.
- Briquette production sheds, along with shelves to store the briquettes, have been constructed for the remaining two businesses.
- Advertising for the cooking fuel briquettes through different media have been continuing successfully. Examples include:
 1. A showcase site has been provided at the WISE office compound, allowing product introduction for WISE visitors.
 2. The briquettes staff has the opportunity to participate in bazaars following the main holidays and other events with an opportunity to advertise the cooking fuel briquettes to thousands of customers.
 3. There was a 30-minute program on local TV that ran for several days on the pioneering work of the fuel briquettes project. Similar programs were carried on the radio. This coverage has generated huge demand for the products.
- After a series of negotiations to secure a carbonization site for all five businesses, a site had been approved by the local government. However, the government changed its mind and demanded that the approval process start again with project appraisal from the Micro and Small Enterprises Agency in Addis Ababa. This painstaking process has been completed and the agency is writing in favor of Mercy Corps' request. WISE is optimistic that they will get the plot of land soon.

Next Steps

- The two types of cooking fuel briquettes products have proved to be of good quality and there is huge demand for them. On average, the 30 women previously earned an income of less than 200 Birr per month. This has already they doubled a monthly income of 400 Birr (\$18). Production is not yet at full capacity, so individual business advice will be provided on an ongoing basis. This training will be provided as a part of WISE and UNION of SACCO's support to small businesses.
- There has been strong verbal support from additional funders to scale this program significantly. Activities are focused on securing those funds.
- The final evaluation is planned for when production is at its full capacity. The preparation of survey tools is underway.

NEPAL – final report

Mechi Hills, Panchthar District

Panchthar Premium Cardamom Project

Project Dates: July 2007 – September 2008

Grant Amount: \$49,979

Bridge Grant: \$15,000

Background

For the last 30 years, farmers in Eastern Nepal have grown cardamom as a cash crop on small plots of marginal lands, but farmers have received relatively low prices for their cardamom from exporters. This was in part due to the farmers' inferior methods for drying their cardamom, which additionally consumed large amounts of wood. The farmers also lacked sophisticated marketing strategies, necessary education, and market knowledge. They were often disorganized and suffered from social exclusion. Under these market conditions, only the richest, often high-caste farmers, benefit from recently improved road access and cardamom drying technologies.

Project Goal & Objectives

The overall goal of this project is to increase the incomes of marginalized cardamom farmers in the eastern hills of Nepal. Specific objectives include:

1. Enabling cardamom farmers and exporters to increase their global market share of premium large cardamom sales.
2. Working with 100 cardamom farmers to pilot and demonstrate two replicable methods of improving their terms of trade with cardamom exporters.
3. Assisting two cardamom exporters to improve their ability to compete in the global cardamom market and piloting improved processing, grading and international product marketing.

Activities This Period

- Mercy Corps staff designed and distributed a sieve to help farmers separate cardamom pods by size while also shaking off any debris. Thanks to this new step, farmers were able to realize an immediate profit of nearly 10% for the larger pods, and an overall increase of 3% for all pods.
- New cardamom dryers were introduced which use half as much wood as traditional dryers and eliminates the smoky flavor that old dryers imparted, thereby increasing the quality and value of the cardamom. Access to the new dryers, *bhattis*, has been improved by linking farmers to the manufacturers, as well as the development of a financial product that will allow farmer groups to purchase the improved *bhatti* on credit.

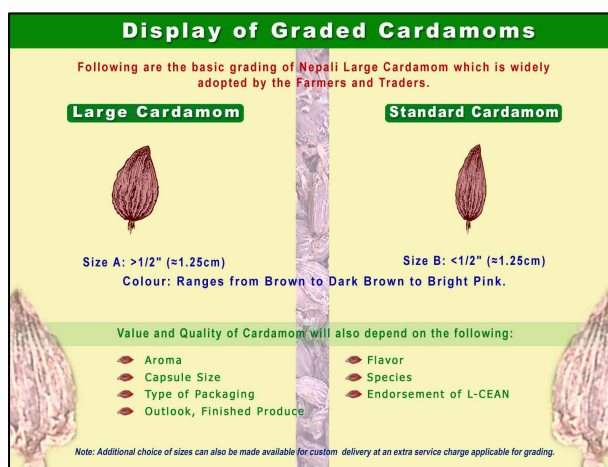
Program Successes

- More than \$875,000 has been leveraged as a result of this program:
 1. Mercy Corps will scale up the cardamom activities to reach an additional 500 farmer households in both the Mechi Hills and the neighboring Koshi Zone, with funding of over \$150,000 from the Artemis Great Kindrochit Quadrathalon.
 2. Whole Planet Foundation has agreed to provide capital to expand access to financial services in the Eastern Region of Nepal over a three-year period with a partner agency, Nirdhan Utthan Bank, Ltd. Over the next three years, Nirdhan Utthan Bank will leverage the \$312,000 provided by Whole Planet to distribute \$3.5 million in loans to over 10,000 farmers in the region, including the cardamom farmers.
 3. Mercy Corps Nepal secured \$414,000 to replicate the cardamom farmers' value chain plus microfinance model for the potato value chain in Nepal's Far Western Region as part of a global response to rising food prices.

- The Panchthar Premium Cardamom Project has laid the foundation for sector wide changes in the Nepali cardamom market. Project activities worked at multiple levels of the production cycles, engaging farmers in better production techniques, and bringing traders and exporters together to advocate for, and increase awareness of, changes in the market as a whole.

- At the exporter level, the Large Cardamom Entrepreneurs' Association of Nepal was created. LCEAN has been active, holding regular meetings, regularizing office functions, and acting on the agenda created at its founding. Achievements of this group include establishing a marketing strategy for the new "Pink Supreme Large Cardamom" brand, sending a delegation to Pakistan on a fact-finding and marketing trip, and beginning to develop a "certificate of origin" to ensure quality standards.

- The *fava* system, which required that farmers give an extra kilogram of cardamom for every 40 kilograms sold, was identified by the project team as a major obstacle towards building trust between farmers and exporters. Through a stakeholders meeting, Mercy Corps successfully brokered an agreement to abolish it, ending the practice.



An example of educational materials distributed to project participants to improve marketability.

Lessons Learned

- Pink cardamom, produced by the improved dryer, needs to be produced in bulk before receiving a better price. While wholesalers recognize the higher quality of the pink cardamom and express interest in it, packing and branding pink cardamom separately is not feasible until larger quantities are available.
- Grading is simple, requires minimal investment, and improves farmers' incomes. Farmers liked the grading sieve that Mercy Corps designed, and quickly saw returns from grading

their cardamom. Under the AGKQ project, the next step will be to increase production of the sieve so that more farmers can benefit from grading practices.

- Business trainings were a highly liked and useful activity. The trainings helped farmers better market their crop, plan their finances, and realize their costs. According to the endline survey, a reduction in farmers' costs is a significant part of farmers' increased incomes.
- Rather than focusing solely on expansion into secondary markets such as Pakistan and Middle Eastern countries, there is also potential for increased earnings by breaking into other parts of the Indian market and not selling through the nearest cardamom trading hub town of Siliguri alone.

INDONESIA – new project

Northern Jakarta and Southern Sumatra

Harmony Project (BINAR)

Project Dates: October 2008 – April 2009

Grant Amount: \$30,000



A project participant with the new alternative fuel stove.

Background

Indonesia has been identified as one of the strategic markets for emerging consumers who lack access to safe, affordable and clean energy products. As the world's fourth most populous nation, Indonesia offers a unique opportunity for Mercy Corps to tackle the issue of energy poverty. British Petroleum's Alternative Energy Unit and Mercy Corps have been cooperating on the ground in Indonesia since late-2007 to assess the economic viability of starting a renewable fuel and cook-stove business to alleviate energy poverty among millions of emerging consumers (those living on \$1-3 a day). This initiative, modeled after BP India's successful entry into this field, is rapidly moving from market assessment to commercial pilot.

Project Goal & Objectives

The overall goal of this project is to test the elements of the business model in a controlled environment with pricing, marketing, and distribution approaches geared towards long-term profitability and scale. Using existing local retailers called *warungs*, 200 households evenly distributed over four villages will be engaged in the pilot project. Testing the import mechanisms, establishing relationships with third-party logistics agents, and determining local sales outlets and practices will be important to generate market data prior to embarking on the comprehensive commercial launch expected in the second half of 2009. The specific objectives include:

1. A weekly cost savings of 2%-11% for 200 households.
2. Prove the model works for the Indonesia market to leverage funding and scale the program to reach hundreds of thousands of beneficiaries.
3. Increase in the *warung's* income, exact ranges to be an outcome of the pilot.
4. Potential for each *warung* to hire one person for sales and distribution during the pilot.

Activities This Period

- The selection process for the two sales outlets was completed in December 2008. This process included a series of questionnaires in Northern Jakarta and Southern Sumatra. To qualify, the *warungs* (informal shops that sell food and household goods), had to be in

business at least three years, female-owned or managed, literate, and have a good reputation in the community.

- Promoters for the new stove and pellet system were selected from the target communities to assist with marketing and promotion of the new products. Two promoters were chosen – one to work with each *warung*. Promotional materials were also developed.
- The project ordered 156 stoves and 11,000 pounds of pellet fuel from BP Energy India. The shipment arrived in early-January 2009.
- Training materials were developed for the *warung* owners and translated into the local language. The training will cover all aspects of the business, from sales and inventory management, to customer service, to use and maintenance of the stoves.

Next Steps

- The business is slated for launch in February 2009. This will include distribution of product to the *warungs*.
- Trainings on proper stove use, as well as sales techniques, will be held for the *warung* owners, community promoters, and local credit agency.
- After the initial launch activities, the promoters will continue to hold weekly demonstrations at area markets and other community centers.
- The project will aim to complete the research and development of the agricultural biomass pellets in the early part of 2009. This will lead to looking at opportunities for larger scale production in Indonesia.



Example of a local warung



Constructing apple storage

KYRGYZSTAN

Issyk-kul Province

Gardens and Plastics

Project Dates: June 2007 – February 2009
(extended from December 2008)

Grant Amount: \$50,000

Background

The Gardens and Plastics (GAP) project is a community mobilization and technical assistance project targeting 1,000 households in eight villages of the Issyk-kul region, Kyrgyz Republic. In 2006, throughout the country, over 900,000 home gardeners earned 29% of their income by producing 61% of the fruit and berries on plots of land that average less than 0.1 hectare. Maintaining the ecological integrity of these lands and improving households' ability to earn income from their "home garden businesses" are essential to households' financial stability.

Project Goal & Objectives

The overall goal of this project is to increase household income and create a regional reputation for consistent, quality organic fruit. The specific objectives include:

1. Improved Land Management through better orchard care techniques, and soil quality improvement through waste management.
2. Mobilization of 1,000 communities through the creation of community groups, a regional association, and regional branding.
3. Improved business behaviors and relations among all actors of the value chain (budgeting for producers, micro-credit management, trust and understanding between sellers and buyers, etc.).

Activities This Period

- Mercy Corps and Kompanion were successful in winning a \$50,000 grant for rural waste management in the Issyk-Kul region to further expand Phoenix Fund work with the apple communities.
- Ebay's MicroPlace program visited the project site in October 2008 and is working with Mercy Corps to highlight the GAP Program and the Kompanion financial institution on the MicroPlace website. The expectation is this will generate additional funds to continue the program after the Phoenix Fund grant ends in early-2009.
- In the last quarter of 2008, GAP communities sold 360 tons of apples through the association, earning more than \$90,000. These figures include approximately 750

households, both officially registered for this project and others in the target communities. From 2007 to 2008, average total income for project participants rose 25%.

- The project focused on the objectives of improving market linkages and regional marketing of fruits through the Apple Festival, the formation of the business association of fruit growers, and their marketing and negotiation with buyers of apricots, pears, and summer apples. The Third Annual Apple Festival was held in October with 800 in attendance, including local government officials, and received a wide array of media coverage.
- Four project staff and three leaders from the association representing GAP communities participated in the Fourth Annual Exposition “Agroprodexpo,” the major trade show for agricultural projects held in the capital, Bishkek.
- During the “Clean Issyk-kul Action” held in September, residents collected 2,800 pounds of plastics which were sold for \$274. The association sold 1,500 pounds of plastic bottles from five communities collected, raising \$159. To date, 32% of wastes collected have been sold. This money is the seed capital for on-the-spot payments for community members who wish to sell their plastic waste.



Displaying apples at the Annual Apple Festival

Next Steps

- To raise additional funds and continue to promote the GAP program, a short video is being developed for placement on MicroPlace's website.
- To increase local demand for the produce, a promotional video will be developed for local television stations.
- The GAP program is slated to wrap up in February 2009. Data will be analyzed following the final reporting cycle to determine successes and lessons learned.

BOSNIA & HERZEGOVINA

Gradačac Municipality

Production of Cost-Effective Solar Water Heating Systems

Project Dates: April 2008 – April 2010

Grant Amount: \$50,000

Background

In Bosnia and Herzegovina (BiH), awareness about the huge potential lying in renewable energy sources, and solar energy in particular, as well as their practical application, is at a very early stage. Initial steps have been made recently, primarily through solar technology production feasibility studies. While these studies confirm the general feasibility of solar collectors and applicable technical solutions in BiH, they do not sufficiently consider mechanisms for possible demand creation and market expansion, nor for the establishment of government incentives for producers and consumers.

Project Goal & Objectives

The overall goal of this project is to create new business opportunities in BiH through the introduction of market-based innovative technologies for energy savings. Specific objectives include:

1. Supporting three small businesses in the design, production, and installation of flat-plate solar systems for water heating in residential buildings and business facilities.
2. Achieving significant savings in utility costs for pilot beneficiaries (eight residential buildings, each with four to six household members, four small businesses, and one public building), thus creating conditions to expand production and increase market access.

Activities This Period

- A training session was held at the Gradačac Fair in August 2008 to increase publicity on the economic and environmental benefits of solar technology and using solar systems for water heating. Additional mass media campaigns (TV and radio) were used throughout the reporting period to raise awareness of the project.
- Training was completed for all five businesses selected for production and installation of the solar systems. Selections were made after a public call for applications and screening process.
- In September, the eight households and four businesses selected to participate in the pilot solar systems project were announced. The selections were made after a public call for applications and screening process in July and August. Formal agreements were signed between all parties on October 6, 2008.



Production of solar collectors

- At the municipalities' urging, the public thermal spas were selected as the public building that would participate in the pilot project. The spas were chosen both because they used a large quantity of hot water every day, generating CO₂ in the process, and because the management showed a strong commitment to the project. Agreements with the spa were signed in November.



Solar panels installed on an industrial building.

Next Steps

- Finish installation of solar systems as weather conditions allow it.
- Monitor the consumption of electricity and savings generated for the project beneficiaries based on monthly electricity bills.
- Prepare promotional materials on solar systems for water heating aimed at increasing the public's awareness of the project and the benefits of the solar systems. In addition, the project will continue mass media promotion of the pilot project with companies involved in production and installation of solar systems.
- Start education related to solar systems for Gadačac municipality.
- Find donors to scale this project and use it as a pilot for other projects.

NEPAL

Ilam and Paanchthar Districts, Eastern Region

Spicing Up the Deal: Ginger

Project Dates: May 2008 – May 2009

Grant Amount: \$43,000

Background

Based upon encouraging results in the Phoenix Fund Cardamom Project, a rapid value chain assessment was conducted along the Eastern Nepal economic corridor in December 2007 to identify other commodities with the potential to significantly impact the livelihoods of smallholder farmers and the local economy. Among the potential commodities studied, ginger was identified to have one of the highest potentials to raise incomes among the most people.

Approval of this project by the Phoenix Fund was leveraged to receive \$15,000 from the Small Change Fund. This allowed for the successful sourcing and timely planting of ginger seed in late May 2008 and covered the bulk of project operational expenses through June 30, 2008.

Project Goal & Objectives

The goal of this project is to raise the incomes of poor, marginalized smallholder farmers by helping farmers, collectors, processors, and exporters increase their profitability by producing high-grade, low-fiber ginger. Specific objectives include:

1. A 15% increase in the profit margin per unit of production for 200 farmers, by using improved seeds, better processing techniques, and effective negotiating skills with buyers.
2. Create 60 new off-farm jobs.
3. Improve the market competitiveness of traded and exported ginger by piloting improved processing, grading, and trading practices with farmers via forward contracts, hedging, and institutional buy-back arrangements.

Activities This Period

- Farmers were happy with the collective bargaining arrangement. Even after small transportation fees, farmers were receiving more than 15% the price by weight being offered in the local markets. This premium price was in part thanks to the higher quality of the ginger produced by the farmer's participating in the project.
- Representatives from farming groups met with ginger exporters in the major ginger collection town of Dhulabari and negotiated forward contracts on behalf of their farming groups. During the harvest, farming groups brought their ginger to a central point, weighed the ginger that each farmer produced, and sent it in a collective shipment to a wholesale/export company.

- A two-day business plan training was conducted for farmers in three locations in Ilam and one in Paanchthar district. The training went into detail about the use of resources, identifying opportunities, selecting target markets, methods of distribution, and the positives and negatives of competition. Farmers also completed some basic financial training.
- A one-day training was conducted on low-cost storage at two locations in the Ilam district and two in the Paanchthar district. The storage consists of a one cubic meter hole that is lined with sand and straw, filled with ginger, covered, and ventilated while protecting it from rain or water runoff. The ginger can be kept for several months this way allowing farmer's greater flexibility in determining when their surplus crops will be sold.
- Mercy Corps talked with ginger traders in the Mechi and Koshi economic corridors and with traders in India to identify areas supplying low-fiber ginger and additional potential buyers.

Next Steps

- Based on the original agreement between Mercy Corps and beneficiary farmers, farmers who received seed stock will deposit the same amount that they received into a seed bank that will benefit other farmers in the area.
- With the planting season starting in early March, the project team will start to educate farmers about the need to rotate fields if there was a disease problem last year and the need to either change seed stock every three years or treat old seeds before planting.
- Using a second grant from the Small Change Fund (the same donor who provided funds to purchase seed at the beginning of this project), Mercy Corps will replicate seed disbursement and planting training in the Koshi economic corridor. This will not only spread the availability of high quality seed stock into another economic corridor, but will also eventually increase the quantity of quality ginger available, making the area more attractive for exporters and processors.
- The endline survey will be conducted and compared with the baseline to see the difference that high quality ginger has had on farmer incomes.

ZIMBABWE

Murehwa District

Emergence of Small Scale Farmers

Project Dates: May 2008 – October 2009

Grant Amount: \$50,000

Background

Murehwa District is approximately 60 miles from the capital Harare. Residents of this district rely primarily on small scale subsistence farming and have been unable to access the commercial market due to a lack of irrigation facilities, limited market knowledge, and no access to credit facilities. The introduction of the treadle pump, appropriate piping, and training of farmers in both best agronomic practices and use of treadle pump will increase yields, income, and the nutrition diet of the households and the community at large.

Project Goal & Objectives

The overall goal of this project is to improve the productive capacity of small scale farmers. Specific objectives include:

1. Increase the capacity of 250 farmers to produce and successfully market cash crops through new equipment and thereby increasing incomes by 30% and indirectly benefitting 1,500 household members.
2. Improve market competitiveness by linking 100 of the farmers to credit opportunities to purchase equipment that will help increase their capacity to produce cash crops. More than 50% of them will have loans approved.

Activities This Period

- Once the political environment allowed Mercy Corps to resume project activities, Mercy Corps staff immediately set to work identifying demonstration sites and installing the treadle pumps and relevant piping at five sites. Demonstration sites were identified in collaboration with local government entities. Mercy Corps set criteria for the demonstration sites, detailing land size, water access, and farmer characteristics that were required.
- Selected farmers signed Memorandum of Understanding with Mercy Corps outlining the conditions of the partnership. Key elements of the MOU dictate that the demonstration site farmer must allow access to his site by other farmers interested in the technology and ‘pay back’ 50% of the value of the pump through goods in-kind (produce). In exchange, Mercy Corps will help the farmer keep records to document the harvest and provide extension services.
- Farmers began to use the pumps at the very end of the dry season (October and November). During this time, the treadle pump was the primary source for watering the crops, and farmers used the pump up to four hours per day. After the rains started, pump use lessened and farmers used the pumps only when there were two consecutive dry days.

- The extreme economic hardship that Zimbabwe is experiencing has all but eliminated the resources that farmers have to buy seeds, fertilizer, or other inputs. During this reporting period, Mercy Corps received a donation of ten tons of fertilizer (worth more than \$5,000) from DFID Protracted Relief Program and distributed it to 366 households.
- Mercy Corps is currently working with a popular vegetable retailer based in Harare, Willowmead, which sends a truck every Monday to the demonstration sites to buy the project participants' produce.

Next Steps

- Finalization of the training site is slated for February and March. As indicated above, the selection process includes input from local stakeholders and a variety of factors such as plot size and access to irrigation. Once selected, the training site will have a treadle pump installed and necessary piping laid.
- The first group of farmers will be trained in February. Trainings will focus on the use of the treadle pump and agronomic practices of cash crops. The trained farmers will later be linked to credit facility Micro-king where they can apply for loans to purchase irrigation equipment.
- Progress monitoring will continue throughout the project period. Project indicators will include the number of trainings held at demonstration and training sites, number of farmers participating in the trainings, increases in crops and subsequent sales, and also the increase in loan applications and approvals.

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