

THE PHOENIX FUND

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Semi-Annual Progress Report **January – June 2009**

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 seven projects in countries in Africa, Asia, and The Balkans. Below are summaries of the projects, including a brief introduction to a project launched in Pakistan in the Spring. For detailed information on any of these projects, please contact:

Danielle Wheeler
Director, Phoenix Fund
dwheeler@mercycorps.org
3015 SW First Avenue
Portland, OR 97201
503.799.2648 tel
503.796.6588 fax

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Project Summary

Country	Project Status
Pakistan – Sustainable Dairy Farming NEW PROJECT	<ul style="list-style-type: none"> • Launch activities were slower than anticipated due to the crisis in other parts of Pakistan, necessitating Mercy Corps staff to support the displaced populations. • A program manager has been hired and activities will get underway in August.
Ethiopia – Fuel Briquette Manufacturing PROJECT COMPLETED	<ul style="list-style-type: none"> • The 30 women in this program are now earning a sustained income of \$40 a month each, a 100 % increase from before the project. • Demand for the briquettes remains high and the businesses sell out regularly. • There is significant demand to scale this business, and much interest from potential funders. However, the economy remains a challenge in securing funds.
Kyrgyzstan – Gardens and Plastics PROJECT COMPLETED	<ul style="list-style-type: none"> • Participants increased their incomes 20%, from \$6/day to \$8/day and are expected to continue to sustain this level of income, if not increase it, through their training on how to market their produce and link to marketplaces. • Thanks to the newly established Association of Fruit Growers, the community has secured contracts with multiple buyers, and overall there has been a 27% increase in the diversification of sellers to buyers.
Nepal – Spice up the deal: Ginger PROJECT COMPLETED	<ul style="list-style-type: none"> • A 231% increase in profit per unit shattered the original goal of 15%. This resulted in farmers generating over \$85,000 in benefit from a \$50,000 program. • Flexible financing that meets the seasonal needs of the farmers has been made available to farmers in the area. A Mercy Corps Social Innovations effort is underway to develop a financial option that delivers technical training along with capital loans. • The Mercy Corps team is still searching for additional funding to scale both this and the Nepal Cardamom programs.
Bosnia & Herzegovina – Solar Water Heating Systems 	<ul style="list-style-type: none"> • CRP, Mercy Corps' local partner, has an outstanding proposal to a local municipality for almost \$200,000 to expand this program. To date, \$8,000 has been leveraged to train an additional 15 unemployed people to install solar systems, and there is an outstanding proposal for \$20,000 to train an additional 30 students. • All residential buildings have had the solar heating systems installed, and the last of the commercial buildings is in progress. • Many marketing activities are underway to create demand, including an international conference and a documentary.
Indonesia – Cookstoves and Biomass pellets 	<ul style="list-style-type: none"> • Half of the stoves have been sold to date, with positive feedback from users. • Government elections led to a temporary subsidy for other fuel sources, during which time there was a slowdown in stove purchases. • Data continues to be gathered around price points, marketing channels, and best means for producing the fuel pellets locally.
Zimbabwe – Emergence of Small Scale Farmers 	<ul style="list-style-type: none"> • Farmers are coming to understand their changing role as commercial farmers, as evidenced by their repayment of the treadle pumps and piping for the demonstration sites. • 100 farmers applied for credit to purchase treadle pumps and piping, and 23 were selected for more rigorous vetting, of which six are women. • Mercy Corps is collaborating with another NGO to understand the supply chain and develop more market linkages.

PAKISTAN – new project

Balochistan Province

Sustainable Development of Smallholder Dairy Businesses

Project Dates: June 2009 – May 2010

Grant Amount: \$50,000

Background

With a population of more than 160 million, Pakistan is the sixth most populous country in the world, and the second largest Islamic nation, after Indonesia. Despite high potential for development and economic growth, nearly a third of the country's population lives under the poverty line¹. Literacy rates are less than 50%, with even lower levels for women. Gender inequalities remain prevalent in the economic, health care, and education sectors. The ongoing global financial crisis is expected to further impact the population, especially the more vulnerable sectors of society. These problems have been compounded by the political unrest and rapidly deteriorating security situation in the country.



Project Goal & Objectives

The overall goal of this project is increasing incomes of landless and small dairy farmers in remote areas of Balochistan Province by increasing livestock productivity and improving the economic performance of the dairy value chain. Specific objectives include:

1. A 10% increase in milk production as a result of improved animal management practices and a 20% increase in sales due to efficient transportation and cold chain (reducing losses of spillage and product turning sour).
2. At least a 10% increase in household incomes.
3. By the end of the project, the Milk Producer Groups will establish a retail outlet which will make a profit after the required cost share is paid off.

Activities This Period

- Launch activities were slower than anticipated due to the crisis in other parts of Pakistan, necessitating Mercy Corps staff to support the displaced populations.
- A program manager has been hired and activities are expected to get underway in August.

¹ UNDP HDI, 2007-2008

ETHIOPIA – final report

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, and 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 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

- Since the start of the project, the women have sold approximately 6,400 pounds of agglomerated briquettes (priced at \$0.11/lb.) and 1,500 pieces of beehive briquettes (\$0.50/piece). Both options provide a cheap alternative to cooking fuel to many poor residents of Addis Ababa.
- Interruption in the supply of the inputs, such as bamboo sticks, has led the project participants to unify the businesses under a single cooperative to absorb sudden shocks in the supply chain and create a sustainable business. The cooperative is to repay the initial investment in the business to the Union of SACCOs when they break even and are on the

path to sustainability. This will add to the loan fund of the Union of SACCOs and add a new type of business to their loan portfolio.

- In addition to the briquettes, WISE has also piloted an energy efficient stove and is selling the stoves along with the briquettes to the WISE members and the community.
- The briquettes have received a great deal of interest and attention from the media, especially radio and television.

Project Successes

- The 30 women involved in the project have improved their livelihoods and increased their knowledge of a new technology and product which is in high demand in the marketplace. They are now earning a sustained income of \$40 a month each, a 100 % increase.
- Demand for the briquettes remains high and are regularly selling out. Customers are extremely satisfied with the briquettes and have confirmed that they emit less smoke and burn longer than charcoal.
- WISE has been able to add new products to the Fuel Efficient Stove under the auspices of the project. This helps forward the objective of energy efficiency and cheap fuel technology.

Challenges

- The project is presumably self-sustaining; however the political environment and land acquisition issues in Ethiopia are complicating the future of the project.
- Follow-on funding has not yet been secured, however several proposals that incorporate the briquette project are being shopped around.

KYRGYZSTAN – final report

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

- Over the life of the project, 1,242 people (1,000 formal project participants and 242 non-registered attendees) regularly attended a total of 11 GAP "hands-on" training seminars to educate growers about pollution and land degradation, demonstrate organic land and fruit tree management, household budgeting and micro-business management, and microcredit options. A pilot training on home processing of agricultural products was also held for ten participants.



Horticulture training

- Eight communities established NGOs united with TAP's two NGOs to establish the Nur-Omur Association of Fruit Growers (a business association), the cornerstone of mobilization

activities. Together, the Association communities concluded two contracts: with a fruit processor for low quality fruits, and for the rental of the collection/storage facility renovated through TAP.

- Central collection points for dropped apples, and also for regular sales, were established in each village. Central collection points for plastics were also established in each village. More than 5,000 students and community members collected 4.5 tons of waste plastic during the Clean Issyk-kul Action. Nearly 1.3 tons of this has been sold for \$274. The profits from these sales went to provide seed money to support NGO activities in all but one community.



Collection point for plastic waste

- The Association facilitated the sale of 10.5 million pounds of apples, apricots, and pears at an estimated market value of \$2.2 million by working with existing buyers, sharing buyers among villages, and finding ten new buyers. At the end of the project, 62% of GAP participants sold fruits to more than one buyer, a 30% increase from the beginning of GAP.

Monitoring & Evaluation: Key Findings

- Total household income of GAP participants increased by 20% from an average of \$2,252/yr (\$6/day) to \$2,420/yr (\$8/day). This increase in income can buy 100 fruit tree seedlings, seven sheep, or three calves for a household. The income of non-participants increased by 3% (\$167).
- Selling to more than one apple buyer increased among participants by 27%, meaning that they had diversified who they were selling their apples to.
- Horticultural skill improvement was significant with a 54% increase in thinning (removing young apples from trees to improve quality and size of remaining apples, which is a very difficult practice for households to adopt), a 69% increase in the use of beneficial insects for pest control, and a 107% increase in composting for use as organic fertilizer.
- Burning of wastes (including metal and plastics) decreased by 67% among GAP participants and 60% among non-participants. Burying of wastes decreased by 59% among participants and 70% among non-participants (rates of burying were lower among participants from the beginning). However, informal dumping rates remain high and relatively unchanged in the communities with 58% of households dumping. Kompanion and Mercy Corps Kyrgyzstan plan to continue efforts to address this issue, which, at its core, is due to the lack of municipal services and requires creative private sector ideas and governmental support.

NEPAL – final report

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

- Ginger that had been stored in underground, low-cost storage was uncovered and sold during the final months of the project. The stored ginger can be sold a few months after harvest, when the price generally increases, or can be used as seed for the following planting season. The ginger was harvested in December 2008 and sold four months later during which the ginger lost 5% of its weight from moisture loss, while the price increased 50%.
- After last year's harvest, recipients of the original low-fiber seed distribution deposited the same amount that they had received into a revolving seed bank that will be managed by a local business cooperative. The cooperative and farmers' groups jointly created criteria and

terms for future seed distributions. In April, the seed cooperative distributed all 26,000 pounds of improved seeds to an additional 100 farmers for the 2009 season.

- Many farmers were seeking technical information before planting their fields in late-April and early-May. The team provided information on where to find inputs such as bio-fungicides and improved seeds (for those that the seed bank did not cover). Field demonstrations were also conducted to teach land preparation, pre-treatment of seeds, and planting and mulching techniques.
- Ginger farmers often need to take out loans at very high interest rates during the lean season before the harvest. Another Mercy Corps project, *Expanding Access to Finance*, is working in the same project area to improve rural farmers' access to formal financial services. Two farmers' groups were recognized by Nirdhan Utthan Bank as "Self Reliant Groups," and are now able to access savings and loans products. Nirdhan has set up a flexible repayment schedule that meets the needs of the ginger farmers, who will be able to repay the loan after ginger is harvested.



Ginger after harvest

Conclusions

- A 231% increase in profit per unit of production far exceeded the original target of 15%. These results were thanks to a combination of increases in productivity from high quality seed, better cultivation practices, and decreased disease. These increases were multiplied by the higher price farmers received through low-fiber ginger, reduced breakage, and collective marketing.
- Ginger has proven to be a powerful income generator for rural, smallholder farmers. With improved seeds and production techniques, farmers are able to double their productivity. In addition, reduced breakage and higher quality ginger have allowed farmers to increase their market-share while also obtaining higher "farm gate" prices.
- There was a good return on investment per beneficiary for the project, with every \$1 invested resulting in farmer-level revenue increases of over \$1.50. In other words, beneficiary farmers generated over \$85,600 in increased revenue as a result of the \$58,000 invested by Phoenix Fund and Small Change contributions.
- Farmers supported under the project will be integrated into a two-year *Spicing up the Deal-Cardamom* project that is operating in the same project areas. Mercy Corps has already mobilized an additional 16 farmer groups for a total of 403 ginger farming households.

BOSNIA & HERZEGOVINA

Gradačac Municipality

Production of Cost-Effective Solar Water Heating Systems

Project Dates: April 2008 – April 2010

Grant Amount: \$50,000



New solar systems installed on a home.

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

- The Center for Development and Support (CRP), Mercy Corps' local partner, has leveraged \$8,000 to train an additional 15 unemployed workers to install solar systems. A proposal for \$20,000 to the Raiffeisen Bank to train an additional 30 students is still pending. Another proposal for almost \$200,000 has been submitted to the Tuzla Municipality, to directly expand the program.
- All eight residential solar systems have been installed and are operational. One of the four business systems has been completed, while two others are still in process with much of the work completed. Unfortunately, the recession has made it more difficult for the businesses to complete this work. Mercy Corps is currently working with these beneficiaries to resolve these issues and finish the installations.

- In May, the last business building was selected for the project – a company involved in metal production and casting – and a contract was signed. It is a new company which intends to start production at the end of July. This company showed a great interest in installation of solar collectors and co-funding of the solar system installation.
- To help promote the benefits of solar heating, the project coordinator held a presentation on this program at the Summer University in Tuzla. The affair was an international gathering titled “Energy, renewable energy sources, clean technologies and environment protection”.
- The film production agency Doo Blicko Tuzla is following all of the project activities, and will use the material to develop a short documentary film
- In May, a presentation on solar systems was made for instructors at a technical high school. It was decided that a presentation should be made for students when the new school year begins in the fall. After theory training, test drills will be organized for students on solar collector production. These trainings will be held in cooperation with school instructors, students, and Delma company, who will conduct the practical training.

Next Steps

- Finish installation of solar systems on the remaining buildings.
- Continue promotion and education of citizens in Gradačac and the surrounding area about solar collectors and solar systems.
- Continue education for technical high school students in Gradačac, as well as theoretical and practical training for teachers and students.
- Continue further media promotion of the pilot project and companies involved in the production and installation of solar systems.
- Monitor consumption of electricity and savings achieved by the project beneficiaries (eight households, four businesses, and one public building) based on the monthly electricity bills and use of coal and wood in the public building.
- Find new donors to continue this project and use it as an example for other projects in other areas of BiH..



A training held for unemployed youth on solar collectors and solar systems.

INDONESIA

Northern Jakarta and Southern Sumatra

Harmony Project (BINAR Stoves)

Project Dates: October 2008 – September 2009 (extended from April 2009)

Grant Amount: \$30,000

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.



Training on BINAR stoves

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

- During the initial assessment, it was determined that community *warungs* would be the primary point of sale for the stove and pellets. One business was selected in each target area.

In the first months of the pilot, 93 stoves have been sold – half of the stock. No stoves have been returned or needed to be replaced.

- In West Java, brochures were not used for promotion because community activities suitable for stove promotion were already taking place. These activities include Arisan and Muslim religious meetings developed for women. Cooking demonstrations and stove promotion has been incorporated into these meetings.
- The program also recruited Ibu Tukang Credit staff (local, small-scale lenders) as promoters. ITC has customers in the target areas and visits customers every day.
- Community feedback several months after introducing the stoves has been positive. Among the benefits of the new stove method, users mention:
 - Cost: the pellet fuel is less than one-third the cost of kerosene.
 - Efficiency: users notice that foods heat faster, especially when boiling water.
 - Convenience: the stoves are easy to clean and portable.



BINAR stove user at her home

Next Steps

- Continue sales and distribution of stoves and pellets through the *warungs*.
- Continue trainings on proper stove use, as well as sales techniques. These will be held for the *warung* owners, community promoters, and local credit agency.
- Expand the use of Ibu Tukang Credit to promote sales in the community.
- Continue gathering customer information for monitoring and evaluation analysis.

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.



Farmers at a Horticultural Day event talking about the positive impact of the treadle pumps and training.

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

- All five demonstration sites have fully reimbursed Mercy Corps for the pump and pipe installation. Farmers supplied a wide range of produce (squash, tomatoes, carrots, onions) that was given to orphanage homes supported by Mercy Corps through its Orphanage and Vulnerable Children project. The objective of having farmers pay back their loans in produce was to introduce a commercial aspect to farming and to reinforce a culture of loans and repayment.

- One hundred farmers applied for loans to facilitate the purchase of treadle pumps and piping. Twenty-three were shortlisted for a more rigorous vetting process, of which six are women. The loans are \$600 and the farmers will have one year to repay them.
- In the first months of 2009, the project site received over 25 inches of rain which has greatly improved the underground water sources.
- Through June 2009, 200 of the forecasted 250 project participants have gone through the hands-on training which includes how to use and maintain treadle pumps and basic improvements to agricultural practices such as how to make compost. Feedback has been largely positive, although many farmers have indicated that more or longer training would be appreciated. Forty percent of the farmers trained thus far have been women.

Next Steps

- Mercy Corps is collaborating with another NGO to understand the supply chain and develop more market linkages. Currently one buyer comes to the area weekly.
- Farmer trainings are scheduled to continue through July and August.
- The next quarter will be crucial for the project when the winter crop is harvested and the yield will indicate whether the treadle pump introduction has made an impact on the farmer's ability to achieve higher yields. In addition, Mercy Corps will focus efforts on ensuring that the farmers who receive a loan from MicroKing are using best practices to enable them to pay off the loan.



Prospective farmers are invited to visit the demonstration plots and learn about the program.