

# THE PHOENIX FUND

## Semi-Annual Progress Report

**July – December 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.

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## Project Summary

Country	Project Status
<b>India</b> <i>Potatoes</i> <b>NEW PROJECT</b>	<ul style="list-style-type: none"> <li>A meeting with the Minister of Agriculture took place, to continue dialogue about the government's support of this program.</li> <li>National Geographic is filming a document on the impacts of Climate Change in Kashmir, and will be including this program in their film.</li> </ul>
<b>Kosovo</b> <i>Paper Recycling</i> <b>NEW PROJECT</b>	<ul style="list-style-type: none"> <li>Initial funding established; the Kosovo team is preparing for a March 2010 launch of this program.</li> </ul>
<b>Bosnia &amp; Herzegovina</b> <i>Solar Water Heating Systems</i>	<ul style="list-style-type: none"> <li>The Institute for International Cooperation of German Union of High National Schools agreed to fund a program that includes practical and theory training of young unemployed persons.</li> <li>Presentations were continued in the households of the project beneficiaries introducing opportunities to install solar energy and solar systems.</li> </ul>
<b>Pakistan</b> <i>Sustainable Dairy Farming</i>	<ul style="list-style-type: none"> <li>Established the foundation for linkages to available marketplaces</li> <li>Trained farmer groups to be prepared to negotiate and participate in the marketplace.</li> </ul>
<b>Indonesia</b> <i>Cookstoves and Biomass Pellets</i> <b>PROJECT COMPLETED</b>	<ul style="list-style-type: none"> <li>Government subsidies for other energy products created an unfriendly environment for testing this type of cookstove. Even with disappointing pilot results, this program shows much promise, and the team awaits confirmation of new funding sources to scale the program.</li> <li>Anecdotal evidence suggests that many people purchased the stoves as a second, back-up stove for the home.</li> </ul>

<p><b>Zimbabwe</b> <i>Emergence of Small Scale Farmers</i> <b>PROJECT COMPLETED</b></p>	<ul style="list-style-type: none"><li>• The pilot program leveraged \$1.8M to significantly revitalize the fragile agricultural sector. The new program will focus on increasing sales of food production for 1000 farming families, and continue to link farmers to financial services.</li><li>• Due to limited supplies, only 25 treadle pumps could be secured vs. the expected 50 pumps. As a result, 25 of the 100 applicant were approved for loans and received the equipment.</li></ul>
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# INDIA

## India-administered Kashmir

### *Potato and Potato Seed Pilot*

**Project Dates:** November 2009 – March 2010

**Grant Amount:** \$50,000

#### **Background**

Since 1988, Kashmir has been gripped by violent conflict between India, Pakistan, and Kashmiri rebel groups. The fight over Kashmir's political future has cost thousands of lives and devastated the economy and India-administered Kashmir's 6 million residents are faced with chronic food insecurity. Current domestic potato production meets only 17% of demand, the rest being imported at a value of \$18 million annually. Potato seed production and marketing is underdeveloped, restricted to a few plots owned by the State Department of Agriculture and a handful of farmers in a few progressive areas. Seed potato is sold at four to five times more than the price of consumable potato in the local market. This presents a highgrowth opportunity for small holder farmers, especially in high altitude areas like Hurpora and Kanidajan.

#### **Project Goal & Objectives**

The overall goal of this project is increasing incomes of 100 farmers with at least .75 acres of land who will be provided with potato seeds and technical assistance to grow quality potatoes for market. Specific objectives include:

1. Establish 100 new self-sustaining small potato agri-businesses, raising farmers' incomes by almost 400% (from \$120 annually to \$580), and increasing employment 266%.
2. Increase food security by decreasing potato (both seed and table) import dependency.
3. Assist farmers and other stakeholders in the potato value chain (traders and distributors) with better skills and networks to seize expanding market opportunities.

# KOSOVO

Fushe Kosova/Kosovo Polje, Podujeve/Podujevo and Vushtrri/Vucitern

## *Kosovo Paper Recycling Pilot*

**Project Dates:** March 2010 – March 2011

**Grant Amount:** \$66,000

### **Background**

Waste disposal is a problem throughout the world, but in developing countries it is more critical. Newly independent Kosovo is faced with 45% unemployment and streets full of trash. No central collection points exist and recycling is unheard of. As a result, local businesses import recycled paper to develop into secondary products. The major obstacle in Kosovo economy is the lack of integrated sectors with consistent supply, cost effective and efficient processing, and well educated support services making each sector capable of competing in local markets and reaching international markets. Recycling is a pioneer sector with no viable company that can take a lead in channeling the increasing pressure of the environment and the continuously growing demand of the local and regional markets.

### **Project Goal & Objectives**

The overall goal of this project is to establish a model for supplying recycled paper to an existing egg tray producer, while expanding capabilities and supplying recycled paper and plastic to other local businesses and the export market. Specific objectives include:

1. Develop a sustainable business model for collection and sorting of garbage, and initially selling recycled paper to local businesses.
2. Create up to 74 full time jobs through the establishment of three garbage collection and sorting municipalities in Prishtine/Pristina, Podujeve/Podujevo, and Vushtrri/Vucitern.
3. Generate €100,000 annual revenue across the three collection points.

*Special thanks to Black Dog Private Foundation and Nitin Khanna for their support of this project.*

# PAKISTAN

## 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 line<sup>1</sup>. 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**

- The team identified potential stakeholders in the region. This activity provided information about various stakeholders in the input and output markets. This will help in the next stage of developing linkages between the farmer groups and other stakeholders, and will ultimately contribute to improving linkages between target beneficiaries and the input/output markets.
- Farmer groups were formed in target villages on the basis of their interest, livestock, and small- or no-landholding. The main purpose of forming these groups is to organize the households

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<sup>1</sup> UNDP HDI, 2007-2008

to strengthen their collective bargaining power with input and output markets. Similarly, these groups will be provided with knowledge of, and linkages to, alternative financing sources.

- A detailed baseline survey was conducted to assess the current situation, providing a benchmark against which to measure achievements. The baseline survey was carried out with the assistance of our Islamabad-based Design, Monitoring and Evaluation (DME) Unit in six villages with 100 beneficiaries, 50 male and 50 female.
- Trainings on the importance of water, soil analysis, and collective action rationale and planning were conducted in six villages. Participation in these trainings was about 75% as these are introductory trainings and communities are still increasing their interest in project activities. Interestingly, female participation is higher than male participation. This activity is directly related to improving skills and knowledge in the target communities and covers various topics such as animal management, crop production, and collective action.

### **Next Steps**

- Develop training materials.
- Begin trainings January 20, 2010.
- Link farmers to financial institutions.
- Develop market linkages.
- Evaluate linkages with other stakeholders (processors, district livestock department, etc.).

*Special thanks to Broetje Orchards and Biamp Systems for their sponsorship of this program.*

# 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 program is slated for expansion to the Tuzla municipality. The Institute for International Cooperation of German Union of High National Schools agreed to fund a program for €10,000 that includes practical and theory training of young unemployed persons in the production of solar collectors and the installation of solar systems, as well as training in the development of business plans and training about renewable energy sources focusing on solar energy.
- A second proposal was submitted and approved by the United Nations Development Fund office in BiH. The new award for €30,000 is similar to the activities described above and will take place in Gracanica.

- The Center for Development and Support (CRP) held several presentations about opportunities for solar energy use and production of solar systems in Bijeljina, Sarajevo, Zenica, Gradačac, Teslić, and Tuzla. A presentation was held for students and professors of Machine Engineering High School in Tuzla, where CRP demonstrated the opportunities provided by solar energy and how they can start producing solar collectors as their own small business.
- Production agency Doo Blicko Tuzla, with CRP Tuzla representatives, is continuously following all project activities, and will use the produced material to develop a short documentary film. The CRP team will work with the production agency on final activities for the documentary production beginning in January 2010.
- Presentations were continued in the households of the project beneficiaries whose solar collectors have been installed, introducing interested persons and committees with opportunities to install solar energy and solar systems. Beneficiaries have demonstrated how the system works and presented the energy savings results they achieved. This campaign will be continued throughout project period and after its completion, increasing the awareness about the use and procurement of solar systems produced in Gradačac.

### **Next Steps**

- Continue promotion and education of citizens in Gradačac and wider area about solar collectors and solar systems.
- Continue further media promotion of this pilot scheme 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 public building.
- Finding new donors to continue this project and use it as a pilot scheme for other projects, in other areas of Bosnia & Herzegovina.

# INDONESIA – final report

## Northern Jakarta and Southern Sumatra

### *Harmony Project (BINAR Stoves)*

**Project Dates:** October 2008 – November 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**

- A new test pilot location was established in peri-urban Bogor, south of Jakarta, due to challenges in the north Jakarta and south Sumatra test locations caused by the expansion of the government subsidized LPG stove program. Initial meetings were held on the

establishment of businesses to produce pellets on a commercial scale, and seeking potential investment for the establishment of an Indonesian business with IPB Bogor.

- Warungs were established as the primary sales channel for the stove and pellets and were treated as micro franchisees. The warungs were responsible for stocking and managing inventory, sales, and their internal cash flow management. Over the life of the pilot project two warungs sold stoves and pellets and three sold pellets. Warungs were chosen because they have an existing reputation in the community, and because reference selling is an important part of the sales process.
- During the project, promotion and marketing was through cooking demonstrations and promotions at Arisan and Muslim meetings, especially for women. During the life of the project there were limitations to this method of marketing and promotion. While word of mouth and testimonials from existing customers were effective in driving sales, numbers remained small. As a result there is a need to complement this with other forms of marketing and promotion.

### **Conclusions and Lessons Learned**

- Of the targeted 200 stoves, 175 were sold. Cost savings per household has proven difficult to quantify because the government began giving away LPG gas stoves and subsidizing gas in the same project areas. As a result, many consumers used the BINAR stoves as a back-up. While families saw an overall savings in cooking stoves/fuel, it is as a result of both methods.
- The main goal of the pilot project was to test the business model and assumptions which would be backed by data on a village-by-village basis. The data shows households in Kapuk Muara and Kota Karang only purchased the fuel pellets on a monthly basis, the reason being that the majority of customers still use kerosene and LPG (free stoves and subsidized LPG from the Government program) for their cooking needs.
- In Kapuk Muara, most households used an average of 4.1 kg of pellets as fuel in February and an average of 2.3 kg of fuel in March. From July through October, the household did not buy any more fuel pellets because they were using the government-subsidized LPG. The customers were only using the Binar stove as a backup option when it was difficult to find LPG and kerosene.
- A total of 98 stoves were sold in three areas (Jakarta, Lampung, and Bogor) along with 231 bags of pellets; now the household are more confident using the Binar stove.
- It was a challenge to select warungs whose owners are entrepreneurs and willing to work hard to promote the sale of the stoves and pellets. If the warung was passive, this had a direct impact on sales. However, as the existing sales channel in the majority of communities, they proved to be a good point of sale.

# ZIMBABWE – final report

## 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**

- A total of 250 farmers have been trained on best agronomic practices and use of the treadle pump. About 159 males and 91 females have been trained. Agritex will periodically verify that farmers are still using the new techniques. The training will go a long way in enhancing quantity of produce.
- One hundred farmers applied for loans in order to buy pumps and piping. MicroKing visited the gardens and homesteads of the applicants to evaluate their collateral security and their potential to produce and repay the loan. Twenty-five farmers had their loan applications approved (17 males and 8 females) and installed the pump and piping systems. Loan

repayment has started after a two-month grace period. To date farmers have repaid \$1,700 towards the treadle pumps. It should be noted that only 25 farmers received loans because the project was only able to procure 25 treadle pump sets due to shortages in Zimbabwe.

- One training site was established and it is being used whenever farmers are being trained by Agritex staff. The site was handed over to the community. The site will act as demonstration and learning place for school children as well as area farmers.
- Five demonstration sites were established. The farmers are using the pumps to irrigate crops during the dry season. Yield has generally gone up at these sites. Incomes are being affected by market gluts which have forced prices down. In ongoing agricultural programs, Mercy Corps is working closely to ensure crops grown take advantage of market dynamics.
- A training curriculum has been developed and it is going to be used whenever farmers are being trained. This is a general guide to crop production and use and maintenance of the treadle pump. Additional topics can be incorporated into the curriculum as needed.

### **Conclusions and Lessons Learned**

- The pilot program leveraged \$1.8M to significantly revitalize the fragile agricultural sector. The new program will focus on increasing sales of food production for 1000 farming families, and continue to link farmers to financial services.
- The project has resulted in improved community unity and peaceful coexistence of the households with different cultures and sociopolitical affiliations. Through market and financial linkages households have shown cohesion in addressing poverty as an issue. At the demonstration site farmers have shown willingness to learn, host visitors, and provide an environment conducive to learning for other farmers, Mercy corps staff, and local stakeholders.
- Market linkages can be improved through commodity associations and value added to production (i.e., processing). Retailers, wholesalers, and vendors must be linked to trade finance for them to buy more produce. There is a need to strengthen relationships with ZimTrade (Zimbabwe Trade Promotion Office) for better market development locally, regionally, and internationally.
- A loan interest and repayment period adjusted for the growing and harvest season will reduce the likelihood of default among borrowers.