



Nepal Country Strategy Summary

Mercy Corps

Mercy Corps is an international, non-governmental humanitarian relief and development agency that *exists to alleviate suffering, poverty and oppression by helping to build secure, productive and just communities*. Mercy Corps works amid disasters, conflicts, chronic poverty and instability to support people, communities and organizations that can bring about positive change. Since 1979, Mercy Corps has helped people turn the crises they confront into the opportunities they deserve. Driven by local needs, our programs provide communities in the world's toughest places with the tools and support they need to transform their own lives. Our worldwide team in 41 countries is improving the lives of 19 million people. For more information, see www.mercycorps.org.

Most of Mercy Corps' field programs focus on emergency relief, economic development, or activities that promote community development and strengthen civil society. Mercy Corps' programs are **market-driven and community-led**. Mercy Corps' conceptual framework – the *Vision for Change* (see the right side of this page) – emphasizes the importance of **public, private and civic sector partnerships** in boosting accountability, participation, and peaceful change, thereby leading to more secure, productive and just communities.



Global Trends and their Relationship to Nepal

The Mercy Corps Nepal Country Strategy will hinge on the identified three specific challenges that require collaborative and focused attention, as called out in Mercy Corps' global FY2012 Strategic Framework. We believe that solutions to poverty, conflict and hunger in the transitional areas where we work depend upon innovative approaches to these challenges. We see these forces as significantly poised to influence the ability of communities to climb out of poverty, conflict and hunger. Mercy Corps will integrate strategies and solutions appropriate to the local context that adhere to the global trends described below:

- 1. Global Economic Crisis and Food Insecurity:** A billion people worldwide live in chronic hunger, and this number will likely worsen as ongoing financial shocks impact the most vulnerable. Since June 2010, rising food prices have pushed an additional 44 million people into hunger, with the U.N. Food Price Index hitting its highest historical level in 2011. *Nepal is facing increased food insecurity and addressing hunger and malnutrition is high on the agenda of the Government of Nepal. Mercy Corps Nepal will work to build relationships between the private, public and civic sectors to increase resiliency and build foundations for economic and food security.*
- 2. Burgeoning Youth Population:** More than half of the developing world's population is under 25, making them the largest demographic group in transitional, fragile and failing states. Over the next decade, over a billion young people will enter the global labor market; they are likely to find only 300 million new jobs. *In Nepal, youth comprise more than 50% of the population and are considered the most mobile and vulnerable demographic group. More than 90% of youth are unemployed and fall prey to unsafe migration practices. Mercy Corps Nepal recognizes youth as a pillar for change and national*

development efforts. In this regard, engaging and empowering youth is a cross-cutting theme in all our programming in Nepal.

- Climate Change:** Addressing the effects of climate change through Adaptation, Disaster Risk Reduction and Energy Poverty alleviation. Climate change increasingly drives disasters like floods and droughts, undermines economic well-being, exacerbates food insecurity and is destroying the legacy of decades of development efforts. *In Nepal, the effects of climate change range beyond acute natural disasters to include the chronic, but often more devastating, effects of slow-onset weather changes that compromise ecosystems and resource-based livelihoods strategies, including agriculture. Mercy Corps Nepal’s climate change adaptation work includes vulnerability analyses conducted with communities and local government to address the longer-term environmental, livelihoods and food security impacts of the changes taking place. Mercy Corps Nepal thus considers climate change adaptation and sound natural resource management as integral to disaster risk reduction and mandates taking a long-term view to making communities resilient to both chronic and acute threats.*

Mercy Corps Nepal (MC-N)

Mercy Corps works in Nepal to strengthen, protect and expand access to productive livelihoods for the poor. Mercy Corps began operations in Nepal in 2005, and since then has implemented projects in the sectors of agriculture, microfinance, youth engagement, and disaster risk reduction/ climate change adaptation.

MC-N focuses on the sectors of: **Economic and Food Security; Climate, Natural Resource and Disaster Risk Management; and, Youth Engagement.** *Inclusion of women and disadvantaged groups* are important cross-cutting themes. In the Economic and Food Security sector, key intervention sub-sectors include agriculture, food security, and financial services; for the Climate, Natural Resource and Disaster Risk Management sector, these sub-sectors include climate change adaptation, natural resource conflict management, and disaster risk reduction; and, for the Youth Engagement sector, these sub-sectors include youth civic and economic engagement, and migration.

MC-N’s **existing core competencies** include: agriculture, food security (access and availability), microfinance and cooperative development, disaster risk reduction, conflict-sensitive community mobilization, and youth civic and economic engagement. MC-N’s **aspirational core competencies** include food security (nutrition, or utilization), climate change adaptation, energy poverty reduction (especially in urban areas), migration, and emergency response. All of these competencies build on MC-N’s experience and expertise, and also on Mercy Corps’ global capacities and implementation track-record.

MC-N SWOT

In discussing with various stakeholders and current team members, MC-N’s current strengths, weaknesses, opportunities and threats (SWOT) are illustrated below. MC-N’s strategy and action plan moving forward builds on this SWOT to strengthen existing competencies and advantages, shore up weaknesses, mitigate threats, and tap opportunities within our operational mandate.

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> - Technically competent (well trained) diverse project and country team - Project-ized structure of operation –gives project staff opportunity to learn and innovate (lack of bureaucracy- decentralized structure) - Focused and defined thematic sectors - Known and recognized for DRR (Early Warning), Agriculture (food security, livelihood, value chains), Micro finance - Community led – field driven - Known for private sector engagement and market development approaches - Geographic focus (East –Far West) – in-depth 	<ul style="list-style-type: none"> - Poor documentation and sharing of impact, successes to the wider audience - Limited core funding for program development and expansion - Image of “New Kid in the block” in Nepal compared to other INGOs working in similar program areas

knowledge and experience compared to other peer agencies working all over	
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> -Expand programming in urban and energy (climate) work, leveraging what we have done in other countries -As a field driven organization, flexibility to try something new/innovative -Strong overlap with Government of Nepal priorities, namely – food security-nutrition, agriculture, DRR-Climate Change, youth engagement -Explore alternative business models (for example, agribusiness operations or cause marketing) in addition to traditional fundraising modalities 	<ul style="list-style-type: none"> - Funding Dilemma: steep competition for funding in Nepal, and if there is indeed a move towards preference for contracts, there is a threat of reduction in the size of our operation - Changing political situation could lead to change in INGO regulations in Nepal

Why Does MC-N Focus on the Sectors Described Above?

The reasons that MC-N works in these sectors and with these cross-cutting themes include the following:

- Agricultural development, financial access, and disaster risk reduction feature prominently in Government of Nepal national strategy documents, most importantly the 2007 – 2010 Interim Plan of the National Planning Commission and the Agricultural Perspective Plan of the Ministry of Agriculture & Cooperatives. Similarly, poverty and hunger reduction, gender equality, and environmental sustainability feature prominently in the United Nations’ Millennium Development Goals (MDG), to which the Government of Nepal also aspires. It is vital that Mercy Corps’ activities contribute to a larger national and international relief and development agenda, and for this reason close alignment with macro-level strategies is important.
- An estimated 25% of Nepal’s population lives below a national poverty line that equates to \$0.25/ person/ day. According to the OPHI, a more holistic measure of poverty, 64% of Nepal’s population lives in poverty; and, in globally comparable absolute terms, over 55% of the population lives on less than \$1.25/ day. Therefore, poverty alleviation and income generation are of paramount importance. Poverty is also often linked to social exclusion, to reduced access to basic services such as healthcare and education, to increased vulnerability to disasters, and to reduced ability to sustain community-managed social services. The poorest households in Nepal are those headed by agricultural wage laborers, having a poverty headcount rate of 53.8 and comprising 10.9% of the population; the second poorest households in Nepal are those self-employed in agriculture (farmers), having a poverty headcount rate of 32.9 and comprising almost 67% of the population. Among farmers, smallholders are more vulnerable, with owners of less than one hectare of land (19 *ropani*) experiencing an almost 50% incidence of poverty.
- 77% of Nepal’s working population works in the agriculture sector, which contributes 33.8% of GDP and has significantly greater potential due to Nepal’s unique agro-climatic conditions. Over 90% of Nepal’s agricultural landholdings are farmed by smallholders. Pro-poor agricultural growth is, therefore, a crucial step in reducing poverty, and for spurring growth in non-agricultural sectors. A primary challenge for the agriculture sector is to shift from a subsistence orientation to a commercial orientation.
- Nepal remains a highly food insecure country, with 49% of the country’s children under five year of age chronically malnourished, and with severe malnutrition exceeding emergency levels (15%) in some areas. Similarly, highly food insecure households depending on subsistence farming can generally meet their own food consumption needs for three months of the year, and many other families can only meet their own food consumption needs for 6 – 9 months of the year. In the past three years, the number of food insecure households in Nepal has almost tripled to over 3.5 million as a result of under-investment in agriculture, natural disaster (flood, drought), and other factors (food price volatility, political instability), while Nepal has moved to national food deficit status due to

declining agricultural output in relation to population growth (the 2009/10 national cereal deficit stands at over 316,000 MT).

- Only 23% of Nepal's rural population has access to even the most basic financial services. Many of these financial services are also not invested in the country's most productive sectors. Financial services function not only as productive capital, contributing to improved livelihoods, but also as safety nets for the poor, including the 96% of Nepal's workers who depend on the informal sector.
- Geology and climate make Nepal particularly susceptible to disasters, including floods, landslides, earthquakes, fire, drought, and epidemics. Nepal ranks 11th in global vulnerability to earthquakes and 30th in global vulnerability to floods. Poor people and marginalized groups are particularly vulnerable to disaster. Disaster risk is on the rise due to the effects of climate change, and disaster risk reduction is itself closely linked to climate change adaptation. Disasters routinely undermine or set back development efforts, making livelihoods less resilient and putting development investments in jeopardy. Nepal is also ranked as 'High Risk' on Maplecroft's *2010 Disaster Risk Index* as well as in Germanwatch's *Hazard Hotspot*. In addition, Nepal is ranked fourth in the world on Maplecroft's *Climate Risk Vulnerability Rankings*. Nepal is also referred to be in the 'hot-bed' of potential earthquake strike zones and this is a persistent and on-going threat given the lack of preparedness in this regard.
- Approximately 1,500 Nepalese between the ages of 20 and 30 migrate overseas for work every day. These migrant workers remit Euro 2.04 billion annually, making Nepal the largest remittance recipient among countries with a national population exceeding 10 million people. As the economy continues to suffer from decline in agricultural and industrial production, remittances are described as a boon for Nepal that has prevented the economy from virtual collapse. Migrant workers, mostly illiterate youth, face a plethora of problems including: lack of pre-departure awareness of their employment rights and contractual obligations that often leads to exploitation; lack of adequate access to financial services to manage the high costs of migration fees; unsafe remittance channels with high transaction costs; limited knowledge of saving options and financial management strategies; and, lack of policies to promote safe migration and remittance management.
- While there is a significant trend of urbanization globally, the poor in Nepal remain overwhelmingly rural. The urban poverty rate is only 3% in the Kathmandu Valley and approximately 10% in other urban areas, as compared to over 25% nationally.
- One of the main challenges of Nepal's energy sector is the limited access to electricity and other forms of modern energy, especially in rural and remote areas. This has negative effects on the country's development prospects. The extensive use of wood for cooking and heating leads to a growing shortage of fire wood within reasonable walking distance, harmful indoor air pollution mainly affecting women and children of the poorer part of the population, and spreading land erosion and flood damages due to diminishing forest cover. To reduce poverty and achieve sustainable development, access to basic modern energy services in rural and remote areas of the country must be expanded. Without access to clean, reliable, and affordable energy services, sustainable social and economic development simply cannot occur. In regards to pollution and emissions, industrial waste and river pollutants in urban and peri-urban areas is of growing concern. Rivers in the Kathmandu Valley are receiving industrial wastewater from 1,224 industries, which accounted for 70% of the total volume of industrial effluent in the country.
- Poverty rates among Dalits and Janajatis remain higher than the overall population, with poverty headcounts of 45.5 and 44 respectively. Similarly, poverty is linked statistically to caste and ethnicity, which in turn is often linked to access to education and employment.
- Gender disparities persist in Nepal; for example, only 34.9% of women are literate as opposed to 62.7% of men. Simply allowing women access to equal resources as men will significantly increase Nepal's productive capacity and social equity.
- In a time of significant political transformation, youth have the potential to be great forces for either positive or negative change. At the same time, youth are quite literally the future of the country. Therefore, systematically and constructively engaging youth in programming is vital.

As per the *Vision for Change* and Mercy Corps' overall organizational partnership approach, MC-N designs **projects that incorporate private, public and civic sector partners**. In general, Mercy Corps (a civic sector actor) endeavors to partner with private (business), public (government) sector actors, business membership organizations, and trade association in its projects, in addition to other civic sector actors (NGOs, CBOs, Red Cross/ Red Crescent). For this reason, Mercy Corps avoids the 'pass through grant' or 'donor-implementing partner' modality of civic-civic sector partnerships, unless the purpose of the project/ program is exclusively to strengthen civil society (for example, the *Youth Initiatives for Peace and Reconciliation* project with BASE and Village Youth Clubs, 2006-2008). In cases where the purpose of the project/ program is not exclusively to strengthen civil society (for example, if the purpose is to strengthen agribusiness, or disaster risk reduction capacity), Mercy Corps Nepal seeks to form tri-partite partnerships where private, public and civic sector actors each contribute to the project in the areas where they add the most value. In this case, MC-N plays the role of facilitator, bringing different partners together where they can most add value, **working side-by-side with partners as a unified project team**. This partnership approach enhances and promotes **pluralism**, which is a vital aspect of a healthy society; the involvement of multiple sectors of society also enhances the likelihood of project **sustainability**. The approach also **builds partner capacity**, because instead of putting the burden of implementation fully on the partner we are sharing risks, working together, and learning by doing.

This means that, ideally, a substantially sized project that has moved beyond the pilot phase will include partnerships with: a private business or association, or another private sector actor such as a microfinance institution or a cooperative; a national or local non-governmental organization (LNGO) and/ or Community-Based Organizations (CBO); and, a Government of Nepal office or agency. In projects for which public-private-civic partnerships are not feasible (for example, a disaster risk reduction project in which the private sector does not have an obvious role), at least two of these three sectors of society are represented (civic-public; public-private; or, civic-private). Pilot projects are often implemented with low intensity partnerships to avoid the risks associated with formulating long term partnerships in the operational research phase; however, partnerships are required once projects pass the pilot phase.

Although MC-N's projects will almost always **involve many Community Groups** (Self Reliant Groups, User Committees, Farmers Groups, Disaster Preparedness Committees, Youth Clubs, etc.), which is a core part of MC-N's strategy, MC-N will attempt to **minimize organizational (higher level) partners to approximately 20 current partners or less** (this is the number of partners at any given time, not the total number of past and current partners). This will increase the probability that MC-N can provide significant organizational development inputs or supervisory attention for these institutional partners.

For all partnerships in which a sub-grant or grant agreement is used, MC-N adheres to the Mercy Corps *Principles of Partnership* (Annex 1) and the Association of INGOs in Nepal (AIN) Partnership Guidelines.

MC-N Management Approach

MC-N is a **projectized organization**, as opposed to a functional organization or a matrix organization (MC-N could also be considered a "composite" organization by project management purists). This does not mean that MC-N limits its vision to a single project, because interventions generally span multiple projects that work towards a common goal (a "program" or "portfolio"). It means that MC-N exists to implement projects that deliver unique results, products or services; or, to implement programs that deliver incremental benefits. It also means that MC-N recognizes good quality projects as its main "product" and as the building block of successful initiatives, whether they stand alone or are part of a group of projects. "Programs" are made up of multiple "projects," either running together (at the same time) or sequentially (one after another).

MC-N makes a distinction between 'presence' and 'sustainability.' Sustainability factors are in-built into projects and programs - either through community participation and ownership; public, private, and civic sector partners and synergies; market-driven project/ program design; or, some combination of all three factors. A subsequent MC-N project or program, while it may extend MC-N's presence and benefit culminating projects, cannot be considered as a reasonable project sustainability or exit strategy, since those must come from within the project and its stakeholders themselves. Overall country program management

exists to serve a portfolio management and support function while supporting the development of future strategic directions and human/ financial resources in consultation with project/ program management and Mercy Corps headquarters in the USA and UK.

As a projectized organization, MC-N appoints Project Managers or Program Managers to oversee all individual projects or programs, and these managers are given authority to assign priorities, perform quality control, apply resources, and direct the work of persons assigned to the program or project. This is opposed to a functional organization, in which authority rests with department heads; or, a matrix organization in which cross-department teams are assembled on a task basis.

However, while day-to-day management follows a project-based approach, MC-N's country program strategy is designed to be larger than – and to last beyond the scope of – any individual project or program. For example, interventions in a certain sector should ideally span multiple project life-spans, each an iteration of the same basic intervention. Similarly, strategic partnerships are applied across multiple projects and geographic areas, while M&E frameworks are applied across all projects at the country program level.

MC-N Definition of Success

Whenever possible, MC-N projects define **four layers of impact indicators: household, market, social, and environmental**.

The household dimension incorporates measures of income, productivity, engagement, preparation or awareness. The market dimension incorporates measures of profit and job creation. The social dimension measures the inclusion of marginalized or disadvantaged groups in project activities (generally women, Dalits, Janajatis, or Madhesis, but also incorporating other disadvantaged or vulnerable groups and including measurements of youth or, in some cases, the disabled). Finally, the environmental dimension measures the adoption of environmentally sustainable practices by project partners and beneficiaries.

Where all four dimensions are not relevant for a given project, at least three of the four layers of impact are assessed. A project is deemed to have been **partially successful when it has met impact targets** for all of its dimensions. A project is deemed to be **fully successful when these impacts have continued without MC-N involvement**, as determined by formal or informal ex-post evaluations.

MC-N's Implementation Approach

Based on the frameworks mentioned in the “theoretical foundations” sections below, MC-N's activities in agriculture & food security, financial services, disaster risk reduction, youth engagement, and cross-cutting initiatives to promote the inclusion of women and disadvantaged groups can be discussed in four categories: 1) activities to influence the ‘vulnerability context’ of the poor; 2) activities to improve livelihoods strategies; 3) activities to build the capacity of – or improve access to – Nepali institutions; and, and 4) special projects.

- 1) ***Activities to Influence the Vulnerability Context:*** These include disaster risk reduction and food security interventions, which are primarily designed and implemented to make the poor less vulnerable to shocks such as flooding, drought, crop failure, or food price volatility. On the ground, these take the form of **Climate Change, Natural Resource Management (or natural resource-based conflict resolution)**, and **Disaster Risk Reduction (DRR)** projects and **Food Security** projects, but may also incorporate parts of other projects (for example, a micro-insurance component of a financial services project, or a disease management component of an agriculture project). The projects may also include conflict management projects around Natural Resource Management. These interventions will be complemented by **Emergency Response** activities if acute crises emerge and resources permit. DRR projects seek to mitigate vulnerability in the long term adopting climate change resilience techniques, while Food Security projects seek to mitigate vulnerability in the short and sometimes medium terms. **DRR** projects work to organize Disaster Preparedness Committees; build community capacity to prepare for and respond to disaster; build VDC capacity to support community-level DRR activities; support Early Warning Systems; support small-scale Mitigation Works; and, support DRR in schools. **Food Security** projects improve access to food for highly food

insecure populations through Cash-for-Work or vouchers, in return for community labor on schemes that improve medium term food security prospects (such as irrigation facilities or market roads); or, improve household nutrition and food access or availability levels to strengthen resilience and reduce vulnerability. **Natural Resource Management** projects reduce livelihoods risks by improving the resilience of the foundational resource base for natural resource-based livelihoods, while reducing the risk of conflict over natural resources. Partners for activities to influence vulnerability are **generally civic (NGO, CBO) and public (Government of Nepal) sector partners**, but may also include the private sector in select cases.

- 2) **Activities to Improve Livelihoods Strategies:** These include **Agriculture, Financial Services, Migration and Youth** interventions that expand livelihoods options or strengthen existing livelihoods strategies. In **Agriculture**, MC-N targets “high-impact crops,” forms and works with farmers groups using its Farming as a Business approach and ‘economic corridor’ analysis, and then works with value chain actors at the input, trade, and market/policy levels to improve the access and influence of poor smallholder farmers. At times, MC-N’s agricultural work also includes productive infrastructure (e.g., irrigation, agricultural roads). In **Financial Services**, MC-N works with financial service providers (microfinance institutions, cooperatives, intermediary organizations, etc.) to expand outreach and develop new products. Improved access to financial services then helps households strengthen existing livelihoods strategies while diversifying into new or supplementary livelihoods strategies; or, in some cases, strengthens **informal sector safety nets** (such as village savings and loans associations). In **Migration**, MC-N works with migrant workers and their families to reduce the vulnerability of the migrant workers through dissemination of information, financial capacity building and remittance management. In **Youth Engagement**, related initiatives MC-N works to build capacity through awareness, education and skill building programs to help them increase participation and access better opportunities in decision making; access better job markets. For the most part, MC-N’s partners for these sectors are **private sector partners (cooperatives, trade associations, businesses, microfinance institutions, financial intermediary organizations, mobile technology platforms and operators)** and **public sector partners (Government of Nepal agencies)** that will remain active in the sectors long after MC-N interventions end; in some cases, however, **civil society organizations** are also engaged as partners for technical capacity building purposes.

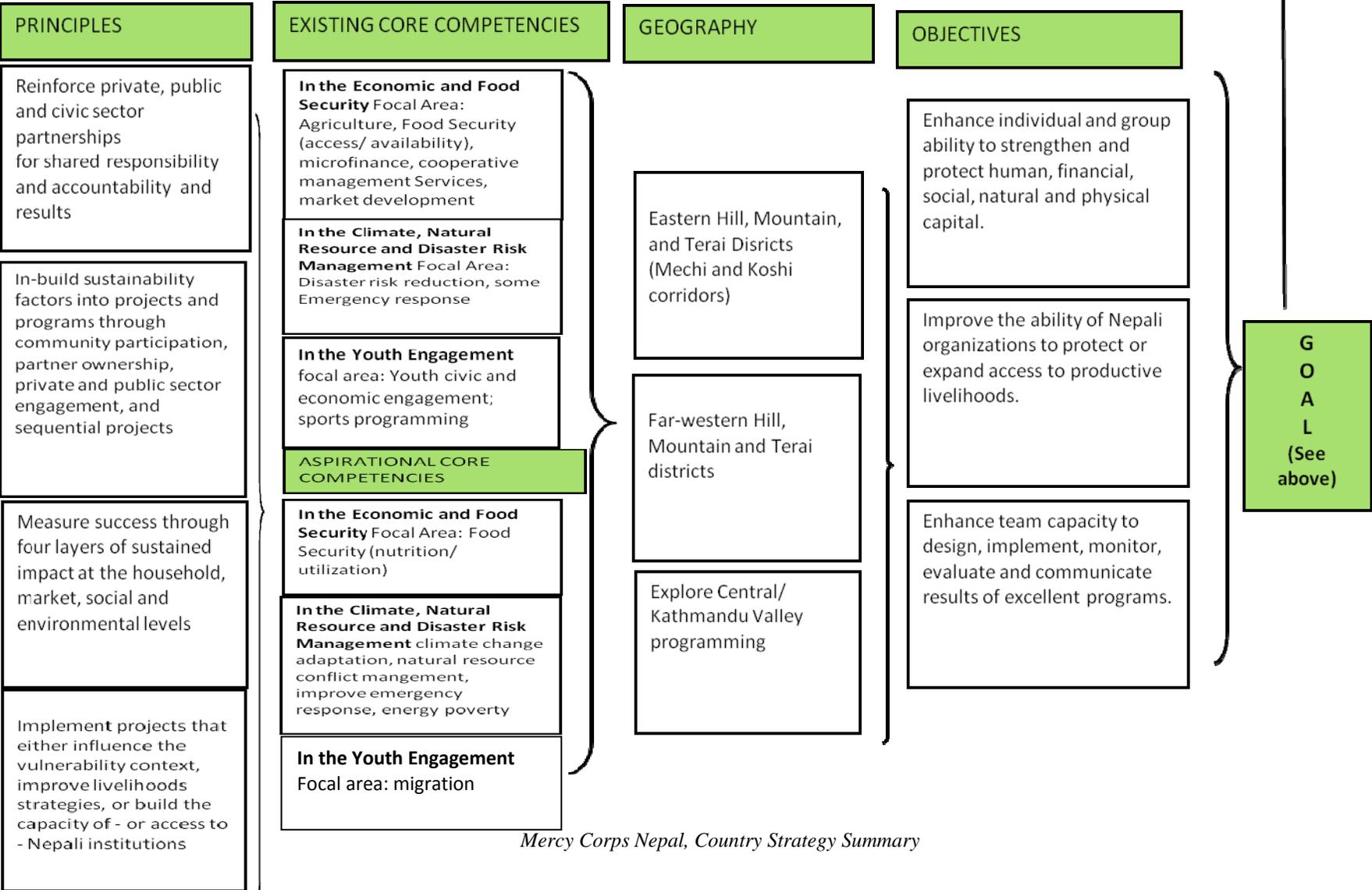
Integration: MC-N does not explicitly use an integrated approach at the community level, because projects should achieve significant impact in and of themselves, and because facilitating a technically focused, precise approach is often more effective for communities in the long-term than providing pseudo-governmental long-term integrated support in multiple sectors that, ultimately, cannot be sustained without external resources. However, in many cases, sector-specific activities are integrated and will benefit from integration. For example, in some cases, food security projects complement financial services and agriculture projects; or, youth engagement projects complement DRR projects. In the future, it is hoped that greater integration between DRR and livelihoods (agriculture, food security, and financial services) projects can also be achieved.

- 3) **Activities to Build the Capacity of – or Improve Access to – Nepali Institutions:** As stated earlier, and as a complement to our community-level work, MC-N works with public, private and civic sector partners in an effort to improve the capacity of these institutions to serve their constituencies (example: carrying out organizational development activities for Nepal Red Cross Society or the Large Cardamom Entrepreneurs Association of Nepal, or helping Nirdhan Utthan Bank or NEFSCUN to expand into more remote areas). In some cases, MC-N may work with a partner not to improve the capacity of that partner, but to improve the access of the poor to the institution and its services (example: helping to link farmers groups to a federated cooperative, or helping link producers to a food processing company).
- 4) **Special Projects:** In some cases, MC-N will undertake special projects that are not explicitly linked to its goal of strengthening, protecting, and expanding access to productive livelihoods for the poor. These projects are designed to deepen MC-N’s implementation capacity, strategic rigor, and expertise

for its priority sectors or cross-cutting themes. Examples include the Economic Corridor Mapping Project, emergency response initiatives that fall outside of strategic sectors (such as 2009's Water Point Rehabilitation project; urban and energy poverty scoping assessment), and projects to deepen MC-N's ability to include women, youth, and disadvantaged groups in its work. In general, these projects will also be implemented alongside **civic, public, or private sector partners**.

MC-N's *country strategic framework*, which summarizes the discussion above, can be found on the next page.

GOAL: Mercy Corps works in Nepal to strengthen, protect, and expand access to productive livelihoods for the poor



**G
O
A
L**
(See above)

Theoretical Foundations

MC-N's strategy has a theoretical foundation that builds upon existing frameworks and practices, both within Mercy Corps and within the broader humanitarian relief and development community, including:

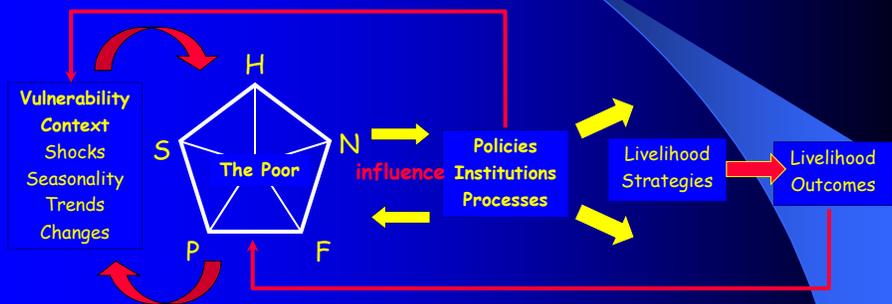
- The Sustainable Livelihoods Framework (see below, and see IFAD or DFID Sustainable Livelihoods materials for details)
- Value Chain Analysis (refer to SDC's "Donor Interventions in Value Chain Development," or USAID's "Early Lessons Targeting Populations with a Value Chain Approach" for details)
- Making Markets Work for the Poor (M4P – see below, and see Springfield Center, DFID or SDC M4P materials for details)
- Food Security Analytical Framework (see below, and also USAID/ FANTA materials)
- MC-N's Farming as a Business
- The Mercy Corps Vision for Change (V4C), see the diagram on page 1 above
- Vulnerability and Capacity Analysis (VCA, see International Federation of the Red Cross/ Red Crescent documentation)
- Mercy Corps South Asia Agriculture Sector Approach (supported by the Agricultural Livelihoods Technical Support Unit)
- Do No Harm (see manual for details)
- SPHERE (see manual for details)

MC-N team members should be familiar with these frameworks and practices. The Sustainable Livelihoods Framework, Food Security Framework, and Making Markets Work for the Poor are explained briefly below. The rest are beyond the scope of this strategy summary, but more information is widely available at the sources described above. If you do not know where to get further information on these, please ask. SPHERE and Do No Harm relate primarily to standards and practices in emergency response, although they can also apply to development work; Value Chain Analysis is a tool for analyzing relationships between input suppliers, producers, traders, and markets in the process of bringing products to market; Farming as a Business is MC-N's approach for working with farmers groups; the Vision for Change is Mercy Corps' conceptual framework, which particularly emphasizes public, private and civic sector partnerships; and, Vulnerability and Capacity Analysis is a way of understanding community skills and threats when designing disaster management interventions.

The Sustainable Livelihoods Framework and its Relationship to MC-N's Strategy

All of MC-N's work is design to strengthen, protect, and expand access to productive livelihoods for the poor. In this context, the term "livelihoods" relates to the Sustainable Livelihoods Framework (see below). In this framework, livelihoods relates to the ability of the poor to use human capital (knowledge, skills, capacities), natural capital (land and produce, water resources, environment), financial capital (savings, credit, remittances, pensions, wages), physical capital (infrastructure, tools, and technology), and social capital (networks and connections, formal and informal groups, collective representation, rules and regulations) to access and influence policies, institutions, and processes. These policies, institutions and processes then allow the poor to access and carry out livelihoods strategies that bring about livelihoods outcomes. These livelihoods outcomes then feed back into the poor's capital assets, enhancing their human, natural, financial, physical and social capital, ultimately allowing them to climb out of poverty. This entire cycle is then mitigated by the poor's vulnerability context, including shocks, changes, and seasonal trends.

The Sustainable Livelihoods Framework



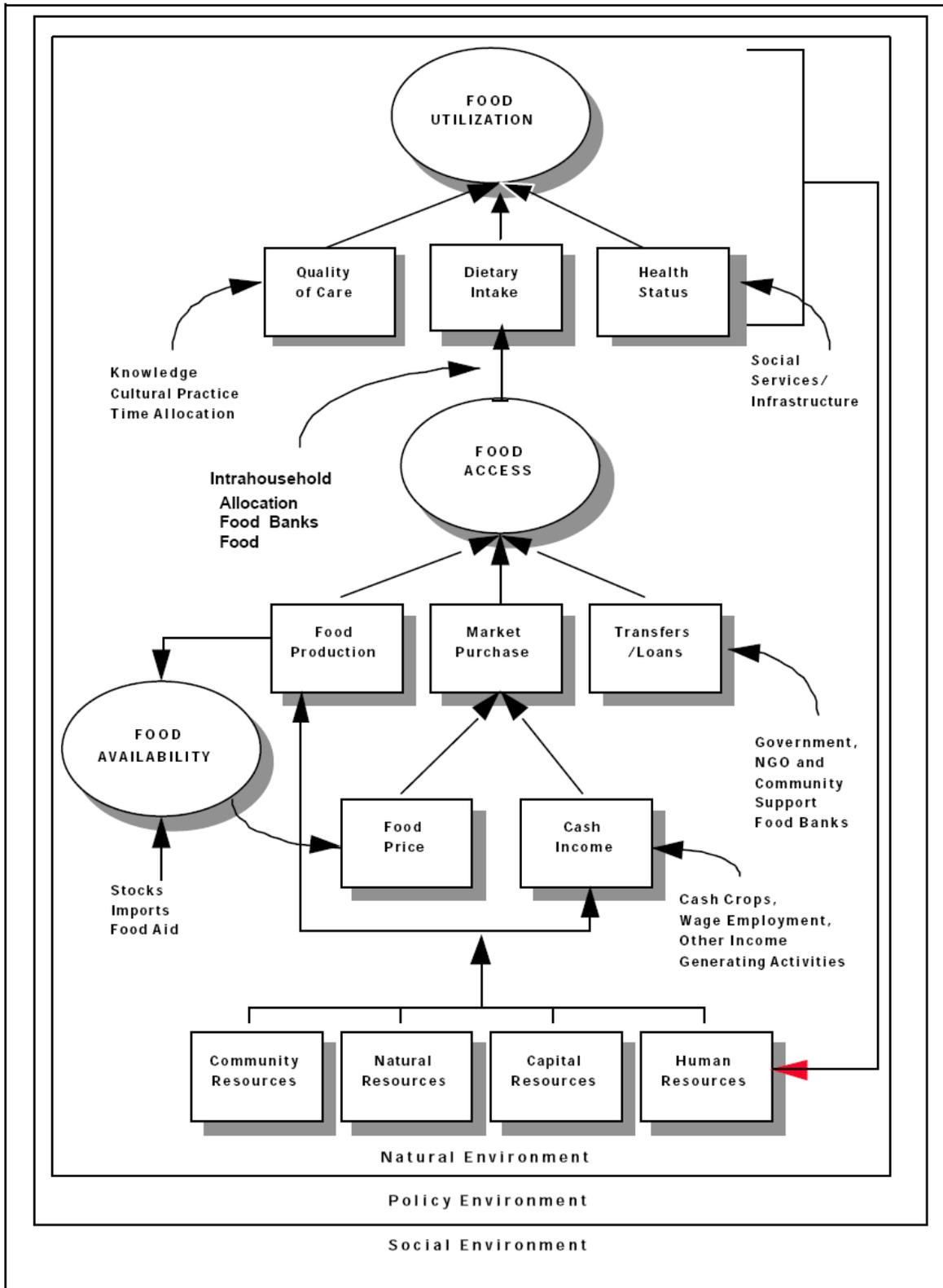
Slide 16

Sustainable Livelihoods Framework

Due to the Nepal country situation, as described on page 1 and 2 above, MC-N has chosen to focus on natural disaster, environmental risks, food insecurity and under-nutrition, and social exclusion as key aspects of the poor’s vulnerability context; on access to financial and technical assistance, and engagement of youth, as key processes for poverty alleviation; and, on agriculture, agribusiness, and natural resource-based livelihoods as pro-poor, high-potential livelihood strategies. MC-N tries to support sustainable livelihoods outcomes by influencing the vulnerability context (through disaster risk reduction and food security crisis mitigation), the poor’s capital assets (through improved networks, knowledge, skills, tools, and practices), and key policies, institutions and processes (by building the capacity of, or linking vulnerable communities to, Nepali institutions).

Food Security Analytical Framework and its Relationship to MC-N’s Strategy

The Food Security Framework highlights that food security is a function of food access (ability to purchase or obtain food), food availability (the physical availability of food in farms and on markets), food utilization (ability to utilize food to gain nutritional benefits), and resilience to shocks (ability to cope with disasters or other events that negatively affect food availability, access, or utilization).

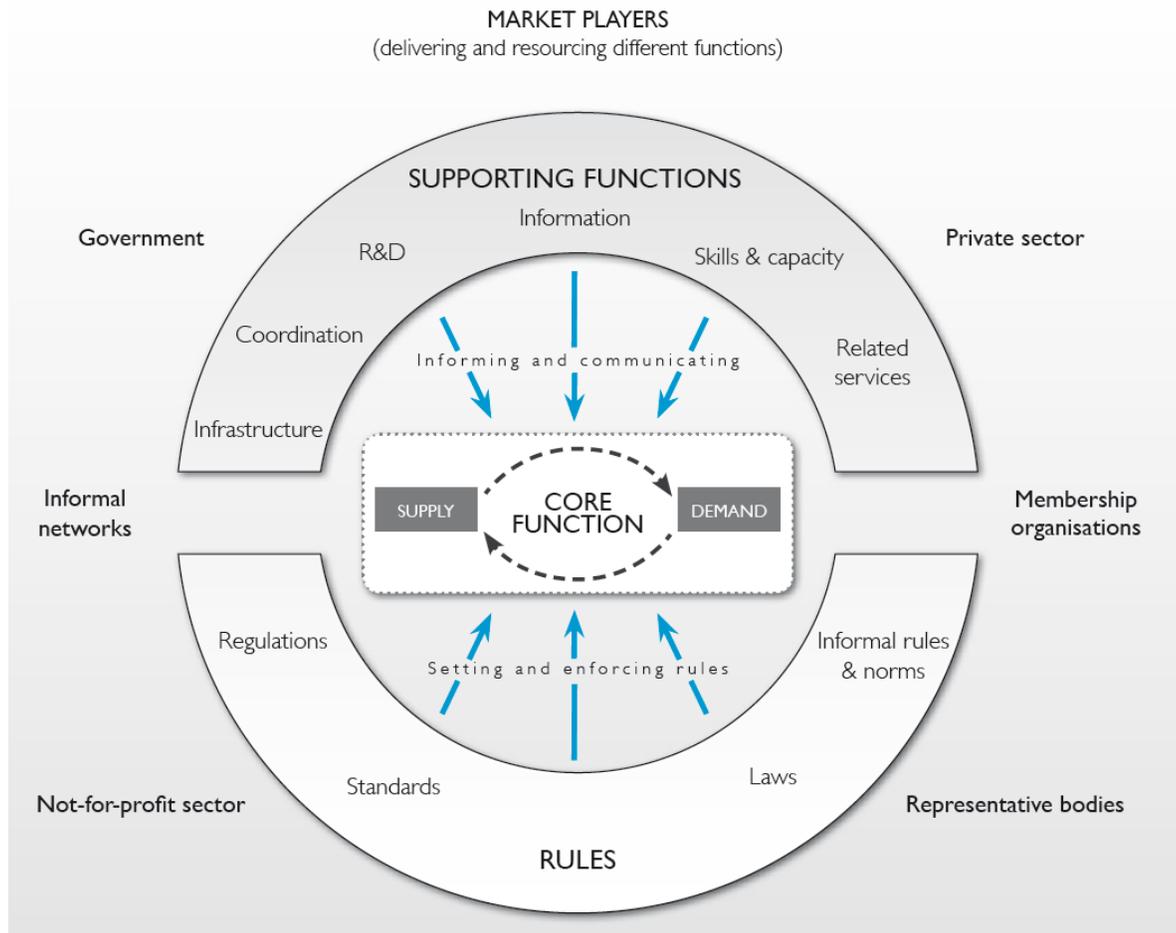


MC-N promotes food availability where we work with food crops or food production infrastructure and skills (such as irrigation); food access where we work with cash crops, microfinance, and short-term wage labor; food utilization where our projects promote hygiene, sanitation, and nutrition; and, resilience to shocks where we work with crisis mitigation, environmental sustainability, and disaster risk reduction.

Making Markets Work for the Poor (M4P) and its Relationship to MC-N's Strategy

M4P is an approach to poverty reduction. The basic idea is that the poor are dependent on market systems for their livelihoods. Therefore, helping to change market systems to work more effectively for the Poor will improve the livelihoods of the Poor and consequently reduce poverty. M4P also assumes that more accessible and competitive markets will open up more options for the poor, which will help people to find their way out of poverty.

M4P's main conceptual framework is a diagram of the market system, as shown below:



MC-N designs agriculture, microfinance/ cooperative financing, and other economic development interventions with reference to this framework. In practice, this means that we try to consider not only supply and demand functions, but also supporting functions (infrastructure, coordination, skills and capacities, and services); and, the enabling environment (regulations, standards, laws, and informal norms). MC-N also attempts to work as a facilitator that is outside the market system itself, as opposed to playing a market role ourselves.