Mercy Corps is an international, non-governmental humanitarian relief and development agency with headquarters in the USA and UK. With current operations in 40 countries reaching close to 20 million beneficiaries, the agency exists to alleviate suffering, poverty and oppression by helping people build secure, productive and just communities. Mercy Corps’ work emphasizes community-led, market-driven interventions through public, private and civic sector partnerships.

Mercy Corps’ South East Asia regional portfolio consists of the following South and Southeast Asian countries: India, Indonesia, Myanmar, Nepal, Philippines, Sri Lanka, and Timor-Leste. Earlier operations also included work with Cambodian refugees in Thailand – the original purpose for which Mercy Corps was established in 1979 – as well as shorter-term assignments or support for relief efforts in Cambodia, Vietnam, and Bangladesh. Mercy Corps’ four key intervention areas in the region include: 1) Economic Recovery and Development; 2) Climate Change and Disaster Risk Reduction; 3) Public Health; and, 4) Emergency Response. This pamphlet summarizes Mercy Corps South East Asia’s strategy in the Climate Change and Disaster Risk Reduction arena, which includes work in climate change adaptation, disaster risk reduction, and energy poverty reduction.
Guiding Principles and Methodologies for Economic Recovery and Development in South East Asia

We Work for the Poor
Mercy Corps believes in confronting the development challenge of poverty and works to reduce income poverty and food insecurity.

We take a Systemic Approach
Mercy Corps believes that poor people exist within complex systems as consumers, workers and producers and that more effective functioning of market systems can be a means through which income poverty is addressed.

We work towards Evidence-Based Intervention and Knowledge Management
Mercy Corps believes in conducting analyses - market, conflict, and political economy - that influence our intervention decisions and form the basis of quality measurement systems. We believe in synchronizing indicators internally and with best practices and in learning from this evidence base.

Our Programs are Contextually Driven
Mercy Corps believes in tailoring solutions based on the context around the poor. Analysis considers underlying causes of why the poor are not benefitting, global and local influences, and prospects for systemic change within the specific contexts of the transitional environments in which we operate.

We Strive towards Sustainability
Mercy Corps believes systemic change is based on a vision of how a market will work more effectively and inclusively without aid actors in key market roles. We enter market systems knowingly and clearly differentiate our role as facilitator from market actor. When we choose to take on a key market function, we do so structured as a commercial enterprise.

We work in Partnerships
Mercy Corps believes change happens through ownership by private, civic and public sector stakeholders. We believe in not undermining local actors’ valid roles but facilitating and strengthening linkages that improve market systems for the poor.

We Understand the Inter-Generational Dynamics of Poverty Alleviation
Mercy Corps understands that poverty alleviation is often an inter-generational phenomenon, and that low income households in South and Southeast Asia will often prioritize investments in their children’s future over short-term productivity increases, meaning that today’s investments to improve tomorrow’s human capital are often the true long-term solution to intractable poverty and food security challenges.

We See that Crisis Creates Opportunities
Mercy Corps believes crisis can create opportunities. We respond to short-term needs (symptoms) while remaining aware of and focused on long-term development processes (causes) and the opportunities to ‘build back better’. Leveraging and jumpstarting the private sector, avoiding market distortion and laying the foundation for market development are key principles of our relief interventions.

We Use a Gender-Sensitive Economic Recovery and Development Lens
Mercy Corps understands that in communities where women have traditionally had less opportunity to engage in economic activities, investing in women’s capacities to make production decisions, have a say in the allocation of household resources, or operate small businesses can have a tremendous impact on inclusive economic growth.

The Challenge
The countries in Mercy Corps South East Asia regional portfolio have nominal Gross Domestic Product (GDP) figures per capita that range from below $500 to over $2,000 (International Monetary Fund, 2010), with 14% - 55% of the national populations living on less than $1.25/ day (Oxford Poverty & Humanitarian Development Initiative, 2010). Human development is slowed by chronic hunger, as exemplified by the fact that 21% to 43% of children under five years of age are classified as underweight (UNICEF, 2010). In the seven countries in which Mercy Corps currently works in the region, over 700 million people are classified as poor according to multi-dimensional poverty indices (Oxford Poverty & Humanitarian Development Initiative, 2010). While most countries in the region have put sound macroeconomic policies into place and are enjoying steady growth, the countries in Mercy Corps South East Asia regional portfolio have nominal Gross Domestic Product (GDP) figures per capita that range from below $500 to over $2,000 (International Monetary Fund, 2010), with 14% - 55% of the national populations living on less than $1.25/ day (Oxford Poverty & Humanitarian Development Initiative, 2010). Human development is slowed by chronic hunger, as exemplified by the fact that 21% to 43% of children under five years of age are classified as underweight (UNICEF, 2010). In the seven countries in which Mercy Corps currently works in the region, over 700 million people are classified as poor according to multi-dimensional poverty indices (Oxford Poverty & Humanitarian Development Initiative, 2010). 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FINANCIAL SERVICES
Access to finance generally underpins any economic development advancement, allowing producers, traders and entrepreneurs to maintain and expand their businesses without external, project-based support, while at the same time making livelihoods more resilient through improved savings and insurance options. Yet, in South and Southeast Asia, large portions of the population – most notably the poor and geographically isolated – have yet to gain access to formal financial services. Mercy Corps has a long history of establishing and working with the providers of microfinance – including loans, savings, and insurance products – to consolidate and support economic development gains.

Examples
In Indonesia, Mercy Corps established, and is working with, a wholesale bank to define and target pro-poor MFIs for wholesale loans that have enabled retail loans to more than one million clients, while improving client services through new technology platforms.

In the Philippines and Sri Lanka, Mercy Corps established MICRA – the Microfinance Innovation Center for Resources and Alternatives – which has provided micro-level services for more than 1,000 MFIs to date, including 500 specifically targeted through the MICRA established “Poverty Action Center” (PAC) which is dedicated to identifying and supporting pro-poor MFIs. In Nepal, Mercy Corps worked with an MFI partner to adjust solidarity lending models to be better suited to smallholder farming households in the geographically-isolated mid-hills, leading to a major expansion of financial services in previously underserved hill sub-regions.

In the Philippines and Sri Lanka, Mercy Corps is working with banks and mobile telephone companies to extend banking and micro-insurance solutions to traditionally underserved client populations.

AGRICULTURE & NUTRITION
The agriculture sector remains the backbone – and key employment generator – of many South and Southeast Asia economies, employing up to 80% of the population and generating up to 60% of GDP in the countries where Mercy Corps operates; at the same time, the sector often employs the most vulnerable members of society – smallholder farmers and agricultural wage laborers – making agricultural development crucial for poverty alleviation. Finally, agricultural growth often spurs service sector growth, indirectly affecting the number of off-farm job opportunities available.

Examples
(Agriculture): In Assam, India, and in Eastern Sri Lanka, Mercy Corps transferred research station-proven production techniques to local rice farmers, reducing water usage while quickly doubling yields and linking farmers to markets; in neighboring communities, Mercy Corps supported small-scale dairy production and sales units that lifted participating families out of poverty.

(Agriculture): In Tamil Nadu, Mercy Corps is working through local extension agents to improve maize yields and production techniques; Mercy Corps is also working with local blacksmiths to produce and market storage units that reduce post-harvest crop loss, thereby increasing both income and food security.

(Agriculture): In Maluku, Indonesia, Mercy Corps worked with smallholder coca farmers to improve production, drying, and marketing practices, increasing productivity and incomes measurably for producer households.

(Agriculture): In Eastern and Far Western Nepal, Mercy Corps’ interventions with smallholder ginger farmers – which focused on disease management, farmers’ group formation, improved production and business practices, and links with traders and financial service providers – improved farmer profits by over two hundred percent.

Example (Nutrition): In urban Jakarta, Indonesia, Mercy Corps worked to establish a branded line of healthy street foods for children, which increased incomes and created jobs for vendors and food processors while improving child nutrition. Also in Jakarta, Mercy Corps worked with a local hospital to establish a fee-for-service breastfeeding promotion center that trains and licenses breastfeeding counselors to coach new mothers in low income communities – generating income for counselors while giving children a healthier start. Breastfeeding counselor certification is now a requirement for women wishing to become private midwives in Northern Jakarta.

Example (Nutrition): In food insecure communities in Nepal, Mercy Corps has integrated household vegetable production, private-sector facilitated micronutrient powder provision, and training on household food diversification into agriculture and crisis mitigation programming, ensuring that increased incomes and improved production also translate to stronger nutrition and, by extension, human capital.

Examples
Example (Inclusive Crises): In the Cyclone Nargis-stuck Ayeyarwady Delta of Myanmar, Mercy Corps supported cash-for-work to inject much needed funds into the local economy while rebuilding key community assets such as embankments and water ponds, and then quickly transitioned to interventions that sustainably replaced lost livelihoods assets through livestock banking, seed banking, and mangrove reforestation.

Example (Inclusive Crises): In the hills of Far Western Nepal, as a sub-regional food security crisis intensified, Mercy Corps used rigorous targeting methods to identify households most at risk of acute food insecurity, and then engaged those households in cash-for-work and skills-building interventions that helped households bridge dangerous hungry seasons while improving irrigation and agricultural production techniques for vegetables, wheat, maize, potatoes, and spice crops.

Example (Solidarity): In the Philippines, MercuryCorp worked with MFI partners to adjust solidarity lending models to be better suited to smallholder farming households in the geographically-isolated mid-hills, leading to a major expansion of financial services in previously underserved hill sub-regions.

Examples
Worldwide, MSMEs have been accepted as an engine of economic growth and a driver of equitable development, comprising over 90% of total enterprises in most economies. MSMEs play a pivotal role in South and Southeast Asia in terms of economic growth and, crucially, in terms of job creation. Mercy Corps’ support to MSMEs is multi-faceted, working to improve both business and technical practices while linking entrepreneurs to support sectors such as financial services and input suppliers.

MICRO, SMALL AND MEDIUM ENTERPRISE (MSME) DEVELOPMENT

Examples
In Indonesia, Mercy Corps is facilitating the development of specially-designed septic tanks with bio-filters for low-income urban households, and is supporting the financing, construction, marketing, and servicing (sludge removal) of these units through MSMEs and cooperatives in the sanitation market.

In post-war and post-tsunami Sri Lanka, Mercy Corps facilitated the formation of multiple small and medium enterprises, including a cashew processing center, a juice and jam processing factory, and a shoe manufacturing facility.

On the tea estates of Northeast India, Mercy Corps helped thousands of families to diversify income streams through vocational training; through the development of micro and small enterprises such as grocery shops, tailoring services, and poultry businesses; and, by supporting the establishment of vermin-composting businesses to supply organic farmers.

In Jammu & Kashmir, India, Mercy Corps surveyed local markets, identified high-impact sub-sectors, and is now helping entrepreneurial, unemployed at-risk youth to start new businesses by linking them to business mentorship services, business planning assistance, start-up capital, and financial services.

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ALTERNATIVE ENERGY PROMOTION

Recognizing both the correlation between energy poverty and income poverty and the business opportunities presented by alternative energy promotion for “off-grid” communities, Mercy Corps works with MSMEs to expand access to clean energy sources, thereby enhancing household and enterprise productivity, reducing fuel costs, and aiding natural resource management and environmental stewardship.

In Indonesia, Mercy Corps worked with tofu and tempe processors to cut costs by shifting to cleaner stoves, and to reduce water pollution by using waste to create biogas, thereby increasing processor profits while improving the cleanliness of food products marketed to consumers.

In three districts of Timor-Leste, Mercy Corps is linking alternative energy product developers to rural retailers, and is also working to improve the business practices and product lines of rural retailers while linking retailers and clients to microfinance institutions so as to make alternative energy solutions more affordable for low-income households.

In Myanmar, Mercy Corps and partners are facilitating the establishment of fuel efficient stove production businesses, which lift producers out of poverty through stove sales while allowing low-income households to halve their expenditures on fuel wood. At the same time, Mercy Corps is facilitating the formation of for-profit seedling nursery businesses to support forestry and reforestation efforts.

ORGANIZATIONAL CAPACITY BUILDING AND ECONOMIC GOVERNANCE

Organizations such as cooperatives, groups, and associations play a powerful role in the economies of South and Southeast Asia, allowing small actors in value chains to work together to improve bargaining power, achieve economies of scale, advocate for a more enabling regulatory and policy environment, and provide internal advisory and knowledge-sharing services. Mercy Corps forms and strengthens these organizations both to reinforce household-level economic development processes, and to create platforms for increased engagement with host country government and intermediary organizations. Where feasible, Mercy Corps also tailors its interventions to support major host government economic development initiatives.

In Darjeeling, West Bengal, India, a major tea producing area where tea has traditionally been produced under a plantation system, Mercy Corps facilitated the formation of the Darjeeling Organic Ekta Society (DOES), the first union of independent, organic smallholder tea growers.

In Eastern Nepal, where large cardamom is a major cash crop that sustains tens of thousands of families, Mercy Corps facilitated the formation of the Large Cardamom Entrepreneurs Association of Nepal (LCEAN), which successfully advocated with government to ease tax and export requirements while coordinating with local Chambers of Commerce to work towards common grading standards and codes of conduct.

In Indonesia, Mercy Corps’ MSME development programming helped entrepreneurs link to the Government of Indonesia’s Microfinance Programs to Support Economic Acceleration for MSMEs, while in Jammu & Kashmir, India, Mercy Corps’ youth entrepreneur incubation programming helped link youth to the State Government’s Sher-e-Kashmir Employment and Welfare Program for Youth.