

Message from the CEO

Earlier this year, we were asked by Mercy Corps to pilot our poverty Graduation program in three refugee settlements in the Northwest corner of Uganda, close to the borders of South Sudan and the Democratic Republic of the Congo: Bidi Bidi (currently the largest refugee settlement in the world), Rhino Camp, and Palorinya. We worked for several months with Mercy Corps and community leaders to hire our business mentors, all Sudanese refugees themselves, and develop adaptations for this specific environment.

In September, I had the opportunity to visit our seed capital disbursements for the new businesses in Bidi Bidi. It was one of the most inspiring field visits in my eight years with Village Enterprise. I had the opportunity to speak with several of our new business owners who were forced to flee South Sudan in 2016. Their stories of abandoning their homes, becoming separated from family members, witnessing the killing of their children, and walking for months to reach safety were heartbreaking. But, at the same time, our new business owners greeted us with songs and smiles as they recounted the hope that they feel as a result of our program.

Our program is truly unique in the refugee settlement areas. While traditional aid creates dependency, the Village Enterprise program creates self-sufficiency.

Investing in human capacity builds hope and creates new opportunities for growth, even in the most challenging environments. We are excited that our partnership with Mercy Corps continues to deepen as we discuss additional refugee work in 2019.

I am also happy to report that after a full year of implementation of the first development impact bond (DIB) for poverty alleviation in Africa, we are on track to start 4,600 new businesses in Kenya and Uganda over a three-year period with DIB funding. Following validation by IDinsight, Village Enterprise was paid 100% of the first two outcome payments, which were reimbursements for grants. Excitement is building for this innovative, results-based financing mechanism and discussions are already underway to scale the poverty alleviation outcomes fund beyond the initial \$5.3 million.

We have set an ambitious goal of lifting 20 million Africans out of poverty by 2025, and we are grateful for all of you who will help us achieve our goal. Thank you for the support that makes our success possible, and best wishes for a peaceful and rejuvenating holiday season!



Dianne Calvi, President and CEO



Development Impact Bond

Village Enterprise is on track with DIB implementation after almost a year of progress. To date, we have started 1,535 small businesses and trained 4,600 people living in extreme poverty.

Building upon our already strong monitoring and evaluation program, we have made significant improvements to our **adaptive management systems** to better measure the quality of our DIB program delivery and the success of our businesses. Our goal is to create faster feedback loops that will enable our field associates and business mentors to respond quickly to potential performance issues and challenges. We are already seeing a shift in the way frontline field staff approach the quality of their work, focusing more on business success.



CLOSE OF INVESTMENT FUNDING

In late July, we closed \$3.5M in funding for the Village Enterprise Development Impact Bond (DIB), the first impact bond for poverty alleviation in Sub-Saharan Africa, which validates that outcome-based financing mechanism appeals to impact investors.

Nine investors, including the Delta Fund (as lead investor), the Laidir Foundation, the Silicon Valley Social Venture Fund, the Bridges Impact Foundation and several individual investors are providing the working capital for the DIB. Outcome funders USAID DIV and the UK Department for International Development (DFID) will pay back Village Enterprise and its investors a sliding scale IRR based on results achieved rather than the traditional model of payment for program delivery.

This pay-for-success model links donor money to measurable increases in consumption and net assets (as a proxy for income). If Village Enterprise successfully improves the income levels for these new business owners, outcome payers will repay up to \$4.28 million. There is potential for investors to see a return of up to 9% IRR if social outcomes exceed benchmarked metrics, which are based on results achieved during the previous randomized controlled trial.

...Development Impact Bond

OUTCOME FUND SCALE-UP

Efforts led by Instiglio, the project manager and process evaluator for our DIB, are underway to scale the Poverty Alleviation Outcomes Fund to engage additional high-caliber service providers like Village Enterprise and to scale poverty alleviation interventions while ensuring impact. Replicating this innovative and efficient mechanism will bring additional outcome payers and investors together to significantly contribute to the UN SDG #1 of ending extreme poverty by 2030.

“Village Enterprise is an exceptional organization that practices data-driven decision making and has proven impact.

Having visited their operations in Uganda, we know that their staff is committed to the kind of ongoing learning and innovation required to move the needle on a problem of this magnitude.”

— Katie and Brian Boland,
The Delta Fund

TESTING AN INCREASED GRANT SIZE

In Kenya, 503 groups received an increased grant size of \$450 rather than our long-established grant of \$150. We are testing to see if a larger grant creates significantly more impact with the same or higher cost effectiveness.



One of the additional steps we added for businesses receiving the \$450 grant is to pitch their proposed business plans to their training group before starting, which is resulting in useful feedback about issues that they would not have otherwise considered.

Businesses started with the larger grant include retail such as cosmetics, groceries, and second hand clothes businesses as well as better equipped hair salons, barbershops, tailoring and fabric sales, school uniform centers, butcheries, food kiosks, poultry businesses with dedicated structures, and businesses that respond to a direct community need such as donkey-cart transport or plastic chairs available to hire for the market.



To see some of our DIB businesses in action, check out this [video!](#)

Performance Dashboard

Village Enterprise equips Africans living on less than \$1.90 a day with the resources to create successful, sustainable businesses, permanently breaking the cycle of poverty for themselves and their families.

Starting businesses in three cycles per year, each cohort is trained for four months, and receives mentoring for the next eight months. Seed capital is disbursed twice, and businesses 'graduate' at the one-year mark.

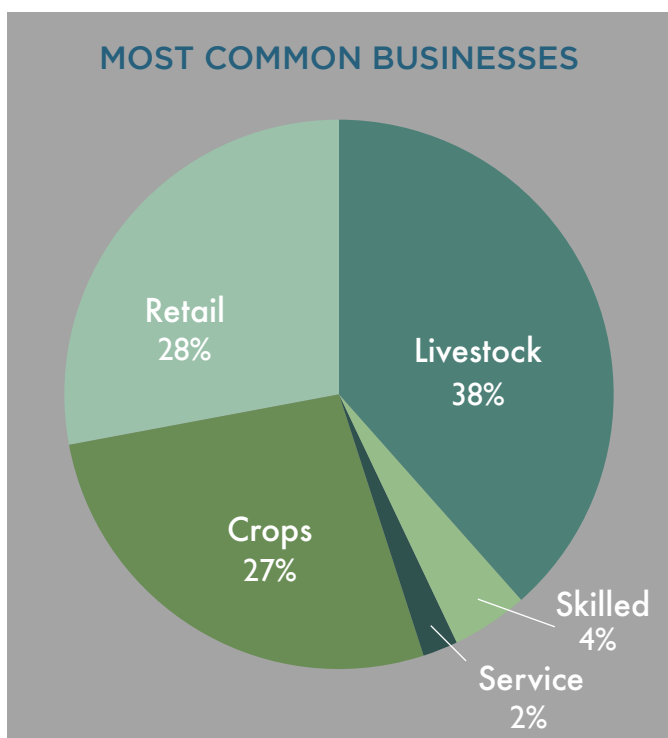
Monitoring and evaluation (M&E) is a key component of program implementation, providing vital feedback to program managers, as well as to partners and program participants. As mentioned on page two, the launch of the Village Enterprise DIB inspired our team to critically review how we could best optimize and leverage our M&E systems for adaptive management.

Through a dynamic discussion series over the course of several months we took a deep dive into our processes, theory of change, management needs, then defined performance indicators. Today, our monitoring and evaluation system constitutes an important source of information for the more holistic adaptive management process.

FY17 C2 Metrics Nov. 2016 - Oct. 2017



KEY OUTPUTS	FY17C2	FY17
Newly reached villages	36	160
Program participants trained	3,039	13,581
Number of households impacted	3,039	13,581
Training sessions provided	1,456	4,995
Businesses started	1,011	4,527
Business savings groups (BSG) established	103	393
% of women participants	72%	75%



KEY OUTCOMES	FY17C2
Average BSG savings at endline*	\$981
Average increase in household savings*	\$5.05 (\$5.15 to \$10.19)
Average % increase in household savings	119.9%
Average increase in weekly animal protein consumption	120%
Average increase in daily meal consumption	18.7%
% of business owners who feel they are better off after program participation	92%
% of businesses with increased value at exit (compared to at formation)	62.5%

*US Values are based on xe.com KES to USD, and UGX to USD, exchange rates on 16th Jan 2018.

Partnership Highlights

MERCY CORPS, UGANDA *Refugee Pilot*

The **refugee population in Uganda now nears 1.5 million people** and continues to grow due to unrest and civil war in the Democratic Republic of Congo, Burundi, and South Sudan. In addition, **the average length of stay for refugees in a host country is currently 26 years.**

In response to this crisis, Village Enterprise worked with Mercy Corps in the West Nile region on a project funded by the ECHO Foundation to adapt our microenterprise Graduation program for refugees. **This pilot pairs refugees with host community members to launch small businesses that promote resilience and reduce aid reliance in three refugee settlements** in West Nile, Uganda: Bidi Bidi, Rhino Camp, and Palorinya. This collaboration also includes CARE, Save the Children, and Oxfam. This partnership will continue to grow in FY19.

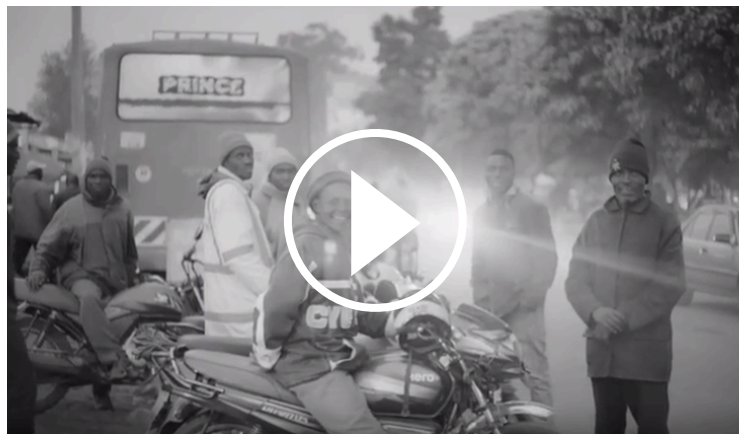
UNITED KINGDOM PARLIAMENT *Visit to Bidi Bidi Refugee Camp*



In early November, we were visited by a delegation of five members of the United Kingdom Parliament's International Development Committee. During their visit, Village Enterprise Country Director Winnie Auma, Program Manager Hannah McChandless, and our business mentors Baker Charles, Hellen and Muna, provided a program overview.

Several of our business owners also had the opportunity to share their experiences in the Village Enterprise Program. Business Owners Mary, Majid Kiden, and Baboya showed the products they sell, which included shoes, eggs, and liquid soap.

PLURALSIGHT ONE *Democratizing Technology Skills*



Pluralsight One invited **Field Associate Nancy Shikuri** to share her vision of how technology can help end extreme poverty in Africa. See what she has to say in their [moving new video!](#) The video was produced by **Advocate Creative**, the creative services agency behind our website and annual report design.

Pluralsight One believes **technology has the power to create freedom, equality and opportunity around the globe.** To drive significant, lasting social impact, they are increasing technology skills through their global nonprofit product offerings. This year, Village Enterprise participated in a pilot to build our team's skills and contribute to Pluralsight's learnings.

INTERACTION *Board Appointment*

Village Enterprise CEO Dianne Calvi was one of seven individuals from leading international development organizations who were recently appointed to the InterAction Board of Directors. Other appointees include leaders from Care USA, Aga Khan Foundation USA, Americares, World Learning Inc., the U.S. Committee for Refugees and Immigrants, and Oxfam America.

InterAction is an invitation-only alliance of NGOs based in Washington D.C. Members share a commitment to working with the world's poor and vulnerable and a belief that together we can make the world a more peaceful, just, and prosperous place.

Village Enterprise Extend

We work with partners to adapt, adopt and implement our cost-effective, evidence-based Graduation model throughout Africa.

Together, we can extend our reach to over 20 million lives by 2025.



Lomako, Democratic Republic of the Congo

Mike Kamiru, Extend's Replication Manager, and Anthony Omogin, a veteran field associate, spent the past two months providing technical training assistance to African Wildlife Foundation (AWF) in the Democratic Republic of the Congo (DRC). This follows Mike's scoping trip in August where he held focus groups, met with community leaders, and got to know the local landscape. In serving this remote and hard-to-reach population, our staff have battled motorbike mishaps, malaria, bureaucratic delays, torrential rain, and living and working in sub-optimal conditions to get the program successfully off the ground.

We have now completed business mentor training (with support from a translator to help facilitate in a mix of English, French, and Lingala). AWF has recruited business owners and will soon launch conservation-conscious businesses.



Creating a strong foundation with the AWF partnership is essential, not just for the new villages and business owners we are serving in the DRC, but to test and validate our replication tools and discover how best to serve new populations. AWF has already expressed interest in expanding our partnership to additional regions.

For more information about Extend, please contact our Director of Expansion, [Liz Corbishley](#).



Welcome, Job!

Job Matseshe recently joined the Extend team as Senior Partnerships Manager, coming from Mercy Corps Liberia. Job brings extensive experience managing partners, donors, and innovating quickly on rapidly evolving projects.

INNOVATIONS SUMMIT



During the week of September 17th 2018, the Village Enterprise team gathered in Mbale, Uganda for the 9th Annual Village Enterprise Innovations Summit. Over 50 members of our staff and board participated, including representatives from every office and remote operating location.

The summit was designed to meet the following goals:

USE HUMAN-CENTERED DESIGN FOR INNOVATION

The holistic nature of the Village Enterprise model often results in a plethora of program innovation needs. Prior to the summit, two challenges rose to the top of our list: (1) strengthening market linkage opportunities for our entrepreneurs, and (2) leveraging the power of technology. Summit preparation included initial research on these topics. During the summit, we used the human-centered design (HCD) process to tackle the inspiration and ideation phases of these challenges, and built momentum for piloting solutions.

ESTABLISH A SHARED VISION FOR OUR STRATEGIC DIRECTION

The summit offered an opportunity to ensure every team member understands and can contribute to the development of our next 3-year strategic plan (currently under development) and strategic direction. Relevant sessions delved deeply into our scaling strategy, development impact bond (DIB) implementation and challenges, adaptation of our program for youth and refugees, and beneficiary and staff safeguarding.

DEEPEN OUR SENSE OF CULTURE AND VALUES

Our annual gathering provides ample opportunity for team building, interpersonal learning, and capacity development. Sessions included the first Village Enterprise Pitch Fest (open to anyone with a new idea), team games and talent show, and personal testimonials on learning from failure.



HUMAN-CENTERED DESIGN AT VILLAGE ENTERPRISE

Our team has adopted human-centered design (HCD) as an organization-wide approach to iteration and innovation. HCD was developed by IDEO and provides a structure through which new ideas can grow out of the lived experiences, challenges, and opportunities of the end-user.

While HCD has been used in pilots by teams over the past year, we knew that for the framework and mindset to become an integrated part of our culture, we needed everyone across the organization—from field staff to finance officers—to learn the practical HCD tools. **([Learning more about how we tackled this here!](#))**

Now that the summit is behind us, the real work is just getting started. We generated new ideas as well as novel ways of looking at familiar ones, but now it's time to turn those ideas into prototypes and pilots. After our HCD deep dive, we now have a roadmap for how to understand our challenges, develop our ideas, test their effectiveness, and roll out our best prototypes at scale. More importantly though, we have a team that has fully embraced human-centered design.



Atoo Grace
Business Owner
Nwoya, Uganda

Leaving Extreme Poverty.

One pot at a time...

When **Atoo Grace** was a young girl growing up in Okiir village in the Nwoya district of Uganda, she would go to the swamp near her home and collect clay to make small pots. Sometimes she would sell her pots for pocket change, but **she always had a dream of starting a small business selling her pots in the markets around her village.** Growing up in extreme poverty, Grace's dream seemed far-fetched. Her family depended on a small seasonal garden to feed their family. For Grace, now with three grown children, her plans of starting a pot business seemed like an ancient memory.

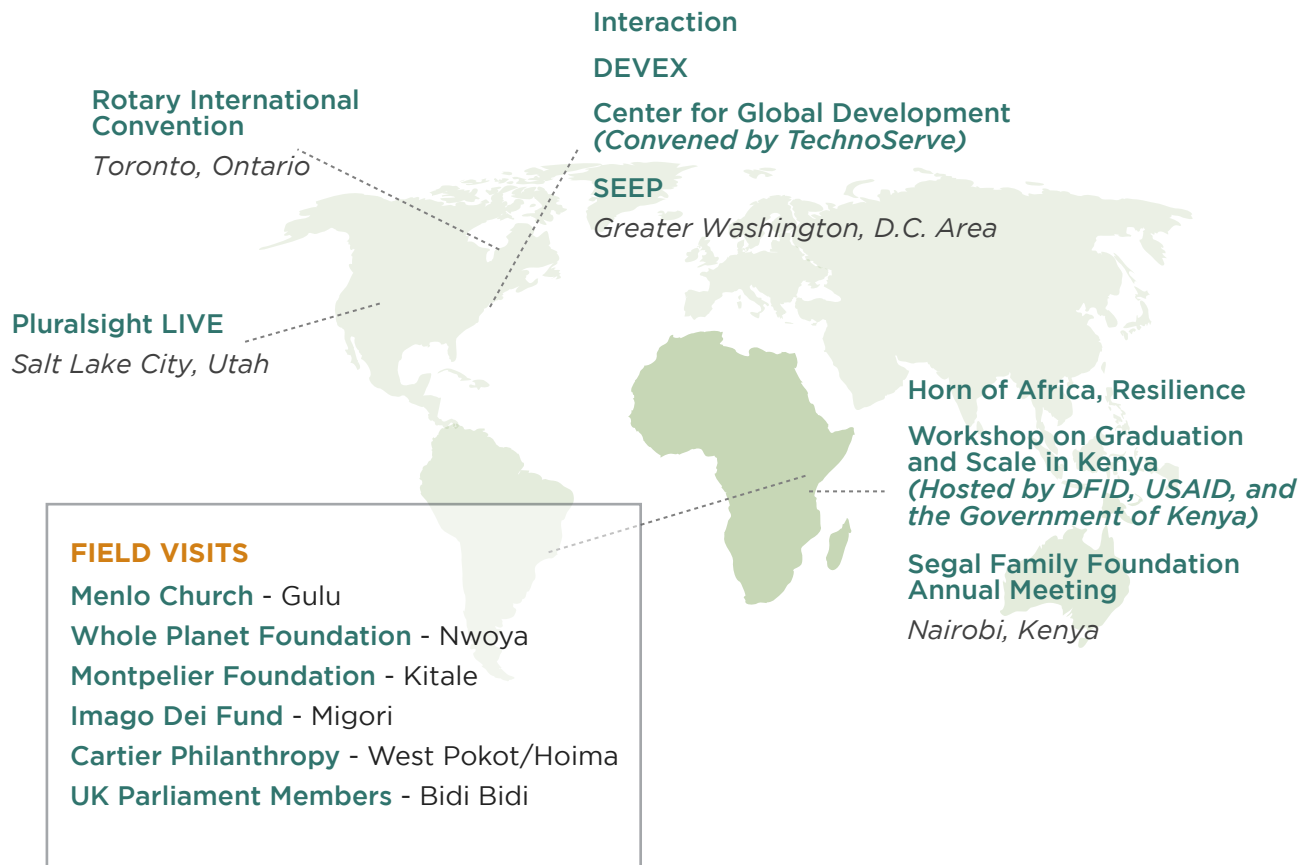
Earlier this year, Grace's family qualified for the Village Enterprise program. Grace worked with two other women from her village to start a small business after receiving trainings and seed capital from Village Enterprise. Initially, they purchased sacks of beans and sold them in the weekly market days near their village. As their business grew, Grace began to think once again about her dream of making pots.

While selling beans in the market, Grace noticed that there was a market for the pots she'd dreamed of selling years before. **Each week, she saved some of her profits from the bean business in her Business Savings Group. Grace took a loan from her BSG and finally invest in starting her pot business.** She made eight pots from the clay she could source

near her home and used her loan to pay for transport to bring the pots to the market. In the heart of dry season, she was able to sell all eight pots, as customers are eager to use the pots to keep drinking water cool in the hottest months of the year.

*Now, Grace's pottery business is thriving. She makes 8 to 10 pots each week and transports them to market centers throughout her district. **Weekly, she is able to earn about 80,000 Ugandan shillings in profit from her pottery alone.** In addition, she and her peers have been able to grow their group business, investing in running a piggery and growing rice for selling.*

Village Enterprise Footprint



In the Press

Providing Opportunity is the Key to Lifting Families out of Poverty
The Hill, Op-Ed - July 16, 2018

Village Enterprise Closes Investment for First Development Impact Bond for
Poverty Alleviation in Sub-Saharan Africa
Village Enterprise - July 30, 2018

How innovative financing can support entrepreneurship and sustainable
livelihoods
World Bank Blog Post - August 7, 2018

The emergence of development impact bonds
World Finance Magazine - September 25, 2018

Giving out cash is a great way to fight poverty. This approach might be even
better.
Vox - October 15, 2018

The Great DIB-ate: Measurement for Development Impact Bonds
Stanford Social Innovation Review - November 21, 2018

