

For more information, please contact:

Lucy Valentine Wurtz
lucyw@villageenterprise.org
+1-650-303-4126

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

*Data-driven investors back innovative funding mechanism designed
to reduce poverty*

San Carlos, California July 31, 2018—The Village Enterprise Development Impact Bond (DIB)— the first impact bond designed to reduce extreme poverty in rural sub-Saharan Africa—has closed its initial round of funding, Village Enterprise announced today. Village Enterprise has raised US \$3.5m of working capital from private investors and philanthropic sources to provide first-time entrepreneurs who live in extreme poverty with seed capital, training and mentoring to start more than 4,600 small sustainable businesses in rural Kenya and Uganda by 2020. If Village Enterprise successfully improves the income levels for these new business owners, outcome payers will repay up to \$4.28 million based on an innovative pay-for-success structure.

Despite decades of development work and billions of dollars expended, over 760 million people still live in extreme poverty, over half of whom live in sub-Saharan Africa. “Eliminating poverty is a global priority, but funding is limited,” said Village Enterprise’s CEO Dianne Calvi. “Mobilizing private capital is critical if we are to achieve the United Nation’s #1 Sustainable Development Goal (SDG) of ending extreme poverty by 2030.”

Providing Investors and Donors with Results

To address this challenge, [Village Enterprise](#), an NGO working to end extreme poverty in rural Africa, and [Instiglio](#), a pioneer in results-based financing that led the design of the DIB, are partnering with private impact investors and the world’s two largest development agencies, the United States Agency for International Development’s Development Innovation Ventures (USAID DIV) and the U.K. Department for International Development (DFID) on the [Village Enterprise Development Impact Bond](#).

For this DIB, nine impact investors, including the Delta Fund, the Laidir Foundation, the Silicon Valley Social Venture Fund, the Bridges Impact Foundation and several individual investors, are providing the working capital for Village Enterprise to equip 13,800 rural Africans who currently live on less than US \$1.90 a day with the resources to become successful entrepreneurs. Outcome funders USAID and DFID will pay Village Enterprise and its investors based on results achieved rather than the traditional model of payment upon program delivery. This pay-for-success model guarantees that donor money will be linked to measurable increases in consumption and net assets (as a proxy for income). This DIB leverages a new and innovative ‘outcomes fund’ hosted by [Global Development incubator](#) (GDI), which will hold all funds in escrow and consolidate all contracting, cashflow and processing through a single efficient and scalable platform.

The Bridges Impact Foundation is the philanthropic arm of Bridges Fund Management (“Bridges”), a specialist sustainable and impact investor. The Bridges funds support a range of solutions to pressing societal challenges, including 27 social impact bonds (SIBs), about half of the total commissioned in the U.K. to date. Michele Giddens, co-founder and partner at Bridges and a trustee of the Bridges Impact Foundation, said, “We’ve seen from our SIB investments in the U.K. that this approach drives better outcomes for vulnerable people by giving providers more freedom to innovate and tailor their program to local needs. So we are

excited to invest in the first DIB to address the SDG of ending extreme poverty, and are hopeful it can have a transformative effect.”

Comparing this DIB to others being launched in international development, Avnish Gungadurdoss, Managing Partner of Instiglio, noted, “This DIB, which pays Village Enterprise for improvements in income levels of extreme poor households, is remarkable because of the ambitious outcomes it incentivizes. By tying funds to such ambitious outcomes and providing full flexibility for Village Enterprise to innovate on its program design and delivery practices, this DIB aims to enable a leap in the program’s cost-effectiveness. We also hope to generate important lessons on how to effectively commission, adapt and scale promising poverty alleviation programs.”

Improving Cost-Effectiveness and Scalability

Brian and Katie Boland are investing US \$1 million in this DIB through their Delta Fund. A statement issued by the Fund reads: “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.”

Village Enterprise’s program includes targeting, training, mentoring, seed capital in the form of cash grants, and saving groups. Innovations for Poverty Action recently completed a randomized controlled trial (RCT) of the program that demonstrated increases in assets and consumption, as well as subjective well-being and nutrition, among program participants. Based on the strength of this RCT evidence, Village Enterprise was selected as the service provider for this impact bond, with the RCT results serving as the benchmark for success.

An additional RCT conducted by IDinsight is under way to independently validate DIB outcomes. According to CEO Dr. Neil Buddy Shah, “As we have done with other high-profile DIBs, IDinsight is designing and implementing a randomized evaluation to independently and rigorously measure the impact of Village Enterprise’s poverty alleviation efforts. This evaluation will ensure that DIB payments are tied to robustly measured outcomes. IDinsight will also provide Village Enterprise with vital data to optimize program learning and improvement through the DIB.”

The longer-term goal is to scale the poverty alleviation outcomes fund to increase the pool of capital available for poverty reduction and job creation programs while ensuring that measurable results are achieved. According to GDI director Alice Gugelev, “Efforts are underway to scale the outcomes fund in order to address existing challenges with impact bonds such as high processing costs and complex documentation. In the scale-up, the outcomes fund plans to engage additional high caliber service providers like Village Enterprise and increase impact through this innovative and efficient mechanism.”

###

About Village Enterprise

Village Enterprise seeks to end extreme poverty in rural Africa through entrepreneurship and innovation. Working in rural Sub Saharan Africa, the Village Enterprise “Graduation” program provides business and financial training, ongoing mentoring, seed capital grants and business savings networks to individuals who live on less than \$1.90/day. Village Enterprise has started over 43,000 businesses, trained over 169,000 first time entrepreneurs and positively impacted the lives of over 940,000 people. Village Enterprise has a 4-star rating from Charity Navigator, a platinum rating from Guidestar and is endorsed by The Life You Can Save and ImpactMatters as a cost-effective, high-impact charity.

About Instiglio

Instiglio is a non-profit firm dedicated to thoughtfully expanding the use of Results-Based Financing (RBF) in international development, including the pioneering of impact bonds and outcome funds in emerging markets. By focusing funding on results, RBF introduces a new and sustained improvement in the standards of performance for the public and social sector; ultimately unlocking the potential of the world's most vulnerable people. Instiglio has worked in over 18 countries in Latin America and Africa, partnering with country governments and major funders on how to achieve greater outcomes in education, poverty alleviation, workforce development, and health – among other issue areas.

About Global Development Incubator (GDI)

[The Global Development Incubator](#) is a non-profit that builds startups and partnerships to address some of the world's toughest global development challenges. We play a mix of the strategist and implementer role to get game-changing ideas off the ground over 24-36 months. Throughout each stage of our process, we bring together the right partners across sectors – including corporations, nonprofits, governments, and foundations – to help new initiatives scale their impact and prepare for long-term success. Above all, we turn talk into action by matching ambitious leaders, strong concepts, and funding with the executional power required to launch and scale large social change efforts.

About IDinsight

IDinsight's mission is to help policymakers and practitioners use rigorous data and evidence to make more socially impactful decisions. We carefully tailor a wide range of quantitative tools to help our clients design better public policies, rigorously test those ideas, and take informed action to improve lives at scale. IDinsight leads learning partnerships across Asia and Africa, working with governments, multilaterals, foundations, social businesses, and innovative NGOs to generate and use evidence to improve their impact. IDinsight works across a range of sectors, including education, financial access, governance, agriculture, health, and sanitation and in over a dozen countries and have offices in Dakar, Johannesburg, Lusaka, Manila, Nairobi, New Delhi, San Francisco, and Washington, D.C.