

Annual Update 2008



Voxtra is a philanthropic foundation established in January 2008, aiming to empower disadvantaged people to lift themselves out of poverty.

The name 'Voxtra' is derived from an Old Norse word meaning 'growth'.

The Voxtra team in 2008 consisted of:

- Kim Wahl, Chairman
- Wollert Hvide jr., Board Member
- J. Peter Andersland, Board Member
- Tellef Thorleifsson, Board Member
- Pål Dale, Managing Director

Voxtra is financed by individuals in the Norwegian business community.

The Shaping of Voxtra

When we established Voxtra in January 2008, it was the start of a journey into the unknown. The founding Board members and I had never worked in the development sector or visited a program in the field. Shaping Voxtra over the past year has been a great learning experience for all of us, but we know that we still have a lot to learn. We are impatient and eager to continue.

Of all that we have learnt in the past year, there are a couple of observations that have been crucial in shaping the philosophy and approach of Voxtra:

- There are tens of thousands of development organizations out there that do good work. There are a few that have capabilities that match our priorities and that in our view stand out. The quality of these organizations has surprised and impressed us. They have a passion about correcting wrongs, an inspiring leader and a motivated, qualified staff, and also a sober professionalism about what they do and ability to structure their activities, build organizational capacity and go to scale that is truly impressive. Most of these are still not large enough to appear on the radar screens of the international donor community.
- When the funds of large donors are channeled through the many layers from governments through multi-lateral organizations and civil society on its way to the poor and disadvantaged, it is directed by political prioritizations made in the headquarters of donor agencies or international organizations. High-performing organizations might not be able to access this mainstream funding if their approach does not match the work models and political priorities of the donors.
- Taken together, the two observations entail an opportunity for Voxtra to make a difference: Exceptional organizations are not adequately funded. Their effective interventions do not reach nearly as many people as they should. Their organizational capabilities are not leveraged to create the scale that is needed to really have an impact on poverty.

Such high-performing organizations are perfect partners for Voxtra, as they have high impact, they are good at measuring and documenting that impact, they are professional enough to manage a direct relationship to a donor in Europe and their track-record is such that the investment carries comparatively low risk. A cornerstone of our approach is to let such organizations do more of what they are good at and what they believe in, and not exert pressure to shape their approach to our likings.

The mission of Voxtra is to empower people at the base of the income pyramid to lift themselves out of poverty. The core competence that Voxtra needs to achieve this goal is the ability to identify such exceptional development organizations.

To be able to do this, and do it well, we are building networks of like-minded organizations and individuals that are willing and able to assist us in identifying potential investments. During the past year, we have gradually developed our screening and due diligence methodology, and the rigor and quality of our due diligence has become a pillar in our approach. It is very encouraging that we are already getting feedback that our due diligence is among the most thorough in the industry.

One of the key principles of Voxtra's founders was that our investments should yield a high social return. With assistance from The Boston Consulting Group, we have developed a methodology that allows us to assess the economic impact on the lives of the poor in a conservative way. Today, we incorporate that assessment in our due diligence, along with assessments of non-quantifiable social benefits, poverty outreach, sustainability, risk and organizational capability.

In sum, we are now developing an operating model based on the following principles:

- Investing to scale up high-performing development organizations.
- Rigorous due diligence on potential investees.
- An investment size that ensures impact and justifies the resources spent on due diligence, both from our side and from the potential investees.
- Specializing in a limited number of countries and thematic areas.
- Keeping our organization small and anti-bureaucratic.

During 2008 we were exposed to around 70 different development programs or social businesses. Out of these, we got to know close to 20, conducted due diligence on six and decided to invest in three (the third decision was taken in February 2009). Our first investment with Save the Children has provided us with an opportunity to work with and learn from a highly recognized international NGO. The second investment, in Hand in Hand, is an example of the type of exceptional, indigenous organization that we will focus on going forward. So is our third investment, with IDE-India, an organization with a highly direct and effective intervention to reduce poverty. They will all be described in the next section of this report.

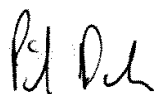
A topic that we are still pondering is to what extent we should focus on social business investments. Clearly, business has an important role in alleviating poverty and "social business" has the potential to bring the relevant products and services to ever poorer populations. However, it is also clear that there is a limit to how deep into the income pyramid an organization like Voxtra can reach when demanding financial sustainability. In 2009, we aim to decide on a strategy for entering this field.

Another recurring discussion topic in Board meetings and other settings has been that of thematic and geographical focus. We are now zooming in on India, a continent in itself with the highest number of poor people in the world, and with a vibrant civil society where a considerable number of organizations reach up to our high standards. In 2009, we also expect to put our foot down in one of 8-9 African countries that are on our list of prospects. Thematically, we have spent most of our time focusing on interventions that have a well-documented and immediate effect on poverty. We come

across such interventions most frequently within the area that can be broadly defined as 'strengthening livelihoods'. Within this definition, we include productivity-enhancing interventions within agriculture (such as IDE-India) and also programs to develop micro-enterprises with funding from microfinance institutions (such as Hand in Hand). We are, however, considering other thematic areas, and will do more work to explore opportunities within water, energy, health and education in the coming year. I expect that we will invest in maximum one of these during 2009.

It has been an interesting and rewarding year for all of us involved in Voxtra. We are gratified by all the positive feedback and encouragement we have received on our way. I would like to thank our pro bono partners at The Boston Consulting Group, Grette Advokatfirma, KPMG and Wiersholm for their valuable contributions, and also to Arne Blystad for providing excellent office space free of charge. We will continue to capitalize on their support in 2009 as we work to further develop our approach and methodologies, identify more excellent investees, continue to build our networks, and reach out to a broader circle of funders.

Oslo, 17 February 2009.



Pål Dale
Managing Director

Voxtra's investments (I)

Hand in Hand, India

The challenge

India, with 1.13 billion inhabitants, has about 830 million people living on less than \$2 per day and 270 million on less than \$1 per day (at PPP, according to the World Bank). Despite the high growth of the Indian economy, little is changing for the poorest. Tamil Nadu is one of the Indian states that have benefited most from this growth. Still, 21% of its 62 million people live below the poverty line and many of these live in the rural areas where self-employment is the only way towards a better future.

The organization

Hand in Hand helps poor women and their families in 14 districts of Tamil Nadu enhance their livelihoods by investing in productive assets and creating microenterprises. For the past six years, Hand in Hand has organized more than 350,000 women into self-help groups, trained them in financial literacy and entrepreneurship, provided them with microcredit, and assisted them in setting up and sustaining microenterprises. The families invest in livestock, irrigation, bakeries, citizens' centers (IT-kiosks), and many other farm and non-farm activities.

The program that Voxtra supports

Voxtra supports Hand in Hand with \$3 million over three years to expand their program into four more districts of Tamil Nadu with a combined population of 7.1 million people. The target of the program is to set up 42,000 family-based enterprises, enabling each family to increase its income by an average of an estimated \$200 per year. Because of the continuous support from Hand in Hand, the added income is again invested in more productive assets, which increases the income of the families further. In addition, Hand in Hand will contribute to establishing 325 "medium-sized" enterprises (with 5 employees per enterprise on average) and 225 citizens' centers. The citizens' centers will offer services such as computer education, access to government schemes, and other ICT related services to one million people. The program began on November 1 2008.

Why Voxtra selected this program

- The direct socio-economic return on Voxtra's philanthropic investment is conservatively assessed at 9x the investment (27x when the benefits are valued at PPP). There are several other indirect benefits such as women empowerment, computer literacy, access to information etc that have not been quantified.
- The program reaches the poor: Hand in Hand focuses on the rural areas of Tamil Nadu and uses its Participatory Rural Appraisal methods to map the most disadvantaged people in each village.
- Hand in Hand is an excellent grassroots organization with decentralized operations, well-developed systems for financial management, and a results-oriented and pragmatic approach. Even though the organization is young, it has proven an impressive ability to pilot and rapidly scale up successful projects in a short period of time, which is partly due to its excellent management with decades of experience. Hand in Hand is also a role-model in creating partnerships with various stakeholders, such as local and national governments, civil society organizations, and the private sector.

Voxtra's investments (II)

International Development Enterprises, India (IDEI)

The challenge

India, with 1.13 billion inhabitants, has about 830 million people living on less than 2\$ per day and 270 million on less than 1\$ per day (at PPP, according to the World Bank). Despite the high growth of the Indian economy, little is changing for the poorest. The majority of India's poor are smallholder farmers. Their productivity is low as they cannot afford appropriate inputs such as irrigation, fertilizer and seeds.

The organization

IDEI is a social enterprise committed to providing long term solutions to poverty, hunger & malnutrition. Since its inception in 1991, IDEI has developed a highly effective approach to empowering poor farmers to break out of the cycle of poverty. Farmers that make a small investment in IDEI's low-cost micro-irrigation technologies can harvest three crops per year, instead of just one rain-fed crop during the monsoon. The extra income they earn can be used for other farming inputs that increase productivity even more, investments in livestock, children's education and healthcare. IDEI's technologies are manufactured and distributed by commercial players, while IDEI takes care of product development, quality control and marketing.

The program that Voxtra supports

Voxtra supports IDEI with \$2 million over six years to develop a supply chain for low-cost treadle pumps and conduct marketing activities to raise awareness in the remote and underdeveloped state of Assam in Northeastern India. The target of the program is to sell 25,000 treadle pumps to smallholder farmers, enabling the farmer families to increase their net annual income by \$400 on average. In addition, the program stimulates the local economy by leading to increased demand for agricultural inputs and day labor to tread the pumps. Voxtra decided to fund this program in February 2009, after completing a thorough risk assessment of the state of Assam in addition to the regular due diligence. The program will commence in April 2009.

Why Voxtra selected this program

- Buying a treadle pump (at a cost of \$20-25) and farm inputs (fertilizer etc for \$70-75) provides the farmer with a return on investment of more than 300% in the first year
- The socio-economic return on Voxtra's philanthropic investment is conservatively assessed at 24x the investment (72x when the benefits are valued at PPP)
- The program reaches the poor: Nearly all the buyers of IDEI equipment (97%) farm less than 1.5 acres of land (0.6 hectares) and 34% farm less than 0.75 acres (0.3 hectares). Assam is one of India's poorest states, with a per capita national product of less than 60% of India's average.
- IDEI is an excellent organization with strong management, well-developed systems for financial management and impact monitoring, a pragmatic and delivery-oriented culture and a proven ability to grow the program into new areas. IDEI has received the Skoll Award for social entrepreneurship and the Schwab Outstanding Social Entrepreneur Award, and receives support from the Bill & Melinda Gates Foundation.

Voxtra's investments (III)

Save the Children, Cambodia

The challenge

In Cambodia, the education system was destroyed during Khmer Rouge rule 1975-79. Reconstruction efforts have been hampered by poverty, political turmoil and Khmer Rouge guerilla activities (ended in 1998). Adult illiteracy in Cambodia is as high as 26% and in rural areas considerably higher. Only 52% of Cambodian children finish 6th grade.

The organization

Save the Children Norway is a rights-based development agency recognized for its professionalism, thematic expertise and ability to cooperate well with local stakeholders. Of the 38 employees in the office in Cambodia, 37 are Cambodian nationals, many of them with decade-long experience in developing the Cambodian education system.

The program that Voxtra supports

Voxtra supports the education program of Save the Children Norway in Cambodia with NOK 15 million in the period 2008-2010. The program improves the capacity and quality of the Cambodian education system through teacher training, building schools in remote areas, strengthening the capacity of the public education administration, and curriculum development. It focuses on remote areas such as Kampong Cham, Preah Vihear, Pursat and Koh Kong. Among its ambitious targets an increase in the net enrollment rate in the provinces to 92% (partly by building 120 new school buildings in remote areas, securing access to 16,000 children), a reduction of the drop-out rate by 3 %-points and enrollment of 120,000 children in a home-based early childhood education program. Voxtra is one of several sponsors of the program, contributing with ~22% of the total funding.

Why Voxtra selected this program

- The program has an impressive track-record of innovations that have become national education policy. The success in developing and promoting these innovations rests on the organization's deep understanding of challenges on the ground, motivation for problem-solving, ability to implement pilots, and close relations to local and national authorities.
- The program focuses on remote areas where the efforts of international development organizations often do not reach.
- Save the Children Norway has strong financial management systems and a high level of thematic competence. Save the Children Norway is widely recognized as one of the best Norwegian development NGOs.

Achievements in 2008

In 2008, Save the Children built 55 school buildings with 132 classrooms with necessary sanitary facilities and teacher accommodation in remote areas of Cambodia. This ensures, in close cooperation with the local community and authorities, that 5900 children gain access to schooling. Despite worsening economic conditions in Cambodia during 2008, first as a consequence of the commodity price boom, then the financial crisis, drop-out rates dropped by 1.0 %-point in the provinces where SCN works.