

# Annual Update 2010



Voxtra was established in January 2008, aiming to empower disadvantaged people in India, East Africa and Cambodia to lift themselves out of poverty.

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

The Voxtra team in 2010 consisted of:

- Kim Wahl, Chairman
- Wollert Hvide jr., Board Member
- J. Peter Andersland, Board Member
- Tellef Thorleifsson, Board Member
- Cecilie Andersland, Observer to the Board
- Pål Dale, Managing Director
- Pejman Altafi, Investment Manager
- Hans Furuholmen, Investment Advisor

Voxtra is financed by actors in the Norwegian business community.

## Investing for social impact

When we established Voxtra in 2008, we coined the tagline “Investing for Social Impact” for our logo. This might come across as a conventional phrase today, but three years ago the term “impact investing” had not yet been put to wide use – at least we had never heard of it. The line encapsulates two ideas that are now gaining widespread recognition. Firstly, a grant is also an investment, and should be managed with tight performance discipline to ensure that social impact is maximized. Secondly, commercial investments can be made with the intent of creating social impact – not solely to maximize financial returns.

Because of the great work of a range of progressive philanthropies and investors across the globe, these ideas are quickly gaining momentum among mainstream players such as large foundations, corporations, family offices and investment banks. We are seeing the beginning of the rise of “venture philanthropy” (the use of venture capital methods in philanthropy) and “impact investing” (investments made with the intention of creating social or environmental impact).

During its first years, Voxtra built a model for “venture philanthropy”, establishing processes for deal flow generation, due diligence and follow-up of grants that closely resemble the model of venture capital and private equity funds. It is encouraging to see that now, three years down the road, the grant decisions we made during 2008 and 2009 are bringing about strong results. Our three poverty reduction projects now reach a total of 80,000 people, and are on track to reach more than 250,000 within a few years. We expect to see significant improvement in their lives, including increases in income averaging in the vicinity of \$300 per family – which in some cases corresponds to a doubling of income. The progress of our portfolio strengthens our belief in our core principles:

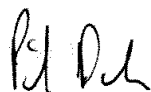
- Rigorous screening and follow-up of a few select and scalable projects;
- Projects that empower poor people to help themselves;
- Projects implemented by organizations with performance discipline and focus;
- Project management based on explicit performance metrics and documentation of social impact.

During 2010, Voxtra has decided to get engaged in impact investing. We believe that investing in businesses that reach out to poor populations with critical goods and services is a powerful way to advance social progress. Profitable businesses are sustainable in the long

term and can grow fast. Most people with insight into both business and international development now subscribe to that view. Still, however, there are important questions that challenge most of those who are getting engaged. Questions such as: Where can I find good investment opportunities and how can I evaluate them? How can I know what impact such investments are having? Is there a trade-off between high impact and high financial returns? Should I view an impact investment as a part of my investment portfolio, or primarily as a philanthropic engagement? At Voxtra, we have formulated our own answers to these questions, but we are continuing to debate them. Most importantly, we have now come to the level of understanding where we are able to move ahead. We expect to launch an impact investing initiative focused on the agriculture value chains of East Africa together with likeminded institutions and individuals during 2011.

I would like to thank our grantees for the great progress that the projects we have supported have achieved over the past year. Further, we owe our gratitude to everyone who have engaged with us in the past year: KPMG for conducting the first “social audit” and for their strong commitment to develop the methodology and deepen the partnership; the partners of Northzone Ventures for their generous support; Wikborg Rein for pro bono legal services; our advisors for their continued engagement; Arne Blystad for providing excellent office space; and to all of you who have been our discussion partners, challenged us and inspired us during the year.

Oslo, 10 March 2011.



Pål Dale

## Voxtra's investments (I)

### Hand in Hand, India

#### Hand in Hand, India

**The challenge** 13 million people (21%) live below poverty line in the state of Tamil Nadu.

**The organization** Hand in Hand works to eradicate poverty through job creation. It does this by organizing poor women into self-help groups, training them in financial literacy and entrepreneurship, providing them with micro-credit, and assisting them in setting up micro-enterprises. Hand in Hand's model is different from commercial microfinance in the emphasis it puts on targeting the poorest, and training and supporting them in setting up enterprises.

**The program that Voxtra supports** Voxtra supports a four-year project in three districts in Tamil Nadu, setting up 42,500 family-based enterprises, 575 "medium-sized" enterprises (~5 employees per enterprise).

**Why Voxtra selected this program**

- High socio-economic return; a family-based enterprise is expected to generate on average an additional \$200 per year
- The program reaches the poor in rural areas of Tamil Nadu
- Hand in Hand operates an inclusive model for microfinance, where emphasis is placed on training and motivation to enable members to make successful income-generating investments leading to increased well-being, and not use loans for consumption.
- Hand in Hand is an efficient grassroots organization with strong management, decentralized operations, well-developed systems for financial management, and a results-oriented and pragmatic approach. Hand in Hand has an impressive ability rapidly scale up its projects.

**Progress through 2010**

- More than 28,000 women enrolled into ~2,100 self-help groups (6.5% behind schedule).
- \$1.6 M of loan disbursements and savings of \$400k
- Repayment rate of 100%



## Voxtra's investments (II)

### International Development Enterprises India (IDEI)

**The challenge** The majority of India's poor are smallholder farmers and despite the high growth of the Indian economy, they see little improvement. The productivity of these farmers is low as they cannot afford appropriate inputs such as irrigation, fertilizer and seeds.

**The organization** 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 program that Voxtra supports** Voxtra supports IDEI over six years to develop a supply chain for low-cost treadle pumps impacting 25,000 farmer families in remote and underdeveloped parts of the state of Assam, allowing these families to increase their net annual income by \$400 on average.

**Why Voxtra selected this program**

- High socio-economic return; buying a treadle pump (at a cost of \$20-25) and farm inputs (fertilizer etc for \$25-75) provides the farmer with a return on investment of more than 300% in the first year
- The program reaches the poor; nearly all the buyers of IDEI equipment (97%) farm less than 1.5 acres of land (0.6 hectares)
- IDEI is an excellent organization with strong management, well-developed systems for financial management and impact monitoring, a pragmatic culture and ability to grow the program into new areas

**Progress through 2010**

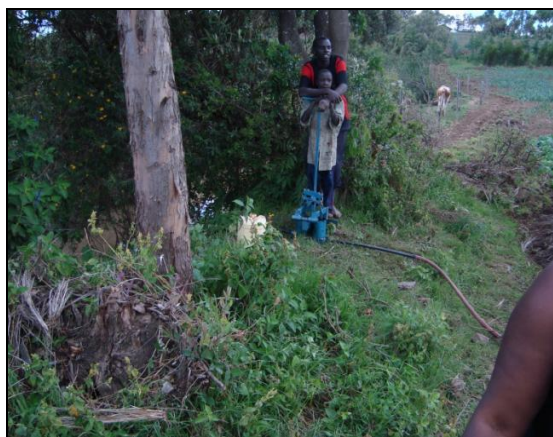
- A network of manufacturer, distributors and dealers identified and trained
- 2,700 pumps sold to smallholder farmers by December 2010 (10% behind schedule)



## Voxtra's investments (III)

### KickStart International, Kenya

<b>The challenge</b>	60% of the Kenyan population of about 40 million live outside the major cities and earn their living through subsistence farming. They depend on unreliable rain to grow their crops and have one or two harvests per year.
<b>The organization</b>	Since its founding in 1991, KickStart has sold irrigation technologies to tens of thousands of farmers across East Africa, thereby having a significant impact on their incomes.
<b>The program that Voxtra supports</b>	Voxtra supports KickStart over three years to promote irrigation technologies through commercial channels in Kenya. The goal of the program is to have an impact on 26,000 farmer families. The funding from Voxtra accounts for ~20% of the total funding of KickStart's Kenya program.
<b>Why Voxtra selected this program</b>	<ul style="list-style-type: none"><li>• High socio-economic return. An investment of \$35-100 in an irrigation pump is expected to generate up to \$1,000 per year in net additional income</li><li>• KickStart has successfully taken up the huge challenge of promoting irrigation technologies in a region with very little tradition of irrigation</li><li>• KickStart is a strong organization, with a professional management team, well-developed systems for financial management, a results-oriented approach and with a continuous focus on improvement</li></ul>
<b>Progress through 2010</b>	<ul style="list-style-type: none"><li>• More than 10,000 pumps sold from October 2009 (the start date of Voxtra's support) to December 2010 (~25% behind schedule)</li><li>• Significant improvements made in KickStart's marketing and sales processes</li><li>• Oct-Dec 2010 was the strongest quarter in KickStart's history</li></ul>



## Voxtra's investments (IV)

### Save the Children, Cambodia

**The challenge** Adult illiteracy in Cambodia is as high as 26.4%. The education system in remote areas is generally in a poor state, especially where Khmer Rouge was active until 1998.

**The organization** Save the Children Norway is a rights-based development organization. From emergency relief to long-term development, Save the Children helps children to achieve a happy, healthy and secure childhood.

**The program that Voxtra supports** Voxtra has made a grant investment of \$2.5 million over three years to support Save the Children's work in Cambodia. 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, curriculum development and the promotion of early childhood development. It focuses on remote areas of provinces such as Kampong Cham, Preah Vihear, Pursat and Koh Kong.

**Why Voxtra selected this program**

- The program has an impressive track-record of innovations that have become national education policy
- Demonstrates best practice in working with the government and local communities to ensure the long-term sustainability of results
- The program focuses on remote areas where the efforts of international development organizations often do not reach

**Progress through 2010**

- 87 school built, providing new access to 13,000 children
- 99,000 children enrolled in the early childhood education program
- Enrollment rates increased from 90% to 95%, and drop-out rates decreased from 4.6% to 2.4% in six provinces of Cambodia
- Voxtra's support to this project ended in December 2010

