



## Funding Gap Analysis to GiveWell

September 2009

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### 1. About Village Enterprise Fund

Village Enterprise Fund's (VEF) mission is to break the cycle of poverty by providing business training, seed capital, and ongoing mentoring to rural entrepreneurs to start income-generating businesses. VEF's three-pronged economic development model plays a proven, unique role in the microfinance industry, providing economic opportunities for start-up businesses in rural, agricultural areas that are difficult for other microfinance institutions and non-governmental organizations (NGOs) to reach. It is a proven, cost-effective, scalable model that has directly improved thousands of people's incomes and standards of living for more than 20 years.

Since its inception in 1987, VEF has helped launch more than 19,000 businesses, each of which improves the lives of an average of 25 people (impacting almost 475,000 people in total). Over half of the business leaders are women. Seventy-five percent (75%) of the businesses that VEF has funded are still operating after four years after an initial infusion of seed capital and training, indicating a strong sustainable feature of this program. Further, fully one-third of the businesses launch a second or subsequent business.

VEF is headquartered in San Carlos, California with regional offices in Dodoma, Tanzania; Soroti, Uganda; and Kakamega, Kenya. Please see VEF Executive Summary in Appendix for more information.

By June 2008, VEF reached over \$1,000,000 in annual funding and accomplished the following key goals set out in its strategic plan 2004-2008:

- Scaled up our program to improve the lives of over 100,000 people in four years:
  - Grew from 740 new businesses in FY 2004 to 2950 new businesses in FY 2008
  - Started over 8,000 new businesses between 2004 and 2008
  - Helped improve the lives of over 204,000 people
- Increased the reach and effectiveness of our training:
  - Developed and implemented a new, formalized small business curriculum, covering: selection of the best business, concept of revenues and profits, effective marketing, basic bookkeeping, business management, savings, and group decision making
  - Established a more efficient training process by providing one-day trainings in cohorts of 10 business groups
  - Created a team of expert trainers from within our network of business mentors to support fellow mentors and ensure high-quality training
  - Increased the reach of our training program from 20% in 2004 of our businesses to nearly 100% of our businesses receiving training prior to seed capital grants
- Assessed the impact of our programs through to an extensive Impact Evaluation Study:
  - Interviewed randomly selected businesses
  - Demonstrated significant improvements in a broad array of living standards including increasing savings, more meals/day, and more children enrolled in school

In addition to the core program, VEF has undertaken selected special projects, including:

- 1) A model of disseminating effective microenterprise services together with agriculture technologies and training to empower the rural poor to transform their subsistence farms into income-generating agricultural businesses. Through this project, VEF has created a network of 350 sunflower businesses by providing them with agricultural training, inputs and market linkages in Uganda.
- 2) An innovative partnership with the Jane Goodall Institute (JGI) to implement an integrated model of microfinance that both stimulates economic development and promotes conservation in communities around the Budongo Forest in western Uganda.

## **2. Current FY10 Operating Budget vs. Optimal Operating Budget**

Due to the economic situation, the VEF Board of Directors has approved a conservative operating budget for FY10 (from July, 1<sup>st</sup> 2009 to June, 30<sup>th</sup> 2010) of \$960,000. An optimal budget would be \$1,250,000. Please see in Appendix the two detailed operating budgets.

Below a summary table of those two budgets:

|   | <b>Current<br/>FY10 budget</b> | <b>Optimal<br/>FY10 Budget</b> |
|---|--------------------------------|--------------------------------|
| Total Income  | \$960,000                      | \$1,250,000                    |
| Grants to Small Businesses (includes mentoring)                             | \$349,620                      | \$517,500                      |
| Program Services (net of grants and mentoring)                              | \$379,735                      | \$458,337                      |
| Fundraising and Management  | \$229,373                      | \$272,023                      |
| Total direct program expenses   | \$729,355                      | \$975,837                      |
| Total VEF operating expenses  | \$958,728                      | \$1,247,860                    |
| <b>Efficiency (Grants &amp; Program Services/Total Operating Expenses):</b> | <b>0.76</b>                    | <b>0.78</b>                    |
| <b>Program Service and Grant Cost per Business Launched:</b>                | <b>\$365</b>                   | <b>\$325</b>                   |
| <b>Program Service and Grant Cost per Life Improved:</b>                    | <b>\$15</b>                    | <b>\$13</b>                    |
| <b>Average Expenses per Business Launched:</b>                              | <b>\$479</b>                   | <b>\$416</b>                   |
| small businesses launched   | 2,000                          | 3,000                          |
| number of lives improved  | 50,000                         | 75,000                         |

Our goals for this fiscal year are to:

- Expand our footprint in each country by starting 2,000 new small businesses
- Improve and roll-out our enhanced field audit system
- Improve reporting capabilities of our online database
- Expand our Integrated Conservation and Microenterprise Development Project
- Expand our major donor and foundations strategy
- Implement a regional fundraising model in two cities

With a \$1,250,000 operating budget, we would:

- Start 1,000 additional small businesses (3,000 total)
- Expand training topics
- Improve our field monitoring, audits, and evaluation processes
- Invest in technologies to improve our operations (online database)

### **3. Use of a \$250,000 grant**

A grant of \$250,000 will enable VEF to start 1,000 new rural microenterprises. Our system has been designed to be scalable, and VEF is highly capable of handling and incorporating such an infusion of revenues. It will provide seed capital, training, and ongoing mentoring of new businesses as well a small stipend to the business mentors to cover their costs in transportation, processing the grant applications, and mentoring businesses created. Spread across VEF's network of 80 business mentors, 1,000 new businesses would translate to 12.5 new businesses per mentor, a task efficiently and easily accommodated in our system.

It will also enable us to track and evaluate the impact of new businesses on the standards of living of entrepreneurs and their families. A portion of the grant will be allocated to administrative costs for the US and regional offices.

A \$250,000 grant will provide the funds for the following detailed costs:

|                          |   |                  |
|--------------------------|---|------------------|
| Seed Capital Grants      | \$150 grant disbursed in two installments: \$100 when a small business (SB) entrepreneur is trained; \$50 six months later when milestones are reached  | \$150,000        |
| Business Training        | One-day training session provided in clusters of 10 businesses. Topics include marketing, profit and loss concepts, basic accounting methods, group decision-making, group decision making, and savings. Cost per SB: \$9 | \$9,000          |
| Business Mentoring       | Mentoring provided by business mentors during one year. Cost per SB: \$22.50  | \$22,500         |
| Business Mentor Training | "Train-the-trainer" sessions for business mentors once a year enabling them to learn new modules and practice their teaching skills. Cost per VBM: \$200  | \$5,000          |
| Monitoring & Evaluation  | Tracking and evaluation of the impact of new businesses on standards of living of entrepreneurs and their families  | \$26,140         |
| Administration           | Portion of administration costs required in the US office and in the field to coordinate the project  | \$37,360         |
| <b>Total</b>             |   | <b>\$250,000</b> |

#### 4. Vision for the next 4 years

WHAT we will do:

***Expand, innovate, and share*** methods to break the cycle of poverty:

Over the next 4 years, VEF intends to:

**Expand** our impact by growing geographically and programmatically, transferring wealth to and creating wealth among the very poor.

- Start 25,000 small businesses, a three-fold increase over the number created in the prior four years, improving the lives of over 600,000 people
- Expand our footprint in each country
- Add a Savings Circle program and training module to the VEF program
- Continue to incorporate field-led innovations and expand training topics
- Refine and expand our impact evaluation process as an ongoing part of VEF's activities
- Scale and replicate successful pilot projects in other communities

**Innovate** by being a leading distributor of "pro-poor technologies" for microbusinesses to use and sell in rural East Africa.

Pro-poor technologies may include:

- Kickstart pumps, IDE irrigation systems
- Improved seeds
- Improved cooking stoves and techniques
- Solar-based products

**Share** our training and mentoring program.

- Evaluate next priorities in training and add modules as appropriate
- Package the VEF training and mentoring model for other organizations to implement, which will expand our reach beyond East Africa

HOW we will do this

**Build, create, and invest** in our people and our programs:

**Build** a sustainable organization:

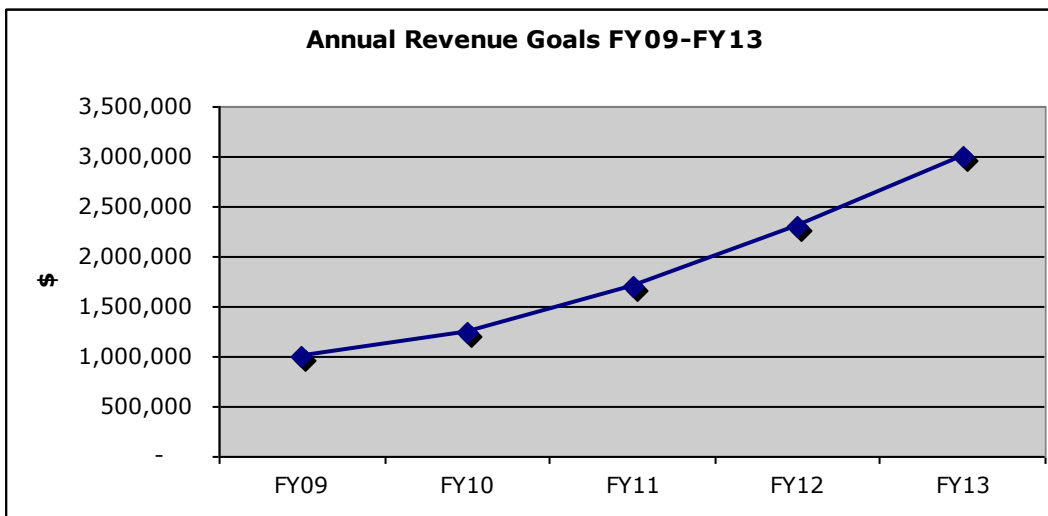
- Expand our capacity in all offices
- Increase efficiency of each dollar spent (*see graph below*)

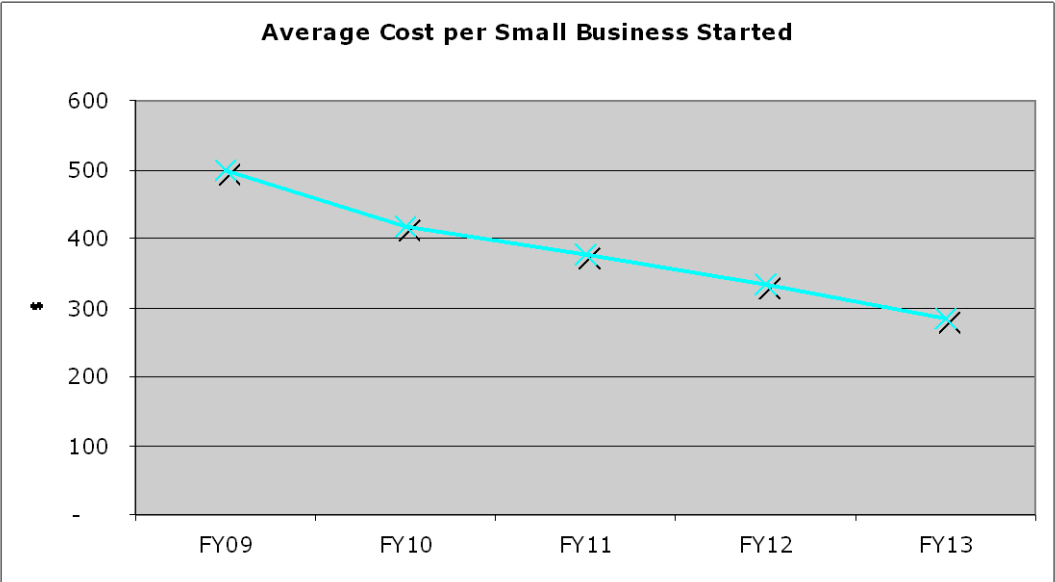
**Create** a break-through fundraising plan:

- Raise over \$8M in 4 years
- Reach \$3M in revenue in FY13
- Garner significant foundation and corporation support
- Expand our circle of major donors
- Implement a regional fundraising model
- Improve our web presence to attract small individual donors

**Invest** in leadership development for staff at all levels:

- Provide training opportunities for village business mentors
- Expand the VEF internship program
- Hire strategically





**Conclusion**

VEF is in a strong position to realize GiveWell’s goals of funding a proven, cost-effective, scalable organization dedicated to economic empowerment in sub-Saharan Africa. We have the people and systems in place to make *immediate* use of these funds, due to our scalability and expertise. VEF’s programs both *transfer* wealth (by providing seed grants) and *create* wealth (by the addition of capital, training, and support via our mentoring program), and our ongoing measurement and evaluation components provide pre-post program impact assessment of the entrepreneur’s standards of living.

## **Appendices**

- FY10 Current Approved Organizational Budget and \$1,250,000 Optimal Budget
- Village Enterprise Fund's Executive Summary