




SOCIAL VENTURE FUND



7 ANNUAL 2017 IMPACT REPORT





» “There is no such thing as a self-made man. You will reach your goals only with the help of others.”

GEORGE SHINN

ACKNOWLEDGMENTS

“There is no such thing as a self-made man. You will reach your goals only with the help of others.”

—George Shinn

We believe the same is true of impact investing. **We’ve spent the past 22 months building the Social Venture Fund (SVF)**—fundraising, investing in innovative companies, accelerating their growth with connections to the Mercy Corps platform, supporting and building entrepreneurial ecosystems, and homing in on our impact goals. But the success of SVF does not lie with the Social Ventures team. Our partners, both inside and outside of Mercy Corps, have made it possible. **We thank you for your advice, support, capital, time and encouragement** and dedicate this—our first annual Impact Report—to you all.

SVF Impact Partners

Black Dog Foundation
Branson Family Foundation
Ron Conway
Beth deHamel and Jim Ray
Heartspring Foundation
Ruth Heller
Thomas Keffer
Gisel Kordestani
Annie and Ned Lamont
Mike Maerz
Linda Mason
Grey McLean
Sarah McLean
Overseas Resource Foundation Ltd.
Robert Sample
Fred Taylor
Lisa Valone
Jim Valone
Kent Walker
Susan Whitehead
Melissa Waggener Zorkin

SVF Investment Committee

Beth deHamel
Barnes Ellis
Jim Margard
Craig Redmond

SVF Strategy & Growth Committee

Brian Cayce
Steven Lee
Irving Levin
Betsey Nelson

Ecosystem Partners

ANDE
Duke University
Global Impact Investing Network
Rippleworks
Unreasonable Institute
Vitol Foundation

Mercy Corps Country Teams

Jen Bielman and her team in Indonesia
Provash Budden and his team in Colombia
Lynn Renken and her team in Kenya
Leesa Shrader and her AgriFin Accelerate team in Kenya, Tanzania and Zambia

And the dozens of others at Mercy Corps who have been critical to this work, including our regional program directors, Technical Support Unit, Resource Development team and senior leadership.

TABLE OF CONTENTS

01	Welcome
03	About SVF
08	SVF Timeline
09	By the Numbers
10	How We Look at Impact
14	Impact Themes
18	East Africa Investments
28	Indonesia Investments
34	Colombia Investments
38	Lessons Learned and Looking Forward





WELCOME

“Gradually, and then suddenly.”

Ernest Hemingway famously used that phrase to describe how a Lost Generation veteran in “The Sun Also Rises” found himself in bankruptcy.

“Gradually, and then suddenly.” Fast-forward a few generations, and Hemingway could equally be describing the onset of change in our lives today, from technology to globalization to our planet’s climate. We now inhabit a world of accelerating change from which new abundance and prosperity bloom, but where opportunity remains unjustly distributed.

Fortunately, alongside this era of exponential change has risen an awe-inspiring army of change agents. The rise of social entrepreneurs—mission-driven leaders harnessing novel business models to fuel social change—might seem sudden to some. But their tireless efforts are hardly sudden. A generation of social entrepreneurs has worked to redefine how business can be harnessed for social good and how profit can be—nay, must be—linked with purpose.

» **That purpose has driven Mercy Corps to invest in over 10 financial institutions across the globe, bringing financial services to previously unbanked communities. That purpose has driven Mercy Corps to launch a novel microinsurance company to shift risk away from those most vulnerable to natural disaster. And that purpose has driven Mercy Corps to launch its first impact investment fund to invest in and partner with pioneering business entrepreneurs who seek to create social impact at scale.**



In this, our first Impact Report, we reflect on the first two years of Mercy Corps' Social Venture Fund (SVF) and on how our portfolio entrepreneurs are channeling an era of radical change to benefit communities around the world. In the pages ahead, we'll describe the SVF's investing mandate and approach; we'll celebrate the innovations being piloted and scaled by our portfolio entrepreneurs; and we will, most importantly, report on the measurable social impact (early as it may be) that these social enterprises are generating.

Some might argue that investing in startup businesses is a financial risk that Mercy Corps can ill afford to take. But risk-taking is exactly what we have set out to do—taking as much risk as possible off the shoulders of breathtakingly driven and creative entrepreneurs so that they can give life to enterprises with the potential to positively disrupt how we work, live and thrive.

INNOVATION

bring new solutions to break through entrenched development challenges

INFLUENCE

forge a new path and share lessons with our peers

IMPACT

create new partnerships and deliver sustainable impact to millions



The real risk lies in ignoring their potential. And we won't. With a formidable global footprint of nearly 5,000 staff, 40+ country offices, groundbreaking programming and deep technical expertise, Mercy Corps is a tremendously valuable asset and partner to social entrepreneurs.

Upstart social entrepreneurs are equally valuable to Mercy Corps as learning partners and as bold new pathways toward shared social impact. We are stronger together.

Together we hope to discover the most promising approaches that harness abundance, expand opportunity and generate social impact at real scale. We believe this marriage of social entrepreneur and NGO will gradually become the norm. And when the impact created is measured and shared, it will suddenly become obvious why.



ABOUT

Mercy Corps sees complex global challenges as an invitation to pioneer paths out of poverty, to forge novel partnerships and to create solutions that break through entrenched challenges. But the traditional grant-based model of funding international development can be limiting. It rarely promotes the flexibility and experimentation required to test new models that could sustainably deliver social benefit to millions of people in the developing world.

Social entrepreneurs worldwide are at the forefront of introducing new business models (and often technologies) with the potential to deliver sustainable impact at scale. These models are often executed through for-profit ventures, and the entrepreneurs behind them face significant hurdles in growing their young enterprises, including access to capital, access to talent, and professionalizing across all facets of business operations.

› Mercy Corps' **Social Venture Fund** is a seed-stage impact investment fund designed to help early-stage entrepreneurs overcome barriers to growth by providing capital and tailored post-investment support.

Launched in late 2015, the SVF has become an active seed-stage investor in East Africa, Southeast Asia and Latin America. With an initial focus on Kenya, Indonesia and Colombia, SVF has closed nine investments, ranging from \$50,000 to \$250,000, in innovative startups operating in financial services, agriculture, last-mile distribution and youth employment.



SVF has closed nine investments, ranging from \$50,000 to \$250,000, in innovative startups operating in financial services, agriculture, last-mile distribution and youth employment.

SVF's unique value does not come from the investment of capital but instead from how we leverage Mercy Corps' global platform to accelerate the growth of our portfolio companies. Key components of the Mercy Corps' platform include:



More than 4,500 staff

executing social and economic development programming across 40+ countries



Deep technical experience in a

variety of fields, including agriculture, financial services, ICT4D, youth livelihoods and energy



Tailored advisory support from seasoned entrepreneurs and investors on the Social Ventures team and Advisory Board



Strong networks and relationships

with key government actors, private-sector entities, funders and local communities

Mercy Corps believes that impact investing presents a compelling opportunity to achieve increased scale, innovation, sustainability and partnerships in international development. We are a founding member of the INGO Impact Investing Network, a group of more than 50 international NGOs working to deploy investment capital as an additional tool to solve pressing global development challenges. We are actively sharing what we learn from the SVF's work with our INGO peers while also learning from their collective experience in the impact investing sector so we can improve our own practices. We can only reach our goals with the help of others, and that spirit holds true among the INGOs participating in this network.



TIMELINE

AUGUST

SVF launches with support from Mercy Corps' board and Impact Partners.

SEPTEMBER

First investment is made in **NewLight Africa / Heya** in Kenya.

DECEMBER

Mercy Corps, along with PACT and GOAL, launch the INGO Impact Investing Network.

MARCH

First investments in Indonesia. After vetting over 150 potential deals, SVF closes deals in both **Vasham** and **Wobe**.

MAY

FarmDrive expands its digital credit scoring pilot with the leading digital microfinance institution, Musoni, to reach 10,000 farmers.

JUNE

Mercy Corps and Unreasonable Labs complete entrepreneur training in Lagos. The 5-day accelerator is designed to help Nigeria-based social ventures understand the fundraising process and become ready to take on investment.

JULY

Adrianna Tan, Founder of **Wobe**, wins the Her Startup 2016 competition in Silicon Valley, and competition judge Tim Draper (Draper Associates) commits a \$100,000 investment.

AUGUST

NewLight Africa closes first tranche of \$1.5M Series A round.

SEPTEMBER

Queen Elizabeth II inducts Peris Bosire, co-founder of **FarmDrive**, into the Queen's Young Leaders Programme.

OCTOBER

Connections to Mercy Corps' platform yield great benefits for **Vasham**, a microinsurance product for farmers and connections to extend Bank Mandiri's eCash (branchless banking) system into Vasham's farmer network.

FEBRUARY

Sokowatch partners with Mercy Corps' Youth Empowered for Success program in sub-Saharan Africa to design curriculum and train youth sales agents.

MARCH

Agruppa, SVF's first investment in Colombia, closes.

APRIL

Lynk raises an equity investment round totaling \$875,000. Lynk's co-founders and its lead investor, Novastar Ventures, recognize that Mercy Corps' 2016 investment and intensive post-investment support were integral to gaining approval from co-investors.

MAY

Vasham and **FarmDrive** are selected for the "Pipeline Program" at Oxford's Skoll Centre for Social Entrepreneurship, a new initiative that allows early-stage entrepreneurs to tap into the Skoll network and opens future funding possibilities.

Agruppa secures its 300th active mom-and-pop shop customer and closes a \$180K investment from Yunus Social Business.

Suyo closes its \$1.35M Seed+ funding round, led by the Omidyar Network, and launches a pilot with a new financial institution to extend land formalization financing to approximately 100 households.

JUNE

Arifu and Mercy Corps' AgriFin Accelerate program reach thousands of farmers with the new DigiFarm product designed for Safaricom, that bundles discounted inputs, farmer learning, input financing and other complementary value-added services.

2015

2016

2017



BY THE NUMBERS

as of June 2017

Investment

9

Investments

\$1.15M

Amount invested by the SVF

\$6.03M

Co-investment capital (from other investors)

\$10.34M

Follow-on equity investment / debt financing

5

Companies reporting impact data in this report

500,000

Customers directly impacted

\$4.2M

Additional income generated for smallholder farmers, agents and informal workers (four companies reporting)

\$8.2M

Loans provided to farmers

Impact





HOW WE LOOK AT IMPACT

Our ultimate goal is to improve the lives of underserved populations. We think startups that have the potential for positive impact need access to the right kind of early-stage seed capital. Just as importantly, if not more so, they need nonfinancial support (technical support, advisory services, connections to networks) tailored to help them overcome barriers to growth and scale.

But we can't have the impact we're seeking without our investees defining and focusing on the impact they are seeking to achieve. The primary goal of our impact assessment framework is to provide utility to investees and help in this process. This section is about our approach and framework and how we designed them to create value for the entrepreneur.

» **Our approach starts with the Theory of Change (ToC). If an enterprise doesn't have a formal ToC, we help it develop one. If it does have one, we review it with the enterprise and then layer its current set of key performance indicators (KPIs) across the ToC, from activities to impact.**



General Theory of Change



Through this process, we gain a deeper understanding of the enterprise, and the entrepreneur makes his or her assumptions about the business model explicit. It often results in revised or additional KPIs that the entrepreneur wants to use to manage and improve the business's performance—and thus impact. For example, a business that sells beneficial products to rural customers might have the number of products sold as a logical KPI for that Activity (the first part of a ToC).

In the next part of the ToC, you look at the Outputs, or what you expect as a result of this product/service. In this case the business would expect the customer to use the product. But if you don't have a KPI here, are you tracking this? Do you really know? Adding "percentage of customers using product after three months" as a KPI makes this expectation explicit and opens the conversation on how to obtain this information. This cycle repeats until we've gone through the entire ToC and there is a logical flow of assumptions and measurement to get to the expected Impact.

The MIT D-Lab characterized our approach as "Made to Order" (i.e., we don't come into an investment with a set of defined metrics that the company must report on; rather, we identify metrics together with the company). This approach for creating metrics makes the framework highly relevant to our portfolio companies, and since they are all early-stage, it helps instill impact thinking and metrics-based performance management from the beginning.

The crux of our framework is what we like to call the Impact Trifecta. It is largely built on the framework developed by Acumen, a market pioneer in its approach to assessing impact. The framework looks at three different impact dimensions: **Reach**, **Breadth** and **Depth**. SVF seeks to have an impact on underserved populations (Reach), in significant numbers (Breadth), in meaningful ways (Depth). **This holistic approach resonated with our on-the-ground entrepreneurial experience as well as with our INGO roots. We feel that it is important to look at all three of these dimensions, so we are prioritizing impact beyond "number of lives touched."**

A business may be reaching hundreds of thousands of people, but if it is not reaching people in need in ways that those people find valuable, are we missing the mark?



SVF Impact Framework

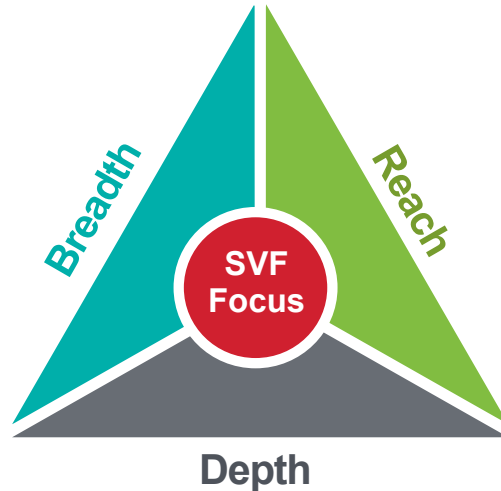
SVF seeks to have an impact on underserved populations (**Reach**), in significant numbers (**Breadth**), in meaningful ways (**Depth**).

Examples of projects that are NOT a focus for SVF:

A project is not a focus for SVF when it represents a scaled and meaningful impact but **not on the targeted populations** (e.g., people in poverty, unemployed youth, women). = **no reach**

A project is not a focus for SVF when it represents a meaningful impact on key target demographics but **serves only a limited number of people = no breadth**

A project is not a focus for SVF when it represents a scaled impact on key target demographics but **impacts people in a limited way = no depth**



We usually find that the metrics we co-create already fall into one of these three buckets once the ToC is complete and the KPIs are overlaid at all levels. If that's not the case, we revisit it with the entrepreneur because we've missed something important toward ensuring that the business has its intended impact on communities.

What About the Sustainable Development Goals?

When we set up the SVF, we identified several sectors or impact themes in which Mercy Corps had considerable programmatic experience and in which we felt we could add value as an investor (these themes are described in the next section). Our impact themes reflect Mercy Corps' focus on helping people build secure, productive and just communities.

» **Recognizing that investors have an important role to play in supporting the United Nations Sustainable Development Goals (SDGs), we mapped the work of each SVF portfolio company to the relevant SDGs. We did so by looking at the specific targets underlying each SDG and determining which companies are positively affecting these targets through their business activities.**

When we finished this SDG-mapping exercise, we found that companies in the SVF portfolio are collectively contributing to 13 of the 17 SDGs—and they are doing so in a direct and meaningful way. Over the coming year, we will continue our efforts to determine how and to what extent our investments of capital and time in each venture are helping those companies contribute to the SDGs.



The United Nations and its member states established 17 SDGs that build off the Millennium Development Goals and act as “a plan of action for people, planet and prosperity” until 2030.

Importantly, the responsibility for achieving the SDGs does not rest solely on the shoulders of governments. All actors must do their part to achieve the SDGs, including the private sector.

SVF Investees Contribute to the Following SDGs:



IMPACT THEMES



Financial Inclusion

Investments in financial services and tools that offer pathways out of poverty

Globally there are over 2.5 billion people excluded or underserved by the financial system. Without access to financial services, poor and marginalized populations cannot fully participate in the economy and ensure their own security, growth and prosperity. We believe that financial inclusion provides a necessary foundation to achieve global development priorities, including food security, energy access, youth employment, economic recovery and gender inclusion. Companies are designing a range of financial products, services and tools tailored to drive active usage of services that provide pathways out of poverty.

We invest in digital tools and financial services in digital identity, data analytics, financial literacy, digital credit, small-business financing, payments and remittances. We also see several emerging technologies that cut across these categories and enable innovative new products, delivery approaches and business models. These include digital currencies, distributed ledger technology, data science, machine learning and increasing smartphone penetration.

SVF investments in this area:

NewLight Africa – sales of beneficial products through agents in rural communities

Vasham – bundle of services (including loans) for smallholder farmers

Wobe – sales of digital products through microentrepreneurs

FarmDrive – alternative credit scoring to enable loans for farmers

Suyo – land titling for the underserved

Investee Spotlight

FARMDRIVE

FarmDrive aims to facilitate access to \$400 million in loans to 1 million smallholder farmers by 2021. FarmDrive has a solid start toward this goal and strategic partnerships in place to help it get there. Since launch, the company has distributed over \$150,000 in loans to farmers in Kenya, 37 percent of whom are youth farmers.



SDG Callout

Goal 1: End poverty in all its forms everywhere.

Target 1.4: “By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance.”

Agriculture

Investments to increase the productivity, earning potential and resilience of smallholder farmers

The world's estimated 500 million smallholder farmer households (almost 2 billion people) generally cultivate less than 5 acres of land and make up a large portion of the world's poor who live on less than \$2 a day. Smallholder farmers face significant barriers to success, including price fluctuations and lack of access to markets, affordable financing and inputs. SVF believes there is a strong market opportunity for companies to support the productivity, resilience and livelihoods of smallholder farmers (SHFs) and to create a more vibrant, productive and sustainable agricultural sector.

We invest in innovative, technology-enabled solutions that:

1. Have the potential to disrupt entire value chains and increase the benefits (e.g., economic value, price stability, offtaker/buyer stability) accruing to SHFs; and,
2. Unlock critical resources or services for the most marginalized SHFs (e.g., finance, market/weather information, productive assets for storage or processing)

SVF investments in this area:

Vasham – bundle of services for SHFs

FarmDrive – alternative credit scoring to enable loans for farmers

Agruppa – streamlined supply chain from farm to city

Arifu – training delivered over mobile phones

Suyo – land titling for the underserved



Investee Spotlight

VASHAM

Vasham aims to serve 200,000 SHFs across Indonesia by 2021, enabling them to achieve 100 percent higher incomes compared with non-Vasham farmers. Since 2013, Vasham has had impressive year-over-year growth, and it is now serving almost 15,000 farmers with its suite of services, from inputs to final sale, and has distributed almost \$7.7 million in loans to them. Most of these farmers earn an income that is, on average, 40 percent higher than non-Vasham farmers in the same area.



SDG Callout

Goal 2: End hunger, achieve food security and improved nutrition, and promote sustainable agriculture. Target 2.3: "By 2030, double the agricultural productivity and incomes of small-scale food producers."



Last-Mile Distribution and Logistics

Investments to increase the availability and affordability of socially beneficial products and services for underserved populations and to improve their means of getting goods to market



Many innovative products and services have been developed that could generate positive impacts for underserved populations, yet they often do not make it into the hands of the people who could benefit from them. The cost of reaching these populations, be they smallholder farmers or urban residents, can make such products and services unaffordable and unavailable where they are needed most.

How producers of such beneficial products can best reach underserved populations is the “last-mile distribution challenge,” and it is common to many sectors and issue areas. Smallholder farmers and other low-income groups are not just consumers, however. They are also producers, yet poor logistics mean that they often struggle to get their goods to markets and thereby generate the income that they need to improve their livelihoods.

SVF invests in:

1. Last-mile distribution solutions that incorporate consumer finance, agent networks, e-commerce approaches, distributed manufacturing and/or digital connectivity
2. Logistics services and processes (e.g., storage, transportation, brokerage, and emerging technologies and business models) that improve the livelihoods of underserved populations

SVF investments in this area:

NewLight Africa – sales of beneficial products through agents in rural communities

Wobe – sales of digital products through microentrepreneurs

Sokowatch – enables urban shop owners to stock beneficial consumer goods

Agruppa – streamlines supply chain from farm to city shop owners



Investee Spotlight

NEWLIGHT AFRICA/HEYA

NLA/Heya aims to distribute 1.5 million beneficial products and employ 20,000 sales agents across East Africa by 2021. Since 2014, NLA/Heya has had steady growth and raised significant follow-on capital.

NLA/Heya has sold over 44,000 beneficial products to 30,000 customers through its 942 community-based sales agents, creating \$300,000 in additional income for agents.



SDG Callout

Goal 7: Ensure access to affordable, reliable, sustainable and modern energy for all. Target 7.1: “By 2030, ensure universal access to affordable, reliable and modern energy services.”

Youth Employment

The energy, drive and productivity of young people worldwide remain vastly untapped

The International Labor Organization cites 73.3 million young people (aged between 15 and 24) as currently unemployed globally. An estimated 169 million young workers, or one in three, live on less than \$2 a day. Young women are less likely to participate in the workforce, and when they do, they are less likely to find a job. Additionally, half of all young people are either overeducated or undereducated for the employment they hold, and 75 percent of youth workers are informally employed.

Meanwhile, the future of work is in flux. Automation, digital platforms, gig economy models, and accelerating migration of jobs and labor offer both new promise and uncertainty for anyone trying to adapt to the 21st-century “World of Work.” And yet, SVF strongly believes that new opportunity and income for underserved youth exist in this emerging future.

SVF invests in three areas related to youth employment:

1. Skills building and credentials: We look for untraditional training opportunities tailored to underserved youth and linked to real income opportunities and growing industries. We also seek to make work history, credentials and skills portable for refugees and the displaced.
2. Job matching and marketplaces: We look for emerging platforms connecting young people to work, especially companies offering pathways toward increased skills, security and income.
3. Distributed and digital work: Trends in micro-work, micro-manufacturing, digital livelihoods and mobile-enabled agent networks are paving the way for the acceleration of a distributed and digitally enabled workforce and the reinvention of manufacturing, sales and distribution.

SVF investments in this area:

NewLight Africa – network of rural sales and customer service agents

Wobe – anyone with an Android phone in Indonesia can be a microentrepreneur

Lynk – job-matching platform

Sokowatch – network of urban sales and customer service agents



Investee Spotlight

LYNK

Lynk aims to have its users complete 154,000 jobs per month across 10 cities in East Africa by 2023. While not being fully public, Lynk has recruited 444 workers onto the platform who have completed over 7,000 jobs—earning workers \$387,000 in income, or an average additional monthly income of \$328. Most workers (55 percent) on the platform are youth, and 37 percent are women.



SDG Callout

Goal 8: Promote inclusive and sustainable economic growth, employment and decent work for all. Target 8.5:

“By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.”





EAST AFRICA INVESTMENTS

Social entrepreneurship in East Africa is in ascendance. Thriving tech communities in urban centers such as Nairobi, Kenya, nicknamed the “Silicon Savannah,” are creating innovative solutions that benefit the lives of underserved East Africans. With startup culture taking hold, more and more entrepreneurs are setting out to solve global development challenges. They are hungry for capital, technical assistance and networks to help realize their visions. The SVF offers crucial seed and early-stage capital along with tailored advisory services, partnership development and strategic support.

SVF investments to date have been in companies headquartered in Kenya. Kenya is considered the hub of East Africa and has the most vibrant banking and telecommunication sectors on the African continent. Despite the steady growth of the economy in recent years, official estimates place Kenya’s poverty rate at 43 percent, translating into nearly 19 million people living below the poverty line on less than \$1.25 a day. With more than 60 percent of the population younger than 24, there is also pressing demand on social services, education and health care.

› Mercy Corps established a country office in Kenya following the 2007-08 postelection violence that killed 1,500 and displaced more than 600,000. Lingerin underlying causes of the violence remain widespread, including competition over land, deep poverty, widespread unemployment, youth alienation and political tension. In addition, massive droughts struck the region in 2011 and 2016, affecting millions of Kenyans and leading to food shortages and livestock deaths.

Mercy Corps Kenya has a strong reputation for innovative programs in youth, agriculture, disaster preparedness and conflict prevention/governance. Marquee programs run by Mercy Corps Kenya include Impact Labs, Youth Empowered for Success (YES), AgriFin Accelerate and BRACED (learn more at mercycorps.org/countries/kenya). All are designed to achieve Mercy Corps Kenya’s goal to help families build sustainable livelihoods from a broader base of activities that enable them to be productive and self-sufficient.

Established Investments



Name: NewLight Africa / Heya
Location: Nairobi, Kenya
Sectors: Last-Mile Distribution, Youth Employment
Year Founded: 2014
SVF Investment: \$200,000
Date of Investment: September 2015

"Founder Steve Andrews had the ambition to start a new business, the grit to get investors behind him, and the passion to solve the distribution challenge for low-income communities in Kenya."
—Michael MacHarg
 Senior Director, Social Ventures



Name: FarmDrive
Location: Nairobi, Kenya
Sectors: Agriculture, Financial Inclusion
Year Founded: 2015
SVF Investment: \$50,000
Date of Investment: June 2016

"This company has a very innovative approach to bringing smallholder farmers 'on grid' and qualifying them for financial services that can help them become more productive and increase their incomes."
—Leesa Shrader
 AgriFin Accelerate Program Director



Name: Lynk
Location: Nairobi, Kenya
Sectors: Youth Employment
Year Founded: 2015
SVF Investment: \$100,000
Date of Investment: August 2016

"Lynk has a direct alignment with Mercy Corps Kenya's focus on mobilization of youth, development of youth platforms and our market-driven approach. We are excited for Lynk to be part of Mercy Corps' youth employment strategy in Nairobi and beyond."
—Lynn Renken
 Country Director of Kenya

New Investments



Name: Sokowatch
Location: Nairobi, Kenya
Sectors: Last-Mile Distribution
Year Founded: 2013
SVF Investment: \$100,000
Date of Investment: February 2017

"Daniel Yu and Josh Middleman are visionary founders and effective leaders. They have shown their ability to develop operations at scale (servicing 5,000+ retailers currently) and to attract multinational organizations, like PSI, and corporate clients like Unilever and GSK."
—Scott Onder
 Managing Director, Social Venture Fund



Name: Arifu
Location: Nairobi, Kenya
Sectors: Youth Employment, Agriculture
Year Founded: 2013
SVF Investment: \$100,000
Date of Investment: June 2017

"Arifu has already demonstrated impact with its platform. It allows farmers to direct their own learning and provides data on learner performance that can link them to services such as farm inputs and loans."
—Leesa Shrader
 AgriFin Accelerate Program Director



Location: Nairobi, Kenya
Year Founded: 2014
Founder: Steve Andrews
Website: newlightafrica.com
Sectors: Last-Mile Distribution, Youth Employment
SVF Investment: \$200,000
Type: Equity
Date Invested: September 2015

» The Challenge

Hundreds of millions of people across rural Africa lack access to basic services such as safe lighting, clean cooking technologies and potable drinking water. Although products such as solar lights and clean cookstoves exist to mitigate the negative health and economic consequences people are experiencing, they are often unavailable or too expensive for low-income households to afford.

» The NewLight Africa Solution

NewLight Africa is a direct marketing and distribution company that employs sales agents to market and sell socially and environmentally beneficial products to last-mile consumers in East Africa. Under the brand name Heya, community-based sales agents nominated by women's savings and loan groups sell a variety of products (e.g., solar lights) to their neighbors, generating entrepreneurial opportunities. Through Heya's pay-as-you-go financing, **products become affordable for low-income individuals who cannot afford the entire cost of the product upfront.** Since customers know the community sales agents personally, they are less likely to default on their payments, they trust the quality of the products, and they are more likely to buy additional Heya items in the future.

» The Mercy Corps Connection

SVF's post-investment support to Heya has focused on three key areas:

- 1. Recruitment:** SVF introduced founder Steve Andrews to a short-term COO, Fouad Aoun, a Harvard Business School Leadership Fellow with experience in management and strategy consulting with Bain & Company in Dubai. The Social Ventures team arranged for Aoun to maintain his fellowship with Mercy Corps while he worked full-time in Kenya for Heya for the duration of his fellowship year, providing crucial operational, financial and advisory support as Heya started operations in Kakamega, Kenya, and expanded from there.
- 2. Advisory:** Mercy Corps Kenya has worked with Heya to share information on product-market fit. Through these conversations, Heya discovered new products, including solar lanterns, home systems and several types of clean cookstoves. The Social Ventures team also provides informal support in other areas, from advising on the financing model to connecting Heya to other investors and funders.
- 3. Networks:** As Heya expands, Mercy Corps will connect it to our network of youth civic action groups and savings cooperatives. By connecting the youth groups to the Heya agent network, Mercy Corps opens the door to improved livelihoods and potential entrepreneurial pursuits for thousands of youth. Concurrently, Heya will benefit from linking impressive youth leaders to its agent network as it expands across Kenya.



» The Founder

Born and raised in Zimbabwe, **Steve Andrews** is a serial entrepreneur who has spent much of his life living in Africa. After spending a dozen years building a direct marketing agency in London, Andrews moved to Kenya with his family in 2010. He then became the executive director of SunnyMoney, a social enterprise selling solar lanterns, and helped the enterprise to reach 1.3 million units sold in under three years. However, as time went on, Andrews says he “started to feel constrained being nonprofit” as the solar market in East Africa matured. He decided to develop NewLight Africa, a for-profit company that would build on his earlier success in solar lantern distribution. In Andrews’ words, “We’re a last-mile seller of whatever our customers want us to sell. ... I know this sounds pompous and grandiose, but think of us as the Amazon of rural Africa.”

» “Mercy Corps said that they could offer more than money; they’d be a value-add investor. Everybody says that, and it’s not often true. But the reality is that Mercy Corps has been a fantastic value-add investor.”

STEVE ANDREWS
HEYA FOUNDER

» Customer Story

Abne lives in Kakamega, a town in Western Kenya. She worked as a part-time teacher in a local school until she was introduced, through her savings cooperative, to Heya. Though known to be quiet and somewhat shy, Abne applied to be one of the company’s sales agents to augment her small income. She went through Heya’s training to learn how to sell products but was unsure whether she would be comfortable as a sales agent. After she made her first sale, Abne realized she was a natural saleswoman. **Now Abne manages a group of agents, including her own husband, and pays taxes from her new bank account.** She is confident and proud of how far she has come, and now that both she and her husband work for Heya their family income has quadrupled.



STELLA
A HEYA SALES AGENT

» Impact

Heya aims to distribute 1.5 million beneficial products and employ 20,000 sales agents across East Africa by 2021. Through its approach, **Heya contributes directly to the following SDGs (right):**



Breadth

Heya aims to increase its impact by recruiting more sales agents across East Africa and providing them with training, sales materials and inventory to sell in their communities.

- » # of sales agents: 942
- » # of products sold to date: 44,384
- » # of customers: 30,000

Depth

Heya measures the significance, or depth of impact, through income generated by its sales agents because this is directly tied to the amount of social benefits enjoyed by its customers.

- » \$ income generated by sales agents: \$300,000
- » \$ average sales agent income increase: \$59

Reach

Heya is focused not only on serving a large number of rural customers but also on working closely with rural women and youth to provide them with entrepreneurial opportunities as sales agents, since both groups are often marginalized and lack access to employment opportunities.

- » # of sales agents: 942
- » # or % of female/youth sales agents: Reporting soon



Location:	Nairobi, Kenya
Year Founded:	2015
Founders:	Rita Kimani and Peris Bosire
Website:	farmdrive.co.ke
Sectors:	Agriculture, Financial Inclusion
SVF Investment:	\$50,000
Type:	Convertible Note
Date Invested:	June 2016

» The Challenge

In Kenya, 7.5 million smallholder farmers lack access to small loans to help them buy quality fertilizers, better seeds, improved livestock and micro-irrigation, all of which would increase their farms' yields and improve their incomes. This lack of financing for farmers (over \$200 million per year in Kenya alone) is due, in part, to a lack of credible risk-assessment information on smallholder borrowers available to lenders (e.g., annual income, business expenses, yields).

» The FarmDrive Solution

FarmDrive is a technology company that generates real-time credit reports for smallholder farmers, allowing them to access loans from financial institutions and agricultural input providers. Using a proprietary platform, FarmDrive **collects expense and revenue data from farmers via SMS and combines it with satellite imaging, remote sensing technology and alternative data points** (e.g., soil analysis, weather forecasts) to create detailed yield estimates and assess credit risk. This report allows credit providers to make informed lending decisions and easily reach rural clients, which expands access to financing for smallholder farmers. As a result, farmers can increase their crop yields, improve their incomes and invest their additional revenue back into their families and communities.

» The Mercy Corps Connection

SVF's post-investment support to FarmDrive has focused on:

- 1. Partnerships:** FarmDrive and Mercy Corps' AgriFin Accelerate (AFA) program have formalized a partnership to build relationships with financial institutions, pilot services with mobile network operators, and improve components of their product. The goal is to co-develop proposals for specific projects with financial institutions, mobile network operators and farmer groups. This includes a partnership with Safaricom to launch the new DigiFarm input financing product for smallholder farmers in Kenya.
- 2. Expansion:** FarmDrive's software, data and mobile-based platform are extremely scalable with Kenya's extensive mobile penetration and mobile money usage. Mercy Corps can help develop partnerships as usage increases in other developing markets in sub-Saharan Africa such as Nigeria, Uganda and Ethiopia.
- 3. Microinsurance:** Mercy Corps' microinsurance specialists on the Financial Services team are advising FarmDrive on bundling microinsurance into its product offering, optimizing its algorithm, and possibly developing a solution for financial institutions or companies with microinsurance products.
- 4. Advisory:** SVF is engaging with FarmDrive through advisory and knowledge sharing in business modeling, pricing, market research, fundraising, governance and technology.



» The Founders

Rita Kimani and Peris Bosire grew up on small farms and witnessed firsthand the frustration their families and communities faced. “We would get as low as four bags of maize out of an acre of land that had the potential of over 40 bags,” Kimani explains. The two met in the computer science program at the University of Nairobi and found out that they were both “computer geeks and farm girls with the same ambition to change the lives of smallholder farmers.” Throughout university, they honed their computer science skills together in competitions and internships at top technology firms. In their final year, they resolved to use their personal and academic experiences to bridge the gap between smallholder farmers and financial institutions—solving one of the biggest problems their families had—and founded FarmDrive right after graduation.



“The last fiscal year has been extremely exciting, challenging and progressive. Mercy Corps has played a pivotal role in FarmDrive’s advancement through funding, strategic advisory and technical assistance. As one of the first early-stage investors, the funding we received from Mercy Corps was critical in developing our minimum viable product. Further along, through the TA from the AFA program, FarmDrive is working in partnership with Safaricom to scale nationwide access to credit for smallholder farmers.”

RITA KIMANI
CO-FOUNDER, FARMDRIVE

» Customer Story

Pius Mitei is a young farmer from Kampi ya Moto, an agricultural community in the Rift Valley of Kenya. In 2015, Mitei purchased 200 chickens to launch a poultry farming business but was unsuccessful because he did not have enough capital to purchase quality inputs. When FarmDrive hosted its first training in Kampi ya Moto, Mitei came to learn about how it could help him access capital. Excited to get his poultry farming business off the ground again, Mitei applied for his first loan that month and used the funds to purchase 50 more chickens, along with quality feeds and supplies. After only six weeks, Mitei sold all 250 chickens for a profit of 35,000 KSh (approximately US\$350). Since then he has received more loans and purchased and sold over 900 more chickens. Mitei is using his increased income to expand his agribusiness to strawberries and coriander and recently became the chair of his youth farmer group.



PIUS MITEI
FARMDRIVE CUSTOMER

» Impact

FarmDrive aims to help 1 million smallholder farmers access \$400 million in loans by 2021. Through its approach, **FarmDrive contributes directly to the following SDGs (right):**



Breadth

FarmDrive aims to increase its impact by serving more rural farmers with its suite of data/financial services, credit reports and financing options.

- » # of farmers who are active users: 351
- » # of loans disbursed to rural farmers: 671
- » \$ loans facilitated to rural farmers: \$150,000

Depth

FarmDrive measures the significance, or depth of impact, through increases in yields and income generated via access to financing using FarmDrive’s data and credit reports. In the coming year, FarmDrive will report on the following metrics in this area:

- » Average % increase in yield for FarmDrive farmers
- » Total \$ additional income generated by FarmDrive farmers
- » Average \$ additional income generated by FarmDrive farmers

Reach

FarmDrive is focused not only on serving a large number of farmers but also on serving women and youth farmers neglected by the formal financial system.

- » % of women farmers that are active users: 15%
- » % of youth farmers that are active users: 37%



Location:	Nairobi, Kenya
Year Founded:	2015
Founders:	Adam Grunewald and Johannes Degn
Website:	lynk.co.ke
Sectors:	Youth Employment
SVF Investment:	\$100,000
Type:	Convertible Note
Date Invested:	August 2016

»» The Challenge

The majority (78 percent) of the labor force in Kenya operates in the informal sector, with jobs and paychecks coming infrequently. The informal economy is inefficient, not transparent, and often associated with poverty, lower wages, poor working conditions and lower productivity. At the same time, almost half (48 percent) of youth in sub-Saharan Africa experience long-term unemployment. While jobs are available, there is a mismatch between jobs and skills in the youth workforce.

»» The Lynk Solution

Lynk is an online platform that connects skilled workers with households and businesses in need of their services. After creating a free profile and having their credentials verified, workers are alerted via SMS when job requests that require their skills (e.g., carpentry, plumbing, cooking, tailoring) are placed on Lynk's website. Workers respond to alerts with a bid price, and employers then select among competing bids and review worker profiles before hiring. As informal workers accrue more job experience and earn positive customer satisfaction ratings on their profiles, they can build their resumes and position themselves for more formal work, higher wages and access to credit.

»» The Mercy Corps Connection

SVF's post-investment support to Lynk has focused on:

- 1. Mercy Corps Kenya Youth Employment Programs:** Lynk has been integrated into the Coca Cola Foundation-funded YES program trainings in Nairobi and grant proposals from Mercy Corps Kenya related to youth training for employment. Mercy Corps Kenya and Lynk believe the company can leverage Mercy Corps' youth network (260,000 strong) in Kenya to connect thousands of youth with jobs and entrepreneurial opportunities. Lynk is collaborating with Mercy Corps' Impact Labs program, funded by Google.org, to develop and test Byld, a new solution for job matching in the construction sector. Impact Labs is funding a pilot project and working closely with Lynk to refine the model.
- 2. Partnership Development:** Mercy Corps will connect Lynk with mobile network operator Safaricom and with other impact investors, local financial institutions, construction companies and other private sector employers.
- 3. Advisory:** The Social Ventures team has expertise in online employment platforms and two-sided marketplace models. SVF is engaging with Lynk through advisory and knowledge sharing in business modeling, unit economics, design sprints to test specific product features, business components and customer studies.

New Feature

Search for a service

Get connected with reliable and verified Pros

» The Founders

Lynk co-founders **Adam Grunewald and Johannes Degn** both have extensive tech backgrounds. While working for Google in Kenya, Grunewald identified a challenge for households to find and connect with informal sector workers (e.g., cleaners, plumbers, painters, cooks). Driven by an insatiable urge toward entrepreneurship and the goal of transforming the informal sector, he created Lynk in late 2015. He wanted to use his skills and leverage the mobile phone penetration in Kenya to create a transparent platform that could provide a consistent flow of workers who have been vetted and interviewed. Degn came on board as co-founder, with the experience in data mining, modeling, research and analytics to make the platform a reality. Grunewald and Degn are uncomfortably excited by the potential for disruption in the massive informal labor sector of Kenya and other African countries.

» “Mercy Corps has been incredibly helpful! Not only have we been given access to useful mentors and valuable introductions in addition to funding, but Mercy Corps worked with us to define reporting and information-sharing processes, which allowed us to preserve the most limited resource startups have: time.”

JOHANNES DEGN
CO-FOUNDER, CTO OF LYNK

» Customer Story

Saraphine is a tailor and fashion designer who joined the Lynk platform in March 2016. “Before working with Lynk,” Saraphine says, “I had a shop but the business fell. I came to Lynk and started again.” Since then, she has completed 110 jobs, with a total job value of \$8,987, while earning an average rating of 4.8 stars. Today, Saraphine gets about 70 percent of her work through Lynk. “At first I just took one client, then I realized the work was consistent. It keeps me busy!” Saraphine’s favorite thing about Lynk is the diversity of experiences that it gives her. “I got the opportunity to do many different things. Before, I just did fashion design, but now I do so much interior decoration—I am learning so much.” With an extended customer base and exposure to new opportunities, she is seeing her business thrive. “With interior design, the clientele goes up, up, up! Now I’m doing jobs for restaurants — it’s pushing me. I like the creativity [of interior design] the most!”



SARAPHINE
LYNK USER

» Impact

Lynk aims to have its users complete 154,000 jobs per month across 10 cities in East Africa by 2023. Through its approach, **Lynk contributes directly to the following SDGs (right):**



Breadth

Lynk aims to increase its impact by recruiting more informal workers to its platform, having workers complete training programs offered via Lynk’s platform, and having more jobs listed through its service.

- » # of individuals paid for jobs through Lynk: 444
- » # of individuals who have completed training through Lynk: 39

Depth

Lynk measures the significance, or depth of impact, by counting the number of jobs completed, the total income generated by informal workers through its platform, and the average monthly income earned by users:

- » # of jobs completed through Lynk: 7,165
- » \$ total income earned by individuals through Lynk: \$387,212
- » \$ average monthly income earned by individuals through Lynk: \$328

Reach

Lynk is focused not only on serving a large number of informal workers but also on youth, female and undereducated informal workers underserved by the formal job market.

- » % of individuals paid for jobs through Lynk who are female: 37%
- » % of individuals paid for jobs through Lynk who are youth: 55%

» The Challenge

The vast majority (80 percent) of all retail purchases in Africa are made at small informal shops. But products at these stores are frequently out of stock and, when available, are often sold at a high price. Shop owners endure costly, time-consuming travel to central markets to purchase health and consumer packaged goods. This inefficient distribution system increases prices and limits communities' access to potentially lifesaving medicine, sanitation products and nutritious food.

» The Sokowatch Solution

Sokowatch is a last-mile distribution platform and agent network that enables small-shop owners to stock beneficial consumer goods from companies such as GlaxoSmithKline, Unilever and Procter & Gamble. Shop owners text Sokowatch their orders, and local salaried Sokowatch agents fulfill the orders from central distribution hubs and deliver them to shops in less than 24 hours. Agents are provided with smartphones and training in financial literacy, distribution, and marketing—making them experienced distributors in informal areas. The Sokowatch model reduces expenses for shop owners, provides full-time employment to its sales agents, and creates access to the health, sanitation and consumer household products that low-income communities need.

» The Investment Rationale

Sokowatch's model seeks to address two of Mercy Corps' focus areas—last-mile distribution and youth employment. SVF has connected Sokowatch with Mercy Corps' Youth Empowered for Success (YES) program to serve as a pipeline for Sokowatch sales agents and is assisting with the firm's plans to expand into Uganda by working closely with Mercy Corps' Uganda country office.

» Impact Goal

Sokowatch aims to supply over 140,000 microentrepreneur shop owners with socially beneficial goods and reach over 1 million people in marginalized communities by 2019. It has already delivered over 200,000 units of beneficial health and sanitation products since startup, provided an average of 20 percent in cost savings to 6,000 informal shop owners, offered a 250 percent income increase to youth delivery agents through salaried employment, and launched a credit pilot to offer consistent customers 4 days of credit, resulting in 52 percent larger average order size. Through its approach, **Sokowatch contributes directly to the following SDGs:**



» “At Sokowatch we realize the tremendous importance and potential of independent shopowners and have made it our mission to address the needs of these entrepreneurs and provide them with services that will drive growth and improve livelihoods.”

DANIEL YU
CO-FOUNDER, SOKOWATCH





Location: Nairobi, Kenya
Year Founded: 2013
Founder: Craig Heintzman
Website: arifu.com
Sectors: Last-Mile Distribution, Agriculture, Youth Employment
SVF Investment: \$100,000
Type: Convertible Note
Date Invested: June 2017

» The Challenge

Over 4.5 billion low-income consumers lack access to the skill development, education, required products and services, and employment that can lift them out of poverty. But 90 percent of these individuals have access to mobile phones. As millions of phones still lack access to the internet, there is a large market opportunity for value-added services delivered through basic mobile devices.

» The Arifu Solution

Arifu offers mobile learning tools that make it possible for the world's least served people (youth and women at the base of the income pyramid [BOP], rural smallholder farmers, microentrepreneurs) to use their mobile phones to access the information they need to improve their incomes and escape from poverty. Arifu works to develop learning campaigns for multinational companies, international NGOs and social enterprises operating in the agriculture, financial services and consumer goods sectors. These campaigns serve as an affordable and effective way for global organizations to educate and train large networks of employees (who make up the informal last-mile distribution networks for large companies in developing countries), beneficiaries and businesses while offering end users an employment-oriented educational marketplace.

» The Investment Rationale

Arifu's model addresses several of Mercy Corps' focus areas, including last-mile distribution, agriculture and youth employment. Arifu has begun partnering with Mercy Corps' AgriFin Accelerate program on two large projects to reach smallholder farmers with digitally enabled products and services, and it is working with Mercy Corps Kenya to incorporate its learning platform into youth employment programs. SVF's investment in Arifu has led to collaboration and advisory opportunities with Mercy Corps teams. Mercy Corps' Program Technology team analyzed Arifu's technology and recommended approaches to develop it in preparation for scale. Mercy Corps field teams are also helping Arifu expand into new markets.

» Impact Goal

Arifu aims to train over 1 million BOP learners by 2019. It is well on its way, having already reached 520,000 learners, including 419,000 smallholder farmers. It has also partnered with Equity Bank to provide financial capability training to 220,000 microentrepreneurs, youth, women and smallholder farmers and has proven deep engagement and impact among very low-income users. Through its approach, **Arifu contributes directly to the following SDGs:**



"To create, grow and secure a good income, working women and men must be able to access the knowledge and capital they need to thrive. Doing this can be both difficult and expensive. Arifu is a new kind of platform that's making quality education affordable and scalable."

CRAIG HEINTZMAN
FOUNDER, ARIFU





INDONESIA INVESTMENTS

Indonesia is one of Asia's most dynamic economies, with strong growth in GDP per capita (8.2 percent per annum) and one of the world's largest youth bulges (half its population of 260 million is under the age of 30). This market opportunity has catalyzed a robust startup ecosystem that has given rise to three unicorns (startup companies with greater than \$1B valuation) in the span of just a few years.

While the country has made remarkable strides since the Asian financial crisis in 1997, quality of life varies dramatically across the archipelago's 17,000 islands. Just over 35 percent of Indonesians earn less than \$3.10 per day, and over 25 million smallholder farmers live below the poverty line and maintain less than 0.5 hectares. Rural development remains a critical challenge for Indonesia, and entrepreneurs are taking note. In response, numerous social ventures in agriculture, logistics and financial technology are bubbling up and gaining traction.

Both of the SVF's Indonesia investments are headquartered in Jakarta and have most of their operations in rural Indonesia, including East Java and South Sumatra. Wealth and spending power are concentrated in major urban centers, but the startups we have invested in fundamentally understand the massive opportunity in serving the tens of millions of marginalized farmers and 100+ million unbanked people living in rural areas.



Mercy Corps established a country office in Indonesia in 1999 and has been helping people there turn environmental, economic and health crises into opportunities for development ever since. Nearly half of all Indonesians live on less than a few dollars a day, and the main island of Java is located in one of the most storm-prone and seismically active areas on earth. With over 150 national and international staff members and seven field offices, Mercy Corps Indonesia aims to provide immediate aid in the aftermath of such disasters as well as long-term programs to “build back better” by improving community infrastructure, resiliency and economic opportunities.



Name: Vasham
Location: Jakarta, Indonesia
Sectors: Agriculture, Financial Inclusion
Year Founded: 2013
SVF Investment: \$250,000
Date of Investment: March 2016

“Vasham represents a vertically integrated value chain model. In contrast, Mercy Corps works with an open ‘cluster’ model. Because we have a formal relationship through the investment, we are able to see more clearly into Vasham than we might otherwise be permitted and compare the two approaches.”
—Jennifer Bielman
 Country Director of Mercy Corps Indonesia



Name: Wobe
Location: Jakarta, Indonesia
Year Founded: 2015
Sectors: Youth Employment, Financial Inclusion
SVF Investment: \$100,000
Date Invested: March 2016

“Wobe fits perfectly with Mercy Corps’ mandate to support disruptive startups that simultaneously improve livelihoods at scale and create new markets for marginalized individuals.”
—Tim Rann
 Partner, Social Venture Fund



Location:	Jakarta, Indonesia
Year Founded:	2013
Founder:	Irvan Kolonas
Website:	vasham.co.id
Sectors:	Agriculture, Financial Inclusion
SVF Investment:	\$250,000
Type:	Equity
Date Invested:	March 2016

»» The Challenge

Over 25 million rural farmers in Indonesia live below the poverty line and lack access to financing, market information and yield-improving technologies (fertilizers, irrigation systems). To pay for farm supplies, they are forced to pay interest rates of up to 100 percent to informal lenders, while local middlemen often exert their power as the primary offtaker (purchaser) and pay below market rates for crops.

»» The Vasham Solution

Vasham works with smallholder farmers to increase their incomes by providing access to information, inputs, affordable financing and the end buyers in the value chain. Vasham educates farmers on the best farming techniques and helps them mitigate risks, provides access to higher-quality seeds and inputs; offers low-interest loans with transparent terms tailored to their crop cycles, and lines up end buyers in the value chain who will purchase harvests at a guaranteed premium. These interventions allow rural smallholder farmers to avoid informal lenders, increase their incomes, and increase their ability to invest in their children and their farms. Vasham's "closed loop" business model is also beneficial for buyers (e.g., feed mills) that benefit from secure and high-quality supply.

»» The Mercy Corps Connection

SVF's post-investment support to Vasham has focused on:

- 1. Microinsurance:** Leveraging Mercy Corps' global insurance experience, including MiCRO (a Mercy Corps microinsurance company in Latin America) and Mercy Corps Indonesia's successful pilot of an agriculture insurance product with ACA Insurance Company, Mercy Corps and Vasham are exploring the development of an insurance product that matches Vasham's business model—benefiting the company and providing some peace of mind to farmers.
- 2. Mobile Money:** Mercy Corps Indonesia recently launched a program with Bank Mandiri to extend its branchless, mobile banking network to include smallholder farmers and rural women agents, and it proposed a three-party partnership that will help Vasham roll out Mandiri's e-cash platform, replacing Vasham's current cash transactions, which are slow and expensive to distribute.
- 3. Impact Assessment:** Mercy Corps is helping Vasham refine its farmer data collection and analysis processes, which will allow Vasham to cheaply and consistently generate customer and market insights.
- 4. Networks:** The SVF team facilitated introductions to peer social enterprises and to debt funders (including Bank Andara, a wholesale microfinance institution (MFI) in Indonesia founded by Mercy Corps) that ultimately extended millions of dollars in capital to Vasham.
- 5. Talent:** SVF connected Vasham with RippleWorks, which recently completed an intensive engagement to review and refine Vasham's technology architecture and road map. Leveraging technology to coordinate key business activities, communicate with farmers and provide advice is critical for Vasham as it prepares to scale across the archipelago.



» The Founder

Irvan Kolonas has always seen himself as a change-maker and a rebel at heart. “If somebody said, ‘That couldn’t be done,’ if somebody said, ‘This cannot work,’ that’s really my passion, to prove people wrong!” he says. Born into a well-known agricultural family in Indonesia that founded poultry-feed company Japfa Comfeed, Kolonas didn’t have to look far to see that smallholder maize farmers were struggling. Intent on harnessing his family’s deep knowledge and resources for social good, Kolonas spent time living on a small farm in Lampung province to immerse himself in the world of smallholder maize farming. After spending additional time learning about the challenges that Japfa Comfeed and other corn traders and maize purchasers face securing high-quality maize, he founded Vasham in 2013 and has been working successfully to disrupt the maize value chain ever since.

» “With all the various projects Mercy Corps has done all over the world, it has a ton of knowledge. As an investee, we are able to leverage that knowledge—whether it’s on crop insurance, financing or on farming itself—to learn faster than we could if we had to experiment with everything alone. That is not something a lot of investors can offer.”

IRVAN KOLONAS
FOUNDER OF VASHAM

» Customer Story

Mr. Solihin is a Vasham Partner Farmer in South Lampung, Indonesia. He joined Vasham in the second planting season of February 2014. Mr. Solihin used to own only 0.5 hectares of land. Now, by joining Vasham, Mr. Solihin has increased his income and has been able to purchase more land (he now owns 1.25 hectares) and can rent even more land to grow more crops (3 hectares). Mr. Solihin thinks Vasham is very helpful for farmers without access to resources and appreciates the balanced profit-sharing system. He says that before Vasham, farmers were borrowing credit from informal lenders to buy farm inputs because they didn’t know where else to access loans. They paid high interest on the loans, only had access to expensive farm inputs, and sold their produce for low prices because they didn’t know the market value. **“Vasham, Builders of Change!” exclaimed Mr. Solihin at the end of his interview.**



MR. SOLIHIN
VASHAM CUSTOMER

» Impact

Vasham aims to serve 200,000 smallholder farmers across Indonesia by 2021 and to enable its farmers to achieve incomes that are 100 percent higher than those of non-Vasham farmers. Through its approach, **Vasham contributes directly to the following SDGs (right):**

In addition, Vasham’s goal is that farmers use a portion of the additional income they generate to send their children to school (thereby indirectly contributing to SDG 4—ensuring education for all), and in the future, Vasham intends to track whether this is the case.



Breadth

Vasham aims to increase its impact by serving more smallholder farmers with its suite of training, financing, access to inputs and purchase agreements.

- » # of smallholder farmers served: 14,848

Depth

Vasham measures the significance, or depth of impact, by comparing the income generated by farmers that participate in its program with that of farmers in the same geography who do not, and by the amount in loans it has distributed to farmers to invest in inputs.

- » \$ additional income generated: \$240 per year (28% increase)
- » \$ loans distributed: 111.9 billion rupiah (US\$8.4 million)

Reach

Vasham is focused not only on serving a large number of farmers but also on serving smallholder farmers who work on 2 hectares or less growing staple crops that are subject to major price fluctuations, who are neglected by the formal financial system, and who rely on inefficient middlemen for capital and market access.

- » % of maize sourced from smallholder farmers (less than 2 hectares): 100%



Location:	Jakarta, Indonesia
Year Founded:	2015
Founder:	Adrianna Tan
Website:	wobe.io
Sectors:	Youth Employment, Financial Inclusion
SVF Investment:	\$100,000
Type:	Convertible Note
Date Invested:	March 2016

»» The Challenge

Almost 80 percent of Indonesians are “unbanked” and operate in a cash-only economy that is insecure, limits their ability to build productive assets and restricts their access to the burgeoning digital economy. Additionally, Indonesia has 278 million mobile phone subscribers, 99 percent of which are prepaid, representing a \$7 billion market for phone credit, known locally as pulsa. However, an inefficient supply chain leads to thin margins for low-income vendors and consumers paying 20 percent above face value for small denominations.

»» The Wobe Solution

Wobe is in the business of building digital products that solve problems at the base of the income pyramid (BOP). Wobe is a mobile app that empowers anyone with a smartphone in Indonesia to become a microentrepreneur. Wobe’s app streamlines the sale of digital goods, payments and services, thereby creating income generation opportunities for community-based agents and cheaper, more readily available digital goods and services for consumers. By starting with the easy-to-understand transactions that are prevalent in unbanked rural areas, like pulsa and utility payments, Wobe endeavors to build Indonesia’s most extensive last-mile agent network. This powerful network will not only provide excellent supplemental income to agents and lower costs to consumers but also position Wobe as a major low-cost distributor for financial services (i.e., remittances, insurance products, savings and loans) for millions of people.

»» The Mercy Corps Connection

Wobe represents strong alignment with Mercy Corps Indonesia’s strategic priorities and programming relating to financial inclusion, gender inclusion and financial literacy for women. There are multiple opportunities for Wobe to benefit from Mercy Corps Indonesia’s network and market insight:

- 1. Expertise:** Wobe is actively leveraging the expertise of Bank Andara (a wholesale MFI in Indonesia founded by Mercy Corps), which brings deep insight into the market for financial services in Indonesia, rural agent networks and the regulatory environment. Mercy Corps Indonesia is also sharing insights from its program to support a major bank to expand its e-banking agent network.
- 2. Networks:** With Mercy Corps’ pro bono legal partner and by leveraging our prior experience, Wobe completed a full regulatory environment analysis and successfully established its corporate structure—a very challenging process in Indonesia. Wobe endeavors to expand its footprint by leveraging Mercy Corps Indonesia’s network of legacy and current programming. For example, as Wobe adds more payment functions, there is the potential to utilize its app to manage farming input transactions. Finally, SVF initiated conversations between Bank Andara and Wobe about considering using Wobe’s app for Bank Andara’s rural banking agents.



» The Founder

Singaporean entrepreneur **Adrianna Tan** has long had a desire to help low-income women in Southeast Asia. She tells the story of a little girl she met while volunteering in India who said “her father had been beating her mom for years, but the moment her mom started to make US\$1 a day selling stuff at the market, he stopped.” “It resonated with me,” Tan says, “and I wanted to see if I could use my tech background to build something that could make someone US\$5 a day.” After helping to launch several global tech startups in Malaysia and Singapore (including Uber), Tan came up with the idea for a mobile app to help women generate an income and decided to call it Wobe (short for “Women Benefit”), even though the app is designed for anyone to use. Tan spent significant time in Sumatra and Java and understands rural agent networks and the supply chains of various goods.

» “Running a startup is always tough, so having an investor like Mercy Corps pave the way and offer a hand is extremely valuable. We benefit from Mercy Corps’ international know-how, local knowledge, and access to networks, people, ideas and resources that would have been harder to come by otherwise.”

ADRIANNA TAN
FOUNDER, WOB

» Customer Story

Diana is a Wobe ambassador (super agent). Her husband works in Malaysia, so she is the primary caretaker of their two children (aged 17 and 11). Diana has tried various kinds of businesses over the years to help earn extra income for her family. Right now she makes juices and packs them in sealed glasses to distribute to schools and vegetable sellers. She saw an opportunity with Wobe not only to increase her income and help her save for her son’s university fees but also to develop her own skills. Diana is persistent in doing business and learning new skills—she specifically opened a bank account and mobile money account to enable her to be productive as a Wobe ambassador. She now has a network of agents working under her, including her son, to whom she can provide working capital and support.



DIANA
WOB AMBASSADOR

» Impact

Wobe aims to provide consistent income-generation opportunities to 30,000 low-income, rural and predominantly female agents across Indonesia by 2020. Through its approach, **Wobe contributes directly to the following SDGs (right):**



Breadth

Wobe aims to increase its impact by recruiting more agents to use its app to generate income.

- » # of agents: 3,000
- » # of transactions per agent: 350

Depth

Wobe measures the significance, or depth of impact, through income generated by agents that use its app and the number of services delivered to customers across Indonesia via the app.

- » \$ average income per agent: Reporting soon
- » # of primary services offered through Wobe platform: 3 (phone & data credit top ups, prepaid electricity vouchers, government health care premium payments)

Reach

Wobe is focused not only on serving a large number of Indonesians but also on serving rural, low-income women who are traditionally locked out of income-generating activities and entrepreneurship.

- » % of agents who live in rural Indonesia: 88%
- » % of agents who are women: 54%



COLOMBIA INVESTMENTS

Colombia is a geographically and culturally diverse country that sits at the nexus of Central and South America. It is the fourth-largest country in the region and the third most populous, home to over 49 million people. Colombia has emerged as a resilient, diversified economy with stable growth, low inflation and strong democratic institutions. A groundbreaking peace agreement with the Fuerzas Armadas Revolucionarias de Colombia (FARC) was signed in 2016 and has the potential to further accelerate the economy.

While Colombia has made considerable strides over the past decade in reducing urban poverty, as well as extreme poverty, there remains a persistent gap in income equality between the country's urban and rural areas.

Census data from 2015 indicates that more than 45 percent of Colombians in rural areas are still living in poverty, with the extreme poverty rate in rural areas nearly four times that of urban areas. Deepening the gap is the country's long-standing armed conflict between nongovernment forces, drug traffickers and the military. The violence has forced more than 6 million people off their land, making them the largest population of internally displaced people outside of Syria. Conflict, instability and continued illegal drug cultivation remain a significant hindrance for private investment in these critical rural areas.

Mercy Corps established a country office in Colombia in 2005, and its programs have impacted over 319,000 people in 17 states to date. Mercy Corps Colombia's team of 58 in-country staff is leading efforts to promote conflict resolution, land formalization services, resilience among smallholder farmers, and counseling and reintegration for children and youth affected by the violent conflicts ravaging the country.

Colombia is quickly becoming the hub of social entrepreneurship in Latin America like Kenya in East Africa. Global Entrepreneurship Monitor has consistently ranked Colombia as among the top five countries for entrepreneurial activity each year since 2006. The country is home to a growing number of social ventures that are building successful businesses in the education, financial technologies and agriculture sectors. Seed capital remains relatively scarce, but there are an array of domestic and international funds, as well as angel investors, that are attracted to the region for growth-stage investment opportunities. Social ventures are having an impact in rural areas in Colombia, strengthening trust and helping to rebuild the social fabric acutely affected by the armed conflict. Despite major obstacles, these companies are demonstrating that there is a way to build a decent livelihood without resorting to illegal activities.



Name: Agruppa
Location: Bogota, Colombia
Sectors: Last-Mile Distribution
Agriculture
Year Founded: 2015
SVF Investment: \$150,000
Date of Investment: March 2017

"We believe that an investment in Agruppa will create a range of new opportunities for us to expand our work in peri-urban areas and with smallholder farmers."

—Provash Budden
Country Director of Mercy Corps Colombia



Name: Suyo
Location: Medellín, Colombia
Sector: Financial Inclusion
Year Founded: 2014
SVF Investment: \$100,000
Date of Investment: April 2017

"The importance of land rights in Colombia cannot be understated, and the potential impact of Suyo's services is significant."

—Provash Budden
Country Director of Mercy Corps Colombia



Location:	Bogota, Colombia
Year Founded:	2015
Founders:	Carolina Medina and Verena Liedgens
Website:	agruppa.co
Sectors:	Last-Mile Distribution Agriculture
SVF Investment:	\$150,000
Type:	Convertible Note
Date Invested:	March 2017

» The Challenge

Almost half of urban and peri-urban residents (and the overwhelming majority of low- and middle-class groups) in Colombia purchase healthy produce from one of over 450,000 neighborhood mom and pop shops. However, inefficiencies in the supply chain from farm to shop result in high prices for food staples such as potatoes and plantains, lower incomes for farmers and shop owners, and a lot of spoilage and waste.

» The Agruppa Solution

Agruppa leverages mobile technology to streamline the produce supply chain for urban mom and pop shops and local farmers. Shop owners call or message Agruppa with their orders for produce, and Agruppa fulfills orders at wholesale prices directly from local farmers while handling the logistics and providing just-in-time delivery. By aggregating supply and demand, reducing waste and handling logistics in-house, Agruppa can reduce prices for low-income consumers by up to 10 percent while at the same time increasing margins for small- and medium-sized farmers and low-income mom and pop shop owners alike.

» The Investment Rationale

Agruppa's model affects two of Mercy Corps' focus areas—last-mile distribution and agriculture. Mercy Corps Colombia is working closely with Agruppa to connect smallholder farmers from Mercy Corps' programs across the country with Agruppa's supply chains. The Social Ventures team is providing critical technical assistance on governance, financial modeling and fundraising strategy. Finally, the team is leveraging Mercy Corps' expertise and partnerships in financial inclusion to help Agruppa review and pilot cashless payment channels for its network of farms and shops.

» Impact Goal

Agruppa aims to serve 5,000 shops, impacting 500,000 consumers in marginalized neighborhoods and sourcing 5,000 tons of produce per month from smallholder farmers by 2020. Agruppa is now serving 600 mom and pop shops twice a week and procuring over \$100,000 of produce from 300 smallholder farmers each month. Through its approach, **Agruppa contributes directly to the following SDGs (right):**



» “Through the Agruppa model, urban mom and pop shops can save roughly US\$1,500 per year through savings on produce and transportation. And since 40 percent of the mom and pop shops are below the national poverty line and 89 percent of them are the sole income provider for their households, this can be huge.”

VERENA LIEDGENS
CO-FOUNDER, AGRUPPA





Location:	Medellín, Colombia
Year Founded:	2014
Founders:	Matthew Alexander and Marcelo Viscarra
Website:	suyo.co
Sectors:	Financial Inclusion Agriculture
SVF Investment:	\$100,000
Type:	Convertible Note
Date Invested:	April 2017

» The Challenge

Across Colombia, 59 percent of citizens live in a state of land insecurity. Landless Colombians experience high levels of poverty, lack access to certain government services and are constantly at risk of experiencing land disputes. In addition, potential eviction disincentivizes home improvement. Thanks to large-scale government efforts, land formalization pathways exist, but they are time-consuming (18 months or more), expensive and often corrupt.

» The Suyo Solution

Suyo leverages mobile technology to more quickly and cheaply formalize property rights for low-income families in Colombia. Suyo visits customers' homes to collect data and determine the type and cost of formalization services required (e.g., deed and registration, land titling, building permitting, succession documents). Suyo then links households interested in purchasing these formalization services to partner financial institutions that can finance those services (often the first loan a household will receive). Utilizing its deep understanding of the local regulatory framework, Suyo can prepare and complete formalization cases up to two to three times faster than existing services and at half the cost.

» The Investment Rationale

Suyo's model seeks to address one of Mercy Corps' major areas of focus—financial inclusion. Suyo is developing a partnership with Mercy Corps Colombia to extend its property formalization services to households in Tolima, a rural community deep in contested territory, where land formalization services are essential for peace and reconciliation. Land tenure and conflict mitigation are focal areas for Mercy Corps Colombia, and we believe that Mercy Corps has the opportunity to both learn from and advise Suyo as it iterates on its core model. In addition, Mercy Corps recognizes the immense potential land formalization has to eradicate poverty, and it is eager to apply the lessons from Suyo in other countries where it operates.

» Impact Goal

Suyo aims to provide 40,000 property formalization services and 15,000 full land titles to low-income households by 2021, transforming the lives of 190,000 individuals. Through its approach, **Suyo contributes directly to the following SDGs (right):**



In addition, Suyo indirectly contributes to achieving SDGs 5 (by helping women gain access to land titles) and 11 (when residents of urban slums get title to their land, they have a greater incentive to invest in upgrading their property).



» "In 2012 I was working on a pilot project under Mercy Corps and funded by the Omidyar Network, which tested the adoption of a property data platform and mobile communications strategy for property formalization in seven Bolivian communities. Through the project, we carried out land formalization three times faster and 43 percent cheaper than traditional methods. This was the seed of Suyo and the first step in building a more reliable and affordable property formalization service."

MATT ALEXANDER
CO-FOUNDER, SUYO



LESSONS LEARNED

“The secret of getting ahead is getting started.”
—Mark Twain

Had we waited for that perfect first investment—an enterprise that completely fit our investment criteria, was an exact match with our programming, and a slam dunk in both impact and business potential—the SVF (and this report) would likely never exist. There is no substitute for just getting started and learning along the way. It goes both ways—we also thank Steve Andrews and the NewLight Africa/Heya team for wagering that Mercy Corps and our nascent impact investment fund just might have something unique to offer.

We are indeed learning, and we want to share a few lessons:



1.

International nongovernmental organizations (INGOs) like Mercy Corps do have valuable platforms, if we’re successful in opening them up.

With extensive on-the-ground presence, years (even decades) of programming experience across multiple geographies, deep technical expertise and wide networks, INGOs have innumerable assets of value to social enterprises. Indeed, SVF investees have benefited from Mercy Corps’ support in developing partnerships with large financial institutions, telcos and governments; from tapping into our expertise in microinsurance, financial services and youth training; and from leveraging our connections to local stakeholders. But creating meaningful connections takes time and is not inevitable. We’ve found that connections with large, stand-alone, private foundation-funded programs are easiest—they are, by nature, the most flexible and adaptive. Yet bilateral donors (the resources behind the vast majority of INGO programming) are increasingly realizing the importance of innovative financing and adaptive management in program design and execution. Hence, in our largest bilateral-funded programming, we expect new opportunities to arise that could incorporate the iterative approaches and new business models of our investee social enterprises.



2.

You must roll up your sleeves and get dirty.

Early-stage ventures are understaffed, underfunded, and bravely trying to start for-profit businesses in markets with little infrastructure, scarce talent, and customers who often can’t pay. Investment capital is helpful, but hardly sufficient. Entrepreneurs need clear advice and mentorship—tailored for their context, spoken from experience and with humility, and delivered when they need it. Our Social Ventures team (and others from Mercy Corps’ country offices) take an active “observer” role on investee boards, and we enthusiastically review materials, financial models, milestones and customer data so we can be true “value-add” investors. We (well, some of us) happily do financial modeling, we facilitate investor relations, we help build governance structures, we co-create performance management metrics and strategies, and we generally work to tailor our support to an entrepreneur’s rapidly changing needs. High-touch? Yes. Sustainable as the portfolio grows? We’re evaluating that—but if it is in service to the impact we care about, we’ll prioritize whatever it takes.



3.

There is no substitute for proximity

Impact investing and post-investment support are like trying on jeans—nothing ever fits perfectly. We work in different markets, across different sectors, with entrepreneurs of varying age, origin and experience. But we try to identify the common challenges that all entrepreneurs face—aligning capital, identifying clear milestones, recruiting great talent, building strong financial models, and finding a key market niche. We try to, at the least, point our investees in the right direction. We also recognize the role of geography—the investment climate and resources for seed-stage social enterprises in Colombia is much more difficult than it is in Kenya right now. The more we spend in market with our entrepreneurs, the more valuable our advisory support becomes. There is no substitute for proximity to our entrepreneurs and the challenges they face on the ground.





4. Entrepreneurs are increasingly managing to data, and everyone values evidence.

The social enterprise sphere is formalizing fast, as are impact investors. Older enterprises and early impact investors have paved the way for newer ones to get further faster. One example is evidence and performance management. Many of our investees compare their impact to a control group, and a few of them are even engaged in randomized control trials to validate their approach. They are gathering more data earlier and using that data to better understand their customers and fine-tune their value propositions. They are also developing and tracking key performance metrics to manage cost and impact. It took years for some elder social enterprises to do these things, and now their best practices (and new ones) are being used by early-stage companies.



5. We still have blind spots.

As much as we learn and grow through this work, we know we still have our blind spots. What and whom are we missing, and what opportunities for change remain hidden to us? Even though we have field offices in each market we invest in, we must continue to integrate more deeply and take the time to cultivate high-potential local entrepreneurs. Expat-run companies often leap out because they know how to network in circles that are familiar and proximate to the impact investment community. It's easy to invest in whom and what you know, and we want to continue to expose this blind spot. Another blind spot is negative impact (or unintended consequences). Unintended consequences take time to show themselves—we must continue to balance both sides of the impact equation when investing in nascent, often fragile, markets.



LOOKING FORWARD

When we launched the Social Venture Fund, we pledged to place entrepreneurs at the center of our work—and we never forget that we ourselves are still very much a startup. As an investment fund, we have lots to learn, more pivots on the horizon, and undoubtedly a few (more) failures ahead of us.

Over the coming year, we aim to double the size of our investment portfolio and expand into nascent social entrepreneurial ecosystems in markets such as Nigeria and Jordan. We are also eager to build out a more formal post-investment support infrastructure—focusing on critical gaps and barriers in the ecosystem, whether capital, advisory, talent and scaling pathways. Though early, we're immensely excited about the remarkable strides our investees have made, and we know that together we can navigate the road ahead.

**Mercy Corps
believes that impact
investing presents
a compelling
opportunity to
achieve increased
scale, innovation,
sustainability
and partnerships
in international
development.**



**Mercy Corps
Social Venture Fund**

45 SW Ankeny Street
Portland, Oregon 97204
mercycorps.org/svf