Village Enterprise Development Impact Bond for Poverty Alleviation (Kenya and Uganda)

Summary:

The Village Enterprise Development Impact Bond (DIB) intends to improve income levels of the extreme poor (income of less than $1.90 per day) through Village Enterprise's microenterprise development program for the extreme poor, known as a Graduation program. Outcome payers include the Department for International Development (DFID), Development Innovation Ventures division of United States Agency for International Development (USAID) and an anonymous philanthropic fund based in the USA. The service provider is the Village Enterprise, and the investors include Delta Fund; The Halls Family; Impact Assets [gathering three private investors, including Silicon Valley Social Venture Fund (SV2)]; Jay Friedrich; Brian Lonergan, The Laidir Foundation; and Bridges Impact Foundation. Total budget committed by outcome-payers is USD$ 5,280,642 while the payment to Village Enterprise based on results is around USD$ 4,280,618.

Objectives:

- To prove the impact of a multi-country and multi-context intervention
- To explore the effects of outcome-based versus traditional funding
- To develop adaptations of the model for cost-effectiveness (Enterprise)

Key Stakeholders:

- USAID Development Innovation Ventures (DIV)
- UKAID (DFID)
- The Global Development Incubator
- Instiglio
- IDinsight
- Village Enterprises

Implementation strategy:

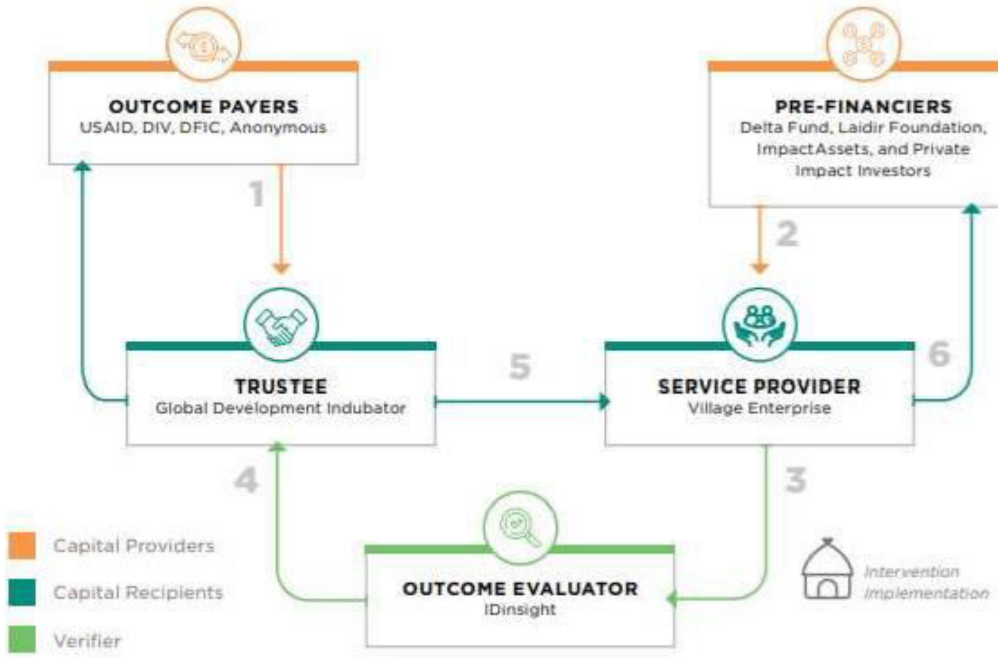
The Village Enterprise Development Impact Bond (DIB) microenterprise development programme seeks to improve the income levels of at least 12,660 extremely poor households in rural Kenya and Uganda by creating over 4000+ sustainable microenterprises. There are five components to the programme: targeting, business savings, training, seed funding and mentoring:

- Targeting: Beneficiaries for the programme are identified through a combination of community-based Poverty Wealth Ranking exercise coupled with Gramee's Progress-out-of-Poverty Index
- Business Saving Groups (BSGs): BSGs are formed at the beginning of the training, consisting of 10 businesses comprising 30 individuals, each BSG with its constitution. BSGs create the platform through which Village Enterprise carries out the training program, as well as develop trust and respect between the participating community members
- Training: Mentors deliver a four-month training program to equip participants with the necessary knowledge to run a business
- Seed funding: A seed capital is granted to start businesses of 3 participants. Approximately 65% of businesses will receive a $50 seed with the remaining 35% receiving $150. The capital investment is a grant, rather than a loan
- Mentoring: Mentors provide continuous guidance to the participants for one year

Outcome payments are tied to the RCT conducted by IDInsight, with VE being paid approximately $1 for every $1 increase in household income. Household income will be measured against consumption and assets.

Resource Utilisation:

Village Enterprise is supported by various individuals, foundations, organisations, corporations and religious institutions (Enterprise). The figure below presents the structure of the stakeholders in the impact bond:



Source: (Village Enterprise)

Impact/ Outcomes: (Anticipated)

The Village Impact Report 2020 preliminary findings of the impact of the bonds (Village Enterprise, 2020):

- The bond has started 3,939 small businesses and trained over 11,800 people living in extreme poverty
- Monthly per capita consumption increased by 113% and asset stocks more than doubled among households
- Positive improvements in the quality of businesses started through the DIB was also reported

Challenges/ Lessons Learnt:

- The model adopts a strong feedback system in its implementation to constantly overcome any challenges and constantly evolve. With the availability of monitoring dashboards for businesses and savings groups, the challenges are identified timely and acted upon. (Village Enterprise)

Replicability & Sustainability:

- The project is constantly evolving and finding avenues for replication and up-scaling. With the implementation in different countries and contexts, it has successfully created a demonstration project on learning to scale up a graduation model 'while ensuring the quality of implementation at scale'. (Enterprise)

Fact Sheet:

Thematic area	Village Enterprise Upliftment
First-year of the program	2017
Responsible institution	Village Enterprise
Target audience	Rural enterprises and businesses
Coverage	Soroti and Amuria districts in Uganda and Kitale and Bungoma districts in Kenya