

The World We Want Foundation – 2016

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Reflections from the Founder

Over the past 7 years, 3W dispersed over \$22M in grants, debt, and equity. We were, and still are, looking for new ways to solve old problems. We want to support and foster new business models, operational and production processes, or ways of delivering products and services that benefit the poor and the environment. We have made mistakes, but I am confident when I say that we have been right more often than not, we have had many more successes than failures, and no failure came without valuable lessons learned.

We impacted hundreds of thousands along the way through some really interesting models that have strengthened businesses in Haiti, Latin America, Africa, and India; educated tens of thousands; helped to increase income generation and provide food security for possibly hundreds of thousands; fortified conservation institutions; and hopefully saved some great apes and elephants. In addition to the direct impact, we have tested new models; we helped our partner organizations raise millions of dollars; and we created partnerships with what we view as the most impactful organizations and people in the world in this sector.

2016 was a year of reflection and reform. Our six-year term on the Root Capital board came to an end and we decided that we needed to exit some partnerships, specifically with Root Capital and Pratham --- not because we were unsatisfied with the results. On the contrary, we are able to exit because these investments are solid and other active "shareholders" have come onboard. We needed to recycle capital and generate enough organizational capacity to meet our next big challenges. We hope to find new investments that can benefit from our approach as an active and catalytic stakeholder. I am more convinced than ever that a high level of involvement is needed; Time and time again, we find committed social entrepreneurs with few engaged and committed backers.

Given the size of our support, over \$4M in grants and another \$4M in debt, and our organizational involvement, Root Capital warrants some supplemental remarks. I will never forget the day Willy Foote and Liam Brody showed up in Stockholm; they arrived during a blizzard directly from West Africa in little more

than a sports jacket. Root was a breath of fresh air. They spoke our language. They were reaching the most vulnerable populations through an agricultural-finance model that made sense. A great relationship flourished. At that time, we also went to Haiti and saw the dire need for employment and an agricultural eco-system. In 2010, our initial grant was very specific to Root's core operations in Latin America. We then moved into Haiti, providing first-loss loan capital to initiate a lending program.

In 2012, we committed to a 3-year, \$5M partnership to support Root's effort to create the first ever 'last-mile', agricultural fund that was 100% self-sufficient. Together with Skoll and Pershing Square foundations, we even had plans to spin the Sustainable Trade Fund into a private vehicle provided its success. Half-way through this scaling plan, the Root Capital model was tested and hopes for a self-sustainable fund were dashed. When the coffee markets started to fail and Root's costs did not follow based on the business realities, we decreased our funding. In the subsequent years, we supported Root Capital with debt only.

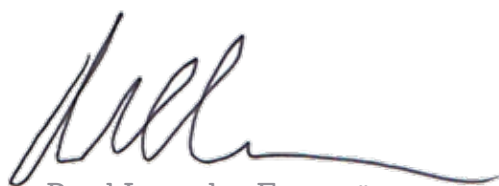
We are incredibly proud of the work we did with Root Capital. When we began our partnership, Root Capital had an outstanding portfolio balance of \$45M and impacted 200,000 farmers annually. Today, Root Capital has a balance of over \$100M and serves almost 750,000 farming families a year. As is often true with disruptive models, there were speedbumps and lessons learned along the way. When we first met Willy, write-offs were extremely low and the model had security built-in, with credit secured by future orders.

Slowly the model changed and the collateral became weaker. As the coffee markets boomed, so did the Root Capital organization. But with the coffee market crisis, demand for credit slowed while portfolio risk increased, and provisioning costs sky-rocketed. Root's risk analysis was put to the test and many changes were implemented. Today the organization is stronger because of it, with more stringent under-writing and improved risk analysis. And the industry learned an important lesson: last-mile agriculture is quite possibly too risky to reach complete financial sustainability without some subsidy – a practice that developed countries have historically utilized through national subsidies.

The path ahead for our existing programs is to continue to drive Caribbean Harvest in Haiti, hoping to have a viable business by H1 2018; and to explore the potential of a stand-alone trading company which supports the COMACO conservation effort in Zambia. With this lighter load, we are now able to dig deeply into new challenges.

In the first weeks of 2017, we had the immense pleasure of visiting the Virunga National Park in the Democratic Republic of Congo. We have supported the work of Emmanuel de Merode, the Park's warden, for a few years, but only on very concrete and targeted initiatives, like the commercialization of the pilot hydro-plant and support for the Fallen Rangers' Fund. Our visit was transformational. We finally understood the scope of Emmanuel's ambitious conservation and development plan for the region, as well as the incredible progress he and his dedicated team have made.

We are now ready to put our lessons-learned to use, by taking a meaningful role in the protection of one of the greatest natural treasures in the world, safeguarding maybe the most important species on earth. This is a challenge I relish and am thrilled to move forward with a renewed sense of faith and motivation.



Paul Leander-Engström
Founder and Chairman



سلك الغمامة 2016-2017
7 Oct 2016
وصول = وصولاً
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Grant

Root Capital Unlocking the Potential of Smallholder Farmers

Grant and Debt: +\$5M

Root Capital lends capital and provides financial training to enable small and growing rural businesses in Africa and Latin America to access global markets and create sustainable livelihoods for small-scale farmers. With access to credit and financial management training, Root Capital clients are able to increase their product's volume, quality, and consistency, and can thereby become more reliable suppliers—all of which are critical to the long-term viability of agricultural supply chains.

Facing a confluence of continued and widespread challenges related to climate, market and currency, 2016 tested the resilience of Root Capital's clients as well as that of the entire Root Capital organization. With the ongoing rise of write-offs and increasing provisioning costs, Root Capital was compelled to do a thorough analysis of its historic performance over the past 17 years and deepen its understanding of the risks across the portfolio. The end result was the implementation of many new policies and processes. These changes, while necessary for a stronger 2017 and beyond, did result in a large, though expected, one-time impact to the balance sheet in 2016.


In 2016, Root Capital's 288 clients generated \$1.23 billion in revenue, 82 percent of which was paid directly to 612,000 farmers (239,000 of them women).

Caribbean Harvest Foundation Creating a Fishing Industry in Haiti

Grant: +\$1M

Turning fisherman into fish farmers – that was the simple idea behind Dr. Valentin Abe's Caribbean Harvest Foundation. After 10 years and in one of the most difficult business environments, the enterprise has the potential to be self-sustainable, benefiting thousands of Haitians without being dependent on grants. The Foundation's mission is to establish a modern and sustainable fishing industry, thus providing jobs and locally sourced protein for the Haitian people.

3W started to work with Val just after the earthquake in 2010. Since then, Caribbean Harvest has become the largest hatchery in the Caribbean; it has the first processing plant in Haiti; and the organization employs 60 people and over 300 farmer families. Current capacity is at 1500 lbs of tilapia/day. Not only is the business creating huge impact economically, but also, as a foundation, all proceeds go to the communities around Lake Azuei and Peligre, enabling housing, community infrastructure, health clinics, and education programs. As we end 2016, we are pushing for this to be a self-sustainable business model within the next 18 months.



Pratham Ensuring students master fundamental concepts and skills

Grant: +\$1 M

According to the Annual Status of Education Report (ASER) 2014 report, more than 96% of all children in the age group of 6-14 years are enrolled in school in India. However, 52% of children in India in Grade 5 cannot read a Grade 2 level text. Similarly, close to 51% of children enrolled in Grade 5 in 2014 could not solve simple two-digit subtraction problems.

Pratham is trying to change this and has pioneered several models of teaching at the right level, including in-school targeted education for low-performing students, after-school reading classes led by local volunteers, and learning camps that focus on basic skills. Pratham works closely with the government and many of its programs are conducted in or in close collaboration with municipal schools.

Since 2007, 3W has supported 212 slum communities covering almost 30,000 children through a variety of education interventions ranging from “light-touch” library programs to the more intensive learning camps, depending on each child’s needs. The impact is transformative. For example, learning camp students (about 4,000/year in 3W areas) improved 22% points in end-line test scores. These results are in line with MIT’s Poverty Action Lab’s (J-PAL) randomized control trials performed on other Pratham programs throughout India.

After 10 years of support, we decided to exit our Pratham partnership for a number of reasons. Firstly, due to the organization’s unparalleled impact and cost-effective intervention, many large institutional donors are now funding at scale. Secondly, the 3W supported communities have now developed past the economic target of Pratham’s model. Despite being in one of Mumbai’s largest slums, the cost of housing in our areas of support is now over \$50,000 USD, and the economic and educational levels of the majority of the population in these communities has greatly increased. The hard work of the Pratham team paid off and after 10 years of incredible dedication, the children in our areas of support are “in school and learning well” – Pratham accomplished its mission!



Acumen A Venture Capital Fund for the Poor

Grant: +\$500 K

In 2011, Acumen raised \$4.5 million of grant capital and embarked on a mission to transform affordable education across India and Pakistan by investing in for-profit models which targeted the poorest communities. 3W was one of the founding partners of the Education Portfolio.

Since its inception, the Education Fund has invested \$5.8M in 8 companies across India and Pakistan, servicing hundreds of thousands of paying customers. These businesses provide either the skills needed to earn better wages, or quality curriculum and learning infrastructure through affordable private and government schools. The fund is now fully invested and a second education fund is being initiated to continue momentum in the sector and build on the success of the original portfolio.



One Acre Fund A Business Solution for Smallholder Farmers

Grant: +\$400 K

Farming is the dominant economic activity of the world's poor. One Acre Fund makes that activity significantly more productive. One Acre Fund provides a complete set of services within walking distance of the farmers they serve. The service bundle includes: Financing for farm inputs, Distribution of seed and fertilizer, Training on agricultural techniques, and Market facilitation to maximize profits from harvest sales.

Together, this innovative bundle enables farmers to increase their farm income by at least 50%, eliminating chronic hunger and providing surplus income to invest in productive uses. Farmers achieve this income benefit even after repaying One Acre Fund, covering a large percentage (73% in 2016 over all countries) of the program costs.

In 2016, One Acre Fund served 445,000 farmers and launched operations in two new countries: Malawi and Uganda. Two years ago, 3W supported the organization's launch into Tanzania. Since the initial grant, the Tanzania program is servicing almost 25,000 families, and contributing \$85 in new farm profits per household – a life-changing sum for rural families. In addition, the Tanzania field operations were 75% sustainable with over 97% farmer repayment rates.



COMACO

Using Commodity Markets for Wildlife Conservation

Grant and Debt: +\$1 M

People living in rural areas with abundant wildlife but little economic opportunities, poach animals and burn forests to meet family needs. COMACO wants to bring back wild animals by transforming poachers into farmers that use sustainable practices. To achieve this, they provide farmers with training in improved conservation farming techniques and access to premium markets. They then purchase surplus food crops from these families for processing and packaging into branded products and sell them in major food markets across Zambia. COMACO operates an integrated value chain that brings healthy products to consumers with a brand promise to increase food security, reduce threats to wildlife and rebuild natural habitat. A recently published aerial survey (www.greatelephantcensus.com) shows that the Luangwa Valley is one of the few places in Africa where protection efforts are successfully stabilizing elephant populations.

Since our initial grant in 2012, COMACO has doubled, with 167,500 farmer members, half of which are women, stretched across a 100,000 square km ecosystem. This approach has led to the transformation of 1,785 poachers into farmers, as well as the voluntary surrendering of 2,400 firearms and 85,000 snares once used to kill wild animals in Zambia's Luangwa Valley. And even more importantly, the model increases farmer income and eliminates the "hunger season", thereby decreasing the need to poach bush meat.

A cornerstone of the model is to pay a premium to those farmers and communities that comply to the conservation farming techniques. This necessary component also creates a business challenge in a very price sensitive market. As a solution, 3W set up an "ethical trading company" which would buy and sell COMACO-farmers' crops without the need for significant returns. The trading company only required a selling price which protected the premium payments to the COMACO-farmers and covered its own minimal operational costs. Often COMACO-farmers' crops are of superior quality due to better farming techniques and inputs, and are therefore very attractive on the open market in Lusaka. The idea is to buy from as many COMACO-farmers as possible and not be bound to the limitations of COMACO manufacturing or sales. In the coming year, we will look at ways to strengthen the purchasing power of the COMACO model through this ethical trading company.



A woman wearing a vibrant pink shirt and a colorful headscarf is shown in profile, feeding a young brown and white calf. She is holding a bundle of fresh green grass in her hands, offering it to the calf. The calf is looking towards the camera with a curious expression. In the background, another cow is partially visible, and the setting is a rustic, dimly lit stable with mud walls and wooden beams. A single blue pendant light hangs from the ceiling, casting a soft glow on the scene. The word "Equity" is overlaid in white text across the center of the image.

Equity



OMC Power A Solar Solution for Businesses and Households in Rural India

Equity: \$1M

Access to electricity is one of the keys to development, as it provides light, heat and power for productive uses and communication. Today 1.7 billion people in developing countries do not have access to electricity, most of them living in rural areas; 400,000,000 are in India alone. OMC Power offers these rural customers — both business and household customers — electricity through a solar mini-grid solution. In addition, OMC powers mobile towers, which in turn has an immediate cost-saving and climate benefit.

OMC ended the 2016 calendar year with 70 plants fully operational. From the first day of operation, all plants power two mobile towers 24/7, and customer build up follows. At the end of 2016 all plants were EBITDA positive. With this proof of concept, OMC is now poised to take on outside investment and move to scale.



Off Grid Electric A Solar Solution to Light Off-grid Africa

Equity: \$250K

Off Grid Electric's M-POWER provides an energy ecosystem that combines the world's most efficient LED lights and appliances to optimize the energy output from solar panels. This allows Off Grid to provide dependable energy service each and every day. They have combined innovations from the electric vehicle industry and large scale solar to create modular systems that meet the unique needs of customers in rural Africa. These proprietary hardware platforms are designed to enable easy upgrades, ensuring the forefront of energy technology is always in their customers' homes.

At the end of 2016, OGE had +100,000 customers (up from 80,000, 35,000 and 9,000 in 2015, 2014 and 2013, respectively) and expanded operations into West Africa. The company hopes to start a rapid growth phase in 2017 while constantly improving its model to incorporate new technology and financing models to meet the needs of its customers and to prosper in the increasingly competitive market.

A photograph of a man in a blue tank top working in a cornfield. He is looking to the right, and the word "Debt" is overlaid in white text on the left side of the image. The background shows a cloudy sky and rows of corn plants.

Debt

NFC

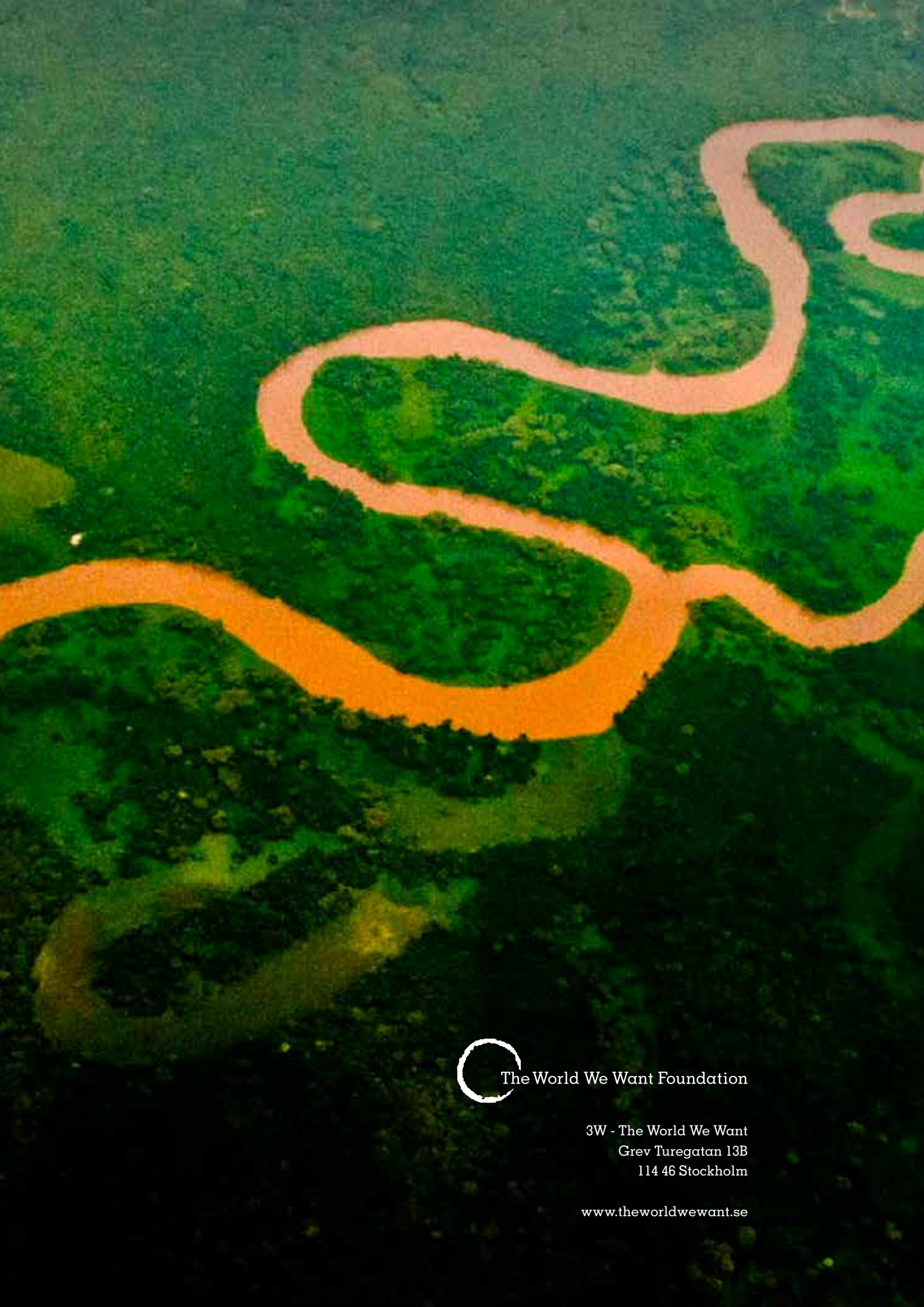
Sustainable and Socially Responsible Forestry

Debt: \$1M, Grant: +\$100K

The New Forests Company Group is a sustainable forestry and value added timber products business with operations in Rwanda, Uganda and Tanzania.

The company is driven by impact: social, environmental, economic and commercial. This company has operations spread across East Africa with five plantations, four of which are Forest Stewardship Council (FSC) certified, the internationally recognized and rigorous gold standard in responsible forest management. In addition, the company has created over 2,000 jobs contributing to the private sector led economic growth and development of Africa.

In 2016, NFC repaid its loan in full. Because we believe that private enterprise is one of the cornerstones needed for economic development, 3W wanted to continue to support the company through its outgrower program. With this CSR program, NFC has distributed 6.4 million seedlings to 5,500 outgrowers in the communities surrounding their plantations. In addition to being a viable source of timber for NFC, the communities are incentivized to protect the forests or buffer zones around the NFC plantations, thereby helping to reduce the risks of theft, fire, and grazing. The outgrower program also provides a significant and important income opportunity to the communities. With our support, NFC will provide half a million tree seedlings, in addition to inputs and training, to 500 farmers in Rwanda over the next 2 years.



The World We Want Foundation

3W - The World We Want
Grev Turegatan 13B
114 46 Stockholm

www.theworldwewant.se