

ARGIDIUS FOUNDATION - ANNUAL REPORT 2006

For the foundation, 2006 was a year of strategic planning, testing and refining the strategy, and transitioning from one strategy to another. This meant a lot of activities involving the leadership of the organisation, communication with existing partners and other stakeholders, and gathering of lessons learned for a more ample implementation during 2007.

Main activities during the year included:

- Strategy development: early during the year, the foundation's advisors went through a strategic planning exercise in order to decide on a new strategy. The foundation used to work with a few 'core institutions' and provide them mainly with budget support in order for these institutions to develop their capacity and be able to serve better their target clientele. With the new strategy, the foundation decided to focus on projects rather than institutions, and to support only projects that helped create sustainable jobs for low-income populations. More information about the strategy will be provided later in this report.
- Development of tools and systems to implement strategy: with a clearer set of criteria developed for eligibility to foundation support and new processes in place for reviewing and approving funding, it was important to develop tools and systems to structure the foundation's activities and relationships with its beneficiaries. Documents such as the application form, project assessment process, grant agreements, and reporting requirements were developed during the year.
- Staffing of the foundation: the executive director recruited in 2005 started work as did her assistant. There was also the Senior Advisor to the foundation who started towards the end of in 2005 to help the foundation during its transition period and lead the strategic planning process.
- Communication of new priorities: the foundation has kept a low profile from the beginning. With the decision to find cost effective ways to create jobs, it was important to get the message out and widen the range of interesting institutions and projects who know about the foundation and can help the foundation achieve its objective. The foundation now has a website and has developed small brochures in three languages to give to a wider public basic information about its funding objectives and criteria. The foundation website is linked to the corporate social responsibility section of the COFRA website.
- Development of Argidius Foundation history: as the foundation has been a key player in the development of the micro-finance field and the building of institutions such as TechnoServe, and was moving on to a different strategy, it was felt that it would be important to record achievements and challenges for last 13 years and share them with the foundation's owners. The history was started in 2006 and should be available by mid 2007.
- Field trips: one innovation was that the foundation selected a few countries for which it would support projects, as opposed to the previous strategy where funding was mainly provided at the central level of institutions based largely in the USA. With this new approach, it was necessary to know more about the selected countries and the potential partners and activities/projects to support.

2006 Funding

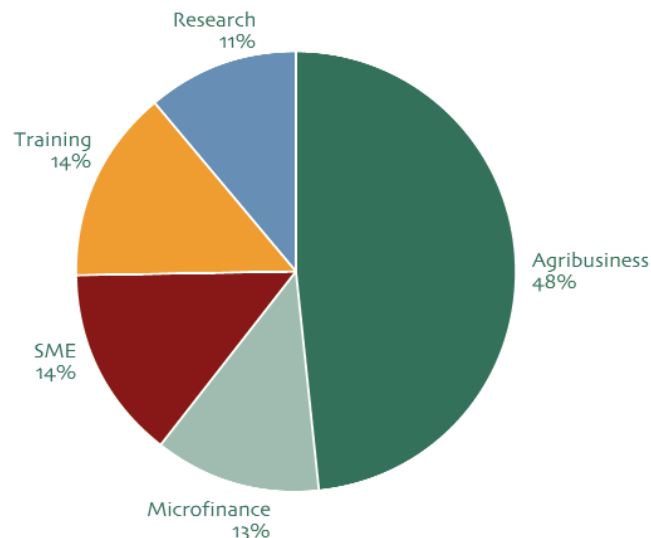
During this year of transition, about EUR 1.6 million of investment was provided, including close to EUR 240,000 in loans, and which can be classified in three categories:

- Continuation of previous commitments: most of these were made a couple of years earlier and still had a year or two of funding left. The foundation felt it had to respect these commitments even though some of the activities concerned fell outside its new line of action.
- Research of opportunities: with the need to know the sectors that have high potential for employment creation in the new focus countries, the foundation provided a grant to a network organisation, SEEP, for research into sustainable tourism in Central America; and contracted with consultants for recommendations on opportunities for partnership in some West African countries.
- New financing according to new funding criteria: all the other funding took into account the decisions made about the new strategy and was made in the form of grants and loans.

The 2006 funding went for the support of activities in:

- Agribusiness: increase of agricultural output, assistance with high value agricultural products, or diversification of crops:
 - TechnoServe / Nicaragua.
 - TechnoServe / Guatemala.
 - KickStart / Mali.
 - EcoLogic Finance / Honduras.
 - Vocational and entrepreneurship skills training:
 - Zamorano Entrepreneurship Centre / Honduras.
 - Catholic Relief Services (CRS) / Moldova.
 - Small and medium enterprise (SME) development:
 - Agora Partnerships / Nicaragua.
 - Association Ne Pêche Plus / Burkina Faso.
 - Employment creation learning forum:
 - Small Enterprise Education and Promotion (SEEP) Network / Central America.
- Micro-finance and social performance measurement for microfinance institutions:
- CIDR / Africa.
 - Consultative Group to Assist the Poor (CGAP) / Worldwide.

2006 ARGIDIUS PROJECT FUNDING



Agribusiness seeks to take farmers in developing countries from a state of subsistence agriculture to one of commercial farming. To do this, development organisations help farmers get organised (e.g. in cooperatives), introduce them to higher value crops and/or help them cultivate higher qualities of these crops, and then help them find markets for the products, especially in Northern countries. One such example is the following TechnoServe project in Nicaragua.



Organisation	TechnoServe Nicaragua
Amount Donated	EUR 192,000
Other institutional funders	<ul style="list-style-type: none"> - USAID, Nicaragua - FondeAgro - Local financial institutions (credit)
Project Description	<p>This project develops productive agricultural opportunities in marginal coffee growing regions, which will create sustainable economic growth and generate rural income and employment, by building potato and other roots and tubers production and processing activities in these areas.</p> <p>TechnoServe helps cooperatives through the provision of technical assistance in the areas of production and post harvest handling; financial linkages to ensure capital for production and infrastructure, and market linkages to sell their products at the best price and terms. The production is mainly sold in export markets to serve the large Latin American population in the USA.</p>
Project achievements	<p>From October 2006 (beginning of the grant period) to 31 December 2006:</p> <ul style="list-style-type: none"> - 49 jobs created. - 129 participating farmers. - EUR 123,000 credit accessed by members. - EUR 470,000 in revenues for the farmers. - All partner cooperatives are now legally registered.
Project challenges	<p>A main challenge is TechnoServe's exit from the project and how long it would take. In providing this grant the foundation has made it clear that a sustainable exit strategy should be put in place so the activities would not continue needing the presence of TechnoServe in order to be implemented.</p>
Taking pride	<ul style="list-style-type: none"> - The beginning of attainment of job creation objective

through this project which was the first funded under the new strategy.

- The relief provided to populations that were completely dependent on coffee and who were facing high levels of poverty with the fall of coffee prices.

Some 2006 Results

As of 31 December 2006, only four of the projects supported during the year had been implemented long enough to start showing some results. They are those of the following organisations:

- KickStart: a project to provide small-scale irrigation to farmers in Mali to allow them to work during the dry season and increase their productivity and incomes.
- Association Ne Pêche Plus: a small Burkina Faso organisation providing assistance to prostitutes. The project funded was to allow the organisation to create a restaurant and a soap production unit to provide jobs for the prostitutes and bring revenues to the organisation. This project was funded through the International Finance Corporation's (IFC) Grassroots Business Initiative.
- Agora Partnerships: a Washington and Nicaragua based organisation that provides technical assistance and venture capital to start-up enterprises in Nicaragua.
- TechnoServe Nicaragua: a project about crop diversification, described on the previous page.

Some grantee-reported results of progress from these four projects are as follows, shown against expected cumulative performance for the lifetime of the activities. These results have not yet been evaluated/audited by the foundation.

	KickStart		ANPP		Agora Partnerships		TechnoServe Nicaragua	
	Cum. to Aug 07	Actual at Dec 06	Cum. to Sept 08	Actual at Dec 06	Cum. to Sept 07	Actual at Dec 06	Cum. to Sept 07	Actual at Dec 06
A: Number of direct Jobs created	2,025	801	30	17	49	0	280	49
B: Number of direct Jobs consolidated	1,950	1,950	30	17	0	0	220	74
C: Unit cost per job created (EUR)	95	96	4,077	2,715	6,932	n/a	619	354
D: Total revenues from project (ooo EUR)	66	26	77	0	459	0	1,308	468
E: Total wages of beneficiaries (ooo EUR)	269	106	14	0	94	0	219	41
F: Total project expenses (ooo EUR)	192	67	123	46	340	58	310	44

Taking into account that the foundation's funding for most of these projects started in September 2006, it can be seen that they are likely to reach their promised performance. One seemingly worrying project is that of the Agora partnerships which is actually very exciting but is just taking a little longer to implement due to delays in closing the venture capital fund. More information about this project is provided on the next page.



Organisation	Agora Partnerships, Nicaragua
Amount Donated	EUR 115,000
Other institutional funders	<ul style="list-style-type: none"> - USAID / Nicaragua - Family Ricardo Teran, Nicaragua - Several individual and corporate donors
Project Description	<p>Agora Partnerships is an organisation created by two young entrepreneurs in order to provide business advice and financing to small enterprises in Nicaragua. The organisation provides consulting services offered by MBA students to help local entrepreneurs develop further their business, operational, marketing and financing plans, and then decide whether it would like to finance the enterprise by providing equity funding through its venture capital fund. Agora Partnerships is just a year old and has not made any financing yet, however it has worked with a number of interesting Nicaraguan entrepreneurs and is preparing to invest in some of the businesses.</p> <p>The Argidius foundation has provided seed capital to the organisation in 2005 and more funding in 2006.</p>
Project achievements	<ul style="list-style-type: none"> - Eight enterprises received consulting services. - Four major US universities are participating in consulting activities (Columbia, Darden, Duke, Georgetown). - First round of the investment fund closed early 2007 for EUR 390,000.
Project challenges	<ul style="list-style-type: none"> - Delays in closing the investment fund mostly due to the fact that most of legal work was being done pro bono and therefore was not a big priority for the legal firm. - Building the pipeline with quality entrepreneurs. - Educating small enterprises in Nicaragua about equity financing. - Finding appropriate exits for the fund.
Taking pride	<ul style="list-style-type: none"> - The dynamism of the two partners who are very young MBA graduates with a vision to contribute to development through entrepreneurship. - The foundation's support from the launch of the idea / organisation, which has allowed Agora to formalise and be able to attract other sources of funding.

In November 2006, the foundation approved projects most of which were to start in 2007. Taking these and the four projects whose results were provided earlier in this report, the following results are expected:

- Seven (7) projects creating about 6,100 jobs with EUR 1,215,000 committed in 2006 (disbursed from 2006 to 2009). That is about EUR 200 of the foundation's contribution per job and EUR 275 per job taking into account all project costs, regardless of funder. This does not take into account jobs consolidated or indirect jobs created through the projects.
- Revenues expected, either in the form of sales or wages, of more than EUR 10 million, i.e. more than 8 times the foundation's financing and more than 7 times expected project expenses.

As far as other projects in which the foundation is involved are concerned, the following brief summary can be provided.

Investments in micro-finance: ProFund, the first micro-finance investment fund based in Latin America, was closed in 2006 after ten years of operations, during which it invested in twelve institutions whose portfolios grew to a total of over USD 800 million and more than 900,000 small and micro entrepreneurs, and achieved an IRR of 6.65%. AfriCap and the Latin American Challenge Fund are each working on a second phase of their development creating follow-on funds in order to continue their investment activities. The foundation has however decided that, with its change of focus, it would exit these investments and would not participate in their second phases.

Social performance of micro-finance institutions: a last grant was provided to CGAP in order to assist in the finalisation of the work started a couple of years ago on the promotion of social auditing in the microfinance industry to ensure that micro-finance institutions' (MFIs) objectives, products and processes are developed and implemented in a way that makes them continue to serve a poor client base. The funding provided would allow CGAP to publish a manual that disseminates the results and recommendations of the work of the international taskforce on social performance management for MFIs. Funding provided to SEEP last year has also allowed that organisation to publish a series of briefs this year on the same subject of social performance. The foundation was part of the work and discussion of the taskforce in both institutions through the active membership of one of its Advisory Committee members.

Challenges

With the development of the new strategy, a certain number of challenges also became apparent, including those described below:

- Definition of employment: as most of the foundation's focus countries are at least 65% rural, any definition of employment had to go beyond blue and white collar jobs and take into account the employment in the farming sector. The foundation has now defined employment as 'an occupation by which an individual earns a decent living', with decency of living being assessed in comparison to the countries' legal minimum wage. In addition, the foundation considers individuals employed, not full-time equivalent hours.
- Indicator development: while the foundation does not want to overburden its partners with reporting requirements, it still feels that a certain number of aspects should be monitored in order to assess, and validate or not, the 'sustainable jobs plus' results of projects financed. Indicator development is still ongoing and should be finalised in the course of 2007.

- Monitoring, evaluation, and audit: with its existing level of human resources, the foundation cannot do all of its monitoring and other inspection activities directly. It is planned that local consultants will be recruited from time to time in order to assist in these activities and those of prospecting new opportunities.
- Local organisations: even though they are the most cost-effective way of delivering services to beneficiaries, these organisations sometimes have capacity issues and need assistance in addressing them. The foundation feels that assistance in capacity building as part of a funded project is a way to promote sustainable projects and organisations and to build a civil society that can work on solving the population's problems.

Looking ahead

2007 should be the year when the work done starts to pay off and implementation of the preceding year's funded projects is in full gear. This will allow the foundation's leadership to assess the effectiveness of the strategy and its implementation, and make decisions, if necessary, on the changes to make in order to help the foundation meet its objectives. Major lines of activity will include:

- More presence in the field through field trips and connection with local consultants that could be the foundation's 'eyes and ears' on the ground in many of the focus countries.
- Finalisation of the indicator list and start of reporting from grantees on their performance as far as these indicators are concerned.
- More benchmarking of cost per job per country depending on sector, based on acquired experience and reports from existing grantees.
- Stimulation of initiatives in West Africa, especially in enterprise development as this is more difficult to find.

In conclusion, here is some information about the CRS Moldova project soon to be implemented and an assessment of its effectiveness in placing young women in garment sector jobs.



Organisation	Catholic relief Services (CRS), Moldova
Amount Donated	EUR 88,000 (EUR 27,000 committed for 2007)
Other institutional funders	- CRS; Government of Moldova; Partner Garment - Manufacturer; USAID; 2 local organisations
Project Description	Poverty in Moldova is felt most in small towns and rural areas where more than 70 per cent of poor people live. Among the groups particularly at-risk are young, rural Moldovan women (ages 16 – 30) who for the most part have little access to professional education and opportunities to generate income and make meaningful changes, and are often prey to trafficking.

Through the Jobs Plus project, CRS will provide a sheltered employment environment to transition up to 240 young, at-risk rural women out of poverty through the acquisition of in-demand vocational skills training, legitimate, paid employment and increased capacity to establish more durable and sustainable livelihoods.

CRS, working with a consortium of NGO, Government, and private sector partners, will establish two industrial training sites in small towns in the central part of Moldova. Young women will be recruited from the surrounding rural areas and villages and selected to participate in an intense, six month personal development, training and employment package which will impart to them marketable job skills, improved living skills, and legitimate jobs in the garment manufacturing sector.

After successful completion of all phases of the training, the young women will be offered one-year contracts for employment within the partner manufacturers garment factory.

Project achievements (expected)

- More than two hundred young, rural women provided quality vocational and livelihood skills training and counselling.
 - More than two hundred jobs created and young women placed in legitimate, sustainable employment.
 - Two industrial training centres and tailored vocational education curricula developed.
 - A sustainable livelihoods training and capacity building programme created.
 - A sustainability plan to continue the Jobs Plus initiative up to three years beyond the end of the project, training and employing potentially an additional 180 or more young women.
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