

Livelihood Basix Inc. Fifth Annual Report 2016-17



Livelihood Basix Inc.
Equity for Equity



Photo: maize production in Songea, Tanzania

Message from the Chair

This was the final year of our flagship program, the African Livelihoods Partnership (ALPs), supported by the Swiss Agency for Development Cooperation (SDC) for nearly four years. The goal of ALPs was to promote sustainable livelihoods for three key vulnerable segments in Africa – small holder farmers, women as providers for the family and youth for self-employment. Responsive programs were established in turn – food security through productivity enhancement and linking smallholders with value chains; inclusive financial services, particularly credit and insurance for farmers and savings and credit for women; and employability and entrepreneurial business training for self-employment of youth.



In the final year, ALPs programs on the ground in Mozambique were substantially handed over to local partner, GAPI in Mozambique and the balance of the Livelihood Innovation Fund was handed over to them for continuation of the work such as the Livelihood Business Centres in the Beira corridor and the micro-banks in the Matola region nearer to Maputo. In Tanzania, LBI had promoted a local affiliate NGO, Livelihood Basix Tanzania, and it has built local partnerships with regional governments, banks and farmers' and agri-business service providers.

I would like to acknowledge the support of GAPI in Mozambique over the last four years. We hope some of the programs, institutions and human capacity that LBI helped build will sustain for long and serve the development purpose they were established say. In Tanzania, we received valuable support from the Regional Administrations of Mwanza, Songea and Dodoma, for support to the youth self-employment program and the smallholder agricultural value chain program; farmer-services partner Litenga Holdings, banking partner Akiba Commercial Bank, and the St Augustine University, Tanzania as our knowledge partners.

Of course, the program would not have been possible without the support as well as conceptual inputs from the SDC HO in Bern and the SDC Country Offices in Maputo and Dar-es-Salam. We would like to thank them. The Executive Director of LBI, Sanjay Behuria, made several trips to Africa to provide on-site guidance to the Country Program Managers, Mendu Srinivasulu in Mozambique and Vikas Raut in Tanzania, who both completed their tenures and left for India and I would like to thank them for their good work.

To ensure that LBI gets the best of governance, oversight and strategic guidance, the Board of LBI met every quarter, with some members in person and others over the phone. As Chair, I would like to thank my fellow Board members for their dedicated inputs. I would also like to thank the Board Members of Livelihood Basix Tanzania, including Prof Sylvester Jotta of the St

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Augustine University, Tanzania, Dr Lwidiko Mhamilawa, Mr Mathew Ngwahi and Ms Maria Ngwahi for their active participation and guidance in the work of LBT.

We hope you find the report informative, and look forward to your feedback.

- **Vijay Mahajan**

LBI is a non-profit entity incorporated in the United States, based in Ithaca, New York state. It has a tax-exempt status under the IRS Code 501(c) (3). Established in the year 2012, we strive to promote livelihoods of the poor through economic development around the world. We have partnered with the Basix Social Enterprise Group in India (www.basixindia.com) to leverage their 20 years of experience of supporting livelihoods for the poor. The Livelihood Triad Strategy of Basix is encapsulated in the following diagram:

Our Programs

Our flagship project African Livelihoods Partnership (ALPs) program, funded by the Swiss Agency for Development and Cooperation (SDC) that aimed at improving the livelihoods of small holder farmers, women providing for their households and youth seeking self-



employment. Ended in November 2016. The end project report is included in Annexure 2. The program consisted of enhancing access to financial services to all three segments; and for smallholders - improving agronomic practices for higher productivity, introduction of post-harvest practices to protect the produce, local value addition for better prices, strengthening the links in the value chains by linking them to markets, and for women and youth - training on entrepreneurship development to improve their business skills.

We adopted the “Making Markets Work for the Poor” (M4P) strategy in ALPs, an approach to poverty reduction that DFID and the SDC have been supporting over the past few years. The central idea of making markets work effectively and sustainably for the poor is now working successfully in accordance with the standard objective of the program. Markets are now functioning well and expected to provide wider economic benefits to all stakeholders, especially poor.

In operational terms, the M4P intervention process is broken down into five components which correspond to the main stages of a typical project cycle, we also did the same in our intervention launched in the two geographies, also the further ideation of projects is undergoing similar strategic planning.

- A. Setting the strategic framework.
- B. Understanding market systems.
- C. Defining sustainable outcomes.

- D. Facilitating systemic change.
- E. Assessing change

The projects launched in Mozambique and Tanzania are now successfully linked with different stake holders viz. input suppliers, financial institutions, insurance agencies, training departments and produce purchasers to receive inputs such as seeds and fertilizers, set up demonstration plots for trying out new package of practices and for training farmers, advice through a call center and SMS (text), access to credit and insurance, and buy the farmers' outputs. These centers are strategically formed to provide the basis for advocacy of infrastructure and logistics development as well as influence policy. The innovativeness of the project is getting appreciation throughout, and we are eagerly waiting for more tangible results on feasibility, impact and cost effectiveness to further prove the model and make it more robust.

Our Services

We offer a holistic approach involving a range of cross-cutting interventions that are essential to address the problems of the poor or people living in remote areas. Through collaborative effort with various like-minded institutions worldwide we build local capacities to provide livelihood services in the areas of agricultural development and food security, development of vocational skills and access to finance. The specific activities that are undertaken are:

Food Security and Agricultural Value Chains

In the agriculture sector, we work with smallholder and marginal farmers to increase their productivity – from subsistence farming to surplus generation - and improving their own as well as local economic conditions. Additionally, it generates employment opportunities in the rural areas through increased farm work and discourages rural-urban migration. Examples of such programs include:

- Sustainable inclusive business models through customer centric designs
- Partners are poor smallholder farmers involved in subsistence farming
- Facilitate technology transfer from lab to field for increased yield
- Crops risk mitigation through improved application of pesticides and fertilizer
- Appropriate use of environmentally friendly products
- Power of aggregation through institutional developments services by forming producer groups of poor small holder farmers
- Establish market linkages for offtake of produce in a transparent and fair manner and timely remuneration to farmers
- Knowledge dissemination and training for better farm and business practices
- Use of mobile based technology for information dissemination on markets
- Documenting best practices for application and replication

Employability and Self-employment

In the human resources and entrepreneurial training areas we work with rural populations, with a focus on poor youth and women. We assist key local government institutions to develop best practices for vocational training on a regional basis as well as providing direct training of skills to individuals for employment and self-employment. Examples of programs include:

- Partners are poor rural youth and women and urban informal sector

- Building and strengthening local institutions
- Providing skill based training for employability
- Working with governments and local agencies for employment generation

Financial Inclusion with a focus on Women

To enhance financial inclusion of the financially underserved we undertake

- Financial literacy programs, encourage savings, credit discipline, micro-insurance for risk mitigation and technology enabled affordable remittances
- Capacity building of financial institutions
- Development of demand led financial products for the financially excluded
- Technology improvements to reduce transaction costs
- Linking mainstream financial institutions with small holder farmers for access to finance.

We raise funds from high net worth individuals, foundations and government aid institutions around the world to work for poverty elimination in Sub-Saharan Africa. Some of the work may be funded through fee based consulting assignments received from other organizations who recognize our expertise to serve the under and un-served populations.

Financial Performance for the Year

ALPs Programs

A. Food Security and Agriculture Value Chain

Livelihood Business Centers (LBCs)

LBCs were established in Tanzania and Mozambique to provide farmers a bundle of financial services – credit, savings and insurance along with technical assistance to improve agronomic practices to enhance agricultural productivity and provide market linkages for inputs and outputs. In the second year of their establishment the groups linked to the LBCs have been provided with financial services from our partner bank in Tanzania and from our strategic partner in Mozambique. Inputs were sourced from direct producers and distributed to the farmers at aggregation centers near their farms. The value of the inputs was paid direct to suppliers on behalf of the farmers and posted as credit to their respective groups. The loans were provided at an interest rate of 2.5 percent per month against the prevailing rate of 3.5 to 4% being provided by local SACCOs. Life and crop insurance have been bundled with the credit. The credit package to each farmer is dispensed cash less through direct payment to suppliers. The bundle of services for farmers include the following:

Savings>Credit>Insurance>Inputs>Technical assistance>Warehousing>Marketing.

Each farmer was be eligible for \$300 input credit (2 acres) for

1. Land Preparation
2. Seeds
3. Fertilizers
4. Weeding or maintenance including watering
5. Harvesting
6. Insurance

During last year more than 4500 farmers have been connected to the LBCs. Group meetings were held in the presence of government representative to explain our program and benefits. Data was also collected about the current practices, financial provisions and market linkages. None of these services were available to the farmers and it was decided to design programs that will benefit the farmers to overcome the lack of services for improving their economic conditions.

A-1: Tanzania - Livelihood Business Center – Songea (Ruvuma region) & Misasi (Mwanza region)

In Tanzania, we partnered with two private agro-producers to establish LBC in their area of operation. This helped us in building an ecosystem of seamless supplies of inputs to farmers and of aggregated outputs to the private sector at transparent market prices. Within these two LBCs, 2968 farmers were registered (out of these 1261 are female farmers) for accessing the services of these business centers. The plan was to reach 4000 farmers by the end of second year in both regions and make the business center operationally and financially sustainable. As the SDC funding ended and no new funding could be found, we had to shut down our operations.

Songea, Ruvuma region

In partnership with Litenga Holdings Ltd (LHL) this LBC seeks to enable farmers to produce high quality maize through market linkages for quality and competitively priced inputs and aggregated sale of output. LHL is an Agri Business Company based in Dar es Salaam, Tanzania operating as a Social Enterprise engaged in innovating business solutions to rural poverty and rural livelihood challenges. It is engaged in contract farming, commodity identification, consultancy services in the area of rural development, farmer capacity building, value chain development and management, value addition technology and export of cereals, fruits,

Scope of Project:

- a) Provide training to farmer groups in selected area of intervention and assess need and demand for inputs including market linkages for procuring the inputs at the best price.
- b) Input to be distributed as per demand made.
- c) Aggregation of produce at the LBC for eventual sale and price realization.
- d) Expenses of training, input procurement and output sales will be built in for sustainability.
- e) Setting up a call center and SMS based solutions to provide latest information on market and weather.
- f) LBC will provide infrastructure and logistics help for supply of inputs and market the final produce for the farmers

At the initial stage selected farmers will receive a package of practice as credit that will contain inputs and insurance. Interest on credit will be at transparent prices as determined by the market.

Financial Outlay:

- Operations Expense – USD 628,400
- Partner’s Contribution – USD 161,400 (LHL - USD 90,800; MSK – USD 70,600)
- Set Up Expenses – USD 50,000 (25,000*2)
- Revolving Fund – USD 350,000
- Total for 2 years – USD 1,028,400

Outcomes:

- a) Modernized existing agronomic practices while eliminating environmental hazards
- b) Increased productivity by 40%
- c) Provided linkages between farmers and formal financial institutions.
- d) Farmer organization built credit history for access to finance
- e) Aggregation of farmers strengthened their bargaining powers both at input and output stages

vegetables and processed food.

The project met its except outcomes in terms of farmer engagement and access to finance. With 80% increase in productivity the farmers LHL had contracts in hand to buy in bulk for exports. However, the government banned all export of maize and other food products an the bulk sales could not materialize. As this was all too sudden, all parties were taken unaware, and the farmers had to sell to retail traders for cash. The bank decided to roll over the loans for the next crop season and is building robust recovery and market systems to reduce regulatory and policy related risks, but building a warehouse receipt system. We continue to be engaged in the project.

Current Status

- In all 1290 farmers have been registered under LBC
- 1042 farmers have received the package of practice as credit from our banking partner Akiba Commercial Bank.
- All farmers under this business center are now linked with ACB for availing financial services like credit, savings and insurance for crop and self
- Farmers have received technical training on best agronomic practices and are also supported with extension services
- All groups are trained frequently on group governance and management and other institution building skills and knowledge
- Financial literacy training has been provided to all through by the partners with the help of local government officials.
- Warehouses are being built for aggregation and storage, so that there is no distress sale.
- Akiba Bank intends to increase its base to more and more farmers as the experience has highlighted the advantages of agricultural lending portfolio.

Misasi, Mwanza region

Another business center has been established in Misasi district of Mwanza region, with support from our partner MSK Refineries Ltd, this is mainly focusing on the smallholder farmers growing sunflower in the area.

MSK is a private sector solvent extraction plant based in Mwanza region, it was established to carry out agribusiness ranging from sourcing, storing, processing, marketing distribution and positioning of agri products. During this year LBC registered 1678 small holder farmers, expected to grow sunflower in their respective fields. We are now waiting for next crop cycle.

Current Status

- A total of 1678 farmers had been registered under the LBC, out of which 672 are women farmers
- All farmers have their indent for input supply and have been supplied the same as credit from MSK
- All member farmers were frequently trained on different group management skills by ALPs staff

- The technical training on sunflower cultivation have been provided to all farmers by the input suppliers and MSK.
- LBC is linked with input suppliers as well as the financial institution for credit and insurance services at lower than market rate. Bank credit was not made available as there was rain delay and the demand for credit was low.
- Due to change in rain pattern this year, most of the farmers are now growing yellow gram in their respective farms; we have planned to link yellow gram market to LBC for achieving better prices of the produce.
- We are unable to continue this initiative as no new funding could be found.

A-2: Mozambique - Livelihoods Business Center - Dondo, Nhamatanda & Macate

Last year we worked with women economic groups in Dondo, Nhamatanda (Sofala Province) and Macate (Manica Province); setting up 3 LBCs in these locations. We have selected Rice, Sesame and Maize as commodity for agri-value chain interventions across these 3 LBCs. In all 1200 smallholder farmers have been registered under these LBCs, for receiving the benefits. These LBCs are linked with input suppliers and also with other stakeholders to receive technical training and know how on the best agri-practices of their respective commodity.

End of Project Status:

- Total 1200 farmers were enrolled across the three LBC locations.
- Supply chain linkages are established with private input suppliers and external market players.
- Some farmers were provided with tractor to prepare their land.
- 14 demonstration plots were established for sharing the learnings of best agri-practices with all the LBC members and non-members.

Project Brief:

Livelihood Promotion of 1500 smallholder farmers through three LBCs; especially women in identified agri-value chains namely Maize, Sesame and Rice through integrated provision of financial, agriculture business development and youth employment services. The project had two components;

- 1) The promotion of skills, livelihoods and supporting the marketing process, and
- 2) Institutional support.

Financial Outlay:

Project Cost - USD 377,550 for 3 LBCs in 2 years
 Loan Revolving Fund - USD 125,000 per LBC @ USD 250 /Farmer, guaranteed by GAPI.

Outcome:

- a) LBCs provided livelihoods and associated financial services to the poor from rural areas, largely managed by WEGs
- b) Gapi will continue to strengthen WEG's with inclusive financial services by reaching more than 500 close members and another 1,000 non-members in their respective villages
- c) WEGs have been capacitated through training and technical expertise useful to increase crop productivity and establishing market linkages
- d) New crops and double cropping has been introduced to enhance individual's household income substantially with low risk and assured market linkages.
- e) Successful demonstration of fertilizers application, it is expected to reach 50% yield mark.
- f) Created awareness and demand for quality fertilizers application as part of National Fertilizers Use Program.

B. Employability and Self-employment Program

B-1: Entrepreneurship Development Program

This program was launched in Mwanza and Dodoma region, to engage with youth to find innovative and sustainable solutions for livelihoods. Through Entrepreneurship Development Programs their employability, income generation ability as well as avenues for self-employment were created. We partnered with the Government – central, regional and local – to train Community Development Officers under Training of Trainers (ToT) mode for entrepreneurship development of rural youth and women to build their capacity and improve their existing livelihoods or set up new enterprises. This program also ended in November 2016.

Mwanza

Training at all the levels - district, ward and group were completed and out of seven districts in the region we selected one for handholding support. In the last phase we organized several special trainings on Entrepreneurial Business Planning for youth and women group leaders; with this, we were able to establish financial linkages with government and private financial institutions.

Project Brief:

We developed a pool of professionally trained individuals who can be used for building capacity of potential young entrepreneurs. It included continuous training of Ward Community Development Officers, YEG and WDG members and Youth SACCO leaders through trained DYO and WDO.

Financial Outlay:

Mwanza

ALPs Contribution USD 83,919 (83% of total project cost) - Completed

Dodoma

USD 28,500 (Includes training of district and ward level DYO and WDO only) - Completed

Outcome:

- a) Training of Ward level development officers, members of Women Development Groups, YEG and SACCOs - 7 districts of Mwanza region and 7 districts in Dodoma region
- b) Increase in number of business plan from YEGs and WDGs
- c) Increase in number of successful business loan application from Mwanza City Council (MCC) and Dodoma Regional Council (DRC).
- d) 20% of the trained youth set up enterprises and be linked to financial institutions.

Accomplishments

- Total outreach was 42 groups, out of which 32 active groups were given handhold support
- In all 18 groups of 307 members (118 Male & 189 Female) have received credit from government, private banks and MFIs.
- Close to 500 people were trained on Entrepreneurial Business Planning, these come from government offices, NGOs, Group Leaders and other Partner Organization.
- A self-sustainable proactive platform has been established between the Youth & Women Economic Groups and other financial institution

Dodoma Region

We supported 84 active groups for providing handholding support and successfully provided training to 67 groups out of which 50 groups {531 members (M-259, F-272)} have successfully received loan from financial institutions, all trained groups have submitted their business plan proposals to different financial institutions.

Accomplishments

- In all 84 active groups were selected, out of these 50 groups received credit from government, banks and microfinance institutions
- Total 531 members (Male 259 and Female 272), have received loan
- New part time branch has been opened by some micro-finance institution in the area of operation for processing the credit facility to target beneficiaries
- Total 9 financial institutions have been approached for financial linkages, out of these 5 have already started giving credit to the groups
- The total loan portfolio is close to 100 Million TsH, equivalent to 50,000 USD
- The average amount of credit given by government is 250 USD while it is more than 400 USD in case of other financial institutions
- The range of interest charged by linked financial institutions ranges between 1.5 % per month to 3.33% per month

B-2: Youth Entrepreneurship Country Chicken Poultry Project

During the year we have raised our base of 16 groups to 54 groups, with a member outreach of 1069 in 11 villages. The business center established was able to link supply side of the country chicken value chain, while the work on financial linkage has been completed. All these groups are saving internally, and using the same money to lend to each other internally; this created the culture of savings and lending mechanism among all the group members.

The NYPBC (Nassa Youth Poultry Business Center) is fully functional and is able to provide technical training to all its members, along with this business center is also involved actively in purchasing of produce from the domestic poultry yards and supply required input to the members at lower than market rates.

Project Brief:

Rural Youth and Women organized into Savings and Lending Groups and encouraged to start poultry as an income generating activity to be Self Employed and to increase alternate income by transforming subsistence poultry rearing into commercial rearing. Groups formed at village level federated to ward level to benefit from aggregation of larger volumes on input purchase and output sale and to have continuous services to improve productivity, vet care, financial services, capacity building trainings, etc. It is envisaged that the project will reach out to youth specially women for supporting 200 Youth Enterprises by the end of 2 years.

Financial Outlay:

Total Project Cost - USD 68,400 for 2 years,
(Inclusive of USD 20,000 as a revolving fund)

- a) Number of Beneficiaries – 300 by the end 2nd Year
- b) Number of Groups – 20-25 groups
- c) Federation Office – Established, well linked, sustainable and making profits for members and federation as well.
- d) Bank credit provision for

Current Status

- Total number of members in federation – 1048, number of groups – 54, villages covered – 11
- Federation office is equipped with all compliances and is linked with input suppliers, traders and output purchasers
- In all 54 registered groups have been linked for financial services with Akiba Commercial Bank
- PASS Trust, a local credit guarantee institution has already contacted by beneficiaries to make their loan proposals and submitting the same to financial institution
- Financial Institution has agreed to provide loan to these groups, without any collateral requirement.

C. Financial Inclusion Programs

Caixa Mulher – MicroBank Project

We worked with Gapi for capacity building of Caixa Mulher at Matola. Caixa Mulher is owned

Project Brief:

This Capacity Building pilot is aimed at making Matola McB fully operationalize itself and breakeven in terms of profitability in a span of two years by strengthening the capacities of its staff through building technical and managerial capabilities. This will set an example for rest of the McB's for their operations, and the ones to be set up subsequently.

Financial Outlay:

Capacity building grant - USD 125,000
 Revolving fund - USD 125,000; guaranteed by GAPI and returned at the end of ALPs project
 Partners contribution-USD50,000

Outcome:

- Achieved 500 outstanding credit clients with an average outstanding loan amount of USD 500, at the end of training period.
- Reached out 700 saving customers with an average saving amount of USD 100
- Ability of staff to demonstrate appropriate skills for managing microbank portfolio
- Readiness of this program to be scaled up

50% by Gapi and 50% by a women's group of private investors. As the name suggests it is a microbank for women. It has recently been permitted by the 'Bank of Mozambique' to expand its outreach by expanding its branch network as well as provide agency banking. During our intervention:

- Procured and installed appropriate IT and MIS systems
- Introduced best practices for managing savings and loan portfolios
- Strengthened the bank's governance
- Continue to build the capacity and knowledge of human resources. Gapi has opened a microfinance SBU and borrowed a specialist from us to continue with this beyond the project period.
- Designed customer centric products through market survey and pilot testing

Project Status

- Total number of accounts is 1075, out of which 65 have been opened during first quarter of 2016.
- Total deposit in these accounts USD20,257
- Detailed action plan has been made
- Internal training of Microbank
- Operation manual has been finalized

- Training manuals are ‘Work in Progress’

Technical assistance is now closed for Caixa Mulher. However, our intervention here led to two important institutional changes at Gapi. Gapi is 50% owner of Caixa Mulher as well as 9 other micro banks. Gapi decided to upgrade their own IT and MIS systems as well as those of microbanks for better control and development purposes. They accepted our advice to set up a micro finance division at their Head Office which will provide advisory services to the microbanks and strengthen their systems and processes. Gapi has spent 263000 USD to strengthen the IT and MIS systems. They have also budgeted 100000 USD to set up the division for which we have deputed senior experienced personnel at their cost for two years. Plans are to set up a fund that will take over the outstanding balances from the ALPs project as well as the revolving fund by matching an equal amount from their own sources. This fund will be used for financing agriculture and agri related SMEs. The fund will strive to receive contributions from other funders and government towards its purpose.

ALPs Program Impact

We have completed operations in November 2016. We have had the following impact based on our services during the time.

Food Security and Agricultural Value Chains:

We have reached 4168 (2968-Tanzania & 1200-Mozambique) small holder farmers under our LBC projects in Tanzania and Mozambique, this number is expected to reach 5500 (4000-Tanzania & 1500-Mozambique) by the end of current financial year. Along with current services like quality inputs, training on best agricultural practices and group management, market linkage support, aggregation benefits and financial linkages; some more will be added to these business centers to help achieve sustainability throughout the year. All these services are expected to raise production of better quality agri-commodity and hence increase the income level of rural household along with resolving the issue of food security. Productivity in our interventions went up by 80%. 1042 farmers were provided with credit and insurance by Akiba Commercial Bank.

Development of Entrepreneurial Skills:

Till the end of this third operational year, we have worked with 2032 young individuals to develop their entrepreneurial skills. We have created a pool of more than 50 professionally trained government officers in Mwanza and Dodoma region of Tanzania, within the government systems and reached till the level of Youth and Women groups in field to develop entrepreneurial skills. We have covered two regions with 7 districts each, under entrepreneurial business planning program. In another program that is developing entrepreneurial skills of youth through local poultry rearing we are working with 54 groups having 1069 members covering 11 villages. These groups are all linked for financial services with Akiba Commercial Bank to receive credit and start their poultry rearing activity as a commercial business.

Access to Finance:

We have designed a cashless loan product linked to bulk purchases of inputs and bulk sale of produce. Instead of providing direct small loans to individual farmers the bank is provided with an aggregated list of inputs that is paid direct to the supplier and distributed through our network. The entire operations are cashless, as no direct loans are made to the farmers. We provide technical assistance to form robust groups with the help of local government officials. All the groups are registered at the local District Development Office, that recognizes groups as savings and loan associations and they can do business as independent entities, where all members are jointly liable for all their financial obligations. Those groups that are interested in borrowing from the bank are requested to place their indents for their inputs. A package of practice has been designed for a value of USD350 applicable for 2 acres of land. The package consists of the following:

The bundle of services for farmers include the following:

Savings>Credit>Insurance>Inputs>Technical assistance>Warehousing>

\$350 input credit (2 acres) for

1. Land Preparation
2. Seeds
3. Fertilizers
4. Weeding or maintenance including watering
5. Harvesting
6. Insurance

Items 2,3 and 6 are paid direct to the providers and posted as credit to the groups account. Items 1,4 and 5 are posted to the savings accounts of the groups and withdrawn by them through M-Pesa wallet. After harvest the farmers bring their produce to designated aggregation centers where they are free to sell to any buyer. The groups have contracted with the bank that the buyer must pay the sale proceeds to the bank. The bank will then deduct the loan value along with 2.5% interest per month and post the remaining balance to the group accounts. The groups also have savings accounts with the bank where they can deposit and withdraw through m-peasa wallet.

Till date we have touched 5700 individuals through Savings and Loans Associations and out of these 2962 are linked with mainstream financial services for credit and 1072 within this received insurance service as well.

Our Plans for the Future

LBI aims to solve the problems faced by small holder farmers in Sub Saharan Africa of lack of access to finance – savings, credit and insurance, appropriate inputs, and markets through a micro-franchise model.

The Challenge

There is an opportunity in linking smallholders to dynamic markets for more rapid poverty reduction but there are structural challenges in achieving the objectives. Decades of ignoring smallholders as important stakeholders has resulted in inadequate infrastructure (roads, electricity, irrigation, and wholesale markets). Current challenges include lack of services financial and technical (training, credit, inputs) vulnerability to weather and climate risk, high transaction costs for sellers, buyers and the farmers due to non-aggregation, lack of basic value addition (collecting, grading and bulking product), along with problems of farmers 'side selling' to traders. All these require creative 'pull' solutions to aggregating production and supplying the consistent quality that markets demand.

Our Business Solution

LBI operates a franchise business that acts as a facilitator and aggregator for provision of farmer needs. The farmers need quality inputs at the right price, extension services, risk management, post harvest knowledge and markets for output sales. As a franchisor LBI, at the first stage is working with 3000 farmers in the Dodoma region of Tanzania where farmers grow sunflower as the major crop. LBI works in close collaboration with local government. As the franchisor, after site selection and farmer group selection through consultation with the local government, we select franchisees who relate to the farmer groups and are a part of the community. The franchisee works with about 500 farmers. We have arranged with a digital services company to collect and feed all farmer data from which we can collect important information about the farmers activities, results, and scope for improvement. This data is then disseminated to the farmers and our activities are explained to them. We have prepared a package of practice that includes land preparation, inputs, management of crops until harvest, harvest, and post harvest activities until final sales. It also includes crop and life insurance. The package is about 150 USD per acre. The franchisees then collect indents of inputs from farmer groups. The franchisor collates them and seeks quotations from suppliers. Once the supplier and the total indents are finalized the groups are required to deposit the cost of inputs in the bank account. The bank collects the total amount from each individual group and makes a bullet payment to supplier. The supplier then delivers the indented inputs at the farmgate, where each franchisee collects their indents for eventual distribution to their farmer groups. For this service, the franchisor is expecting to be paid 10% of the price of inputs. The farmers can save about 15% even after the commission due to high retail prices for individual farmers at farmgate. Currently, the digital services cost is 6\$ per farmer, that is being paid by the franchisor. Once we establish the system and able to motivate banks to provide credit for the package, this cost can be embedded in the package of practice.

During the crop cycle the franchisees continue to provide advisory services. There is no fee for this, but franchisees may be able to sell additional products to augment their income.

As the crops wait for harvest, the franchisor identifies and works with potential buyers to evoke interest in buying from the franchise. Due to aggregation and one stop shop, the buyers find it convenient and save costs compared to buying from individuals. A price is either prefixed through negotiation between seller and buyer or is determined at the farmgate through an auction process. An agreement is made with buyers and sellers that a 10% commission will be due to the franchisor due to their services. At current level of operations, we expect to do about 1 million US Dollar worth of business, working with 3000 farmers, and will take 3 years with a 100% expansion each year to operationally break even.

At each crop cycle the franchisor will establish credibility with financial institutions to make credit available for the package of practice. Small holder farmers at their choice may be able to avail credit and insurance, and expand their farming. The funds will then be channeled through the bank without the farmers having to deposit cash before the supplier delivers the inputs. The farmers loans will be repaid by the bulk buyer by paying direct into the loan accounts of farmers.

Our Value Proposition

Our value proposition is to reduce transaction cost for the farmers, increased margins through aggregation and higher productivity through application of modern agricultural practices.

We look forward to your continuous encouragement and support for the ensuing year.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Livelihood BASIX, Inc.
Ithaca, New York 14850

We have audited the accompanying financial statements of Livelihood BASIX, Inc. (a not-for-profit corporation), which comprise the statements of financial position as of March 31, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Livelihood BASIX, Inc., as of March 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Correction of Error

As discussed in Note G to the financial statements, certain errors resulting in overstatement of amounts previously reported for contracts payable and contract services-ALPs as of March 31, 2016 were discovered by management of the Organization during the current year. Accordingly, amounts reported for contracts payable and contract services-ALPs have been restated in the 2016 financial statements now presented, and an adjustment has been made to temporarily restricted net assets as of March 31, 2016 to correct the error. Our opinion is not modified with respect to the matter.



Sciarabba Walker & Co., LLP

Ithaca, New York
June 26, 2017

LIVELIHOOD BASIX, INC.

**STATEMENTS OF FINANCIAL POSITION
MARCH 31,**

ASSETS

	<u>2017</u>	<u>2016</u>
Current Assets:		
Cash and cash equivalents	\$ 1,260,029	\$ 1,567,647
Support receivable	309,065	441,565
Advances-contract services	2,933	240,336
Certificate of deposit	10,000	10,000
Total Current Assets	<u>1,582,027</u>	<u>2,259,548</u>
Total Assets	<u>\$ 1,582,027</u>	<u>\$ 2,259,548</u>

LIABILITIES AND NET ASSETS

	<u>2017</u>	<u>2016</u>
Current Liabilities:		
Accounts payable	\$ 11,465	\$ 339
Accrued salaries and payroll taxes	-	231
Contracts payable	61,521	66,900
Total Current Liabilities	<u>72,986</u>	<u>67,470</u>
Net Assets:		
Unrestricted	823,648	969,172
Temporarily restricted		
SDC grant, as restated	617,035	964,643
Ford Foundation grant	68,358	258,263
Total temporarily restricted, as restated	<u>685,393</u>	<u>1,222,906</u>
Total Net Assets, as Restated	<u>1,509,041</u>	<u>2,192,078</u>
Total Liabilities and Net Assets	<u>\$ 1,582,027</u>	<u>\$ 2,259,548</u>

LIVELIHOOD BASIX, INC

STATEMENTS OF ACTIVITIES
Years Ended March 31,

	2017	2016
Unrestricted Net Assets:		
Earned Income:		
Interest income	\$ 519	\$ 945
Total Earned Income	519	945
Reclassification:		
Net assets released from restrictions	537,513	2,038,806
Total Unrestricted Support and Reclassifications	538,032	2,039,751
Program Expenses:		
Contract services-ALPs, as restated	334,836	1,739,038
Less: fees paid to Livelihood BASIX	(49,733)	(192,725)
Contract services-Ford Foundation	183,280	84,037
Travel	31,236	53,461
Retainer expenses	87,293	47,432
Other program expenses	75,873	87,619
Total Program Expenses	662,785	1,818,862
General and administration expenses	20,771	73,328
Total Expenses	683,556	1,892,190
Change in Unrestricted Net Assets	(145,524)	147,561
Reclassification:		
Net assets released from restrictions	(537,513)	(2,038,806)
Net Change in Temporarily Restricted Net Assets	(537,513)	(2,038,806)
Net Change in Net Assets	(683,037)	(1,891,245)
Net Assets, beginning of year	2,192,078	4,083,323
Net Assets, end of year	\$ 1,509,041	\$ 2,192,078

STATEMENTS OF CASH FLOWS
Years Ended March 31,

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ (683,037)	\$ (1,891,245)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Changes in accounts receivable	-	2,060
Changes in support receivable	132,500	1,322,161
Changes in advances-contract services	237,403	336,396
Changes in accounts payable	11,126	(2,429)
Changes in accrued salaries and payroll taxes	(231)	(3,443)
Changes in contracts payable	(5,379)	43,069
Net Cash Used in Operating Activities	<u>(307,618)</u>	<u>(193,431)</u>
 Net Change in Cash and Cash Equivalents	 (307,618)	 (193,431)
 Cash, beginning of year	 <u>1,567,647</u>	 <u>1,761,078</u>
 Cash, end of year	 <u><u>\$ 1,260,029</u></u>	 <u><u>\$ 1,567,647</u></u>
 Supplemental Cash Flow Information:		
Cash paid during the year for:		
Interest	\$ -	\$ -
Taxes	-	-

LIVELIHOOD BASIX, INC

NOTES TO FINANCIAL STATEMENTS
Years Ended March 31, 2017 and 2016

A. Summary of Significant Accounting Policies

Nature of Organization - Livelihood BASIX, Inc. (LBI) is a not-for-profit organization located in Ithaca, NY, whose purpose is to provide high quality and deeply committed global technical assistance to promote and transform the lives of the poor. LBI is currently working on projects in various countries in Africa.

Income Taxes - LBI is exempt from federal income tax under Internal Revenue Code Section 501(c)(3). LBI accounts for income taxes in accordance with FASB Accounting Standards Codification (ASC) 740, *Income Taxes*. The guidance regarding uncertainty in income taxes prescribes a minimum recognition threshold a tax position is required to meet before being recognized in the financial statements.

Cash and Cash Equivalents - For cash flow purposes, LBI considers all unrestricted highly liquid investments with a maturity of 3 months or less when purchased to be cash equivalents.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Financial Statement Presentation - LBI reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Promises to Give - Contributions are recognized when the donor makes a promise to give to LBI that is, in substance, unconditional. Promises to give are recorded at the time the promise to give is made, at the present value of the expected future contribution. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. LBI uses the allowance method to determine uncollectible unconditional promise receivables. The allowance is based on prior years' experience and management's analysis of specific promises made. The allowance was \$0 as of March 31, 2017 and 2016.

B. Concentration of Credit Risk

At times during the year, LBI will have bank deposits in excess of the FDIC insured limits.

C. Restrictions on Net Assets

Temporarily restricted net assets were available for the following purposes as of March 31,

	2017
African Livelihoods Partnership	\$ 617,035
Friends of PRADAN	68,358

D. Promises to Give

The promises to give of \$309,065 as of March 31, 2017 are considered a reasonable estimate of their fair value at March 31, 2017.

E. Related Parties

During the year ended March 31, 2017, LBI had one related-party transaction as a result of the ALPs project as mandated by the donor:

1. An amount of \$225,000 in direct and indirect funding to LBT in Tanzania, an organization in which a board member is also a director in LBI. The executive director of LBI is also a board member of this organization.

During the year ended March 31, 2016, LBI had six related-party transactions as a result of the ALPs project as mandated by the donor:

1. An amount of \$339,581 in direct and indirect funding to BASICS Ltd., two of whose board members are directors in LBI.
2. An amount of \$66,290 in direct and indirect funding to PAMIGA, whose general manager is a director in LBI.
3. An amount of \$223,000 in direct and indirect funding to BASIX Consulting and Technology Services, Ltd., whose director is a director in LBI.
4. An amount of \$35,996 in direct and indirect funding to ILRT, whose dean is a director in LBI.
5. An amount of \$70,000 in direct and indirect funding to PRADAN, an organization in which a board member is also a director in LBI.
6. An amount of \$500,000 in direct and indirect funding to LBT in Tanzania, an organization in which a board member is also a director in LBI. The executive director of LBI is also a board member of this organization.

F. Concentrations

The Organization was financially supported by only two donors for the years ended March 31, 2017 and 2016,

G. Prior Period Adjustments

The Organization has restated its previously issued 2016 financial statements for matters related to the following previously reported items: project expenses-ALPs and contracts payable. The restatement was caused by improperly accruing expenses for project expenses during the fiscal year-end 2016 when no project expenses were actually incurred.

The following is a summary of the restatement:

	2016
Decrease in previously reported contract services-ALPs	<u>\$ (125,000)</u>
Total decrease in change in assets	<u><u>\$ (125,000)</u></u>

The effect on the Organization's previously issued 2016 financial statements is summarized as follows:

Statement of Financial Position for the year ended March 31, 2016:

	Previously Reported	Increase (Decrease)	Restated
Contracts payable	\$ 191,900	\$ (125,000)	\$ 66,900
Temporarily restricted net assets			
SDC grant	839,643	125,000	964,643

Statement of Activities for the year ended March 31, 2016:

	Previously Reported	Increase (Decrease)	Restated
Contract services-ALPs	\$ 1,864,038	\$ (125,000)	\$ 1,739,038
Net assets released from restriction:	2,163,806	(125,000)	2,038,806
Net change in net assets	(2,016,245)	125,000	(1,891,245)

Statement of Cash Flows for the year ended March 31, 2016:

	Previously Reported	Increase (Decrease)	Restated
Change in net assets	\$ (2,016,245)	\$ 125,000	\$ (1,891,245)
Changes in contracts payable	168,069	(125,000)	43,069

H. Released from Restrictions

The following funds were released from restrictions in the years ended March 31,

	2017	2016
SDC grant		
Project expenses-ALPs, as restated	\$ 162,189	\$ 1,739,036
Overhead contribution	92,181	138,272
ALPs cell	62,002	24,000
Travel expenses	31,236	53,461
Total SDC grant	<u>347,608</u>	<u>1,954,769</u>
Ford Foundation grant		
Project expenses	183,280	84,037
Overhead contribution	6,625	-
Total Ford Foundation grant	<u>189,905</u>	<u>84,037</u>
Total	<u>\$ 537,513</u>	<u>\$ 2,038,806</u>

I. Subsequent Events

Management has evaluated subsequent events through June 26, 2017, the date when the financial statements were available to be issued. On June 6, 2017, the Organization received payment on the remaining support receivable from SDC of \$245,565. Due to currency exchange rates, the actual amount received was \$240,693.

Board Members



Chairman: Mr. Vijay Mahajan, is the Founder and Chairman of the BASIX Social Enterprise Group (www.basixindia.com), which has promoted the livelihoods of two million poor households. Established in 1996, BASIX offers financial services, fee-based agricultural, livestock and vocational training services to individual producers, institutional development services to producer groups, environmental services to enterprises, and consulting services to development agencies. Earlier, in 1983, Vijay co-founded PRADAN, an NGO involved in livelihood promotion of poor households in rural India.



Ms. Mary Houghton is an Independent Director. She is co-founder of ShoreBank, the largest and oldest community development bank. Houghton, along with Milton Davis, James Fletcher and Ron Grzywinski purchased what was then South Shore Bank to fight redlining in the Chicago neighborhood. She retired as its president in May 2010. Houghton serves as a Director of the Calvert Foundation, the Rapid Results Institute, BASIX SEG and Women's World Banking. She is a member of the Ashoka Global Academy for Social Entrepreneurship.



Mr. L. Lawson Mr. Latté is a Director of Agriculture and Market System Team, at CARE USA. He provides global strategic and technical leadership to CARE's programs in agriculture, market systems and inclusive economic development. In this capacity, he with his team work to achieve food and nutrition security, along with increased economic empowerment of CARE's impact population, women and youth in particular. He is also a member of the CARE Social Enterprise Management Team and the Access Africa Microfinance Fund Investment Committee. He is associated with CARE since June 2000, holding positions from Mid to Top Management in Microfinance, Enterprise Management, Economic Development and Agriculture.



Mr. Saurabh Narain is Chief Executive of National Community Investment Fund (NCIF). Saurabh is involved in policy and advocacy for the industry through his board positions in the CDFI Coalition. Saurabh has extensive experience in capital markets and risk management having worked at Bank of America for almost 17 years based in Asia and the US. He has done business in almost 10 countries in Asia/US dealing with financial institutions, global multinational corporations and governments.



Prof. Dr. Mark Milstein: Dr. Milstein is Clinical Professor of Management and director of the Center for Sustainable Global Enterprise the Samuel Curtis Johnson Graduate School of Management at Cornell University. He oversees the center’s work on sustainable innovation and enterprise development. He is currently serving as a faculty advisor to Cornell’s Atkinson Center for a Sustainable Future and was a member of Cornell’s Ad Hoc Committee on Sustainable Endowment Practices. His work includes private sector approaches to poverty alleviation and technology commercialization strategies to catalyze sustainable innovation.



Ms. Nicola Armacost is the managing director and founder of Arc Finance, formed in the spring of 2008 to link the fields of finance, energy, water, and sanitation. Ms. Armacost has over 20 years experience in microfinance and development in Latin America, Africa, Asia, and Europe. From 1993 to 2008, she worked at Women’s World Banking, a global microfinance network where she held various leadership positions. Ms. Armacost is an advisor to a number of organizations, including Distributed Capital (financial services, USA), Frontier Markets (energy distribution systems, India), SIMPA Networks (energy payment systems, USA/India), Stima Systems (solar micro-leasing, USA/Kenya), Angaza Design (solar pay-as-you-go system, USA and Tanzania), Lumeter Networks (pre-paid metered off-grid electricity), and EcoZoom (clean cookstoves, USA). She is the co-chair of the investment and finance working group for the UN Year of Sustainable Energy (2012). She also serves on the Board of MISFA (the donor consortium for microfinance in Afghanistan) and is a trustee of the Village of Hastings-on-Hudson in New York. Ms. Armacost has a Bachelor’s degree in international relations from the University of Toronto, an LLB from Queen’s University in Canada, and an LLM from Osgoode Hall Law School in Canada.



Rebecca Savoie is an international agribusiness development professional with nearly 20 years of experience designing and managing agricultural and economic development programs around the globe. She has served as Country Director for TechnoServe Tanzania. She also provided technical assistance and consulting services to countless agribusinesses of all sizes in Africa and elsewhere. In August 2015, Ms. Savoie began a PhD program in the Division of Applied Social Sciences within the College of Agriculture, Food and Natural Resources at the University of Missouri/Columbia. She plans to focus her research on collective action and measurement with application in Africa.



Mr. Sanjay Behuria has senior executive level banking experience for over 30 years. His specific competences are: Strategy – Internal Resource Analysis, Strategic Plan and Implementation; Banking – Product development, SME, ALM, Treasury, Risk Management, Financial Inclusion and Branchless Banking; Microfinance – Product development, Capacity building, Value Chain Financing, Access to Finance; Business Development – Building relationships across the Globe. Mr. Behuria has lived and worked in India, Bahrain, Oman, Saudi Arabia, UAE and USA. He has also delivered consulting contracts in Namibia, Palestine, Maldives, Ethiopia, Tanzania, Mozambique, Peru, Mexico and Bangladesh.

List of Acronyms

ALPs	African Livelihoods Partnership
CFI	Center For Innovation
DFID	Department of International Development
DRC	Dodoma Regional Council
DYO	District Youth Officer
EBP	Entrepreneurial Business Planning
HCD	Human Centered Design
IT	Information Technology
LBC	Livelihood Business Center
LHL	Litenga Holdings Ltd
M4P	Making Markets Work for the Poor
McB	Microbank
MCC	Mwanza City Council
MFI	Microfinance Institution
MIS	Management Information System
NYPBC	Nyassa Youth Producer Business Center
PRADAN	Professional Assistance for Development Action
SDC	Swiss Agency for Development and Cooperation
SLA	Savings and Loans Association
ToT	Training of Trainers
WDO	Women Development Officer
YEG	Youth Economic Group