



# Annual report



AGRICULTURE



DRINKING WATER



YOUTH EMPLOYMENT



PARENTING

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# Social enterprises and innovation make development cooperation more sustainable



Ronald Messelink ICS Director

Agrics and Alizetics, two of our social enterprises that help farmers improve and sell their harvest, both made huge steps forward. Turnover increased, Agrics served more farmers and products and services were adapted to better meet the wishes of clients.

Agrics and Alizetics achieved a turnover of €1,225,000 in 2015, more than double that of 2014. This turnover puts us well on track for scaling up, though our businesses are still running at a loss. We want to put our businesses firmly on the path to profitability through further up-scaling in 2016.

But there was also a disappointment. We had to put the activities of Nafics, our maize trading house, on hold. The former director of the enterprise had pilfered a huge amount of maize. ICS has hired a lawyer to take care of this case.

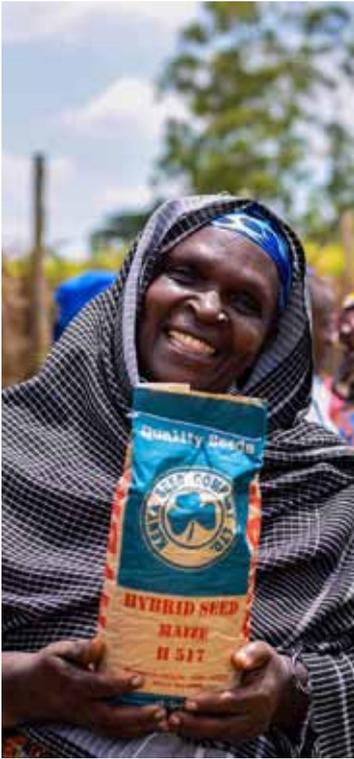
The potential of our enterprises has not gone unnoticed. In 2015 we welcomed some very interesting impact investors and foundations: Achmea Foundation, Rabobank Foundation, Common Fund for Commodities and AECF. These partners will invest in our businesses as of 2016 to realize further growth and intensification.

Meanwhile, our training method for parents, Skilful Parenting, has proven successful. Over the past year, more than 10,000 parents followed the twelve-week course. The University of Utrecht, an independent institution studied how our training program Skilful Parenting affects the relationship between parents and children. The outcomes are very positive: “Parents report that they have better ways of communicating with their spouse and children; this improves family life. Moreover, good cooperation with their spouse and raising children as a shared responsibility are important issues for parents. Results show that parents are more confident about parenting following participation in the course. The parents state that they now know more about upbringing and that their skills have improved (...). Parents have also become more aware of their role in the social, emotional and cognitive development of their children.”



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## Structural subsidy coming to an end



The subsidy system of the Dutch Government changed in 2016. The government budget halved and International Aid Minister Ploumen decided that support would be provided mainly to lobby organisations whose leading theme was 'lobby and advocacy'. ICS is primarily a developmental organisation that focuses on other themes. This means we fall outside the focus of the new system. At the end of January 2015, we were accordingly informed that as of 2016 we would no longer receive any structural government subsidy.

It had already been clear to ICS for some time that it was far from ideal to be excessively dependent on a single large grant provider. We have been doing our best in recent years to achieve alternative funding. The setup and expansion of social businesses has become a core activity of ICS. Our ambition is that in just a few years we can say that all the enterprises are 'standing on their own two feet.' We haven't got there yet, but we have managed to make great strides in the right direction.

The loss of the structural government subsidy has not resulted in any fundamental changes to the strategic policy of ICS. Our social businesses are the key element, supplemented by our programs for good parenting. One consequence, however, has been that we have had to make significant spending cuts. Some of the programs which are outside the strategic focus had to be scrapped, and we also drastically reduced the overhead. For example, we decided we had to hand over our activities in Cambodia to partner organisations and new local NGOs. It has also been sad for us to say farewell to several of our Dutch and Cambodian colleagues.

## Innovation as a core value

In 2015, in collaboration with Wageningen University and commercial partners Biomass Research (Netherlands) and Manobi (Senegal), ICS started a new social business: Geodatics. The aim of Geodatics is to provide farmers with detailed advice on their plot of farming land. Satellite data and other data will be used for this purpose. In mid-2015 ICS received a subsidy of EUR 1.6 million from the Netherlands Space Office to start up this enterprise.

Innovation is one of the core values of ICS. With satellite and geodata we can help farmers improve their harvests. We also use the innovative SusteQ prepaid payment system for our water points, while Agrics farmers repay their outstanding debts increasingly often via mobile payment. And we have come to an agreement with Achmea Foundation for the development of innovative insurance products for farmers, which they can also purchase through a loan.

## Sharing knowledge

The work of social business pioneers like ICS is hugely important for the future of development cooperation. It places development firmly in the market economy, which is the only way we can make economic change truly sustainable. In November ICS held a symposium on the up-scaling of social businesses in East Africa so that knowledge and experience in this field could be shared. More than 200 enthusiastic participants attended the symposium, making up a highly diverse public. All the crucial players were present, from entrepreneurs with (interest in) a social business and impact investors to representatives from multinationals, financial institutions, international development organisations (NGOs) and government institutions.

Pioneering not only provides development for people in rural areas, it also helps other NGOs learn from the ICS approach. Thus the way is cleared slowly but surely for a new, more sustainable method.

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# ICS in a nutshell

ICS is an innovative development organization with a pragmatic approach. We promote the sustainable economic development and wellbeing of farming families in developing countries. What makes us different is that, besides providing assistance, we also focus on creating opportunities for growth. After all, we believe people will do best if they can tap into their own strength, work independently and take responsibility for their lives. We set up social enterprises that will boost the local economy in which farming families also play their role. Through parent training we teach parents how they can make use of economic progress and practice positive upbringing to have a favourable impact on the future of their families. In that way, we set off a chain reaction of sustainable economic and social development.

## Development drivers

Communities can develop themselves as long as they have the right ‘ingredients’. Those are what we call development drivers. Our work is based on two essential development drivers:

### #1 Economic independence

We help local farming communities become economically independent by setting up social businesses. We make use of market mechanisms, develop the best growth strategy and implement it effectively.

- Via our social business Agrics Ltd., we sell the best farm inputs, like seeds, fertilizer and chickens, on credit to help farming communities in Kenya and Tanzania improve their output.
- By buying their output and selling it via our social business Alizetics Ltd., we provide farming communities in Tanzania with access to a professional and transparent market.
- Geodatics, our newest social business, makes use of satellite and geodata to provide farmers in Kenya with the best advice about their plot of land to help them optimize their output.
- By setting up new water sources or revitalizing existing ones we realize access to clean drinking water for communities in Kenya and Tanzania. We involve local entrepreneurs for maintenance and sales to secure a sustainable supply.

### #2 The power of communities

Together with the local community, and on the basis of own strength, independence and responsibility, we create long-term sustainable development.

- We teach farming communities the best cultivation methods to increase their outputs.
- Through our parent-training we help parents develop the skills they need to favorably impact the future of their families.
- Our training Vijana Reloaded educates young unemployed people to become innovative, solution driven entrepreneurs.

## Themes



In 2016 ICS works on the following themes:

- Agriculture
- Drinking water
- Youth Employment
- Parenting

## Work area

Our work area is East Africa, we focus specifically on rural areas. In Kenya, we work in the western part, in the counties Busia, Kakamega, Siaya, Bungoma, Vihiga and Nandi. In Tanzania, we work in the north, in the counties Shinyanga, Geita and Mwanza. Furthermore, ICS has plans to expand in 2016 to neighbouring country Uganda, just on the other side of the border with Kenya.



## ICS invests in Agriculture

**Agrics, Alizetics and Geodatics, ICS' social businesses, help farmers in East Africa to improve their harvest and, through that, their income. Profit and impact go hand in hand in a social business. In 2015, Agrics supplied almost 16,000 farmers with seed and fertilizer on credit.**

### Developments and impact of Agrics



In 2015 Agrics achieved a combined turnover of €1,013,000 in Kenya and Tanzania with a gross margin of €24,000. A BV [private limited company] was established in Kenya at the end of 2014, and in 2015 a BV was also set up for Agrics Tanzania. This allows the businesses to operate independently as companies.

- A total of 12,240 farmers in western Kenya bought products on credit via Agrics. In Tanzania, 3,796 farmers did this;
- Partly due to support from Agrics, the maize harvest of farmers in Kenya rose from 571 kg per acre in 2013, via 807 kg per acre in 2014, to 1,022.8 kg per acre in 2015, an increase of more than 79 per cent compared with 2013. In Tanzania, the harvest rose to 8 bags per farmer. Each bag holds around 90 kg;
- The Kenyan farmers cultivated a total of 5,706 acres of maize. Agrics supplied the farmers with no less than 57,060 kg of maize seed. In Tanzania, Agrics supplied farmers with 44,129 kg of maize and sunflower seed;
- 2,366 farmers in Kenya bought a solar lamp from Agrics;
- 1,051 farmers in Kenya bought chickens from Agrics;
- The first 101 farmers hired a tractor from Agrics Kenya and ploughed more than 87 acres of farming land;
- All the Agrics farmers in Kenya and Tanzania, more than 16,000, followed courses or were given tips, demonstrations or help to improve their harvests;
- The operational area of Agrics Kenya was expanded from four to six counties. At the end of 2015, we investigated which area in Tanzania was most suitable for expansion; a region will be added to the operational area there in 2016;
- In 2015, we worked on developing film material to supplement the agricultural training courses. This will be used as of 2016.



**Developments and impact of Alizetics**



Alizetics was operational for a full year for the first time in 2015. In 2014, the first year, Alizetics traded 400,000 kg of sunflower seeds with a revenue of €152,000 and a gross margin of 18%. In 2015 Alizetics managed to increase the quantity of traded seed to 556,000 kg, with a revenue of €213,000 and a gross margin of 53%.

This seed was purchased from farmers from more than 24 different villages via the ‘buying centres’. Alizetics purchased from a significantly larger group of smallhold farmers. The number rose from 1,000 to 3,500, although it is difficult to give a precise figure since some farmers also supplied seed on behalf of several farmers.

**Geodatics launch**



Geodatics is our newest social business. The purpose of this startup is to provide farmers in East Africa with detailed advice on their farming land so they can further improve their harvest. Geodatics aggregates information from various sources to end up with advice that is as complete as possible: geodata and satellite data as well as an extensive profile of the farmer. The goal is to have provided 200,000 smallholders with this tailored advice within three years.

Geodatics is an initiative of ICS and Agrics, in collaboration with Wageningen University and commercial partners Biomass Research (Netherlands) and Manobi (Senegal). In mid-2015, ICS received a subsidy of EUR 1.6 million from the Netherlands Space Office. The aim is to start providing advisory services in 2016, and to have reached at least 200,000 farmers in 2018. Geodatics hopes to break even in 2019.

**Financial data**

Financial data of agribusinesses 2015, in EUR 1,000

	<b>Agrics Kenya</b>	<b>Agrics Tanzania</b>	<b>Alizetics</b>
Turnover	896	118	213
Gross margin	175	36	53
Net result	-404	-254	-53
ICS investment as of end of 2015	<b>388</b>	<b>435</b>	<b>29</b>





## ICS invests in Parenting

**The Skilful Parenting training method developed by ICS assists fathers, mothers and other caregivers in the rural areas of Kenya and Tanzania in bringing up children. Raising children can be quite a challenge, especially when poverty, violence and significant inequality between men and women are part of your daily life. The course curriculum gives parents a better understanding of how children develop. Parents are invited to reflect on their role in that development by way of group discussions and practical assignments. Over 10,000 parents followed the scientifically proven course in 2015.**

### Developments and impact

- In Kenya and Tanzania, no fewer than 9,827 parents followed the course via ICS and our partners;
- In Cambodia, 1,570 parents followed the method in 2015;
- ICS-SP Africa has become a locally registered NGO;
- The SP program in Cambodia has likewise become a local NGO. ICS will still provide financial support in 2016, after which the program will continue independently;
- ICS used easily low-threshold events in Kenya and Tanzania to reach almost 15,000 people as well as local authorities with information about good parenting;
- Extra facilitators were trained to give the courses in the field and to increase the range of the program even more. 46 extra facilitators were added in Kenya and Tanzania last year;
- ICS helped 481 children obtain their birth certificates in 2015.



### Scientific assessment of the impact of training

In 2014 and 2015, the University of Utrecht investigated the effects of the training course among parents among and between parents and children. The report is particularly positive. The courses have a clear impact: parents feel more competent and confident, and are more aware of the supportive role they play in the social, emotional and intellectual development of their children. Parents also communicate differently with their partners and children, which fosters cooperation and interaction between the family members. The researchers believe the training course has been successful mainly because the course content is tailored to the local context and culture. Participants are expected to actively take part in discussions, sharing and reflecting. Parents are regarded as the crucial persons in the life of their child: as a parent they are able to make a change.



## ICS invests in Clean drinking water



**In September 2015 the Minister for Water of Busia County in Kenya officially opened nine new water points in the villages Amagoro and Malaba. Clean drinking water is now only a short walk away for the 12,000 inhabitants, who can use a tag to pay quickly and easily. The revenue is used to maintain the system and thus guarantee its sustainability. Two water projects have also started in central Kenya and Tanzania. They will use a similar method to provide 20,000 inhabitants with clean and safe drinking water.**

### Developments in West Kenya

In 2014, water drilling started at three locations in the villages Amagoro and Malaba. Two of the bores contained sufficient water, while the third dropped out. Two water towers were installed in 2015. The local population helped dig the trenches for the pipelines that distribute the water from the bores to the water points. Solar energy is now used to pump the water from the bore. Nine water points were officially opened in late September. Each water point has three taps and a prepaid payment system by Susteq.

### Developments in central Kenya

Access to clean drinking water has been a problem for years in Maai Mahiu. At the end of 2015, in cooperation with Stichting Kenya Kinderen, ICS started a preliminary investigation to determine the feasibility of installing three water points in this community of 8,000 residents. Test drilling should show whether the bore contains sufficient water for building a sustainable and cost-effective water system. If it proves feasible, ICS intends implementing three water points here as well, each with three taps.

### Developments in Tanzania

The Tanzanian government has commenced construction of a long pipeline to transport water from Lake Victoria to Kishapu. The pipeline will also go through the villages of Maganzo and Masagala in the north. However, no tapping points are planned there, so the village inhabitants will not benefit from the water.

That is why ICS intends building new pipelines to branch off the main pipeline. We will create 25 new water points so the 12,000 inhabitants of Maganzo and Masagala will soon have clean drinking water. A preliminary investigation started in 2015, and the technical design of the water system has been made. As soon as the main pipeline has been laid, we will start building the branch lines. We expect this to happen at the start of 2016.



## ICS invests in Youth employment

**In August 2015, the first class of Vijana Reloaded trainees received their certificates. The new entrepreneurs spent six months following Vijana Reloaded, a training program for Kenyan young people aged between 18 and 30. The program was developed by ICS and partner ProPortion. The program focuses on ambitious young people in West Kenya who are full of potential but unemployed all the same. The goal is to train these young people in a short time frame into innovative, entrepreneurial and solution-driven thinkers.**

### First groups graduate

The first group of enthusiastic budding entrepreneurs graduated from Vijana Reloaded in August. The next group followed in December. The young people chose different directions, from a fitness and health centre to a tree nursery, and from cabinet making to guard dog breeding. Each student is challenged to stay as close as possible to their personal interests and thoroughly investigate whether their plans are really feasible and whether there is a market for them. Every single student was enthusiastic about the training program, and the students set an example for many other young people in their surroundings.



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