

VANDERES

foundation

Annual Report 2019



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Foreword and board report 2019

The year 2019 has proven to be a very disruptive year for the Vanderes Foundation. We decided on a very radical strategy change. Going forward, we will move away from the educational sector, in order to create a much larger positive impact on our world, ultimately working towards our goal of reducing as much suffering as possible.

By the end of 2018 we felt that even though there were still many unanswered questions about which approach was leading to the highest impact, we were confident in what we were doing and why we were doing it. We had decided to solemnly focus on student-financing in the previous year and felt we were on to something. In February 2019 we changed our by-laws to reflect this focus. We felt comfortable to start looking for external donors who would align with our experimental approach of creating the biggest impact via focusing on entrepreneurs providing student-financing for underprivileged students in lower-GDP countries.

We started to dig a little bit deeper into impact measurement and were questioning how we would back our approach with any evidence in this sector. The impact we were hoping to create, would pan out once the students would graduate, find jobs, earn salaries and rise on the socio-economic ladder. However, most of the students we supported via our partners, were still studying. And even ten years down the line, it would be very hard for our partners -currently dealing with startup budgets and minimum manpower- to really measure the impact that came specifically from their intervention. Randomized controlled trials, the golden standard in impact measurement, are very costly and labour-intensive.

A big revelation came when we spoke to Kellie Liket, co-founder of Effective Giving, a Dutch organization helping philanthropists maximize their social impact. She took us on a journey to learn more about Effective Altruism. I was invited on a retreat Effective Giving organized in June in England. The theory of Effective Altruism was a total game-changer for our board. We realized we were not at all making the biggest impact that we could. By focusing on education, one of the most popular cause-areas for philanthropic money, we were creating a meagre value add. Looking at the broader picture of what we were trying to achieve, raising people out of poverty, there were much more effective ways to reach that goal.

In the third paragraph, we share the full story of our strategy change, which will also be reflected on the new website we launched in April 2020. We hope to inspire other

foundations to really think-through their own impact and we are very open to answer any questions and/or make connections, to help other philanthropists on their journey to become more effective.

In December 2019, the board approved the strategy change and decided to update the foundation's objective in the by-laws again in the first half of 2020. We also informed our six partners of our new strategy and the impact that it would have on our partnerships. They were all very understanding and supportive of our strategy change. For some of our partners it means that they will no longer continue to recycle our loan towards new student loans, but instead accumulate repaid loans and return this to the Vanderes Foundation. It will take up to about eleven years, before all our loans will have been repaid.

Going forward we will stay away from accepting external donations. Instead, the family of our founder Isaac van der Sluijs, has -enlightened by the Effective Altruism theory- decided to donate a percentage of their investment fund proceeds annually. The Vanderes Foundation will also discontinue its activities in impact investing and venture philanthropy, but instead act as a capital fund, aiming for maximum returns. This will lead to a maximum amount of donations, which we believe can -when donated to the most effective charities- do the most good. Our donations will by default go to the four EA Funds. These funds are run by experts on the different cause-areas they are focusing on. Our board can decide to support a direct intervention instead, if we feel we could have an outsized impact by doing so. Lastly, the proceeds of the original core capital of the foundation of €750K will continue to be donated towards educational interventions.

For 2019 we were able to make our first, albeit small, donation, coming forth of our proceeds from our impact investments and venture philanthropy approach. The €3,175.- donation went to Pratham, the most effective charitable organization we could find in the education space. Pratham is an Indian-based non-profit, which has been very effective in convincing (local) governments to change the teaching system to 'teach at the right level' (TARL) instead of the original age-based education systems. The improvement in learning outcomes following this system has been tremendous.

We feel enlightened by the theory of Effective Altruism and are very confident we will increase our positive impact by our strategy change. We look forward to work on our mission to eradicate as much suffering as we can.

Warm regards,
Mirte Gosker - Chair

About us

The Vanderes Foundation is a Dutch certified Public Benefit Organisation (PBO, better known as ANBI in the Netherlands). We are a capital fund, aiming to maximize returns in order to maximize our donations to the most impactful philanthropic interventions. We fiercely believe that philanthropy, if carried out based on evidence, has the power to transform the world for the better.

By default, we donate to the [Effective Altruism Funds](#). These funds are run by experts, who spend a lot of time researching the most effective philanthropic interventions in the following cause areas: [Global Health and Development](#), [The Long-Term Future](#), [Animal Welfare](#) and [Effective Altruism Meta](#). Where we feel we can have an outsized impact by supporting a specific intervention directly, our board can decide to do so on a case-by-case basis.

Mission statement

Our aim is to reduce suffering as much as we can. And while doing this, we include all sentient beings and future generations in our moral circle.

Vision

We believe that we can maximize our impact by focusing on problems that are big, solvable and neglected.

This paragraph reflects the new strategy of the Vanderes Foundation. At the moment of publication of this report, we still need to change the by-laws of our constitutions to reflect this new strategy. We have already received positive legal advice on the possibility to carry through these changes, so this is only a matter of administrative procedures which is currently delayed due to the COVID-19 pandemic.

STRATEGY CHANGE

Introduction

It was an eye-opening, sometimes frustrating and intense journey to get to this point, where I am happy to share the new strategy of the Vanderes Foundation. It took us almost a year to decide to do things completely different. It was April 2017 when I founded the Vanderes Foundation. We felt quite some reluctance towards the traditional philanthropy sector, so we wanted to do things different. We decided on our mission to improve (access to) education, while preserving our core capital, with the ultimate goal to break the chains of poverty. The hypotheses behind this were that 1) better (access to) education leads to an improved socio-economic status*, and 2) lending and/or investing our capital instead of donating it, would lead us to recycle our capital and thus give us the chance of creating more positive social impact.

We felt we were quite innovative by focusing on impact investing and venture philanthropy instead of donations. However, it wasn't easy to get started. Many education-related interventions -like building or improving school buildings, training of teachers, development of an improved curriculum- often lack the opportunity to return the capital needed. Then we found Zomia, a social enterprise offering student loans to underprivileged students in Myanmar. A great opportunity for us to get involved. One year and five partnerships later we decided to make student financing our niche focus. Until the beginning of this year, we provided loans to and invested in early-stage social enterprises providing student financing to underprivileged students in lower-GDP countries.

Initial Impact Ideas

New to both student financing and running a foundation, we experimented quite a bit while selecting the social enterprises to partner with. Some of them take a student first approach, focusing on marginalized students (orphans, ethnic minorities, refugees) and giving them very friendly loan conditions. Others focus on last-year college drop-outs in specific (high potential) study paths, which leads to shorter repayment cycles and therefore a much larger growth capacity for our partners. We also experimented with loans versus investment. We hoped to learn which approaches would lead to the biggest positive impact.

Even though there was no evidence yet, we reasoned we were doing quite well on impact by:

1. Creating **additionality** (providing cheap capital, accepting below market-rate interest rates and longer runtimes and taking high risks by backing early-stage enterprises with non-proven business models) .
2. Aiming for zero **counterfactual** (focusing on the unbanked population with no additional sources of funding).
3. **Positive externalities** (The World Bank has some initial evidence showcasing improved access to education leads to a higher socio-economic status and improved chances for the next generation), while being aware of the potential negative spill-overs.

After one and a half years, we felt we knew what we were doing and we were ready to fundraise. To be able to do so, we had to show some initial impact data. We immersed ourselves into the world of impact measurement, and soon found out that measuring impact is rather complex, let alone if you want to measure impact of multiple early-stage student financing enterprises, whose students are mostly still studying. During our fact-finding mission, we came across the [Effective Altruism](#) movement.

Effective Altruism (EA) is a philosophy and social movement using evidence and reason to determine the most effective ways to do good and make the world a better place. We were familiar with using science and evidence-based measurements when looking at impact. But their reasoning about prioritizing certain cause areas over others based on scale, solvability and neglect, was very new to us. In a nutshell, EA suggests that cause areas that should be prioritized usually have three characteristics:

1. They're great in **scale**: They affect many people's lives, by a great amount.
2. They're highly **neglected**: Few people are working to address the problem.

3. They're highly **solvable**: Additional resources might even solve the problem once and for all.

We instantly felt EA's reasoning made a lot of sense and feared that our mission did not apply to the standards of maximizing our potential impact. We started to read more about EA, talk to experts, joined an EA retreat, got Effective Giving to do a shallow-water review of our foundation's strategy and talked to J-PAL's (yes, Abhijit Banerjee and Esther Duflo won the Nobel Prize later that year!) Policy team to conclude that: 1) a tremendous amount of charitable giving goes to tertiary education; and 2) the earlier you go into (childhood) education, the bigger the positive impact you can make. That got us thinking. **We knew we weren't doing the best we could.**

Transformation

Because it's not easy to give up what you're doing, we did feel the need to somehow try and shed light on the impact that we were making at the time. We wondered how to do this, since most of our partners lacked capital and manpower to do a rigid impact measurement study and next to that, most of their students were still studying. The positive impact we were hoping to achieve with our loans and investment (that is: an increase on the socio-economic ladder), would only be measurable a number of years down the line. As a plan B, we tried to measure the improved learning outcomes, or LAYS, per dollar spent. LAYS is the abbreviation of Learning Adjusted Years of Schooling, a metric invented by the World Bank in 2018 that *"seeks to combine access and learning outcomes into a single measure, allowing funders to compare directly across different kinds of interventions"*.

With limited data we built a comparative model of our partners' LAYS creation, which for many reasons, was far from perfect. We asked our partners to try and calculate their additionality, used far-fetched data to compare different schooling systems in different countries and we actually didn't feel too comfortable about the metric we were using (as our goal was always an increase in socio-economic status and not learning outcomes). But, it was an interesting exercise to look at our portfolio from another angle. It turned out there was a factor 36x between our lowest and highest performing portfolio partners. However, the real insight came, when we compared our portfolio partners' results to the LAYS created by the most (evidence-backed) effective charitable intervention in education. The charitable intervention was over a factor 1,000 more effective in creating LAYS compared to our highest achieving partner. Realizing this, we decided we needed to do things

differently. Even if we would only donate our returns and not even touch our core capital, we could have a factor 10 more impact on this specific metric. We wondered what would happen if we'd be open to other, less neglected cause areas.

How are we going to do things differently?

After long and careful consideration, we decided on a couple of things. First of all, we no longer feel we should make financial concessions while investing our core capital. Since we know that there are incredibly effective charitable interventions within the educational sector, we feel we should try and donate as much money as we can to these interventions and with that, create the biggest amount of positive impact within this cause area.

We also found our late founder's family willing to continuously support his foundation in this new direction. They have decided to donate all excess returns their investment arm makes on a yearly basis, continuing to build Isaac's legacy. Family and board agreed on a long-term vision. This means we won't donate the core capital at once, but will accumulate and grow it, so that over a couple of decades, we'll be able to donate the equivalent of the current capital on a yearly basis.

Secondly, we decided to steer away from the educational sector. The returns on the initial capital will continue to be donated to educational efforts (since we have to comply with Dutch law). However, with the returns on the new capital that will flow in, we will focus on maximizing our positive impact following the theory of Effective Altruism. We foresee that most of our donations will flow into the EA funds, which are run by experts on their specific topics. There are currently four funds focusing on (1) global health and poverty reduction, (2) animal welfare, (3) existential risk reduction and (4) meta. We will back specific organizations or interventions, once we feel we can have an outsized impact due to one reason or another. We will continuously doubt our strategy and look for ways to increase our positive social impact. We will make use of experts far more knowledgeable than we are in both investing and Effective Altruism. We feel that science, evidence and rational thinking can lead us to make an outsized impact. We also feel that taking our egos out of this process, not giving in to our urges to feel the warm glow of doing good, will help us reach our goal to maximize our positive social impact. And we hope we can feel good about this, even if the causes we support are unsexy and don't do well in shiny marketing brochures. We will miss the inspiring updates from our portfolio partners and touching letters from funded students but hope to

inspire other foundations to go deep and truly rethink whether they are doing the best they can. **Good intentions are not good enough, we need to be better than that.**

* *“Higher education simultaneously improves individual lives and enriches the wider society, indicating a substantial overlap between private and public interests.”* ([*The World Bank, 2000*](#))

PARTNERSHIPS

We closed only one additional partnership in 2019, as we knew quite early on that we wanted to start doing things differently. With Lumni, our sixth partner, we had been in conversations as of May 2018 and it finally came to an investment in March of 2019.

Lumni is the first and largest organization in the world that got success with ISAs, an abbreviation for Income Share Agreements. This means they offer students a contract in which they agree to pay for their studies, while the students agree to pay back x% of their salaries for x months upon graduation. Lumni is active in Peru, Colombia, Chile and recently also in the USA (focusing on underprivileged students). The Vanderes Foundation invested in the second Colombian fund which will have a runtime of 10 years.

One of our established partners, **InvestEd** in the Philippines, has been so successful in their growth that they were able to pay down their loan to us much earlier than expected. With the appointment of a new financial advisor, they realized their Euro debt to us was quite risky due to the FX risks involved and fully repaid our loan in December 2019.

We continue to be in contact with Carmina Bayombong, the CEO of InvestEd, as we grew really fond of her and her mission. She kindly shared with us her appreciation for our support:



“The Vanderes Foundation has been a pivotal partner to our growth in the past 2 years. Honestly, we would not be here without you. Vanderes was one of the first institutions who trusted our team and believed in our vision. [...] Moreover, you have put many, many young dreamers to school.

- Carmina Bayombong
CEO InvestEd

Our other partners are continuing to provide students financing to those students who would otherwise not be able to (continue to) study.

Zomia in Myanmar continues to send us lovely monthly updates in which they share detailed information on student progress and repayments. We also receive quite regularly notes of thanks from the students themselves.

Dana Cita has expended beyond Indonesia and started very successfully in the Philippines. They changed their name to **Erudifi**, with sub-brands Dana Cita in Indonesia and Bukas in the Philippines.

At **DANAdidik** in Indonesia, we have supported 159 students in total. The team is looking to close a large partnership which could be a real gamechanger for their growth.

The Vanderes Foundation supported 173 students in the 2018 cohort of **Brighter Investment** in Ghana. Distributions to investors in the 2016 cohort have been 6.4% higher than the projected amount. The most likely ROI for the 2018 cohort according to conservative projections is 10%.

Financial Report

Balance sheet

	<u>31 Dec'2019</u>	<u>31 Dec'2018</u>
ASSETS		
Financial fixed assets		
Other long-term investments	<u>183,176</u>	<u>228,063</u>
	183,176	228,063
Current assets		
Investments	<u>346,707</u>	<u>230,464</u>
	346,707	230,464
Liquid assets		
Liquid assets	<u>280,292</u>	<u>311,645</u>
	280,292	311,645
	<u>810,175</u>	<u>770,172</u>
LIABILITIES		
Capital		
Core capital	756,908	756,708
Cumulative operational result	<u>34,738</u>	<u>3,180</u>
	791,646	759,888
Provisions		
Other provisions	<u>18,529</u>	<u>9,235</u>
	18,529	9,235
Long-term liabilities		
Other long-term debt	<u>-</u>	<u>-</u>
	-	-
Short-term liabilities		
Accounts payable	-	1,049
Other short-term liabilities	<u>-</u>	<u>-</u>
	-	1,049
	<u>810,175</u>	<u>770,172</u>

Statement of Income and Expenditure

	<u>31 Dec'2019</u>	<u>31 Dec'2018</u>
Operational income	-	-
Donations received	<u>200</u>	<u>602,800</u>
Total income	200	602,800
Donations made	(3,175)	-
Office cost	(129)	(109)
Administrative cost	<u>(1,320)</u>	<u>(1,702)</u>
Operational cost	(4,624)	(1,811)
Interest cost	-	-
Interest income	35,355	6,799
Foreign exchange	10,122	12,117
Credit provision	<u>(9,295)</u>	<u>(9,235)</u>
Financial income	36,182	9,681
Operational result	31,558	7,870
Result for the year	<u><u>31,758</u></u>	<u><u>610,670</u></u>

Explanatory notes to the financial accounts

Overall

Activities

The activities of the foundation are to improve the quality of and access to education, primarily in developing countries, while preserving capital.

Founding

The foundation was founded on 7 May 2017.

Considerations in drawing up the annual accounts

The annual accounts were prepared in accordance with the Title 9 Book 2 BW and the Guidelines for the preparation of annual accounts for small entities, published by the Council for annual accounts. The annual accounts were prepared in euros.

The valuation of assets and liabilities and the calculation of the result are done on the basis of historic cost. Unless stated otherwise the assets and liabilities are reported at nominal value. Income and cost are attributed to the year they apply to. Profits are account for in case they are realised by the balance date. Liabilities and possible losses, originating from before the end of the financial year, are taken into account in so far as they are known while drawing up the accounts.

Considerations in valuing assets and liabilities

Assets and liabilities

The assets and liabilities are, overall, valued at nominal value, unless otherwise indicated.

Liquid assets

The liquid assets are, as far as not otherwise indicated, freely available to the foundation and pertain to assets held in bank accounts.

Long-term liabilities

The long-term liabilities are liabilities, including loans, with a maturity of more than a year.

Fundraising

We are open to contributions and have received our first significant donations in late 2017.

Fund management

Our aim is to maintain our capital and thus grow our funds available for our mission and create an ever-increasing impact. We have currently not mandated an external fund manager yet.

Board Members

The Vanderes Foundation has an independent board consisting of three members:



Chair Mirte Gosker has a Master's in International Development Studies from Wageningen University and completed the INSEAD Social Entrepreneurship Programme in 2017. With a background in research on humanitarian logistics and operational management within the startup scene, she now works as Development Lead for The Good Food Institute Asia Pacific. She is a member of the Effective Altruism movement in Singapore and is dedicated to making the foundation as effective as possible.



Secretary Inge van Dasselaar has a double degree Masters in Forest- and Nature Conservation and Leisure, Tourism and Environment both from Wageningen University. In her daily working career, she runs a business focused on forest and nature management. She wants to contribute to a better world.



Treasurer Nienke Budde is an international C-suite consultant and coach. She has an MBA from INSEAD and degrees from Harvard, Stanford and Oxford Business School. She has worked at various types and sizes of organisations, both in the Netherlands as well as in Asia and Africa. Nienke has visited over 150 countries and is an amateur photographer. She has an online training and coaching platform that helps women reach their full potential.

None of the board members are remunerated for their work for the Vanderes Foundation.

The foundation has no full-time employees, nor any people or organisations, that receive any remuneration for their services or time, from the foundation.

Signage

Amsterdam, 16 May 2020,

Mirte Gosker - Chair

Nienke Budde - Treasurer

Inge van Dasselaar - Secretary