Expanding GMF coverage to Pharo Ventures

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- In Q2 2025, the RE team began developing a monitoring and evaluation framework for our emerging ventures portfolio.
- While informed by global standards, the framework is tailored to reflect Pharo Foundation's values—especially our focus on local economic impact.
- Our existing metrics haven't fully captured how our ventures might contribute to the communities we serve; this framework is a step toward closing that gap.

Outline:

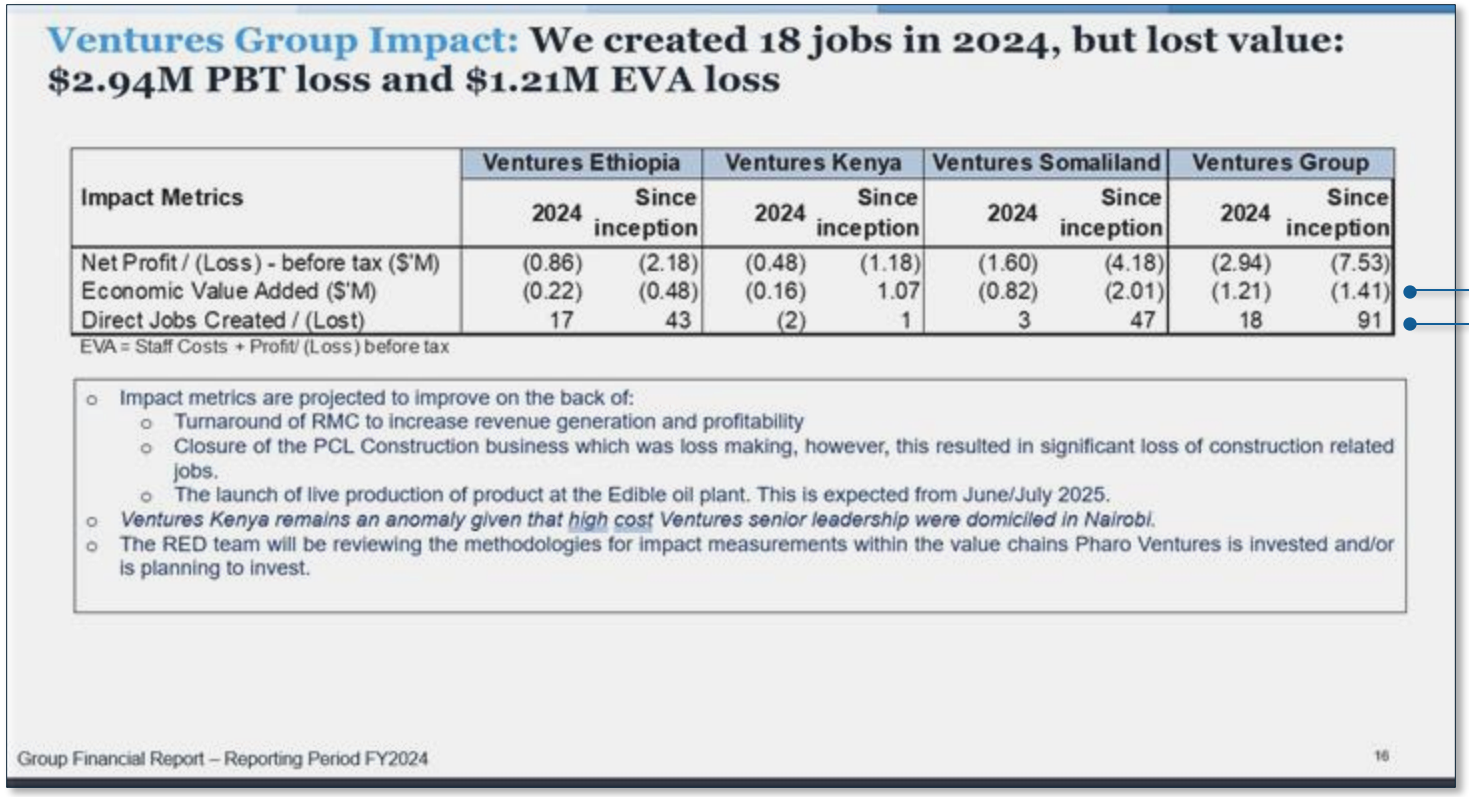
- This deck introduces a new framework designed to fill that gap. We cover:
  - What we have right now
  - What matters for Pharo Foundation
  - What we'll measure:
    - #1 — Value creation
    - #2 — Job creation
    - #3 — Capacity addition
    - #4 — *F*-factors
  - Aligning with global standards
  - How often we track key metrics

A milestone moment:

- In Q2, the RE team also traveled to Dimma, Gambela to launch a baseline survey with sesame farmers supplying the edible oil factory, our first field step in measuring local supplier margins, and our team's first formal foray into ventures-focused impact evaluation.

What we have right now

- Currently, we track two metrics across our Ventures portfolio: (1) Economic Value Added ("EVA"), and (2) direct jobs created.
- But what's missing?



Ventures Group Impact: We created 18 jobs in 2024, but lost value: $2.94M PBT loss and $1.21M EVA loss

Impact Metrics	Ventures Ethiopia		Ventures Kenya		Ventures Somaliland		Ventures Group	
	2024	Since inception	2024	Since inception	2024	Since inception	2024	Since inception
Net Profit / (Loss) - before tax ($'M)	(0.86)	(2.18)	(0.48)	(1.18)	(1.60)	(4.18)	(2.94)	(7.53)
Economic Value Added ($'M)	(0.22)	(0.48)	(0.16)	1.07	(0.82)	(2.01)	(1.21)	(1.41)
Direct Jobs Created / (Lost)	17	43	(2)	1	3	47	18	91

EVA = Staff Costs + Profit/ (Loss) before tax

- Impact metrics are projected to improve on the back of:
  - Turnaround of RMC to increase revenue generation and profitability
  - Closure of the PCL Construction business which was loss making, however, this resulted in significant loss of construction related jobs.
  - The launch of live production of product at the Edible oil plant. This is expected from June/July 2025.
- *Ventures Kenya remains an anomaly given that high cost Ventures senior leadership were domiciled in Nairobi.*
- The RED team will be reviewing the methodologies for impact measurements within the value chains Pharo Ventures is invested and/or is planning to invest.

Group Financial Report – Reporting Period FY2024 16

Economic Value Added (EVA) * captures both profitability and local employment impact and is relatively easy to track internally. However, it overlooks broader economic contributions, such as benefits to local suppliers, communities, and market systems.

Direct job counts miss the indirect employment effects generated across value chains and supporting services.

Key issue is that these two metrics fail to capture the broader economic transformation we care about (e.g., local sourcing, long-term infrastructure, and systemic resilience).

Source — This slide is from the Q1 financial slides.

* Note that our current definition/usage of EVA is distinct from the corporate finance definition of Economic Value Added = NOPAT - (Capital Invested x WACC).

What matters for Pharo Foundation

- Unlike our development programs, which aim to deliver public goods (e.g., education, water, livelihoods), our ventures programs aim to reshape local economies by building productive assets and market infrastructure that last, with profit and impact reinforcing each other.
- This table outlines the key goals we care about, why each one matters, and how each plays out in the case of our edible oil plant in Debre Birhan.

Goal	Why it matters	Case study — How it applies to Edible Oil (Ethiopia)
Create jobs	We want to generate stable, skilled, upwardly mobile work in underserved regions.	○ Direct jobs: plant operators, quality control, managers. ○ Indirect jobs: farmers, transporters, service providers.
Build productive capacity	We invest in infrastructure and capabilities that enable long-term economic transformation (e.g., processing plants, etc.).	○ Commissioned a 50 MT/day oilseed processing plant as a long-term ag-processing hub. ○ Facility will source seeds via farmer cooperatives through an integrated support model that combines input supply (seeds), agronomy support, and guaranteed offtake.
Add local value	We aim to create more value within local economies by converting raw or underutilized inputs into higher-value products, capturing more of the value chain domestically.	○ Converts locally grown oilseeds into finished edible oils. ○ Retains processing value in-country, rather than exporting raw materials.
Reduce import dependence	We aim to reduce import dependence by boosting local production and retaining value within domestic markets.	○ Process and export speciality oils instead of raw seeds.
Anchor local supply chains	We want to contribute to a strong, integrated domestic network that supports industrial development and resilience.	○ Buy from farmers; stable income, reduced post-harvest losses. ○ Advance payments and cash flow solutions to address liquidity constraints among farmer cooperatives. ○ Partnerships with financial institutions to facilitate credit expansion
Signal market opportunity	We want to demonstrate that frontier markets can host commercially viable and socially impactful ventures.	○ We'll see whether this venture in Debre Birhan attracts co-investors and crowds in private capital. ○ In Somaliland, our construction investment catalyzed additional private investment.

What we'll measure

- We believe the Ventures GMF proposed in this document will cover four of the six goals outlined on the previous slide (and summarized below).*
- However, it does not fully capture import substitution or market signalling, both of which are strategically important but are more difficult to regularly quantify systematically and consistently.

#1 — Value creation

- Economic Value Added (EVA): salaries + profits.
- Local Value Retention (LVR: EBIT + local wages + local supplier margins + local capex (amortised), if applicable.
- Key indicators:
  - Local sourcing rates + input costs.
  - Supplier margins + income change.
  - Local wage bill.

#2 — Job creation

- Direct jobs (venture staff).
- Indirect jobs (supply chain and logistics).
- Induced employment (via household spending).
- Key indicators:
  - Total and disaggregated job counts.
  - Wage levels + benefits.
  - Employment multipliers + spillover effects.

#3 — Capacity addition

- Physical infrastructure built (e.g., plants, warehouses).
- Installed capacity (e.g., MT/day).
- Utilization rates over time.
- Spillover activity (new enterprises, supplier growth).
- Key indicators:
  - Utilization + access rates.
  - New business formation.
  - Distance + access metrics.

#4 — *F*-factors

- Structured SROI methodology.
- Capture early-stage benefit-cost ratios.
- Used for decision-making and post-investment performance tracking.
- Benchmarked against philanthropic cost-effectiveness norms.

- Our *F*-factor — essentially, a structured Social Return on Investment (SROI) approach — will serve as an early-stage benefit-cost ratio, supporting both ex-ante decision-making and ex-post performance evaluation across our Ventures portfolio.
- In the next several slides, we detail each of these metrics and how we'll measure them in the case of the edible oil plant.

* We'll also consider adding environmental metrics, not necessarily for direct impact measurement, but to document our resource use, including water, energy, and materials.

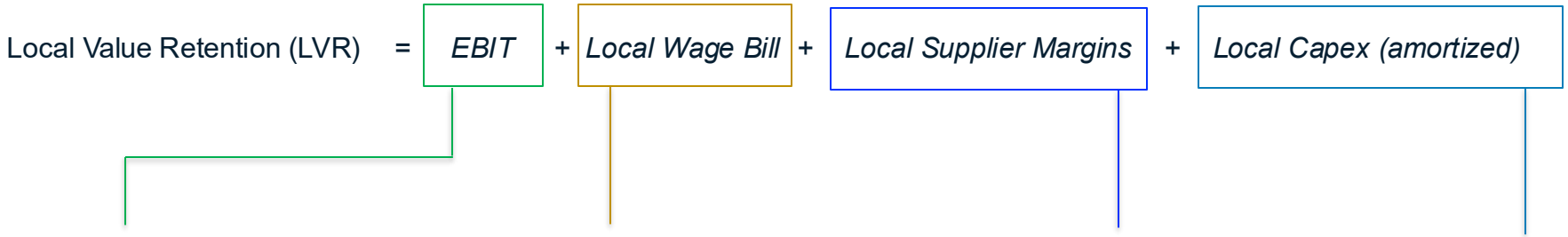
#1 — Value creation

Current focus: EVA

- We currently track EVA defined as salaries paid + profit before tax. This provides a simple, useful snapshot of financial performance and employment impact.
- But it may miss the broader local economic contribution of our ventures, which is core to our mission.

We'll add a complementary metric: Local Value Retention (LVR)*

- To address this, we're introducing LVR to complement EVA and capture the broader economic footprint of each venture.
- LVR captures the net economic contribution retained in the local economy by focusing on the share of value added locally, not lost to imported inputs or external services.
- Here's how it's calculated:



We use EBIT as the starting point to reflect the venture's underlying operational surplus, before financing and tax. Crucially, it enables us to add back amortized local capital expenditures—which would otherwise be embedded in depreciation but are a key part of local value creation.

Captures the total wages paid to local staff, from factory workers to local managers. This reflects the direct labor contribution to the local economy and is often one of the largest channels of local impact. We'll exclude expat or external consulting salaries unless they are resident and spending locally.

While there are multiple layers of suppliers, we'll focus on first-degree producers — such as the sesame farmers supplying the edible oil plant. In this case, we'll estimate margins by combining average farmgate prices with cost-of-production data from surveys and then compare that to a counterfactual.

We add back the depreciated value of locally purchased machinery to reflect the lasting impact of local capital investments. If the equipment is imported, we don't add it back since the value leaves the local economy.

* LVR is a subtle but meaningful extension of the existing EVA metric, designed to capture the share of economic value that is retained locally.

#1 — Unpacking LVR

- On value creation, our headline GMF metrics are:
  - Economic Value Added (EVA) — measures direct economic impact via salaries and profits.
  - Local Value Retention (LVR) — captures the broader value retained in the local economy.
- This table unpacks core components of LVR — with a focus on local supplier margins and local wages — and outlines how we'll measure these in the edible oil case.

Key indicators	Description	Case study — What we'll track for Edible Oil (Ethiopia)
Local supplier margins	○ Net income retained by local suppliers from selling to the venture. ○ Captures value embedded in the local supply chain.	○ Field surveys with farmers/suppliers to capture: ▪ Number of local suppliers (by gender, age, location, skill) ▪ Average sale price to factory (per unit) ▪ Average income per farmer/supplier ▪ % reporting an income change ▪ Average net income per supplier ▪ Volume purchased per supplier
Local wages	○ Total wages and salaries paid to local employees.	○ Survey and HR data to assess: ▪ Number of local employees (disaggregated) ▪ Total local wage bill
Local capex depreciation / amortisation	○ Annual depreciation of locally purchased capital assets (e.g., machinery, equipment, infrastructure, software). ○ Reflects the ongoing economic contribution of local capital investments that remain in and benefit the local economy.	○ Input/output analysis to identify: ▪ Capital assets sourced locally (not imported) ▪ Depreciation or amortisation schedules used to calculate annual local value retention

#2 — Job creation

- Our ventures generate employment at multiple levels — from direct hires to broader economic opportunities across the value chain.
- We focus on three key categories of employment impact: direct, indirect, and induced.

Key indicators	Description	Case study — What we'll track for Edible Oil (Ethiopia)
Direct	○ Jobs directly created by the venture's core operations (e.g. factory staff, managers, technicians). ○ We track workforce composition (e.g. gender, age, skill, location) and job quality (wages, benefits, contract type, etc). ○ Additional focus on retention, training, and promotion pathways. ○ Data gathered through supplier and employee surveys.	○ Combine internal records and field surveys to assess employment outcomes, including: ▪ Total full-time and part-time/temp staff, disaggregated ▪ Employment type (permanent, temporary, salaried, contract) ▪ Average wages and wage changes ▪ Access to benefits (e.g. insurance, leave) ▪ Staff turnover, training received, and promotions (by gender)
Indirect	○ Jobs created or supported along the value chain (e.g. farmers, transporters, logistics workers, packaging suppliers). ○ Measured via supplier/partner surveys or modeled using employment multipliers.	○ Survey-based tracking of: ▪ Number of local oilseed suppliers (by gender) ▪ Type of engagement (contract vs spot purchase) ▪ Jobs supported across logistics, packaging, and servicing
Induced	○ Jobs created in the wider economy due to spending by directly/indirectly employed workers (e.g. food vendors, housing, retail). ○ Harder to measure due to data gaps and attribution challenges. ○ Assessed via household surveys or modeled via economic multipliers. ○ Used primarily for high-level economic impact estimates.	○ Indicators may include: ▪ Local jobs attributed to spending effects ▪ Community perceptions of employment spillovers

#3 — Capacity addition

- One of the most transformative impacts of our ventures is the creation of lasting physical infrastructure that adds value locally — not just output volume.
- These are long-lived assets that outlast individual projects, anchoring sustainable economic development.
- We'll focus on documenting how our ventures build the capacity of places to process, produce, and compete, even if it's mostly qualitative or static data.

Key indicators	Description	Case study — What we'll track for Edible Oil (Ethiopia)
Installed productive capacity	○ Refers to the maximum output potential of the facility (e.g. 50MT/day oilseed processing). ○ Captures the scale of value addition enabled by the investment.	○ Field surveys to document: ▪ Installed capacity (MT/day) ▪ Types and number of facilities constructed (e.g. plant, warehouse)
Utilization rates	○ Percentage of installed capacity actually in use over time. ○ Indicates operational maturity and efficiency.	○ Supplier and household surveys to assess: ▪ % of farmers using infrastructure (e.g. drying, storage) ▪ % reporting consistent processing/purchasing ▪ Perceptions of reliability and accessibility ▪ Distance traveled to reach the plant ▪ Frequency of infrastructure access
Catalytic spillover	○ Refers to new economic activity "anchored" by the asset (e.g. new cooperatives, suppliers, or replication by others). ○ Captures ecosystem-level impact.	○ Indicators include: ▪ New businesses established near the plant ▪ Community perceptions of the plant's local role
Comparable investments	○ Benchmarks against similar agro-industrial investments. ○ Helps assess strategic uniqueness and competitiveness.	○ Review of administrative and public data on scale, scope, and quality of comparable processing investments.

#4 — *F*-factors

- In the context of our Ventures work, our *F*-Factor is essentially a structured Social Return on Investment (SROI), a tool to evaluate the value-for-money and impact effectiveness of a venture.

> *F*-factor = (PV of future social cashflows) / (PV of total project costs)
>
> If *F* > 1, the venture is generating net social value

- We define social cashflows as equivalent to Local Value Retention (LVR) — the share of economic value added that is retained within the local economy. This includes:
  - EBIT, reflecting local operating profits after costs.
  - Salaries and wages paid to local staff, including managers
  - Supplier margins earned by local farmers + businesses, especially first-degree suppliers.
  - Depreciation or amortisation of locally purchased capital assets, to reflect the enduring contribution of local investment (e.g., buildings, machinery, software).*
- Key features:
  - 5-year projection window
  - 20% discount rate (with sensitivity analysis)
  - Includes a terminal value to account for long-lived asset effects
  - Can also be framed as an impact IRR (i.e., internal rate of return applied to social cashflows) as opposed to an *F*-factor multiple to test: “Does this venture outperform our minimum social return threshold?”

* For now, we’ll ignore monetized externalities like reduced migration, income stability, etc., as these are harder to quantify and non-core.

Aligning with global standards

- While EVA and LVR are tailored to our mission, we'll try to map each to global standards where possible.
- This ensures transparency, credibility, and comparability with leading DFI and impact frameworks.
- We'll align primarily with AIMM (IFC), IRIS+ (GIIN), and GRI — and reference Joint Impact Indicators (JII) for standardized reporting across DFIs.

Pharo GMF metric			Aligned global standards		
			IRIS+ (GIIN)	GRI	AIMM (IFC)
#1 — Value creation	Economic Value Added (EVA)	Direct economic contribution via salaries + profits	○ IRIS PI5742 – Total wages paid	○ GRI 201-1 – Economic value generated and distributed	○ AIMM – Value added per $1M investment
	Local Value Retention (LVR)	Net value retained locally (EBIT + local wages + supplier margins + local capex)	○ IRIS PI3924 – Local procurement spend ○ IRIS PI4581 – Local suppliers engaged	○ GRI 204-1 – Spend on local suppliers ○ GRI 203-2 – Indirect economic impacts	○ AIMM – Local procurement ratios, economic linkages
#2 — Job creation	Direct	Employment within the venture (e.g., plant staff, technicians)	○ IRIS PI3687 – Full-time employees	○ GRI 401-1 – New hires, turnover	○ JII – Jobs created *
	Indirect	Jobs among suppliers, logistics, and services	○ IRIS PI7433 – Supply chain workers	○ GRI 203-2 – Indirect economic impacts	○ AIMM – Employment multipliers (direct and supply chain)
	Induced	Jobs resulting from wage spending in the local economy	○ IRIS OI4010 – Household income changes		

* JII refers to Joint Impact Indicators adopted by multiple DFIs for standardized reporting, referenced here as part of broader DFI alignment, but not part of AIMM itself.

Aligning with global standards (cont'd)

- We may engage external validators — such as third-party impact auditors, evaluation firms, or academic partners — to review selected metrics, especially where independent assurance can enhance credibility, support strategic decision-making, or increase confidence among external funders and partners.

Pharo GMF metric			Aligned global standards		
			IRIS+ (GIIN)	GRI	AIMM (IFC)
#3 — Capacity addition	Installed Productive Capacity	Scale of productive infrastructure (e.g., 50MT/day oilseed processing plant)	○ IRIS OI5409 – Physical assets deployed	○ GRI 203-1 – Infrastructure investments supported	○ AIMM – Capital investment in productive assets
	Utilization Rates	% of installed capacity actually used over time (operational maturity)	○ IRIS PI2845 – Asset utilization	○ GRI 302-3 – Energy intensity (proxy for operational efficiency)	○ AIMM – Utilization / efficiency of funded assets
	Catalytic Spillover	New economic activity anchored by the venture (e.g., new suppliers, service providers)	○ IRIS OI7915 – Organizations indirectly supported	○ GRI 203-2 – Significant indirect economic impacts	○ AIMM – Systemic change, market development pathways
	Comparable investments	Benchmarking similar projects to assess uniqueness or scale	○ NA – This will be more of a strategic narrative tool and useful in memos and reports. It's not really tracked globally in a standard way.		
#4 — *F*-factors	*F*-factor	A structured Social Return on Investment (SROI) / a tool to evaluate the value-for-money and impact effectiveness of a venture.	○ IRIS PD1602 – Cost per beneficiary ○ IRIS PI8706 – Beneficiary feedback	○ GRI 413-1 – Operations with local community engagement, impact assessments and development programs	○ AIMM – Social/environmental value ratio

How often we track key metrics

- Tracking frequency will vary based on data availability, importance, and cost of collection.
- This table outlines how we manage routine and strategic updates across the GMF pillars.

Metric	Baseline	Routine tracking	Deep dive / refresh	Primary data sources
Economic Value Added (EVA)	○ On launch	○ Quarterly via financials	○ Annual report	○ Internal financial + HR records
Local Value Retention (LVR)	○ Initial modeling + surveys	○ EBIT+ wages + local capex: annual	○ Field survey on inputs + margins: every 2 years	○ Financials, procurement data, surveys *
Direct jobs	○ HR onboarding	○ Quarterly via HR/payroll	○ Disaggregated analysis: annually	○ Payroll systems
Indirect jobs	○ Supplier survey in Year 1	○ TBD	○ TBD	○ Procurement records + employment multipliers
Induced jobs	○ Estimated	○ NA	○ Every 3 years via community surveys	○ Surveys + economic modeling
Installed capacity	○ At commissioning	○ NA (unless expanded)	○ As needed	○ Engineering reports + investment memos
Utilization rates	○ NA	○ Quarterly via Ops report	○ Re-evaluated with major system changes	○ Factory / plant operational logs
Catalytic spillovers	○ Initial stakeholder mapping	○ NA	○ Every 3 years via qualitative assessment	○ Qualitative interviews, external evaluator reports
Comparable investments	○ Initial research	○ NA	○ Ad-hoc for strategy or benchmarking	○ Public databases + intelligence
***F*-factor**	○ Pre-investment model	○ Quarterly update via financials	○ When major assumptions change	○ Custom model + inputs from finance, surveys, research

* In May 2025, RE team (Tibebu Aragie, Silvia Kahihu, and Ken Lee) travelled to Dimma in Gambela Region to set up data collection for farmers providing seeds.