The GIIRS Potential

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Why is a system like GIIRS important to GBF?
GIIRS is presenting the system to be a key driver of funds into the impact investing space, the same way that Mix and CGAP did for microfinance, by adding definitions and educating on best practices. It’s also important for us to see how a variety of businesses across industries are rated. Social evaluation is a high priority as we look at companies - its strength will really be determined over the next couple of years as more companies sign up to be rated.

In general, there has been criticism about the stringent criteria imposed by impact investment funds on social entrepreneurs seeking to secure funds. Do you agree?
This is a riskier type of investment as compared to what investors are used to seeing; the businesses are usually smaller and need some capacity building to get to the stage where commercial investors will take a look. We have witnessed that there is a perception of lack of pipeline for many impact investment funds, but we believe the key is in the willingness to innovate and problem solve to structure an investment that has impact, potential to scale and manages risk.

To play devil’s advocate, more “traditional” investment funds are starting to recognize the profit potential of investing in social enterprises. Why shouldn’t fund-seekers, then, go to a regular PE fund for funding?
A key component is our investment range (US$250,000-US$1m). This is often below the investment threshold of PE funding. Also, we believe that fund-seekers are looking for capital that understands the markets they operate in and adds value in this regard – a social enterprise often needs hands-on capacity building at all levels of the organization.

What is one example of how capacity building figures into GBF’s model?
Last June, GBF earmarked up to US$150,000 to pilot an initiative that aims to help our clients create the tools necessary to address critical areas in business development, such as financial management, investment readiness and corporate governance. As of today, all pilot phase grants have been disbursed and client projects are underway. Each project was also partially financed by the clients themselves.

You can read more on our website about Juhudi Kilimo and SURevolution, two clients who received grants last year.

In the new phase of this initiative, GBF, with the assistance of outside expert consultants, is organizing regionally-based workshops that will allow groups of clients to both network with each other and receive training in several key business areas. Last December, we hosted a workshop held in India with three existing clients – Servals, SKEPL and LabourNet – as well as entrepreneurs from two other potential investee businesses.

We’re also in the planning process of a third regional workshop, to be held in Nairobi in mid-April. Like the workshops in India, the Kenya workshop will provide a venue to develop general tools and best practices for African clients that can later be tailored – through subsequent technical assistance projects – to individual GBF clients.

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