Hello Friends,

We are happy to present the Grassroots Business Fund’s first Annual Report, which summarizes the achievements we’ve made in just one year. The report sets out our progress in building an organization that can help deliver well-defined, high-impact approaches to social and economic development in the world’s poorest communities.

GBF invests in an important but underserved segment of the worldwide development equation—grassroots business organizations (GBOs) that serve as regional catalysts for local wealth creation and social service delivery. GBOs help large numbers of the poor gain access to markets, affordable goods and services, and up-to-date financial products. They do this by developing scalable, innovative business models that provide practical solutions to challenging global problems—solutions that accelerate social and economic development.

Once an economically disadvantaged entrepreneur creates his or her own micro or small business, that business needs to be nurtured from the ground up. Neither governments nor large companies have the skills, incentives, or resources to support these micro and small businesses; thus the need for high-impact GBOs.

Although GBOs can make a significant impact on the small and micro business community, they often struggle with their own management, planning, and other institutional capacity challenges. This is where GBF steps in, providing them with the capital and business assistance they need to drive economic growth, and stimulate social change.

We are committed to establishing GBF as a trusted, value-adding partner—a partner that knows how to listen, and brings much more than money to our clients. Our staff applies skills and experiences drawn from diverse sectors—for-profit, nonprofit, international development, private equity, and consulting—to create significant social impact and empower the poor through the building of viable GBOs.

During our first year, we completed a number of investments, most accompanied by thoughtful, actively managed capacity-building programs. The investments described in this report will give you a good idea of what GBF does and reveal some of our more interesting partnerships.

We hope that you find this document thought provoking and useful, and we welcome your ideas on how we can strengthen our mission, working collaboratively as partners in achieving the exciting potential of the social enterprise field. We look forward to hearing from you.

Iqbal Paroo
Chairman, GBF

Harold Rosen
Executive Director, GBF

Challenge, Solution, and GBF’S Role

The Grassroots Business Fund supports high-impact intermediaries that provide sustainable economic opportunities to thousands of people at the base of the economic pyramid.

Many of the poor, the disadvantaged, and the hard-to-reach are excluded from the benefits of the globalizing market economy. The economic system struggles to help them create income, generate wealth, and lift themselves and others out of poverty. More and better intermediaries (GBOs) are needed to support and enhance their economic activities and prospects (see “What is a GBO?” p. 6). GBOs can add value by financing and supporting entrepreneurial activities, and delivering affordable goods and services that raise incomes and improve lives. GBOs can help poor, underserved populations realize their economic and social potential, replacing their traditional dependence on aid and charity.

These large intermediaries typically face major business challenges. Many require substantial business support, but get little help from the private sector because of the work required and the modest, long-term financial returns. These intermediaries often need a nuanced mix of capital, technical assistance, and market access.

GBF’s role is to help create, strengthen, and expand such intermediaries, so that they can better assist larger numbers of beneficiaries to build larger, more sustainable, and productive businesses.
the Grassroots Business Fund draws on origins and continuing connections with the World Bank Group, particularly the International Finance Corporation (IFC), where GBF was developed as a pilot initiative from 2004–2008. Our staff brings, from there and elsewhere, considerable experience as investors, consultants, and advisors. We also draw heavily on our many partners and contributors, many of them leaders in the field (see “Partnerships” p. 23). Operating essentially as a fund, we work on a limited number of long-term projects via patient capital investing, capacity building, and advising.

GBF’S HISTORY

The Grassroots Business Fund builds on four years of experience as the Grassroots Business Initiative (GBI), a department under the World Bank Group’s International Finance Corporation (IFC). GBI’s activities supported over 40 projects, impacting the lives of 3.4 million poor people.

GBF became an independent nonprofit organization in 2008, allowing for more growth, efficiency, and stakeholder mobilization, with the goal of continuing and expanding GBI’s success. GBF continues to be supported by IFC, as well as many other organizations and a number of private philanthropists (see p. 22).

Approach

Much of the recent attention on the “base of the pyramid” addresses the poor as consumers. GBF instead focuses on raising incomes, thereby creating wealth, and economic opportunity—by helping the poor produce assets, reach markets, increase incomes, and engage in entrepreneurial activities. GBF concentrates on two levels:

1. Our direct clients—GBOs.
2. Small producers and entrepreneurs that we reach through our GBOs. These need a careful blend of inputs to increase and improve their production, build their sustainability, and in some cases grow into larger, wealth-creating enterprises.

For both our clients and their beneficiaries, GBF uses a holistic approach, viewing each project as a concrete, long-term package including the following elements:

- Long-term capital—often structured as equity or quasi-equity
- Technical assistance—adapting to technological advances and improving operations
- Institutional development—governance, mentoring, financial planning, and general management

GBF plans and delivers our enterprise-level assistance as follows:

Investment Process

- Identification
- Pipeline Report
- Budget & Project Team
- Project Summary Document
- Investment Memo/Technical Assistance Plan
- Customer Integrity Review
- Environmental & Social Review
- Business Capability Review
- iPAL Metrics Plan
- Decision & Approval
- Documentation & Commitment
- Disbursement
- Project Implementation
- iPAL Supervision
- Management Board
- Financial
- Donor
- Investor
- Completion
- Project Summary Document

“GBF has provided us with a financial assistance package tailored exactly to our needs and capacity. It has improved our debt/equity ratio and strengthened our capital base without putting us at risk.”

—GBF Client
GBFs initiated and held “Metrics from the Ground up” in May 2009—a two-day workshop, co-sponsored with the Aspen network of Development entrepreneurs (AnDe), a fast-emerging network representing some 55 parties in social enterprise and impact investing in small and growing businesses (GBF is a member of AnDe). The conference brought together donors, investors, practitioners, academics, and entrepreneurs to explore the different approaches to monitoring and evaluating the impact of social enterprises. It included discussions on the tools in the metrics landscape, client feedback mechanisms, and best practices in communications and marketing. Information on the different panels, presenters, methods, and tools can be found online at http://metricsworkshop09.groupsite.com.

The Grassroots Business Fund’s new metrics framework, iPAL (Impact Planning, Assessment & Learning), was developed from leading metrics practices in the field and GBF’s previous monitoring and evaluation framework. iPAL approaches metrics using a practical application that not only helps GBF track our projects but also allows our investees to better manage their organizations. iPAL draws on evolving best practices, and tracks the social and financial impact of an investment during its various stages. iPAL helps our GBOs track performance against objectives, allowing them to improve management and communicate their reach to stakeholders.

Each of iPAL’s four dimensions (see below) focuses on collecting reliable, timely, and accurate data. iPAL uses feasible and efficient metrics to estimate the projected social return on investment to determine the social worthiness of a project, and sets parameters for tracking. As the engagement develops, so does iPAL, by helping its clients create simple survey-based tools to judge the success of the intervention, and also improve their client service.

**Impact Planning, Assessment & Learning (iPAL) Framework**

- **Social Return on Investment**
- **Client Feedback Surveys**
- **Progress Out of Poverty Surveys**
- **Basic Metrics on Activities and Outputs**

**Metrics in Action**

In March 2009, the Grassroots Business Fund organized a four-student team from the Huntsman Program at the University of Pennsylvania to visit Tanzania, to conduct a “progress out of poverty” client survey, and train SELFINA staff on how to implement its results. GBF and SELFINA wanted to determine how well the products and services were performing in lifting people out of poverty. The data from the survey revealed that both loan size and time as a SELFINA borrower were positively correlated to business profitability. These results suggested that SELFINA should focus on providing some of its clients with larger loans, with longer maturities. The survey also helped SELFINA gauge its client satisfaction. It found that an overwhelming 98% of SELFINA’s clients wanted business/assistance training. SELFINA can now use this information to plan its activities going forward.

**Metrics from the Ground Up**

GBF initiated and held “Metrics from the Ground Up” in May 2009—a two-day workshop, co-sponsored with the Aspen Network of Development Entrepreneurs (ANDE), a fast-emerging network representing some 55 parties in social enterprise and impact investing in small and growing businesses (GBF is a member of ANDE). The conference brought together donors, investors, practitioners, academics, and entrepreneurs to explore the different approaches to monitoring and evaluating the impact of social enterprises. It included discussions on the tools in the metrics landscape, client feedback mechanisms, and best practices in communications and marketing. Information on the different panels, presenters, methods, and tools can be found online at http://metricsworkshop09.groupsite.com.

“In just a year GBF has brought a lot of substance and collegiality to the field of social enterprise.”

—Randall Kempner
Executive Director, Aspen Network of Development Entrepreneurs
Portfolio
The Grassroots Business Fund supports enterprises in the following countries:

- Bolivia
- Uganda
- Kenya
- Tanzania
- Zambia
- Colombia
- Peru
- Ghana
- India
- Bangladesh
- Cambodia
- Vietnam
- Indonesia
- Guatemala
- Barefoot Power*
- Ghana

* Although this organization has operations in several countries, the majority of GBF funds will be in the country indicated.

GBF Headquarters — Washington, D.C.

GBF Field Presences:
- Bangalore
- Nairobi
- Dar es Salaam

GBF Portfolios:
- Novica* (p. 15)
- Craft Incubator Facility (p. 14)
- SURevolution (p. 14)
- K-Rep Development Agency/Juhudi Kilimo LLC (p. 12)
- Barefoot Power* (p. 12)
- Craft Incubator Facility (p. 14)
- United Holding
- Sero Lease and Finance Limited (p. 14)
- Mobile Transactions Zambia Limited (p. 13)
- Capital para el Crecimiento Empresarial (p. 16)
GBF empowers our beneficiaries as producers, consumers, and entrepreneurs

During FY ’09 the Grassroots Business Fund committed a total of $2,756,208 of dollars across countries in Africa, Latin America, South Asia, and Southeast Asia. GBF’s products have included equity, quasi-equity, debt, grant financing, and technical assistance. With our current investments, GBF has touched the lives of over 349,510 beneficiaries. The charts below depict GBF’s portfolio.1

**Total Reach by Sector**

<table>
<thead>
<tr>
<th>Sector</th>
<th>Total Reach</th>
</tr>
</thead>
<tbody>
<tr>
<td>Artisanal</td>
<td>101,760</td>
</tr>
<tr>
<td>Agricultural</td>
<td>9,110</td>
</tr>
<tr>
<td>B2B Technologies</td>
<td>101,760</td>
</tr>
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<td>Artisanal</td>
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<td>9,110</td>
</tr>
<tr>
<td>B2B Technologies</td>
<td>101,760</td>
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</table>

**TOTAL REACH**

<table>
<thead>
<tr>
<th>Base of the Pyramid Services</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Access to Lighting</td>
<td>46,025</td>
</tr>
<tr>
<td>Access to Mobile Banking</td>
<td>15,060</td>
</tr>
<tr>
<td>Access to Jobs</td>
<td>15,150</td>
</tr>
<tr>
<td>Access to Clean Water</td>
<td>25,025</td>
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<tr>
<td><strong>TOTAL REACH</strong></td>
<td>196,160</td>
</tr>
</tbody>
</table>

**WEALTH CREATING ACTIVITIES**

| Total Number of Direct Beneficiaries | 26,701 |
| Total Number of MSME’s Beneficiaries | 22,849 |
| Total Number of Indirect Beneficiaries | 198,200 |
| **TOTAL REACH**                     | 247,750 |

**Grand Total**

<table>
<thead>
<tr>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>349,510</td>
</tr>
</tbody>
</table>

1. All figures as of June 30, 2009—All amounts in USD

*See Notes and Definitions on inside back cover

“GBF’s commitment to identifying strong business models, and practical approaches to scaling them up, is helping to bring focus and rigor to the social enterprise field.”

–Lars Thunell
Executive Vice President and CEO, IFC
Mobile Transactions Zambia Limited

Mobile Transactions Zambia Limited (MT) is an early-stage company specializing in low-cost mobile-phone-based financial transaction services. Through an open-network technology using small business agents, MT seeks to reduce transaction costs in the Zambian economy, thus raising the incomes and well-being of poor, widely dispersed Zambians. The company serves mainly smallholder farmers, who comprise a majority of the Zambian workforce.

MT is making a push to hire young, energetic high school graduates who otherwise would likely be unemployed.

GBF’s FY ’09 Investments

Barefoot Power

Barefoot Power (BFP) is a for-profit company that assists poor people in developing countries to access affordable renewable energy and efficient lighting. Globally, BFP estimates that 1.5 billion people spend $10–30 billion a year on kerosene. BFP offers a cleaner, cheaper, and safer alternative to kerosene through its low-cost, expandable lighting systems. BFP’s white LED rechargeable, solar powered lamps sell for under $20, the cost of 3–6 months worth of kerosene and batteries.

By investing in the Barefoot Power Trade Finance Fund, GBF will help alleviate BFP’s cash-flow constraint, and in turn, allow it to scale up. The BFP TFF also allows GBF to build relationships with other funders, deal promoters, social capital investors and business angels. BFP TFF is managed by Oikocredit.

KDA

Teresa Motonu is a mother of five from the Emenwa Gucha district of Kenya. She and her husband are peasant farmers who practice mixed farming. With the help of KDA, they were able to acquire two dairy cows to supplement their horticultural crops. The couple now earns enough to pay their children’s school fees and purchase food for their family.
Novica

Novica is a crafts company with a mission of connecting artisans in developing nations with global consumer markets. Novica’s established infrastructure includes online, wholesale, and catalog sales channels across a network of regional offices in Brazil, Peru, Mexico, Ghana, Indonesia, Thailand, and India. Novica counts as part of its global supply chain over 4,000 artisan groups and 10,000 artisans.

Novica’s growth strategy includes a three-year expansion that will introduce three new regions to its artisan supply network by 2011, beginning with an office in Guatemala. GBF will assist that expansion effort, significantly increasing the number of recipient artisan communities, and improving Novica’s growth and financial prospects.

Serno Lease and Finance Limited

Serno Lease and Finance Limited (SELFINA) is a for-profit micro leasing company that provides business training and other economic empowerment services to over 11,000 active clients—low-income (mostly rural) women in Tanzania. Its micro leases help women acquire assets that create or add economic value, and which can also serve as collateral to support further business growth. SELFINA has also started offering longer term, larger leases for business expansion purposes to those women entrepreneurs who have a successful credit record with SELFINA and prospects to grow a larger business.

GBF’s investment will help SELFINA expand geographically and attract additional investment. It will also support SELFINA in a new financial product developing a “Next Stage Fund” offering larger, longer-term financing and technical assistance to repeat clients.

Crafts Incubator Facility

Many producers in the handicraft sector have limited access to markets and finance. GBF thus launched a pilot program, the Crafts Incubator Facility (CIF) in December 2008, which encourages significant growth of small indigenous artisan groups and the larger marketing enterprises that support them. CIF links entrepreneurs with market access providers and facilitates the commercial transactions through working capital loans.

To date, funding has been disbursed to two craft groups, SURevolution in Colombia and United Holding in Cambodia. Based on its experience with CIF, GBF may, in the future, expand its presence in the artisan sector, and develop long-term relationships with artisans and marketing groups.

Novica

Nana Frimpong is a wood sculptor in Ghana, West Africa. His work includes wooden stools, staffs, and other ceremonial objects.

Since joining Novica in 2000, Nana’s business has grown. He has used his earnings to support his home and family, such as funding his children’s education. Nana hopes that, through continual sales of his artwork, he will be able to reduce poverty in his community while sharing Ghana’s culture with the outside world.
LabourNet

LabourNet (LN) aims to improve livelihoods of the working poor by addressing issues of job market security, exploitation, lack of training, lack of benefits, and unsafe working conditions. LN provides a platform for workers and clients to find and interact with each other in a transparent and professional manner. LN ensures that workers are able to find stable, socially-protected employment, and improve their skill levels—thereby improving their employability—while providing the workers with services such as financial inclusion, insurance, and identity cards to incentivize them to stay within the network.

While LN currently uses low-cost marketing such as auto-rickshaws adorned with LN advertisements, GBF will help LN develop and implement new marketing strategies. GBF’s assistance will enable LabourNet to broadly reach out to offices and their employees through a direct sales force, and use its Web site to reach out to individual households. GBF will assist the organization to improve its operations and measure its social impact and economic return.

CAPCEM

Mirko Aramayo Vargas is the owner of Alimentos Saludables (Healthy Foods), a juice producing enterprise in Bolivia. Alimentos Saludables was in need of financing in order to place large orders of fruit used to make juice. Traditional sources of such funds were unavailable because of long bureaucratic loan processes. CAPCEM was able to evaluate Alimentos Saludables and provide it with funds quickly, allowing it to fulfill its orders on time.

“GBF understands that growing small businesses takes time, patience, partnership and risk sharing. They understand the challenges we face, and they are helping us build for the long-term.”

—GBF Client

Currently LabourNet is concentrated in the construction sector with capabilities to serve a wide range of clients through its registered MSEs (masonry, carpentry, rain water harvesting, electrical, and plumbing).

Capital para el Crecimiento Empresarial

Capital para el Crecimiento Empresarial (CAPCEM) is a for-profit program initiated in 2008 under the umbrella of the SOLyDES Foundation, formerly PRODEM. CAPCEM assists the growth of more established small businesses, mainly in agriculture, that already have a developed product and market, and participate in supply chains. By helping these MSMEs grow, CAPCEM aims to contribute to job creation and income growth, both at the MSME and the supplier level.

CAPCEM is in the process of spinning off from SOLyDES and expects to become an independent entity by late 2009. By partnering with CAPCEM at an early stage, GBF is helping add long-term strategic value, bringing capital, and also helping with continued organizational development.
Operations

The Grassroots Business Fund has, in our first year, firmly established our operating procedures and systems. We have a well functioning Management Information System (MIS), accounting, fiduciary, and operating policies; and a serious approach to human resources, objective setting, and staff assessment and development. GBF now focuses on using these systems to manage better—helping GBF and our clients set and achieve their objectives.

GBF aims to build a track record by continuing to work with first-class partners. Our experience and connections help make GBF a “partner of choice”—practical, rigorous, and business minded—yet with a big heart and a drive to create positive development outcomes through growth of sustainable businesses.

Despite focusing much of our first year setting up systems and controls, GBF managed to spend more than 75% of our operating costs on project implementation and support.*

“I’ve watched Harold Rosen and his colleagues take an interesting concept and turn it into a strong organization. In just one year, GBF has become an emerging leader in the social enterprise field.”

– Jim Wolfensohn
Former President, World Bank Group

Financial Highlights from Fiscal Year 2009 (Audited)

Statement of Financial Position

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>June 30, 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mission Related Investments</td>
<td>$557,900</td>
</tr>
<tr>
<td>Mission Related Loans</td>
<td>$1,144,769</td>
</tr>
<tr>
<td>Cash and Cash Equivalents1</td>
<td>$4,538,897</td>
</tr>
<tr>
<td>Committed Donor Contributions</td>
<td>$11,707,615</td>
</tr>
<tr>
<td>Fixed Assets</td>
<td>$78,995</td>
</tr>
<tr>
<td>Other Assets</td>
<td>$26,541</td>
</tr>
<tr>
<td>TOTAL ASSETS</td>
<td>$18,054,717</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LIABILITIES AND NET ASSETS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-Term Liabilities2</td>
<td>$389,985</td>
</tr>
<tr>
<td>Net Assets (Unrestricted)</td>
<td>$4,899,553</td>
</tr>
<tr>
<td>Net Assets (Temporarily Restricted)3</td>
<td>$12,765,179</td>
</tr>
<tr>
<td>TOTAL LIABILITIES AND NET ASSETS</td>
<td>$18,054,717</td>
</tr>
</tbody>
</table>

Statement of Activities

SUPPORT AND REVENUE

| Contributions—Foundations   | $284,000      |
| Contributions—Corporations  | $5,244,258    |
| Contributions—Individuals   | $400,000      |
| Contributions—Other4        | $1,541,270    |
| In-Kind Contributions       | $271,305      |
| Other Sources5              | $201,152      |
| TOTAL SUPPORT AND REVENUE   | $7,941,985    |

EXPENSES

| Program Expenses4           | $2,420,783    |
| Administrative and General Expenses7 | $528,539    |
| Fundraising Expenses        | $121,168      |
| TOTAL EXPENSES              | $3,070,490    |

* All figures as of June 30, 2009

See notes on inside back cover.
Looking Ahead

With the successful completion of our first year, the Grassroots Business Fund is confident in our plans for FY ’10 and beyond. GBF has developed a series of ambitious yet realistic goals for the coming year, which focus mainly on building our track record and developing our portfolio—concentrating on hard-to-reach, low-income countries, and targeted sectors such as agribusiness, access to finance for Small and Growing Businesses (SGBs), crafts, and technology. As GBF develops and reaches growing numbers of beneficiaries, we hope to expand and strengthen our productive partnerships and contribute more broadly to the field of social enterprise. If you would like to connect with GBF, or learn more about our work, please visit us at www.gbfund.org, or contact us at communications@gbfund.org. We look forward to hearing from you.

“GBF recognizes that profitable businesses are essential to social enterprise. Its bottom-line approach brings business insights to the task of ending poverty.”

—Kash Rangan
Professor, Harvard Business School and Co-Chairman of Harvard Business School Social Enterprise Initiative

“GBF shares the risk with its clients. That’s important. It means that GBF will work with us to succeed.”

—GBF Client
BF aligns with strong, experienced partners with distinctive capabilities and skills, which can help our clients, grow into catalysts for economic growth and social change. Below are some of the partners GBF worked with during our first year:*  

Advisors  
Percy Barnevik  
Former Head, ABB

Alan Patricof  
Founder and Managing Director, Greycroft, LLC

Kash Rangan  
Professor, Harvard Business School and Co-Chairman of Harvard Business School Social Enterprise Initiative

Lars Thunell  
Executive Vice President and CEO, IFC

Jim and Elaine Wolfensohn  
Respectively, Former President, World Bank Group, and Vice President, Botwinick-Wolfensohn Foundation

* (In alphabetical order)

Governance
Board of Directors

The Governing Board is a five member Board of Directors responsible for the strategy, direction, and funding of the Grassroots Business Fund. The Board, which meets on a quarterly basis, includes representatives of major donors and eminent persons in the social enterprise field.

Iqbal Paroo  
Chairman, GBF  
Senior Partner, TRG Health Care, LLC

Andrew Adelson  
Former Chief Investment Officer, Alliance Bernstein

Max Aitken  
Associate Director, Partnerships and Advisory Services Operations, Department, IFC

Emile Groot  
Financial Sector Specialist, FMO

Harold Rosen  
Executive Director, GBF

Adelson Family Foundation
Percy Barnevik
Stephen Brenninkmeijer
Holland & Knight
International Finance Corporation (IFC)
Luxembourg Ministry of Finance
Marc and Leigh Cohen Family Foundation
Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V. (FMO) (Netherlands Development Finance Company)
Oesterreichische Entwicklungsbank (OeEB - the Development Bank of Austria)
Omidyar Network
George Rohr
Harold Rosen and Susan Wedlan
WilmerHale

For more information, please visit our website at www.gbfund.org.

Partnerships

* (In alphabetical order)

African Management Services Company (AMISCO)
Aspen Network of Development Entrepreneurs (ANDE)
BASIX
Calvert Foundation
CDC Development Solutions
Dalberg Global Development Advisors
Dalberg
Foundation for Sustainable Development (FUNDES)
Gray Matters Capital (GMC)
Harvard Business School Leadership Fellows Program
Keystone Accountability
Krishi Gram Vikas Kendra (KGVK)
Ogilvy Public Relations
Oikocredit
OeEB - the Development Bank of Austria
Omidyar Network
Root Capital
Self Employed Women's Association (SEWA) Trade Facilitation Centre
SEWA Trade Facilitation Centre
TechnoServe
United Nations Development Programme (UNDP) - Growing Inclusive Markets (GIM)
William Davidson Institute (WDI)
University of Michigan

* (In alphabetical order)
“GBF has helped us learn how to use performance data to identify gaps in performance and take advantage of new opportunities.”
—GBF Client