The Grassroots Business Fund builds and supports high impact enterprises that provide sustainable economic opportunities to thousands of people at the base of the economic pyramid (BoP). These enterprises, or grassroots business organizations (GBOs), empower the poor in developing countries as independent entrepreneurs and consumers of affordable goods and services. GBF provides these enterprises with appropriate financing and technical assistance to enable them to become catalysts for economic growth, development, and social change.

We recently completed 5.5 years of operations, including 20 months as an independent nonprofit, and are preparing for growth based on our experience and learning to date.

Since its inception in July 2008, GBF has provided investment capital and capacity building to high-impact and high-potential enterprises in 10 countries — Tanzania, Kenya, Zambia, Ghana, Colombia, Bolivia, Guatemala, Cambodia, Indonesia, and India.

To manage this portfolio of investments, GBF has also developed and implemented a robust portfolio management system that:

- Tracks financial performance of the investments
- Tracks progress on social impact, and
- Seeks to continually add value to our investees and enterprises.

This approach lowers risk, and improves and protects GBF’s investment.

GBF’s activities have been focused on three areas:

1. **Direct investments** to GBOs combined with focused marketing, expansion strategies; financial management, governance, and operating improvements;

2. **Innovative financing programs** targeting both small businesses in remote regions and challenging sectors, as well as businesses that have outgrown microfinance but are not developed enough to access commercial capital; and

3. **Strengthening of the broader ecosystem** through dissemination of crosscutting best practices and lessons learned across GBF enterprises as well as sharing results and tools with the broader business and investment sector.

GBF offers the financial discipline and business acumen in investment funds along with targeted training to improve an enterprise’s chance for success.

**DIRECT INVESTMENT ACTIVITIES**

As of February 2010, GBF has committed $3.4 million in investment capital to 15 GBOs in sub-Saharan Africa, Latin America, and Asia. Most of the investments were loans, equity or quasi-equity.

GBF, in close cooperation with technical assistance partners, is also planning several large initiatives to provide investment capital and training to small African agribusiness supply chains, including suppliers of coffee, dairy, and cashews.

To date, all enterprises remain current on payments, and two have fully repaid their loans, providing GBF with its first two successful exits (with returns in the 10-15% range). As with any group of new businesses, some of our enterprises are struggling, but GBF monitors each closely.

- 81% of GBF commitments have been made in countries with less than $1000 per capita income
- 79% of GBF commitments have been made in countries with less than $2000 per capita income

**Measuring Impact**

GBF’s goal is to help the enterprise capture data that allows them to not only measure social impact, but also to improve business operations.

| Total Committed Portfolio (Cumulative): | $3.4 million |
| Number of Investments: | 15 |
| % of Committed Portfolio Disbursed: | 83% |
| Current Yield: | 5.9% |
| Average Investee Revenue Growth: | 102% |
| Beneficiaries: | 439,465 |

GBF has created and implemented a simple tool, the Impact Planning, Assessment and Learning (iPAL) framework. This four-part framework draws on several best-practice tools and sectoral work, and includes:

1. Basic reporting on social and financial metrics.
2. Measurement of Social Return on Investment (SROI);
3. Survey-based reviews of beneficiary impacts; and
4. Enterprise feedback surveys to improve our and their work.

GBF works closely with the enterprises to ensure that the iPAL framework is efficiently integrated into their business processes to maximize organizational effectiveness and help the enterprises evolve.

The average estimated SROI for every dollar invested in these enterprises is $30 of social economic benefit for each beneficiary. Future iPAL activities will include working on cost effective social impact verification methods as well as estimating the impact multiplier effects will have in communities.

**NEW PROGRAMS AND INITIATIVES**

GBF has recently piloted several initiatives to discover whether and how the provision of appropriate capital and targeted training to small enterprises enables them to grow, become operationally sufficient and sustainable, and take on investment capital. The primary goals of the new programs are to reach even further to the base of the pyramid, and to test and develop GBF’s theory of change.

Some of our earlier successful enterprises are now seeking larger and longer-term capital from GBF and other sources. Three of these initiatives are highlighted here:

1. Client Incubator Facility — This internal facility, run within GBF, provides short-term trade financing against export contracts to small handicraft and agribusiness producers, with the goal of incubating these into larger GBF enterprises. During its pilot stage, the facility:
   - Assisted 4 enterprises

Through the application of iPAL, GBF has determined that our enterprises have benefited:

- Over 439,465 people living in poverty, including:
  - 83,000 direct beneficiaries; and
  - 19,665 enterprise employees.

2. Business Development Services (BDS) Initiative — In Bolivia and Tanzania, GBF has piloted a carefully controlled business development training program to support smaller enterprises to grow faster and reach more clients. In conjunction with like-minded organizations, GBF links entrepreneurs in developing countries with both growth capital and training that is carefully monitored via iPAL.

3. Angel Club — On a pilot basis, GBF has engaged local business people to support smaller enterprises in their own country. In Indonesia, seven prominent local investors have supported Sosial Entreprenuer Indonesia (SEI), a social venture capital fund that focuses on small and medium enterprises (SMEs). SEI provides financing and technical assistance to SMEs that require strengthening before they can scale up. SEI has made 15 investments of between $20,000-$70,000 since September 2008.

**BUILDING THE BROADER ECOSYSTEM**

GBF’s Impact Planning, Assessment and Learning (iPAL) framework is a model designed to weave different levels of the social enterprise sector together and strengthen them.

- Achieved an annual return on assets above 15%; and
- Reached approximately 4,700 beneficiaries.

Through iPAL, we have developed a variety of cross cutting initiatives based on our learning, combined with GBF’s extensive experience working with this sector. Our goal is to identify common problems that can be taken on in a more systematic way. Issues likely to be addressed over the next year via one-on-one work in addition to the Aspen Network of Development Entrepreneurs (ANDE) metrics workshop include:

- Provision of cost effective support systems to strengthen management information systems, decision making, and reporting;
- Incorporation of basic evaluation and data collection and analysis of social impact into operations;
- Provision of effective business development assistance to the clients of GBF enterprises;
- Execution of best practices in marketing & strategic planning for expansion; and
- Planning and implementation of effective corporate governance.

**CONCLUSION**

In summary, GBF combines a strong portfolio of investments with targeted business development assistance which can help enterprises in some of the poorest regions of the world succeed.

GBF’s approach also helps enterprises to innovate, develop and share best practices across the sector.

GBF’s main priorities in the next 18 months will be to:

1. Further strengthen, grow and diversify its portfolio;
2. Improve business development assistance; and
3. Develop new partnerships to radically transform the business sector in developing countries.

The ultimate goal of GBF’s strategic approach is to bring order and much needed initiative to the social enterprise sector.