



GRASSROOTS
BUSINESS FUND

Semi-Annual Update

March 2011

The Grassroots Business Fund strives to bring High Impact Businesses worldwide to sustainability and scale, and empower those at the base of the economic pyramid. Since GBF's spin-off from the International Finance Corporation (IFC) two and a half years ago, we have had the opportunity to work with, and help scale up, High Impact Businesses in Africa, Latin America, and Asia. **To date, GBF's High Impact Businesses have sustainably improved the lives of over 5.6 million people worldwide.**

GBF's blended approach to impact investing recognizes that the needs of High Impact Businesses cannot be fulfilled with capital alone.

Through GBF's technical assistance with client businesses, supported by our presence in the field, GBF works to build a practical and useful relationship with each High Impact Business and partner. To further work toward this goal of building local relationships, GBF established a fully-staffed office in Nairobi, Kenya, in early 2010.

Today, GBF's investment staff is able to connect with local High Impact Businesses and partners more easily in East Africa, and beyond. GBF staff are also based in Accra, Ghana; New Delhi, India; and Southeast Asia.

By expanding our local presence in countries where we work, GBF gains knowledge of the impact investing space locally, as well as continuing to grow globally. In this report, we are pleased to present some of our innovative initiatives that will help grow and strengthen the impact investing ecosystem based on our learnings.

Portfolio Update

To date, GBF has committed \$8.4 million in investment capital to 32 High Impact Businesses in sub-Saharan Africa, Latin America, and Asia. Most of the investments were in the form of loans, equity or quasi-equity. GBF's current yield is close to 5.8%.

GBF works with companies which focus on BoP empowerment and have a strong commitment to bringing measurable and sustainable economic opportunities at the grassroots level. All investees fall into four sectors: Agribusiness, Artisanal, BoP Services, and Innovations in Finance.

GBF works closely with its clients to evaluate and monitor financial and operational needs to help them scale up and become ready for larger investments. The current portfolio has benefited from GBF's transparent and rigorous investment process, a philosophy we strive to build upon for the future.

GBF Portfolio Snapshot, March 2011

Total Committed Portfolio (Cumulative)	\$8.4 million
Number of Investments	32
Current Yield	5.8%
Weighted Annual Revenue Growth	64%
People Impacted	5.6 million

SPOTLIGHT: Equipment Financing at the BoP with BrazAfrica Enterprises

One of GBF's East African businesses is **BrazAfrica Enterprises**, based in Kenya. BrazAfrica imports and distributes agricultural equipment from Brazil to East Africa.



With GBF's assistance, BrazAfrica is launching a vendor financing program to extend credit to and strengthen eligible coffee cooperatives in Kenya. The financing would enable them to purchase BrazAfrica's coffee wet mills, which are more reliable, efficient, and environmentally friendly than the machines currently used by most coffee cooperatives in East Africa. This program, including both financing and technical assistance to the cooperatives, will increase the output of the cooperatives, lower their operating costs, and allow them to produce higher quality coffee. These improvements will enable the smallholder farmers to earn higher and more stable incomes.

Field-Building Initiatives

GBF defines field-building initiatives as new approaches—practical financing models, practical approaches, tools, or partnership arrangements—that are suitable for broader replication throughout the sector and improve the lives of those living at the BoP. Some of GBF's recent field-building initiatives include investment incubation, scalable solutions for technical assistance (TA), and an expansion of our metrics framework, iPAL.

I. INVESTMENT INCUBATION

During the past two and a half years of pipeline building, GBF has identified businesses which have high potential for social impact but are still small and in a start-up stage. Some of these businesses have been supported through GBF's SME Export Facility (SEF), but need more appropriate capital—equity—and targeted assistance to guide them into growth stage.

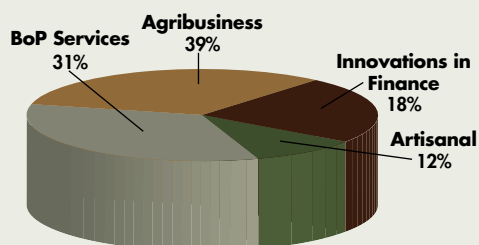
In GBF's next phase, we plan to make seed investments to incubate these businesses that are not yet ready to be in our main portfolio. By providing business assistance to these early-stage ventures, GBF will be able to instill best practices in less-developed High Impact Businesses with the intent of eventually transferring promising businesses into our for-profit portfolio.

To read more about SEF & GBF's incubation plan, go to: <http://www.gbffund.org/SEF>

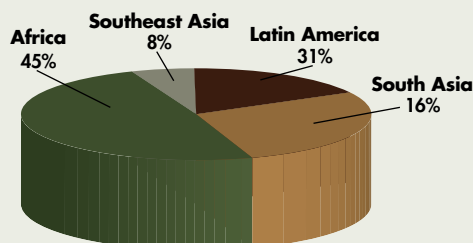
Current GBF Portfolio by Sector & Region

GBF is currently operating with a committed portfolio of approximately \$8.4 million USD. Almost half of our investments are committed to High Impact Businesses in Africa, and almost 40% is committed to the agribusiness sector.

Committed Portfolio by Sector



Committed Portfolio by Region



II. SCALABLE SOLUTIONS FOR TA

In June 2010, GBF earmarked \$150,000 toward a new initiative to support the shared capacity building needs of high impact businesses. Specifically, scalable solutions for TA – or “scalable TA” – is focused on providing funding for:

1. Group training workshops and
2. Individual technical assistance projects, developed as a result of the workshop, that result in deliverables useful to other businesses.

The first round of funding resulted in three successful projects:

1. SKEPL, Servals, and LabourNet participated in a regional workshop in India to address management challenges.
2. SURvolution focused on developing cost optimization best practices, and hired I-DEV International to develop and execute the recommendations.
3. Juhudi Kilimo decentralized its management information system (MIS), so that branch offices could optimize collection and reporting of metrics to the central system.

With the successful implementation of proposals from the pilot phase, GBF confirmed the need for and effectiveness of meeting common client needs through workshops and scalable TA. More importantly, GBF helped develop tools and approaches for other High Impact Businesses to improve their businesses in a practical manner—something that could soon

SPOTLIGHT: Regional Management Workshop in India



GBF hosted a **Management Training Workshop** in New Delhi to address management challenges faced by several High Impact Businesses based in India. GBF staff and prominent local experts led sessions for businesses and other organizations, focusing on strategic planning, marketing & financial management, organizational processes and managerial communication. GBF hosted a similar regional workshop in Lima, Peru in February 2011, and will host a third in Nairobi, Kenya in April 2011.

lead to solutions that can benefit the field well beyond GBF and its investees.

In GBF's next phase, we plan to share what we've learned with the greater impact investment community, in order for other entrepreneurs and High Impact Businesses to potentially benefit from the experience of our clients.

To read more about scalable solutions for TA, go to: <http://www.gbfund.org/ScalableTA>

SPOTLIGHT: Investment Incubation with Kona Agro Processing Ltd



Kona Agro Processing Ltd, established in 2008, is a Ghanaian company that processes cashew nuts for sale to export markets. Through GBF's SME Export Facility (SEF), GBF provided Kona with a working capital loan. This financing will enable Kona to fill a substantial order, helping the company increase production capacity and achieve sustainability in the current season.

GBF's Next Phase

As GBF moves into its next phase, we hope to build upon our track record both financially and socially by expanding and also separating into a for-profit fund and a non-profit entity. In the future, GBF plans on developing replicable financing models and partnerships, and catalyzing more direct investments by cultivating a pipeline of investments ready to engage the private sector.

GBF's businesses have already improved the lives of over 5.6 million people. Moving forward, GBF is striving to increase the number of people impacted at the BoP to more than 10 million, and to institutionalize higher standards for transparency and for business rigor and measurement of social returns in the industry.

GBF believes that by building on the models, platforms, and processes developed and tested to date, it can expand its portfolio of investments, field-building activities, and social benefits while reaching sustainability in the future.




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III. iPAL EXPANSION

GBF's metrics framework, Impact Planning, Assessment, and Learning (iPAL), was developed to measure GBF's mission of generating economic opportunities for people living at the BoP, through the building of High Impact Businesses.

GBF is well-positioned to build on the the progress we have made over the last two and a half years. In our next phase, we hope to expand the iPAL program to include the following:

- Enable all of GBF's investees to implement the iPAL framework
- Expand the framework itself to include environmental and social labor standards
- Implement social metrics review and verification as standard practice with all GBF clients

GBF hopes to continue serving as a pioneer in the field of metrics collection, analysis, and dissemination.

To read more about GBF's impact & expansion plan, go to: <http://www.gbfund.org/Impact>

Measuring GBF's Impact: Social Impact Review and Verification

Impact investors are leaders in the development community in quantifying the social impact of their investing and technical assistance activities. In order to ensure that social metrics—that impact investors collect from their client businesses—are checked for quality and accuracy, GBF developed the Social Impact Verification (SIV) Framework in partnership with Dalberg Global Development Advisors. GBF's verification methodology assesses social impact data across five criteria: compliance, capability, reliability, integrity and accuracy.

GBF has currently tested the process with two client businesses, and plans to conduct it with a majority of its clients by 2012. The overarching result will be an improved ability to provide stakeholders with credible social impact data and an improved business case for GBF's social impact.