



SME Export Facility (SEF)

The handicraft and agribusiness sectors have played an important role in developing countries—delivering economic opportunities to indigenous artisans and farmers while helping them employ and preserve significant skills and practices. While large numbers of individuals benefit from production and sales, these sectors face many obstacles, including fragmented supply networks, poor access to markets, and a lack of appropriate and accessible training and financial services.

SEF steps in to offer working capital loans that enable these businesses to take advantage of these growth opportunities, putting them on a path to greater sustainability, impact, and ability to attract long-term investment.



GBF's Investment

The **Grassroots Business Fund's SME Export Facility (SEF)**, previously the Client Incubator Facility (CIF), originally launched in December 2008, addresses the critical resource constraints faced by social enterprises that support artisans and farmers. SEF encourages economic growth of socially-oriented, export-based businesses by providing loan products to increase sustainability, expand their operations, and increase the standard of living for supported artisans, workers or farmers.

The pilot phase of SEF which lasted only one year was able to generate a monthly return of 1.3% and an annual return of 15.6%. SEF also had zero percent of its portfolio at risk with over \$170,000 of capital disbursed. Both initial pilot clients have had follow on invests through either SEF or GBF which indicates the high level of success of the facility.

SEF Client Profile

Businesses receiving a SEF investment vary in both sector and region as well as specific characteristics such as supplier models, beneficiary impact, and size of businesses. SEF clients can range from crafts wholesalers who purchase goods from local craftsman to fresh produce export companies sourcing from local small holder farmers to larger production companies sourcing raw materials from or hiring local craftsman. Depending on the type of company the impact on the beneficiaries can vary as well and include better access to a steady income, training for creating value added products, higher premiums for export products, and alternative forms of income that were not available before.

Because of the nature of a SEF loan, companies that provide these types of impacts and the various lines of businesses requiring export working capital financing, clients can be in any country that GBF currently operates in or could expand to in the near future. This includes places such as Cambodia, Ghana, Colombia, and Indonesia.

In addition to working capital needs, SEF clients usually also have a need for capacity building and production monitoring. SEF may utilize local consultants or training grants to help businesses cope with the regulations placed on them from the purchasing company and the challenges of running a successful socially minded business. By coordinating business strengthening activities, SEF is able to ensure that the client will receive additional purchase orders in the future and incubate into a traditional investment for GBF or similar minded organizations.

Industry Standards and Beneficiary Impact

Through its provision of working capital and technical assistance, SEF is helping to maintain compliance with the best practices in the handicraft and agribusiness sectors, such as adherence to fair trade standards, and provision of sustainable living wages for artisans and farmers. Each SEF client who is not currently fair-trade certified is required to undergo an assessment of their adherence to fair-trade standards which not only

SEF'S IMPACT

Through its early deals, SEF has supported **more than 4,500 direct beneficiaries**, and aims to reach **2,500 beneficiaries per year**.

For every **\$1** invested in SEF, **SEF generates \$22.47** in economic activity at the base of the pyramid.

ensures that SEF clients are socially and environmentally responsible but also working towards obtaining fair-trade status.

All SEF clients must reach people at the base of the economic pyramid; to date SEF has reached over 5,000 different beneficiaries through access to living wages, access to production training, and increased employment availability. SEF clients through larger and more frequent purchase orders are able to ensure they are assisting lift their producers out of poverty.

Social Return on Investment

Social return on Investment (SROI) measures the incremental economic impact of a financial investment in a grassroots business organization. SEF has an SROI of \$22:1, so each dollar invested in SEF generates \$22.47 in economic activity for the clients and their producers. This calculation includes only payments/purchases from farmers or artisans, additional economic impact can be seen at the level of the raw material suppliers, temporary hires for production, and in the community. For example, with increased economic activity from SEF clients, many production hubs are seeing additional benefits such as new businesses catering to the workers, such as food carts, additional transportation, and small shops. Expanding impact assessment to this level, illustrates exponential increases in economic activity.

Beneficiary Group Snapshot

The Arhuaco people reside in the Sierra Nevada de Santa Marta region of northern Colombia. For centuries, history and local legends as well as the significance of nature have been deeply entrenched in their beliefs. The Arhuacos are inspired by the colors of the mountains that surround them, animals they feed, and ancient geometric designs, which in turn, influence the design and weaving of 'mochilas'—or traditional bags. The Arhuaco source woven goods for SURevolution, a previous SEF client.

