

GBF's Impact Planning, Assessment, and Learning Framework (iPAL)

The Approach

The Impact Planning, Assessment and Learning (iPAL) framework enables GBF and its portfolio companies to track and analyze financial, operational and social metrics. This allows us to set and track against goals and to improve management decisions. GBF helps provides technical assistance to clients so they are equipped to collect basic metrics, ensure data quality, create dashboards to visualize important metrics and analyze that information in order to make improved management decisions.

Impact Planning, Assessment and Learning Framework (iPAL):



- **Improved management** at GBF and its High Impact Businesses
- **Increased transparency** and **data quality** to GBF's stakeholders, the field, and the public



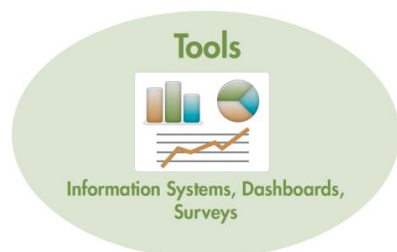
Data: Financial, Operational and Social Metrics

GBF helped to develop the Impact Reporting & Investment Standards (IRIS)¹ taxonomy, which is a common taxonomy developed for describing the social and environmental performance of a company. GBF collects and reports metrics that are aligned with the IRIS taxonomy. Collecting and classifying basic metrics using IRIS standards equips GBF with the ability to compare financial, operational, social and environmental metrics with those across the impact investing industry.

GBF works with its portfolio companies to determine the financial, operational and social IRIS metrics that are relevant to their key business operations and desired social impact. Those metrics are reported to GBF on a quarterly basis by the high impact businesses.

¹ Impact Reporting & Investment Standards - <http://iris.thegiin.org/>

	Grassroots Business Fund’s Portfolio Companies	Grassroots Business Fund
Financial metrics	<i>Financial metrics</i> are most often reported through the company’s income statement, balance sheet, and statement of cash flows. Metrics include revenues, cost of goods sold, operating expenses, and gross margin.	<i>Financial metrics</i> include the amount of funds raised and managed, the size of its investment pipeline and the current yield on the portfolio.
Operational metrics	<i>Operational metrics</i> vary greatly by sector, and include the number of hectares farmed for agribusinesses or the average revenue per user (ARPU) for investments in the BoP services sector.	<i>Operational metrics</i> include the percentage of on time reporting and reflows from its portfolio companies, the improvement of technical assistance scores, the percentage of administration costs covered with investment returns, staff satisfaction and turnover.
Social metrics	<i>Social metrics</i> give GBF and its portfolio companies a picture of the social impact the high impact businesses are having on their suppliers or clients. It is important to note that many metrics GBF considers to be social metrics are actually operational metrics for high impact businesses. Social metrics include the number of farmers, artisans, entrepreneurs or BoP consumers a company is supplying from or selling to, the net income or savings to those people, and the number of female employees and suppliers.	



Tools

Infrastructure

Management Information System (MIS)

GBF utilizes Salesforce, a management information system (MIS) that enables GBF to manage its portfolio and track important metrics. GBF has created a management dashboard, portfolio and pipeline reports, technical assistance dashboard, and impact dashboard to help track and analyze data from its activities. All reports pull data from the MIS system on an ongoing basis.

Data Visualization

Management Dashboards

One of the primary focuses of GBF’s technical assistance is to build the portfolio company’s capacity to create, maintain, and manage through the use of management dashboards. Dashboards are regularly-updated spreadsheets that collect and organize information most important to each client. Management teams leverage this data to better run their high impact business. These dashboards represent a wide spectrum of sophistication and include simple, manually-updated spreadsheets with annual revenue and

cost data, complex Excel files incorporating real-time social and financial data, and still more advanced SAP, Salesforce or CRM/accounting systems.

Information Gathering

Client Feedback surveys

GBF supports its portfolio companies in creating client feedback surveys in order to measure supplier or customer satisfaction, thereby improving retention rates and business outcomes. Anonymous by nature, client feedback surveys provide suppliers and customers with an avenue to communicate honestly and articulate their needs.

GBF administers an annual client feedback survey to determine how well it is meeting the needs of its portfolio companies and what it can do to improve its operations. For example, through the 2010 survey GBF learned that clients were unsure what was done with the reports they sent to GBF throughout the year, and that they would appreciate feedback on those reports. In order to improve GBF's client communication, GBF instituted monthly calls with each client where reports are reviewed and GBF provides analysis and feedback.

Social Impact Verification

While financial metrics reported to GBF and other impact investors are validated when a portfolio company undergoes an audit, there is no similar process for several social and operational metrics. In order to ensure that those metrics are also checked for quality and accuracy, GBF developed the **Social Impact Verification Framework** in partnership with Dalberg Global Advisors. The metrics verified include the number of people supported by a small and growing business (i.e. farmers, artisans), the income and income growth to suppliers and the number of people employed by the business.

A social audit similar in nature to financial audits would be resource-intensive and may not add sufficient value to justify the costs. The Social Impact Verification Framework is a means of applying the rigor of an audit, but implemented with the flexibility that is needed to be practical in the operating environments of GBF's portfolio companies.

The social impact verification methodology assesses social impact data across five criteria: compliance, capability, reliability, integrity and accuracy. Using this methodology, GBF is able to determine whether or not reported figures are accurate, what the underlying operational factors are that determine data quality, immediate corrections that can be made to improve accuracy of reported figures, and opportunities to

Client Feedback Surveys: Latco International

Latco, an organic and conventional sesame seed producer in Bolivia, began conducting client feedback surveys in 2010. When management of the company learned that 96% of the smallholder farmers they source from were interested in a group training, they were able to provide training opportunities through existing resources. Although the trainings were low cost, they allowed Latco to demonstrate their commitment to their suppliers and improve supplier retention.

Social Impact Verification

Through two Social Impact Verifications conducted in 2010, GBF learned that one access to finance business was underestimating its social impact, and one agribusiness was overestimating the number of farmers it reached.

After the process, GBF and the companies had more accurate data, and GBF is providing ongoing technical assistance to improve reporting capabilities, including:

- Management information system (MIS) improvements
- Restructuring invoice system

provide technical assistance to support the development of improved data management systems and processes.

Progress Out of Poverty Surveys

The objective of Progress Out of Poverty (PoP) Surveys is to demonstrate the degree to which our portfolio companies' operations improve the lives of their clients (either suppliers to the high-impact business or consumers of the high-impact business). For several countries where GBF operates, the Grameen Foundation has created a tool called the Progress Out of Poverty Index (PPI). The PPI uses a country's household survey data to determine how the answer to a survey question correlates with the likelihood of being at a certain level of poverty. For the countries that the Grameen Foundation has developed a PPI for, GBF uses the index. Otherwise, GBF develops a similar index adapted to the local area to conduct benchmark-setting measurements.

Progress Out of Poverty Surveys: HAI

HAI, a cocoa trading company in Kyela, Tanzania, began conducting Progress Out of Poverty Surveys in 2009.

49% of surveyed HAI producers are living below \$1.25 per day and are considered by USAID to be in "extreme" poverty. HAI offers a price premium to its farmers and provides training and equipment to improve cocoa quality.

Global Impact Investing Rating System (GIIRS)

GBF is a Global Impact Investing Rating System (GIIRS)² pioneer fund, which means its portfolio companies will receive a score that rates their social and environmental performance. The GIIRS rating includes questions about a company's policies and practices related to accountability, employees, consumers, community, and the environment. GBF's fund rating will be announced in the Fall of 2011.



Analysis

GBF works with its portfolio companies to improve their ability to analyze the data they collect. To build this capacity, GBF has monthly calls with each client to provide analysis and feedback on client reports. Over time, GBF's portfolio companies improve their ability to make

decisions that improve their financial sustainability and social impact.

GBF maintains several dashboards used to track different aspects of its own work. The following dashboards are reviewed regularly, and as a result, GBF can track the results against team goals and identify important trends that arise.

GBF's Dashboards:

- **Management Dashboard**
 - The Management Dashboard is reviewed monthly and allows GBF to determine its costs as compared to its budget, as well as the amount of investment pipeline it has generated at any point in time.
- **Technical Assistance Dashboard**

²Global Impact Investing Rating System (GIIRS) - <http://www.giirs.org/>

○ The Technical Assistance Dashboard is reviewed monthly and includes a rating of each portfolio company along the following technical assistance dimensions: financial management, operations, human capacity and governance, strategy, legal, and environmental and social. The dashboard allows GBF to determine the changes in TA scores, as well track the costs of technical assistance.

- **Portfolio Report**

○ The Portfolio Report is reviewed weekly and allows GBF to track the current yield of its portfolio, its investment provision, and investments by country, region, sector and business stage.

- **Impact Dashboard**

○ The Impact Dashboard is reviewed monthly and displays the social metrics GBF receives from its portfolio companies. GBF calculates the value amount generated to each person supported in both wealth creating and cost saving investments.

○ When an investment undergoes due diligence, GBF uses a Social Return on Investment (SROI) calculation to estimate the number of people that its portfolio companies will reach and the quantifiable social-economic impacts these businesses will generate to those people. The SROI estimate determines the social-economic impact (in dollars) that will be generated for every \$1 invested into the business, factoring the investment capital needed. **On average for every \$1 dollar invested into GBF's portfolio businesses, \$16 of social-economic impact is generated.**