

# Impact Investing: an interview with Harold Rosen of the Grassroots Business Fund

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Recently, I interviewed Harold Rosen, the Grassroots Business Fund executive director. The Grassroots Business Fund (GBF) provides a distinctive blend of investment capital and capacity building to high impact businesses in several emerging markets across the globe. They have raised 58 million USD with the aim of providing sustainable economic opportunities to millions of people at the base of the economic pyramid. Harold told me more about the behind the scenes of GBF's investment process and the challenges of their sector.

*1. The Grassroots Business Fund is active in the field of Impact Investing. How would you describe this field and how is GBF positioned in relation to other players?*

GBF focuses on high impact businesses - those that are socially significant and empower large numbers of the poor. We are well experienced in this field, dating back to when we were initially incubated in the International Finance Corporation from 2004-2008.

In addition to investment capital, we also provide technical assistance, in areas such as corporate governance, general management, reporting, and financial planning. We believe that this hybrid approach makes it more likely for High Impact Businesses to expand, become self-sustaining and eventually attract other private investors. More generally in the field, I believe there is a need for further development of in the "ecosystem", for example: higher standards for executing technical assistance and investing in deals.

*2. Could you tell us something about a typical investment that GBF has done?*

Yes, let's take a company in Bolivia, which is called [Latco International](#). They process and export sesame seeds. Agribusiness is a focus sector of GBF and LATCO affects more than 2000 farmers. We have invested about 700,000 USD in investment capital and helped the business with financial planning, strengthening the management and building out the supply chain.

For most businesses in which we invest, GBF is the first big outside company that brings in money. In the case of Latco, we could not have done this investment without the co-investment of AVINA and the support of Fundes.

### *3. What are the most common "mistakes" that entrepreneurs make when applying for financial products from GBF?*

A lot of entrepreneurs spend too much time and energy on raising capital and pitching their business to possible financiers, business incubators and accelerators. While this can be important, it generally does not make the business operations any better. More energy should be directed towards the building of the business.

### *4. Do you have a "golden tip" for our entrepreneurs?*

Do not underestimate the challenges that you come across when making your business financially sustainable.

### *5. Describe the investment process of GBF?*

First, we would like to see a business plan in which a market demand is met. The business model, including costs and technical aspects, should be explained clearly. The business plan should also contain an analysis of the market and the environment in which the business is operating.

If the business plan receives a positive review from our staff, GBF has an internal meeting and the company can receive a pre-approval status. Then, the due diligence starts, which takes approximately 3-4 months and includes a personal visit to the company from one of our staff in the field. Throughout the due diligence process, our staff help guide the company through our requests for information, and it can often be a learning experience. If the results from due diligence are good, the business case is presented to our internal investment committee, followed by an external investment committee. The external investment committee has the final say and can give the "go". If that's the case, our team begins drafting legal agreements, as well as a plan for technical assistance.

In total the whole process takes about 6 months, from application to disbursement of funds.

### *6. Could you describe some challenges that GBF faces in the field?*

The entrepreneurs that we work with are in a phase in which they have to professionalize many business processes. Routines have to be established, realistic financial projections have to be made, and the deployment of resources should be done in an effective way. In addition, many documents such as financials are there but are sometimes unclear or contain mistakes. In order to provide investment capital to these businesses, which are otherwise difficult to reach, we always couple this with a practically-based plan of technical assistance.

### *7. What are the plans for this year?*

We aim at doing about 8 to 10 deals across Africa, Latin-America and Asia. We already have a strong pipeline of High Impact Businesses, but we're always open other proposals.

GBF's 5-year commitment is to provide sustainable economic opportunities to more than 20 million people living at the base of the economic pyramid by supporting more than 60 High Impact Businesses in Africa, Asia, and Latin America.

*8. How do you see the collaboration between BiD Network and GBF?*

On the one hand we would love to receive promising entrepreneurs from BiD Network that might be interesting for us to support. On the other hand, we are open to work with angels, co-investors and business advisors across the world.

Thanks again Harold for your time and insight into GBF's activities!

More information about [Grassroots Business Fund](#).