



Grassroots Business Initiative



IFC's Grassroots Business Initiative (GBI), aims to **support businesses that create sustainable economic opportunities for the poor and marginalized**. Grassroots Business Organizations (GBOs) are socially-driven ventures, whether for-profit or not-for-profit, that empower and engage those at the 'base of the pyramid' as entrepreneurs, suppliers, consumers and employees. These businesses provide income, training and needed products and services to those who need it most, bridging a gap in the global marketplace.

GBI aims to have a **catalytic impact** in this emerging sector, building partnerships with like-minded groups and leveraging its position within the World Bank Group. At the **business level**, GBI provides a package of funding and technical assistance that strengthens GBOs, thereby expanding their impact at the grassroots level and leading to replication and scale-up opportunities. GBI uses this experience, combined with IFC's extensive private sector experience, to form broader activities that support **intermediaries** serving multiple GBOs, as well as to **share experience** and lessons learned with clients and partners.

GBI was established because the World Bank Group sees an opportunity to advance its mission of fighting poverty and improving people's lives by working more actively with GBOs. With an explicit social mission, these organizations are well aligned with the Bank Group's objectives – but are rarely reached by existing Bank Group programs. Nor are the sector's needs being adequately met by the relatively few other organizations working in this sphere.

Services

Business Level: GBI takes a 3-step approach to strengthening GBOs:

- 1) **Diagnosis.** A pragmatic diagnosis of the GBO's operations identifies obstacles to growth and opportunities for improvements. The diagnosis focuses on the GBO's priority needs and also looks for partners to assist in capacity building and funding.
- 2) **Agreed Action Plan.** An action plan is agreed with the leadership team of the GBO, detailing operating, financial and social performance targets and the key milestones needed to reach those targets.
- 3) **Assistance Package.** A combination of **technical assistance** and/or **'patient capital'** funding (e.g., long-term, low-interest loans) is implemented, with funding provided as and when milestones in the action plan are met. To the extent possible, this package is delivered through local TA providers and in conjunction with local staff, particularly IFC's Project Development Facilities and Private Enterprise Partnerships.

Catalytic Activities: The GBO pursues broader activities in order to maximize its catalytic impact on the GBO sector. These efforts are grounded in the experience gained from working at the business level, and can take several forms:

- **Replication and Scaling-Up:** Successful GBOs are encouraged to scale-up their activities as appropriate, and GBI promotes replications in other markets.
- **Intermediaries and Associations:** GBI supports intermediaries that reach multiple GBOs, including both financial (e.g., broadening the reach of micro-finance institutions) and non-financial (e.g., establishing export marketing centers for handicrafts) approaches. Local and international associations that assist GBOs (e.g., mentoring groups) are also encouraged.
- **Sharing of Experience:** As lessons are learned in working with GBOs, GBI shares this experience with its clients and partners, in order to disseminate good practice in this sector.

GBO Profile

Honey Care Africa

Honey Care Africa is a Kenyan SME established expressly to increase the income of rural farmers. To date, Honey Care has doubled the income of more than 2,500 small-scale farmers through its 'Money for Honey' program, which trains them in commercial beekeeping and then buys their honey at a guaranteed price. Honey Care then packages and sells the honey, which is of very high quality. Honey Care won a \$85,000 grant from the 2002 Development Marketplace, which it used to expand its network of beekeepers by 25%. **GBI is providing technical assistance and patient capital to Honey Care in order to further scale-up its Kenyan operations, to replicate its model in Tanzania (and potentially elsewhere), and to test out third-party financing for beehives.**

Value Added

The combination of IFC and the World Bank has much to offer GBOs that are looking to expand their impact.

IFC

- Commercial culture and in-depth business culture
- Global and local partnerships and contact business community

World Bank

- Credibility & convening power with governments and developing community
- Strong local presence and relationships

IFC and the World Bank

Experience in working with SMEs, financial and non-financial intermediaries, and technical assistance providers

This combination of experience and contacts brings both business discipline and development orientation to GBOs. In particular, the GBI often helps GBOs to move from a 'donor dependent' approach to a more commercial model of operations, a shift that carries with it a number of benefits:

Donor Dependency

- Rudimentary management practices
- Weak management information systems (MIS)
- Good projects stymied by slow fund-raising
- Anecdotal evidence of social impact

GBI ASSISTANCE

- Capacity building through training and mentoring
- Improved MIS and clear reporting on operating and financial performance
- Patient Capital
- Monitoring and evaluation of key social indicators

Benefits to GBOs

- Appropriate management practices
- Improved information to management and control of options
- Suitable capital structure and possible access to market funding
- Clear measurement of social impact for funders

Eligibility Criteria

GBI seeks activities that meet the following criteria, beginning with two core requirements:

- **Grassroots Benefits:** Generates substantial economic benefits at the grassroots level in a developing country, involving very poor and marginalized people as partners, suppliers, consumers and/or beneficiaries.
- **Business Opportunity:** Supports a business opportunity, defined as the sale of products or services. GBOs pursuing the business can be either for-profit or not-for-profit.

A potential GBI activity should also demonstrate:

- **Sustainability:** As measured across four criteria: financial viability, economic efficiency, environmental impact and social impact.
- **Broad and Catalytic Impact:** Through replication, scaling-up or working with intermediaries.
- **Demonstrated and Incremental Need:** GBI assistance should overcome specific obstacles or risks. Non grant mechanisms such as loans or guarantees are preferred to grants wherever appropriate.
- **Capacity for Growth:** GBO leadership team should be open-minded and interested to pursue new approaches.
- **Performance Based:** GBO should be, or want to become, driven by results, through the use of performance targets that allow for monitoring and evaluation of impacts.

In addition, GBI will give preference to activities that show:

- **Leverage** through funding from other sources.
- **Track Record** and are now looking to expand.
- **Partnerships** with external organizations.
- **Efficiency** through consistency with GBI's geographic and industry focal areas and **synergy** with other World Bank Group programs.

Further Information

For further information on the Grassroots Business Initiative, please visit our website, www.ifc.org/gbi, or contact us at:
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