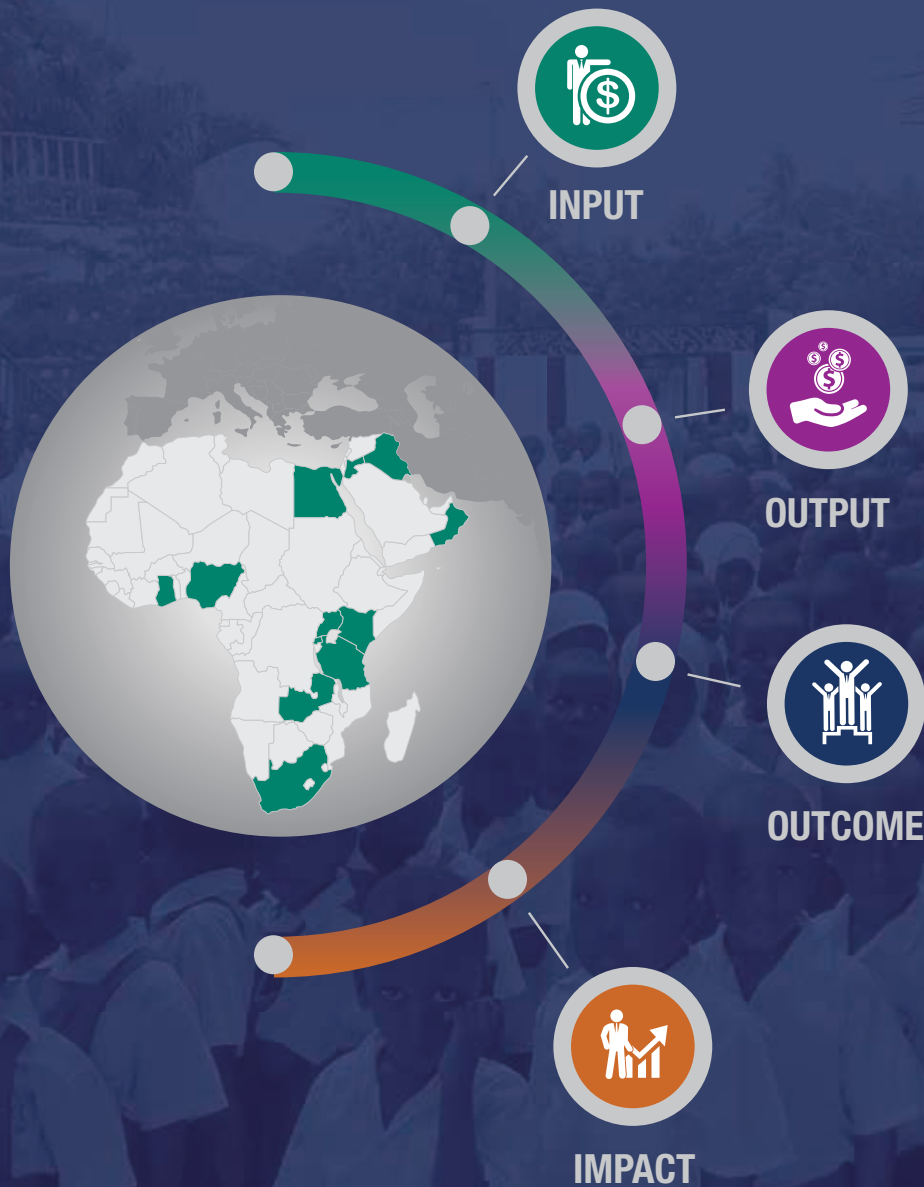


**GroFin**  
Support beyond finance



# 2015

Impact Report

Acronyms

- BoP – Base-of-the-Pyramid (referring to the 4 billion low income people living on less than US\$ 3 per day)
- DFI – Development Finance Institutions
- ESG – Environmental Social and Governance
- IFI – International Finance Institutions
- IRR – Internal Rate of Return
- PA – Per Annum
- SGBs – Small and Growing Businesses
- SMEs – Small and Medium-Sized Enterprises

In 2015 GroFin updated its Group Impact Strategy, after identifying the need to consolidate impact objectives and metrics to better align with the core mission-focus of the organisation and to stay abreast with best practice developments in the sector. In doing so, GroFin was guided in particular by:

- ➡ The IFIs Harmonized Development Results Indicators for Private Sector Investment Operations MoU, signed in 2013 by 25 global IFIs, many of whom are GroFin Investment Partners
- ➡ Measuring Impact and the Guidelines for Good Impact Practice as developed by the Impact Measurement Working Group of the Social Impact Investment Taskforce established by the UK’s presidency of the G8 in September 2014
- ➡ The Global Impact Investing Network’s (GIIN) Impact Reporting and Investment Standards (IRIS) (V 3.0, 2015)

Contents

The GroFin 2015 Impact Report summarises our performance (as at the end of this year) towards meeting the **Five Strategic Impact Objectives** that define our mandate as a development impact financier.

The objectives are iterative and build towards our ultimate goal – to develop and grow viable SGBs at scale such that they have the capacity to contribute meaningfully to the sustainable development of their local economies.

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Supporting SGBs as Impact Vehicles

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Supporting Local Socio-Economic Development

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Establishing GroFin as Sustainable SGB Impact Delivery Model

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Targeting Employment as a Key Impact Driver

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De-Risking the Sector

# GroFin Impact Value Chain at a Glance ...

## Input & Activity

**1** Integrated Solution  
(Finance + Business Support)

**US\$ 500M**  
Raised Funding

**32** Investors/ Funders

**10** SGB Funds Established

**135** Employees **14** Offices

## Output

**13** Countries  
Largest SGB platform

**US\$ 260M**  
Approved SGB Investment

**825** Transactions **508** SGBs

**US\$ 330,000**  
Average Transaction

**81** Start-ups Established **16%** of Investments

**78%** Finance towards Growth and Expansion

## Outcome & Impact

### Employment

**62,450**  
Total Jobs Sustained

**21,350** **34%**  
Total Female Jobs Sustained

**62%** Low/Semi-skilled Jobs Sustained

**12,000** **20%**  
Jobs Created Increase in Jobs After GroFin Investment

### Portfolio Performance

**81%**  
SGB Success Rate

**14-19%**  
Gross Portfolio Returns (Local Currency)

### Investee Performance

Investee Value Added per Job  
**5x** Times Higher than Country Averages

**56%** GroFin Investees Provide Vital Services at BoP

### Economy & Society

**7,000+**  
Entrepreneurs Received Business Support

**1.5M+**  
BoP Customers Served PA

**312,270**  
Total Family Members Impacted by Investees PA

**US\$ 469M**  
Total Economic Value Added by Investees PA



# About GroFin

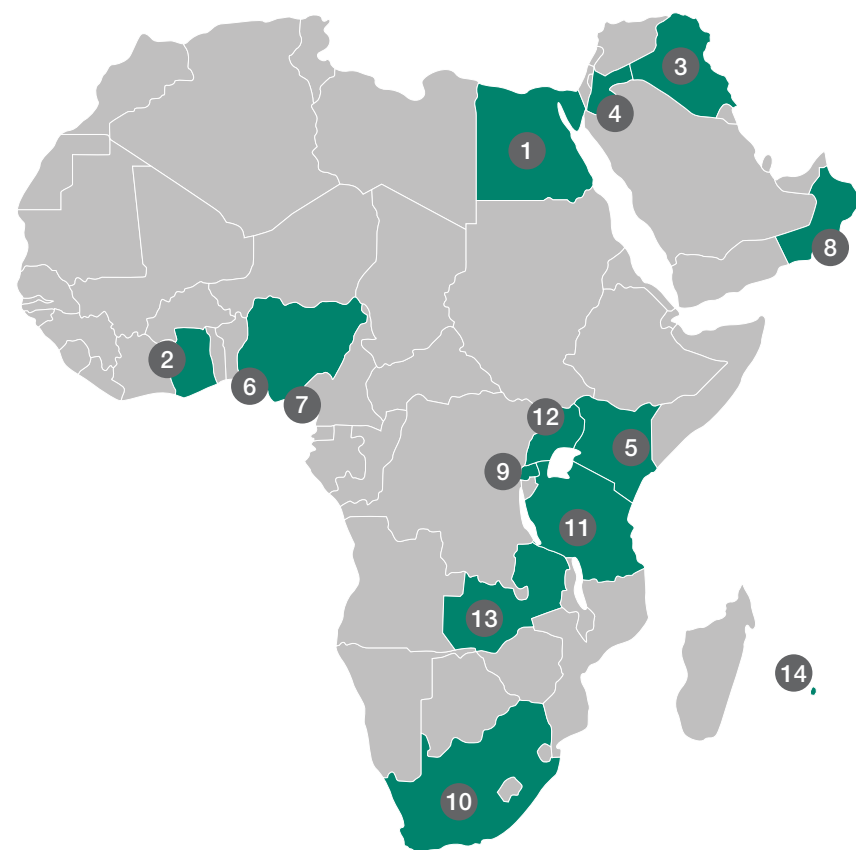
GroFin is a pioneering development financier specialising in financing and supporting small and growing businesses (SGBs) across Africa and the Middle East. We combine patient capital and specialised business support to grow emerging market enterprises. By generating employment, strengthening value chains and building markets, our investments bring about inclusive growth and improved living conditions in low and middle income countries.

GroFin was established in 2004, from the RAPS group of companies that had been investing in SMEs since 1999. We believe in a 'support beyond finance' approach where we use our wealth of business knowledge and strategic finance to help our clients achieve their visions. From the outset, we focused not only on providing finance to help small and growing businesses to develop, but also providing integrated business support to entrepreneurs who find it difficult to get the support they need.

Our objective is to achieve verifiable socio-economic impact based on real outcomes. This includes creating jobs by providing appropriate

finance and business support using our in-depth knowledge of the challenges faced by these types of businesses. We make strategic investments and form partnerships that encourage growth and improve living conditions in low- and middle-income countries. By applying commercial principles we have proved that our approach provides a sustainable solution. To date, we have helped sustain over 62,450 jobs within the 13 countries in Africa and the Middle East in which we operate.

GroFin manages ten funds and programs on behalf of more than 30 international development finance institutions, development organisations, foundations, large companies and private funders with raised funding of more than US\$ 500M. We have 14 offices staffed with 135 employees from 19 different nationalities.



## Where we are

- 1 Egypt
- 2 Ghana
- 3 Iraq
- 4 Jordan
- 5 Kenya
- 6 Nigeria | Lagos
- 7 Nigeria | Port Harcourt
- 8 Oman
- 9 Rwanda
- 10 South Africa
- 11 Tanzania
- 12 Uganda
- 13 Zambia
- 14 Mauritius (Head Office)

# 2015 Highlights

## GroFin SGB Fund Launched

- Open ended, Pan-African unlimited life fund
- 2015 Capital commitments – US\$ 100M. Expected to grow to US\$ 150M in two years, making it one of the largest funds specifically targeting SGBs in Africa
- Five-year Impact Targets: 450 SGBs invested in, supporting 14,000 direct jobs (56,000 total jobs), 40% female employment, 20% start-ups, 25% female ownership



KfW Development Bank Director Dr Klaus Müller (Left) and GroFin CEO Jurie Willemse (Right) sign an agreement to mark the official launch of the SGB Fund in Africa at Kampala Serena Hotel on 23 September 2015. Standing (left to right) are Walter Ogwal (GroFin East Africa Regional Investment Director), Dr Günter Nooke (the German Chancellor's personal Representative for Africa) and Dr Peter Blomeyer (the German Ambassador to the Republic of Uganda).

## Nomou IRAQ Fund Launched

- Fund size – US\$ 32M
- Annual Targets:  
35+ SGBs supported  
300+ jobs sustained  
25% female led enterprises



## Aspire NIGERIA Fund Selected

In 2015, GroFin was selected as one the few SME firms in Nigeria that can access the Growth and Empowerment (GEM) Equity Window sponsored by the World Bank to promote the development of SMEs in Nigeria.



# CEO Message



L to R: GroFin CEO Jurie Willemse with Jordanian entrepreneur Walid Al-Tarifi of Al-Mostaqilla and GroFin Jordan Investment Manager Nour Abzakh

It is my privilege to share with you the GroFin 2015 Impact Report. We have come a long way from an ambitious idea to a mature scaleable, replicable and sustainable business model to serve the needs of start-up and growing businesses at the base of the SME pyramid.

Being mission driven, our relentless pursuit of continuous improvement is as strong as ever. In 2015, GroFin went through the process of refining its strategic impact objectives to clearly define and communicate, both internally and to our valued partners, what our focus is as an established impact investor.

The first strategic objective is to continue to develop GroFin as a sustainable delivery model. Here we made significant progress in 2015 as we ramped up efforts to replicate our model into countries where our partners are keen to make an impact. At GroFin, we hire mission-aligned people, build their capacity and put in place structure and systems to facilitate their delivery of desired outcome and impact.

Effectively supporting SGBs is a core competency of GroFin and is our second strategic objective. With growing results over the past decade, we are as motivated now as on day one to continue building our ability to develop sustainable businesses. Growing and strengthening our business support capability remains a major focus area for GroFin going into 2016.

The GroFin model of applying appropriate patient capital alongside intelligent business support has been well established as a sustainable way of creating and supporting employment, which in turn is a key driver of socio-economic impact. So our third strategic objective – to target employment, particularly of women and unskilled/semi-skilled workers – received particular attention during the year. As a result, we saw more deals in sectors that deliver in this regard (e.g. education, healthcare, agri-processing and manufacturing). Going forward, we will further strengthen capability to effectively fund and support quality entrepreneurs in these high impact sectors.

“With the committed, high quality GroFin people and stakeholders that we have on board, we will continue to make a valuable, sustainable and positive impact on the countries we operate in.”

The fourth objective relates to how thriving, sustainable SGBs and their jobs impact and uplift the societies they operate in. This year we put effort into better understanding the full extent of the broader impact our activities are generating. We tasked a leading socio-economic modelling firm to develop a practical yet rigorous/defendable, best practice input-output model for estimating socio-economic value add across the regions in which we operate. We are pleased to present the first years’ results in terms of these new metrics.

Investing in SGBs will always be risky, and traditionally the failure rates are high. This is why the fifth and final strategic objective for GroFin is to continue to “de-risk the sector”. GroFin’s experience is that small businesses that are properly formalised are more likely to succeed which is why we have always placed so much emphasis on this in terms of our business support offering. This year a major project in this area involved stepping up our environmental, social and governance (ESG) risk and opportunity integration throughout our end-to-end investment process.

As we better manage these operational risks, we are also well aware of the broader market challenges we face. The global socio-economic, financial market, security and environmental pressures that concern us all are very much in play in the African and Middle East countries where we have a presence. However, I am confident that with the committed, high quality GroFin people and stakeholders that we have on board, we will continue to make a valuable, sustainable and positive impact on the countries we operate in.

I would like to take this opportunity to thank the many GroFin friends for their continued support.

*Jurie Willemse*

# Investors & Business Support Funders

## KfW

Entrepreneurs are the driving force behind economic growth and innovation. German “Mittelstand” companies – SMEs – are a leading example. Supporting small and growing businesses at home and abroad is therefore a key priority for KfW. We are thus very pleased to partner with the leading African and Middle East specialist SME developer GroFin.



Reaching out to the missing middle in a scalable way is a huge challenge and we are impressed by GroFin’s commitment to this difficult market segment as well as its ability to innovate a fund structure aligned with the reality of those businesses.



GroFin works closely with a growing community of investment and business support partners to deliver on our shared goal - that of enabling entrepreneurs to create successful small businesses capable of sustaining employment and contributing to broader socio-economic impact.

## Norfund

GroFin contributes to the growth of small businesses in developing countries in ways that are both competitive and sustainable. The purpose of Norfund – the Norwegian Investment Fund for Developing Countries – is to combat poverty through private sector development, and having professional partners such as GroFin is of critical importance to achieve this goal.



We have worked in partnership with GroFin over the last decade to help build a scalable and sustainable model for supporting the growth of SMEs in emerging markets. GroFin has developed a unique approach to this difficult challenge, and has demonstrated a viable solution for delivering not only jobs but also large scale socio-economic and environmental impact.



# Hatlab Ice Cream – Nigeria

## Background of the entrepreneur and the business

Leaving a secure job in the financial services sector was not an easy decision to take, but Latifat Balogun’s passion for the elusive art of ice cream making propelled her to finally take the plunge.

Building a robust foundation for her chosen calling, Latifat joined an ice cream making, display and delivery programme at the Gelato University in Italy. When she came back to Abuja in 2003, it was to set up her own ice-cream business, Hatlab Ice Cream.

Over eight years, Hatlab expanded its presence to a total of three full-fledged stores and increased its offerings to include various flavours of ice creams to meet the demands of a fast growing and increasingly discerning clientele. In 2010, Latifat was ready to take her business to the next level but needed a committed financing partner to support her efforts.

“When I approached GroFin for finance and business support, I found all I needed under one roof.”

Latifat Balogun



Nigerian entrepreneur Latifat Balogun (left) and employee (centre) with Gelato University instructor (right) at a training course convened with GroFin’s support.

## GroFin’s intervention

“I wanted long-term funds and expert advice to refurbish my flagship outlet, relocate an existing branch to a new location, and buy more equipment and vehicles. When I approached GroFin, I found all I needed under one roof,” says Latifat.

GroFin granted risk finance of US\$ 146,000 over five years for Hatlab’s expansion, showing complete faith in Latifat’s ambitious plans for a business makeover. The funding helped complete the new head office building, open another outlet, and purchase new equipment. The most popular outlet was also transformed to boost product sales on the move, with the acquisition of a vending vehicle.

On the business support front, GroFin advised the client on marketing – including branding, sales and stores layout – as well as financial management – including quality control and financial records. GroFin also played a facilitating role at a company retreat to brainstorm business process improvements.

Additionally, GroFin assisted at a week-long skills acquisition program organised by the company in partnership with Gelato University for over 20 upcoming entrepreneurs.

Since GroFin’s investment and involvement in the business, the number of sales outlets has increased from three to six, with the sixth location in Ilorin becoming operational as recently as the second half of 2015. Moreover, the business has achieved centralised production with increased product varieties, leading to a reduction in the production cost, 15% growth in sales, and a measurable increase in customer satisfaction. Also, employment opportunities have multiplied with the store expansion as staff has grown from 30 to 40 full time employees, of which 42% are low skilled/semi-skilled.

With improved branding and quality control, the business gained international recognition as recipient of the International Star for Leadership in Quality Award in the Gold Category at the 2014 BID Quality Convention in Paris.

## Business Support Provided:

- Improvements to branding, mobile sales, and store layout
- Better quality control and increased reliability of records
- Better sales forecasting
- Training staff on business process improvement



Sector

Food and Beverages



160

Total Jobs Sustained



US\$ 146,000

Amount Invested

“It is a great source of satisfaction to see our efforts and support translate into success for the business and happiness for the entrepreneur,” says **Tunde Lawal**, Investment Executive at GroFin Lagos.





# 1 Establishing GroFin as a Sustainable SGB Impact Delivery Model

GroFin manages ten funds and programs on behalf of more than 30 international development finance institutions, development organisations, foundations, large companies and private funders with raised funding of more than US\$ 500M. GroFin's key objective is to develop and maintain an effective delivery model able to deliver targeted, blended returns (financial and impact) to our investors, development and strategic partners, and shareholders.

## Organisational Delivery Model

The first aspect of GroFin's delivery model is to refine an effective organisational structure able to execute development impact and financial return mandates. To this end, GroFin has established 13 in-country offices (staffed by teams of investment and business support professionals) backed by cost-efficient centralised group support functions. This structure is now well positioned for prudent growth into other countries where GroFin's investment partners are keen to achieve similar impact results being realised by the current GroFin platform.

"As GroFin rolls out an ambitious expansion plan, the ability to effectively manage risk and institutionalise good governance is critical for our success".

*Carlo Casaleggio, Chief Operations Officer*

## Funds Model

As a maturing impact fund manager, GroFin has funds in various stages of maturity and development. Two funds have been successfully exited and one is fully invested and is being harvested (the US\$ 170M GroFin Africa Fund). The remaining funds are in active growth phase and consist of four unlimited life funds and three limited life (10-year) funds.

2015 saw the official launch of the US\$ 150M GroFin SGB Fund – an unlimited life African investment fund focused on SGBs that are grossly underserved by other financiers. This Mauritius Limited Partnership vehicle has a tiered capital structure with different risk/return levels and maturities.

"The SGB Fund builds on GroFin's fund management expertise, bringing to market a public private partnership - combining the expertise of a range of investors, development funders and an experienced fund manager for a sustainable SGB support model that can grow and scale".

*William Morkel, Chief Financial Officer*



Wemi Jones Ojo | Dates & Events Centre Ltd | Nigeria



Katon Enterprise Ltd | Uganda

## Who we invest in

- ➔ COMMITTED ENTREPRENEURS with proven track records
- ➔ Well positioned for growth
- ➔ High impact potential
- ➔ Receptive to GroFin business support

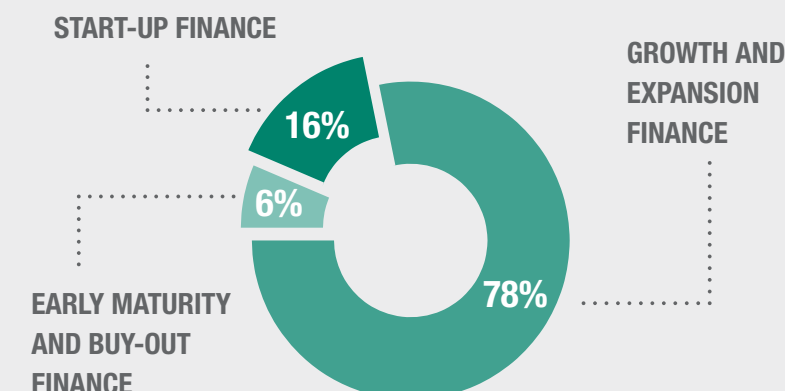
## How we invest

Finance of US\$ 100,000 - US\$ 1.5M

- ➔ PATIENT RISK FINANCE (3-8 year term)
- ➔ Structured in accordance with cash flow
- ➔ Ongoing integrated business support
- ➔ Close monitoring and review

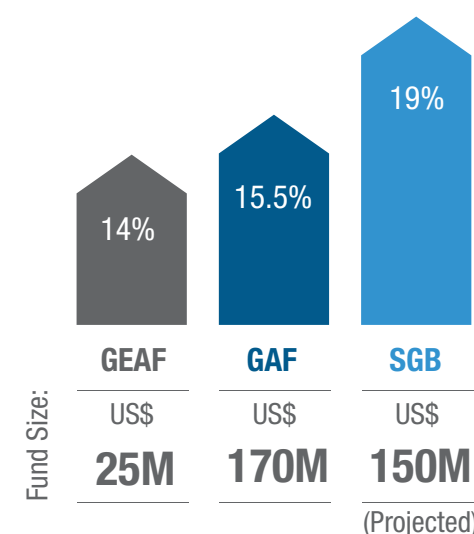
## What we invest in

Almost 80% of our finance goes to fund GROWTH and EXPANSION OF SGBs



## Gross IRR by Fund

Local Currency Unweighted



  
32  
Investors/Funders

  
825  
SGB Transactions

  
US\$ 500M  
Raised Funding

  
10  
SGB Funds  
Established



# Our People

GroFin's dynamic approach to business is reflected in a passionate and challenging culture that celebrates innovation and entrepreneurship. Our people are central to our success, and each staff member's individual strengths are leveraged to consistently grow and develop alongside our pioneering organisation. As a leading company, we appreciate outstanding performance, and we award and recognise star achievers accordingly.

## Passionate

At GroFin, we are passionate about what we do. This passion extends from our personal satisfaction in the work we do, to the satisfaction we get from contributing to the SME sector and growth of emerging economies.

## Innovation and entrepreneurship

Our staff have a solid understanding of business principles and a keen eye for a viable business. Like the entrepreneurs we support, they are creative and think outside the box, coming up with new solutions to old problems.

## Consistently grow and develop

GroFin is not a static business. We are constantly growing and challenging our staff to grow with the organisation.

## A leading company

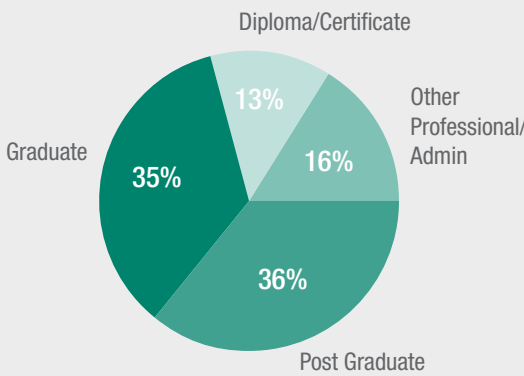
Our business model of offering a combination of finance and support to SMEs was one of the first to market. We innovate the SME support space with our ideas and solutions.

## Award and recognise

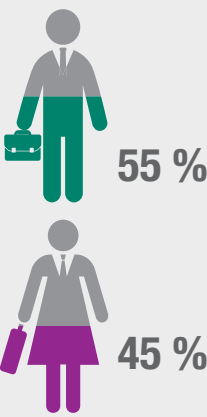
Excellence is important to us. As our staff are central to our success, we recognise and award star achievers.

We employ a diverse workforce of **135 employees** originating from **19 countries** based in **14 offices**

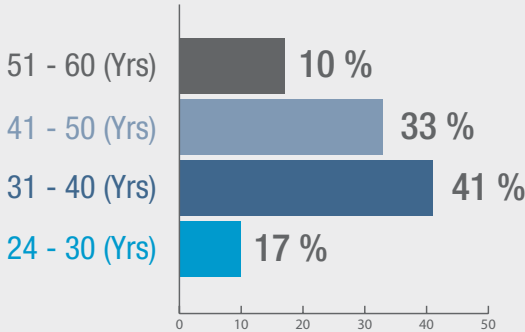
Staff Education and Skill Level



Staff Gender Distribution



Staff Age Distribution

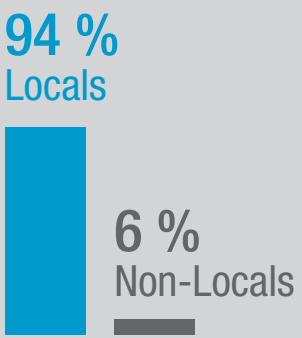


GroFin staff members at the head office in Mauritius

## At GroFin, we commit to deliver to our employees:

- ➔ **Training and development:** We invest in people through outstanding training programs
- ➔ **Reward and recognition:** We reward and recognise performance
- ➔ **Opportunity:** We provide opportunities to grow
- ➔ **Impact:** We give employees the chance to make a difference
- ➔ **Organisational culture:** Our organisational culture is built around strong values and principled leadership
- ➔ **Leading company:** We strive to be the leading SME financier

GroFin In-country Hiring Policy



## ESG Integration Training

“In 2015, GroFin revised and strengthened the integration of Environmental Social and Governance (ESG) risks and opportunities into its end-to-end investment process. A comprehensive proprietary ESG Guidebook, covering the new ESG screening methodology alongside a suite of client tools and templates, was developed.

Professional in-house training is being rolled out for all investment managers on the practical application of the new methodology and tools. In 2015 approximately 60% of the 60-strong investment team received this business support training and all investment managers will be trained by mid-2016.”

*Priscilla Mulliah-Mutty, Chief Human Resources Officer*





Iraqi entrepreneur Mohamed Al Jabery against a backdrop of workers assembling water heaters in his Basra-based factory.



“The business supports 10 existing direct jobs, and will create many more, mostly for semi-skilled workers,” says **Hayder Adnan**, Investment Manager at GroFin Iraq.

## Business Support Provided:

- Formalised the business into a company
- Implemented effective monthly management accounting
- Connected the entrepreneur with Shell Iraq as a registered vendor



**Sector**  
Manufacturing



**76**  
Total Jobs Sustained



**US\$ 139,725**  
Amount Invested

# Al Jabery Heaters – Iraq

## Background of the entrepreneur and the business

Founded in 1970 by Mohamed Al Jabery's father to produce gas water heaters, Al Jabery is now a household name in Iraq. In 1976, the business was the first to introduce electric water heaters. Moreover, these are designed to work on both stable and sporadic electricity, a vital requirement for the Basra market where power cuts remain an issue.

The business is spearheaded by Mohamed, who has been steeped in the business since he was seven years old. As a mature, household name that supports local manufacturing and job creation, Al Jabery commands great respect in the community. And, over the years,

the business has stayed relevant by bringing to market several innovations, including the introduction of solar water heaters, which have kept it at the forefront of consumer preference.

However, given the seasonal nature of the product, with winter (Sep-Mar) being peak season, Mohamed felt the need for working capital finance to fund the operating cycle during the low season.

“Without GroFin's support, my business would have stayed small, and I would not have been able to realise my dreams, or help others realise theirs.” **Mohamed Al Jabery**

## GroFin's intervention

GroFin Iraq partnered with Mohamed, providing funding that is expected to stabilise the production of electric water heaters and free the business to deepen its foray into innovative and environment-friendly products such as solar water heaters. Besides, GroFin helped with the formalisation of the business into a company (Iraq Engineering Co), preparation and review of monthly management accounts, and connected the entrepreneur with Shell Iraq to register as a potential vendor.

“The business supports 10 existing direct jobs, and will create many more, mostly for semi-skilled workers, who will be trained on the prized skill of welding to improve their employability and allow them to earn a better livelihood than they could have otherwise dreamed of,” says Hayder Adnan, Investment Manager at GroFin Iraq.

“Without GroFin's support, my business would have stayed small, and I would not have been able to realise my dreams, or help others realise theirs,” says Mohamed.



## 2 | Supporting SGBs as Impact Vehicles

*It is widely quoted that access to funding is a major obstacle for small businesses. However, at GroFin we believe that the challenge is actually more about access to, and application of, appropriate finance, combined with the need for effective business support. This philosophy frames our end-to-end business support strategy.*

### Pre-Finance Business Support

Pre-finance business support at GroFin focuses on two inter-related areas – developing investment ready SGBs and providing access to appropriate finance. So, as we screen and evaluate businesses from an investment risk and portfolio impact-fit perspective, we are also delivering business support in these areas. GroFin's business viability report, that is given to all prospective clients, is in essence a pre-business plan "as is" assessment.

### Post-Finance Business Support

Post-finance business support is structured around clients' business plans and the associated GroFin business support plans – that focus particular attention on areas of risk/weakness and growth

potential. We place a strong emphasis on business formalisation (i.e. putting best-practice formal structures, processes and management systems in place). This is backed by GroFin's made-to fit business tools, templates and guides that are introduced to clients. Business support success is, however, very much related to maintaining strong professional support relationships with clients – and this is where our team of in-country investment managers plays such an important role – providing an integrated, ongoing technical assistance solution.

### Viable Businesses = Sustainable Impact

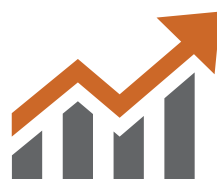
The net result of pre-finance business support, application of appropriate, tailored finance, and post-finance business support is that GroFin clients have a greater likelihood of remaining viable. Practically what this means is improved ability to survive cash-flow crises, improved ability to grow sustainable profits, ability to grow market share and enter new markets, intelligence to diversify products and services, and an enhanced ability to develop into aspirational brands. Strong, viable SGBs that have the ability to deliver lasting socio-economic impact.



**508**  
SGBs Invested in

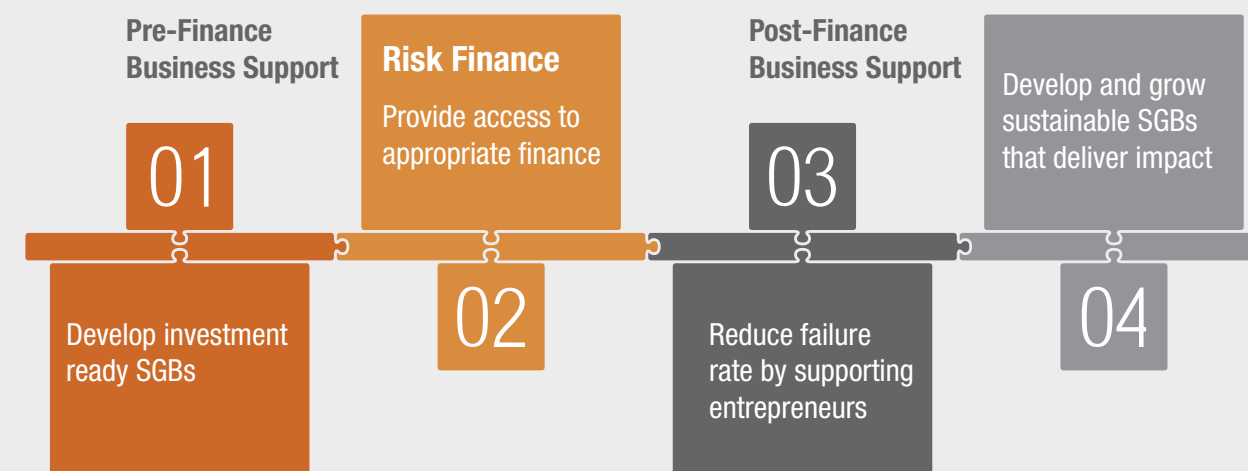


**7,000+**  
Entrepreneurs Received  
Business Support  
(Pre- and Post-Finance)



**81%**  
SGB Success Rate  
(Viable Portfolio plus  
Successful Exits)

## An End-to-End Business Support Strategy



*L to R: GroFin Uganda Investment Executive Arigye Munyangabo in discussion with Ugandan entrepreneur Luzinda Abuhbaker of Bestevel Paper Industries*

### Growing the Impact of GroFin's Business Support

*In 2016, GroFin will further improve its business support value add by:*

- ➔ Further developing internal capability to deliver quality business support (training, specialist appointments)
- ➔ Developing more tangible business support deliverables to SGB clients (made-to-fit best practice tools, templates and guides)
- ➔ Strengthening and leveraging external technical assistance partnerships
- ➔ Refining our measurement and reporting of business support as an impact metric





# High Impact Sector EDUCATION



28  
Transactions

6%  
of Current Portfolio - **TARGET 15%**



High Transaction  
Success

90% Clients performing  
3 Successful exits

5,352  
Total Jobs Supported



56% Female Employment



38%  
Growth in  
employment



306,836  
Number of learners served

→ 12,836 Direct (Scholars/Students)

→ 294,000 Indirect (Educational Publishers/Service Providers)



# 3 Targeting Employment as a Key Impact Driver

By supporting viable, sustainable SGBs, GroFin contributes materially to inclusive growth in the developing world economies we operate in.

One of the key metrics in this regard is jobs created and jobs sustained (i.e. supported). Creating and supporting employment, particularly of women and low/semi-skilled employees, is therefore a core impact objective for GroFin – and is tracked and reported diligently to investors. Likewise, the business support we deliver to clients is aimed at assisting them to retain quality employees as their businesses grow.

## Employment where it is needed

Although Grofin has always targeted investees involved in the provision of vital needs, we have been fairly sector agnostic in doing so (as can be seen by the bar

“Going forward, GroFin is looking to focus on vital needs sectors where market-supported entrepreneurial activity is particularly strong and where deals best meet our funds’ impact and risk criteria. In this regard, we are growing our Healthcare, Education, Agri-Processing, Manufacturing, and Water, Energy & Waste Services portfolios.”

*Guido Boysen, Chief Investment Officer*



62,450

Total Jobs Sustained



12,000

Total Jobs Created



20%

Average increase in jobs after GroFin Investment



21,350

Total Female Jobs

34%

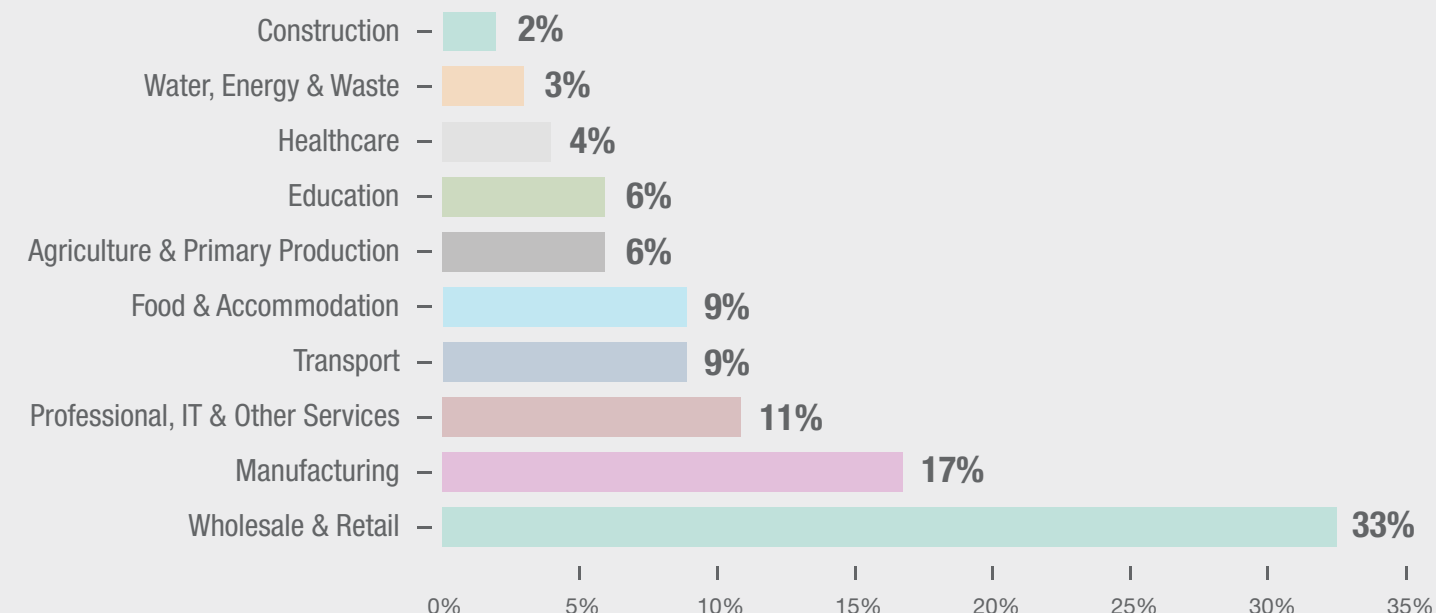


62%

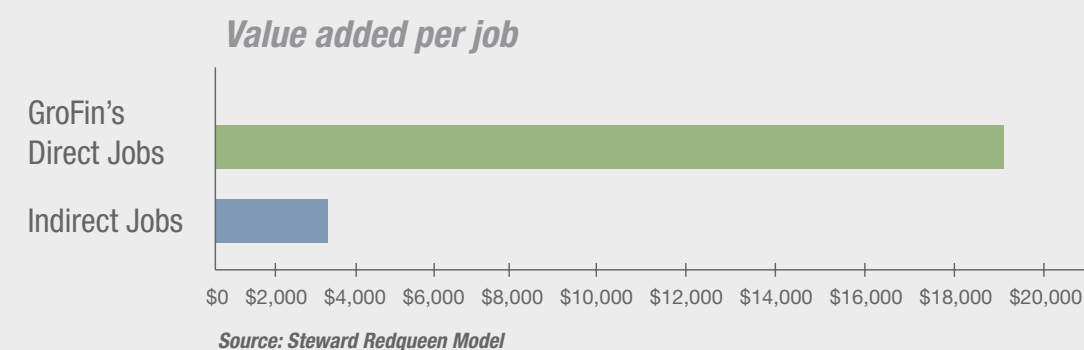
Low/Semi-Skilled Employment

## Where we create and sustain jobs

GroFin deals (total:825) per sector



## Labour productivity at GroFin’s portfolio companies is much higher than average (across countries we operate in)





# Daystar School – Tanzania

## Background of the entrepreneur and the business

A focus on quality education in her community is what drew Lilian Butesi Muhandiki to quit her secure job and start teaching students. Starting with private tuitions for five nursery students at her home, word-of-mouth saw the number of students shoot up to 25. It was then that Lilian decided to rent a room for her teaching project, and reach out to more students in need of quality education.

Today, Lilian has managed to grow her teaching project to a fully fledged school of over 500 pupils at nursery and primary levels and owns a school building where, so far, she has managed to construct four blocks accommodating 17 classrooms. Of the 516 students at the school, there are 25 orphans.

Lilian shows a keen focus on maintaining the quality of education and only employs highly qualified teachers and support staff. The impressive academic performance of the school is attributed to the exceptional quality of the 22 teachers, counting 4 Degree holders, 16 Diploma holders, and 2 Certificate holders. The ratio of teachers to pupils is presently 1:30 which is better than the Ministry of Education’s requirement of a maximum of 1:45. Lilian’s dedication has seen Daystar Pre and Primary School reach the 6th rank in its district.

“GroFin accompanied me in my growth and took my business to a higher level.” Lilian Butesi Muhandiki



Tanzanian entrepreneur Liliane Muhandiki (second left), members of the school staff and GroFin’s Lugano Fungo (far right).

## GroFin’s intervention

GroFin believes in Lilian and her dream and initially partnered with her in 2014 to improve the infrastructure to support the 500+ students at the existing premises. Since then, GroFin has continued hand-in-hand with Daystar, supporting their additional funding requirement to build another school with 14 classrooms which shall enlighten an additional 630 young minds.

“We provided Lilian with a structured financial package to allow for the new school building to be operational, and avoid imposing a stretch on Daystar’s cash flows,” says Wandiba Kasinge, Senior Investment Manager at GroFin Tanzania.

Business support was also provided in terms of formulating detailed succession plans with proper delegation of power in running the day-to-day activities of the school. Finally, sound financial management system and controls have been put in place at the existing school and

the same will be replicated for the school expansion project.

GroFin’s cumulative investment of US\$ 829,652 and accompanying growth support has helped Lilian fulfil her dream of transforming the lives of future generations of Tanzanians.

“GroFin is different. They accompany you in your growth, help you do your business better, and take you to a higher level altogether. I trust GroFin to help me realise my dream of becoming one of the best providers of primary education services in the country,” says Lilian.

## Impact

- 516 students including 25 orphans
- 630 additional students to enrol in new school
- 15 new direct jobs to be created, apart from maintaining 36 direct jobs



Female Entrepreneur



Sector Education



204 Total Jobs Sustained



US\$ 829,652 Amount Invested

“We provided Lilian with a structured financial package to allow for the new school building to be operational, and avoid imposing a stretch on Daystar’s cash flows,” says Wandiba Kasinge, Senior Investment Manager at GroFin Tanzania.





# 4 Supporting Local Socio-Economic Development

Expanding local and national economic development, improving local supply chains, growing local markets and helping meet the basic needs of the critical mass, especially at the base of the pyramid – through the financing and development of SGBs.

## Inclusive Growth

GroFin's impact thesis centres on the argument that small and medium enterprises are under-exploited engines of growth in emerging markets. Above all, the SGBs at the base of the SME pyramid have tremendous potential to grow economies and benefit the most vulnerable populations. Compared to microenterprises, they tend to create

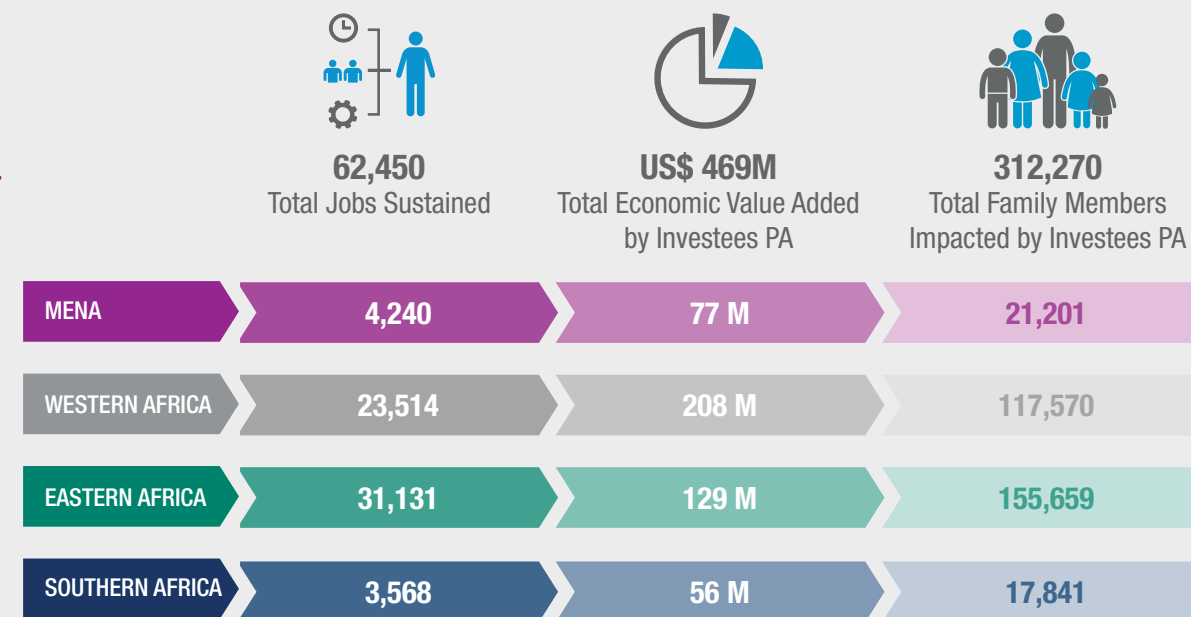
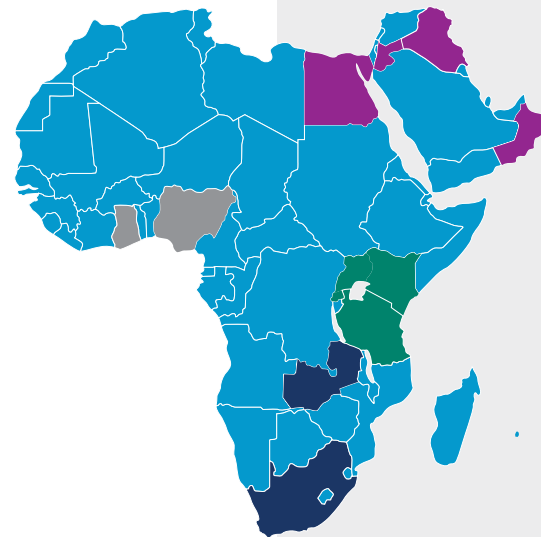
more and better paying formal-sector jobs with greater continuity and benefits. And, compared to medium and large companies, they are the principal business segment providing goods and linking low-income populations to markets in emerging economies.

## Improved Quality of Life

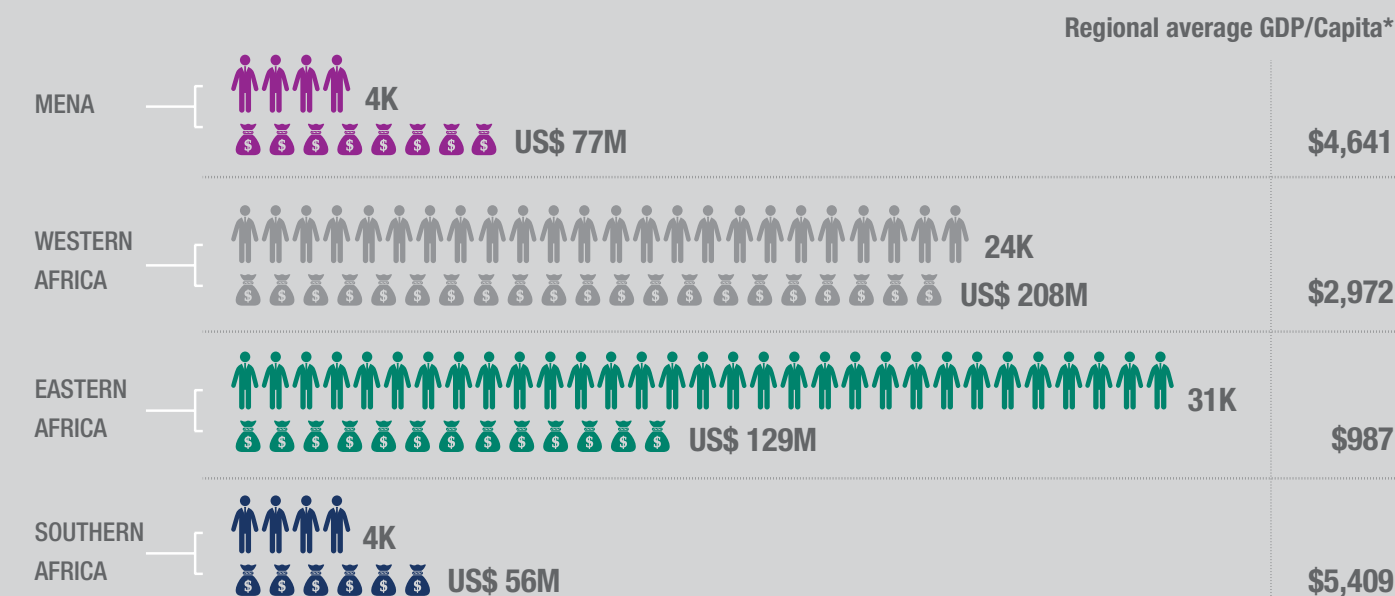
Through provision of goods, services, jobs and markets to a broad base, SGBs help create a stable middle class and a distributive economic structure. GroFin believes that by serving this higher risk segment, it can catalyse a ripple effect that advances broad-based economic growth and improved quality of life, as shown below.



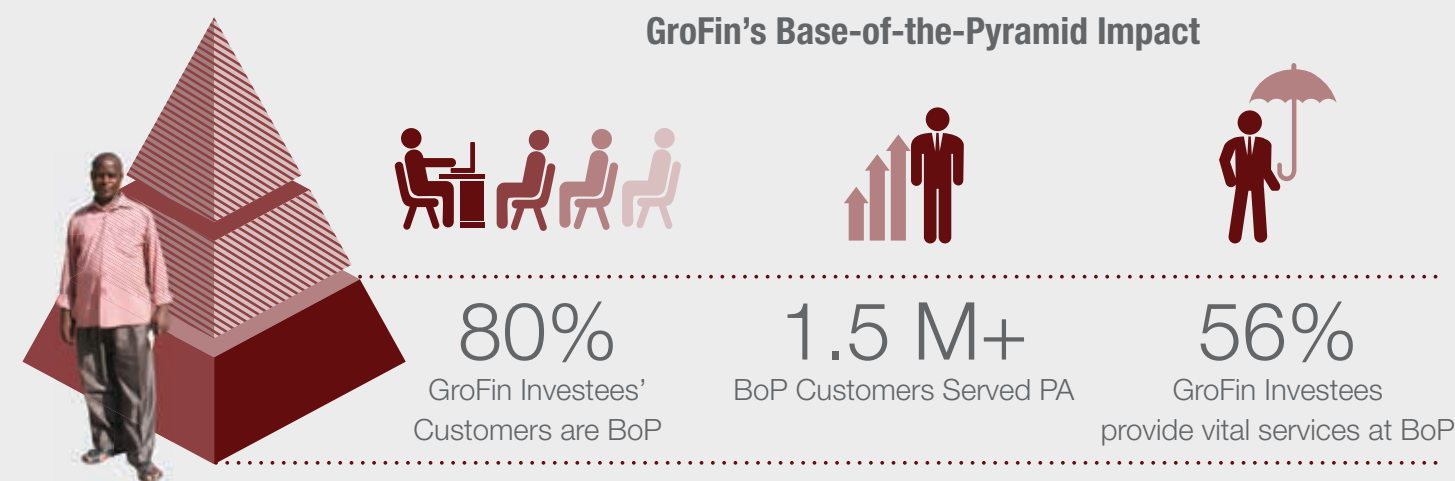
Wansta Flour Millers | Kenya



Most jobs and value add supported by GroFin are in the least developed regions we operate in:



\* World Bank Development Indicators 2014





# M.Line Fuel Services – Rwanda

## Background of the entrepreneur and the business

Warm, hospitable and ever-smiling, 38-year old Mukaremera Francine can easily be mistaken for a typical woman next door. But for those who know her, Francine is a woman of power, fuelled by her passion for the oil business and dreams of seeing her M.Line fuel service stations flourish across Rwanda.

Since 2008, Francine has demonstrated her ability to successfully manage a business with a sole proprietorship that was later formalised into her own company, M.Line in 2011.

With her overall entrepreneurial experience of 16 years, Francine is currently running four service stations and managing four fuel trucks under the M.Line brand. Initiatives like Francine's are a significant contribution to the national economy as economic opportunities are increasingly related to the mobility of people, goods and information, making fuel an important link in the development chain. However, Francine needed financial and growth support to power her dreams of setting up M.Line service stations across Rwanda.

“I expect to double my market share within just a year with GroFin’s support.”  
Mukaremera Francine

## GroFin's intervention

It was here that GroFin stepped in with risk finance of US\$ 1.5M to support Francine set up two service stations over a three-year period.

“Dealing with GroFin is a refreshing change from traditional banks. The team helped me work around collateral constraints based on my experience and the feasibility of my expansion plan,” says Francine.

In addition to long-term finance, GroFin also provided much-needed business support to the growing enterprise, particularly in developing and implementing a ‘Convenience Stores’ concept as an integral strategy to further diversify revenues.

“We helped Francine review her business plan, formulate an emergency preparedness and response plan, elaborate policies

related to health & safety in the organisation, and analyse existing operations where we assisted her in streamlining M.Line’s collections policy,” says Jean Habarurema, Investment Manager at GroFin Rwanda.

Moreover, the employment impact of this investment is high. GroFin’s financial and business support will help maintain 33 direct jobs and create 13 more in the first year of financing, with 90% of jobs earmarked for low-skilled workers and 36% to be created for women.

“I expect to double my market share within just a year with GroFin’s support. In a short time, GroFin has brought me so much closer to achieving my dreams than I had imagined possible,” concludes Francine.



Rwandan entrepreneur Mukaremera Francine (centre) with GroFin Investment Managers Jean Habarurema (left) and Teddy Ndayambaje (right).

## Impact

- Female entrepreneur
- 13 Direct jobs created, with 90% earmarked for low-skilled workers and 36% for women
- Critical sector assisting mobility of people and goods, with wide-reaching BoP impact



Female Entrepreneur



Sector  
Transport Storage  
and Communications



184  
Total Jobs Sustained



US\$ 1.5M  
Amount Invested

“We helped Francine review her business plans, formulate an emergency preparedness and response plan, elaborate policies related to Health & Safety in the organisation, and analyse existing operations to streamline M.Line’s collections policy,” says Jean Habarurema, Investment Manager at GroFin Rwanda.





# 5 | De-Risking the Sector

Apart from rigorous pre-investment risk screening (entrepreneur assessment and business viability assessment) of SGB investments, GroFin prides itself on its ability to de-risk SGBs post-investment.

## Business Formalisation

From 10+ years' experience investing in and supporting SGBs, GroFin has learned that there is a direct positive correlation between sustainable business viability and business formalisation. Formalising and institutionalising key aspects of the business – including production processes, financial systems, HR policies and practices, contractual arrangements with suppliers and customers, succession planning and risk management – effectively helps to de-risk our investments in the SME sector.

GroFin has devised a proprietary method of assessing (pre-investment) and tracking (post-investment) the relative level of business formalisation of SGBs. The ongoing, integrated business support that we offer clients in our portfolios is designed to improve these business formalisation scores. In 2016, our business formalisation measurement methodology will be improved further.

## ESG Integration

Environmental, social and governance (ESG) risks (and opportunities) are often overlooked by smaller businesses (through ignorance and lack of support). As small businesses grow, so do their ESG risks/opportunities and GroFin now has specialist skills onboard to assist SGB clients with identifying and integrating appropriate ESG best practices into their businesses. This de-risks and enhances their businesses as well as lowers investors' risk exposure in our portfolios.

In 2015, GroFin revised and enhanced its ESG investment integration strategy, and strengthened its proprietary ESG risk and opportunity screening methodology to bring it in line with best practice. Client ESG risk scores are updated annually with the goal of driving down the scores at portfolio level as a result of the focused, client-specific ESG management formalisation support that is being given to all portfolio clients.



0

Investments in prohibited activities



100%

Clients formalised on exit



100%

Clients agree to environmental and social best practices



HYGEX | Jordan

## Environmental Challenges = Opportunities for Small Businesses

In 2015, GroFin started training its 60-strong investment team to become more aware of the growing opportunity to invest in small business clients that are meeting the need for environmental solutions (from sustainable water, waste, food to energy and eco-tourism).

GroFin will seek out the best entrepreneurs in these sectors to invest in, and bring our specialist sustainable business support to bear – to maximise their chances of success in solving these environmental challenges.

In 2015, GroFin further improved its ESG Integration Strategy. In doing so we were guided, insofar as they apply and are applicable to the size and risk profiles of the SGB clients that we invest in, by:

- The World Bank's Group Environmental, Health and Safety Guidelines ("EHS Guidelines")
- The International Finance Corporation's (IFC) Performance Standards on Environmental and Social Sustainability (2012)
- CDC's Third ESG Toolkit for Fund Managers – released in June 2015





Jordanian entrepreneur Kameel Al Nims (right) with GroFin's Wa'el Sunna (left).



"We also completed an Environmental, Health & Safety (EH&S) audit of the business. In general their practices were good but we identified a few areas where they could improve their chemical storage and handling – to reduce the risk of workers being exposed to hazardous chemicals," says **Wa'el Sunna**, Senior Investment Manager, GroFin Jordan.

## Business Support Provided:

- Streamlining operations to improve collections and resolve cash flow issues
- Formalisation support as business transforms from partnership to private limited company
- Environmental, Health & Safety (EH&S) audit and action plan to reduce the risk of workers and the environment being harmed by accidental chemical spills



**Sector**  
Manufacturing



**180**  
Total Jobs Sustained



**US\$ 300,000**  
Amount Invested

# HYGEX – Jordan

## Background of the entrepreneur and the business

Established in 2001 by patriarch Elia Al Nims and his two sons, Kameel (pictured to the right) and Ghassan, HYGEX initially imported cleaning and hygiene products for sale in the local market, and slowly forayed into manufacturing its own. Currently, HYGEX has manufacturing facilities in the outskirts of Amman and sells under its own brand, with 40% locally produced and 60% imported products.

Demonstrating the strength of its homegrown products, the company signed two agency agreements in 2013/14 with companies in Iraq and Lebanon for the HYGEX brand. Moreover, since 2014, the company has diversified its hygiene product offering to include imported paper napkins and tissues.

However, Kameel and Ghassan started facing cash flow challenges due to larger and larger orders that were being received from satisfied customers. Accordingly, they had to turn outside for finances to fund growth plans while ensuring sustainability of business operations.

“Unlike traditional financiers, GroFin not only provided us with funds for expansion but also addressed our core business challenges.” Kameel Al Nims

## GroFin's intervention

GroFin provided the company with US\$ 300,000 of risk finance over five years to help HYGEX achieve import replacement with local production – up from 40% to 55% of sales – as well as diversify further into sales of paper napkins and tissues.

“Unlike traditional banks, GroFin not only provided us with the funds to expand our business despite cash flow issues but also went into the core of our collections problems,” says Kameel.

“We have made recommendations to improve collection of receivables through standardising customer order points and quantities and collection timelines on the one hand, and negotiating longer creditor days and improving company stock reorder quantities and intervals, on the other,” says Wa'el Sunna, Senior Investment Manager at GroFin Jordan.

As HYGEX transformed from a partnership into a private limited company, GroFin provided formalisation support in terms of regular business planning, financial forecasting and performance monitoring. Improved EH&S practices will help de-risk the business, improve process efficiency and win new customers.

“Kameel has a great attitude and is implementing our recommendations to bring his business closer to best practice. He wants his business to be world class and we are helping him to achieve this,” says Lynton Burger, GroFin Impact Executive.

The expansion in local production and additional sales is expected to result in the immediate employment of seven employees. The company operates in the Sahab area which is considered a poverty pocket, with an increase in jobs at HYGEX having an immediate impact on community welfare.



# How GroFin Estimates Impact

The impact numbers in this report are based on a review of GroFin’s internally managed database of 825 deals with 508 clients (i.e. some clients received multiple funding from GroFin) as at 31 December 2015. Write-offs were excluded whilst successful exits (including those exited prior to 2015) where included, given the ongoing nature of GroFin business support and the high rate of client re-investment (i.e. GroFin considers exited clients as clients for at least 3-5 years post exit). Discount factors were applied to clients where needed.

GroFin’s broader socio-economic impact was estimated by the specialised independent impact consultancy Steward Redqueen. The starting point of the impact model are GroFin’s clients. The model estimates effects at the client itself (direct effects), as well as the economic ripple effects of the clients on the broader economy (indirect effects). These direct and indirect effects are measured along two development impact indicators: value added (sum of salaries, taxes and profits) and jobs sustained. Based on the jobs sustained and average family size in GroFin’s regions, the model also estimated lives touched (total family members impacted).

To measure direct jobs sustained, the model relied on direct client data. To measure economic value added, and indirect employment effects in the

economy, the model uses an ‘input-output’ methodology, which was developed by the Nobel Prize winning economist Wassily Leontief. The model traces money (client turnover) through an economy, showing how one sector depends on another, by using input-output tables. The input-output tables are compiled using data from the Global Trade Analysis Project (GTAP), a global database describing bilateral trade patterns, production, consumption and intermediate use of commodities and services consisting of over 100 tables for individual countries or a group of countries and 57 sectors (including all of GroFin countries and client sectors).

Other macro-economic statistics used to build the model (e.g. employment data, family size) were derived from national statistical offices. The key inputs for the modelling were direct client company jobs (total and female, 2015 data) and client US\$ turnover (2014 audited data for existing and exited companies and 2015 annualised turnover for new companies). Clients with no turnover data and no jobs data were excluded whilst clients with either turnover or jobs data were included. A total of 444 GroFin current portfolio and successfully exited clients were included in the final modelling.

GroFin acknowledges that the observed and estimated impact (e.g. direct jobs created,

total jobs sustained, total economic value added sustained) cannot always be wholly attributed to its interventions (i.e. providing access to appropriate finance, and supporting SGBs through business support). Even though in the vast majority of cases GroFin is able to quantify with some degree of accuracy the effects (outcome and impact) of its interventions (input), GroFin understands that there are other factors (other client funders, client activity, market activity etc.) that also contribute to the impact that GroFin estimates and reports on.

However, as a policy decision (driven mainly by the practical difficulty of determining more detailed attribution across its 500+ SGB client portfolio) and the fact that in the vast majority of cases GroFin plays such a pivotal role in facilitating client sustainable growth, GroFin reports on 100% of the impact. However, GroFin does not claim full credit for this impact and uses the words “contribute/s to”, “sustained” and “family members impacted” etc. wherever possible to best describe the impact of its interventions.

Lynton Burger, *GroFin Impact Executive*



## Contact us

Telephone: +230 452 9156  
Email: [Info@grofin.com](mailto:Info@grofin.com)  
Address: Block 9 | Medine Business Park | Bambous 90203 | Mauritius  
[www.grofin.com](http://www.grofin.com)

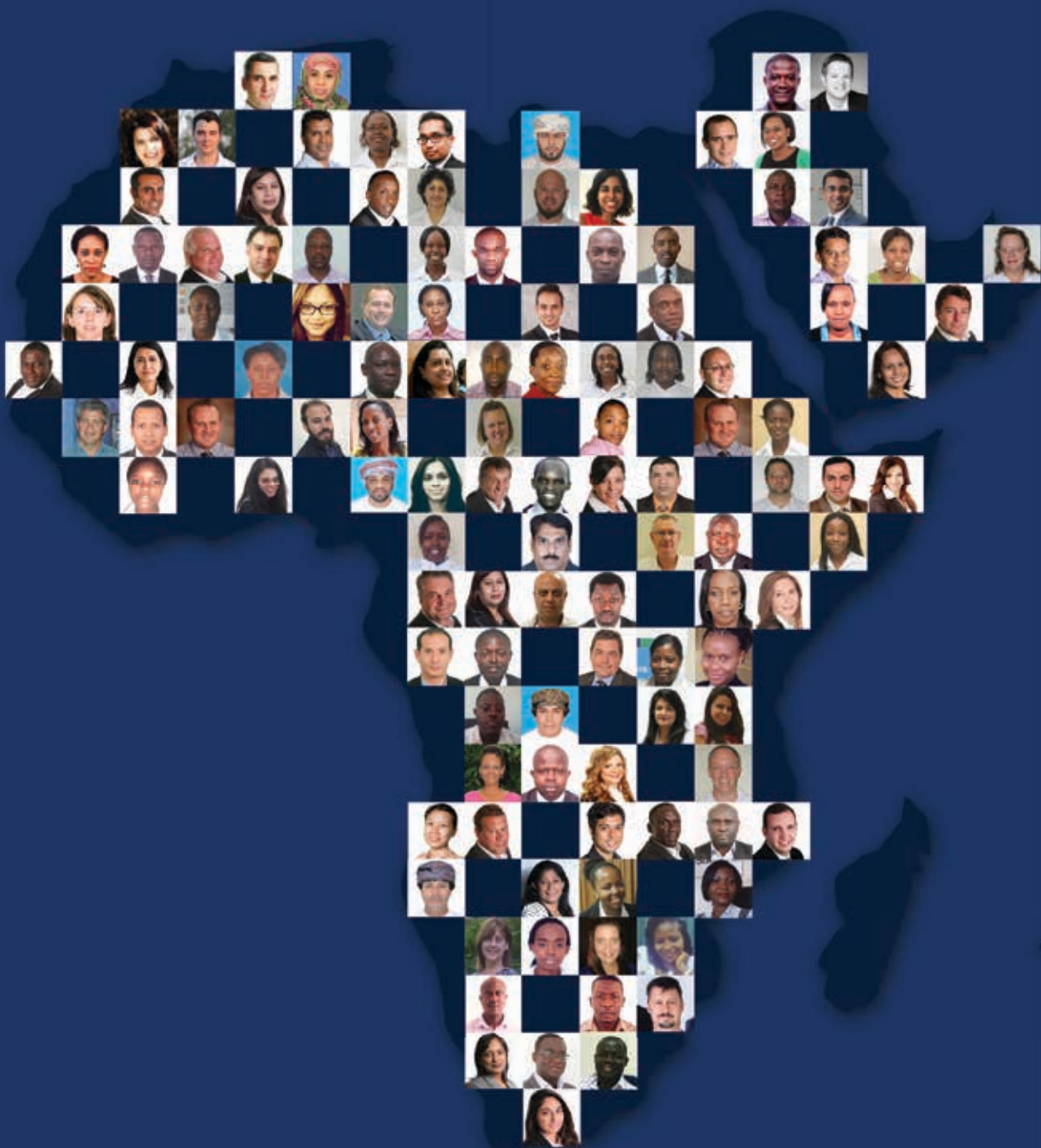
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Through its investments in, and support of, SGBs in 12 developing world countries GroFin contributes to 12 of the 17 UN Sustainable Development Goals - six directly and six indirectly:





## **We are GroFin**

Working to create lasting impact by supporting small and growing businesses