



Presentation to:
UN Commission on Sustainable Development
May 6, 2008



Organizational Snapshot



Business

- Social Investment Fund

Target Clients

- Grassroots businesses in rural areas of developing countries

Target Sectors

- Sustainable agriculture, wild-harvested products, handcrafts, certified fisheries and ecotourism

Services

- Loans: \$25,000 to \$1,000,000
- Financial education and training

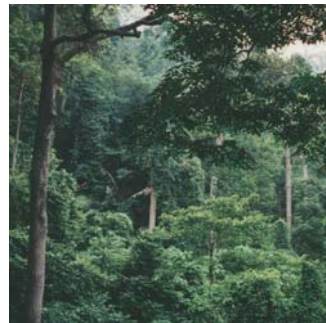
Fund Size

- \$20M under management
- \$30M disbursed in 2007; \$80M since inception

Coverage

- 15 countries in Latin America
- 9 in Africa
- 5 in South and Southeast Asia

Clients of Root Capital

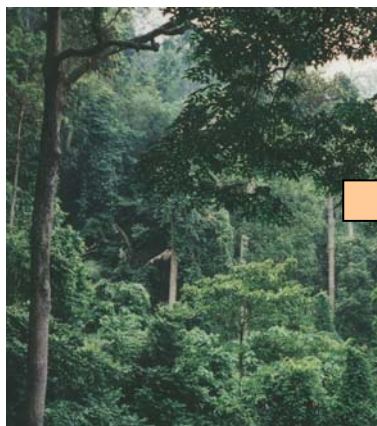


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Social & Environmental Impact



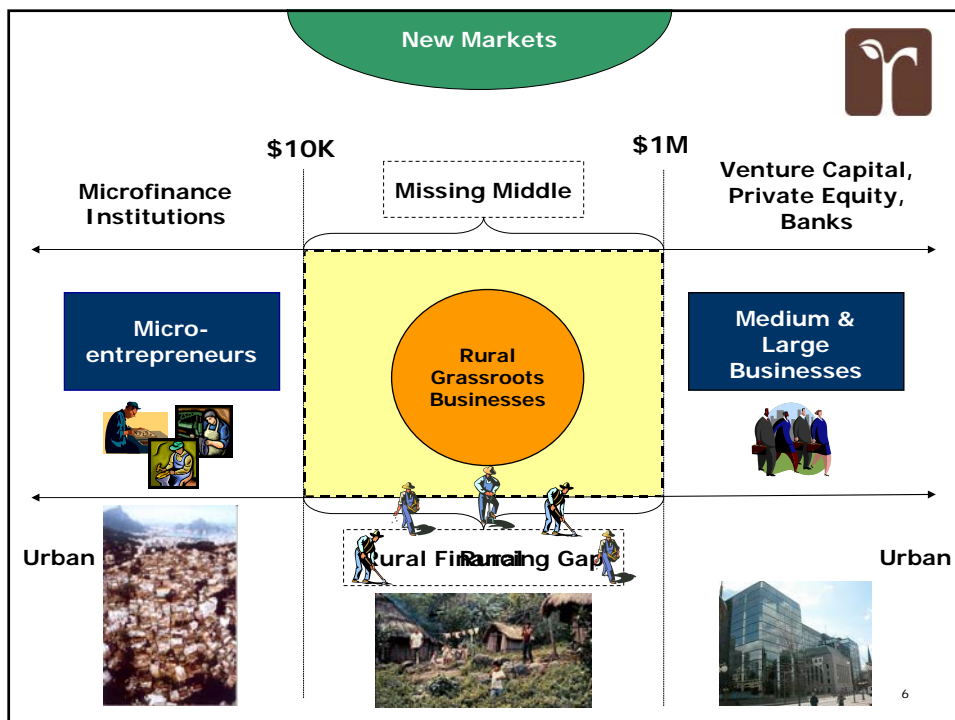
What's at stake...



Interrelated Problems:



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Our Approach



world of good

THE BODY SHOP.



your M&S



MERCADO GLOBAL
Making a Difference Never Looked So Good

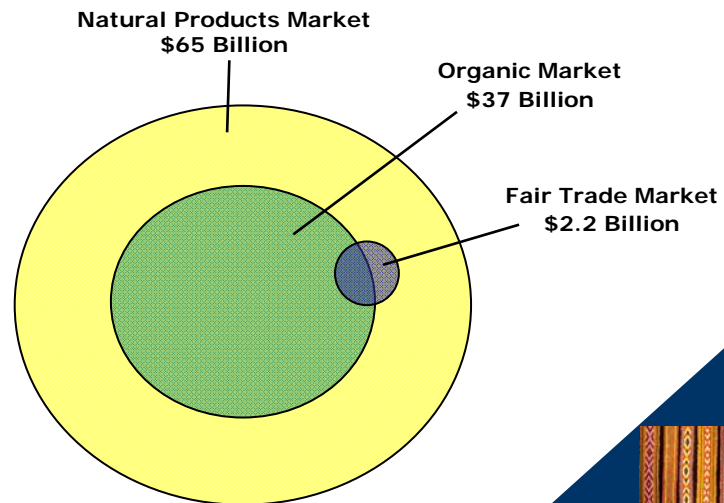
J Sainsbury plc



SUSTAINABLE HARVEST.
Organic and shade-grown coffee



Booming Demand



Unlocking Supply Chains



With a loan from Root Capital...



Building Grassroots Businesses



Material inputs



Warehouse



Processing



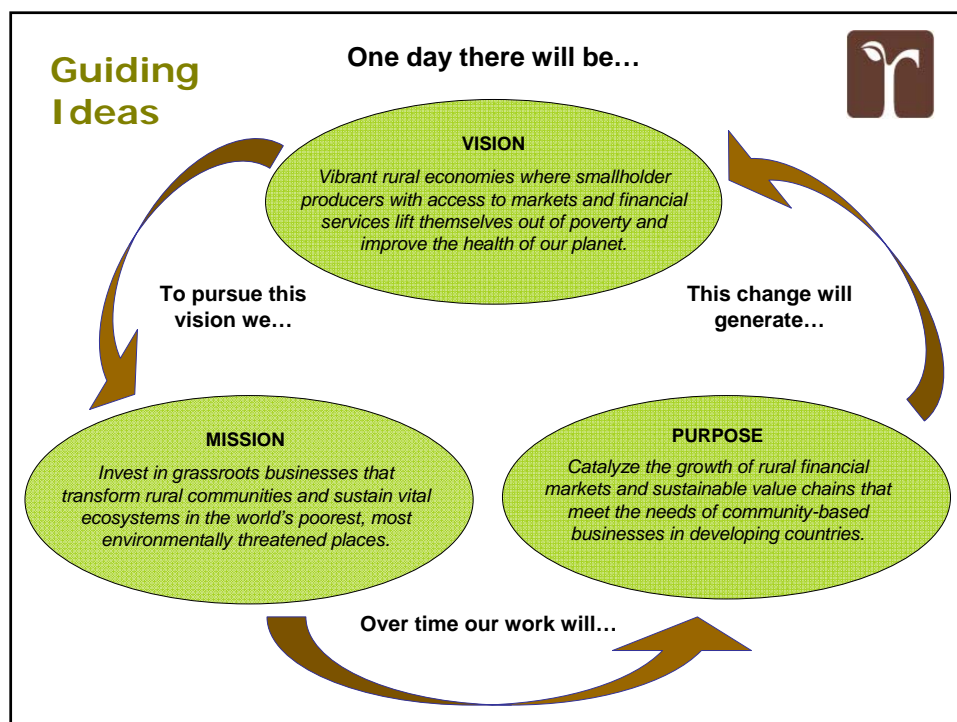
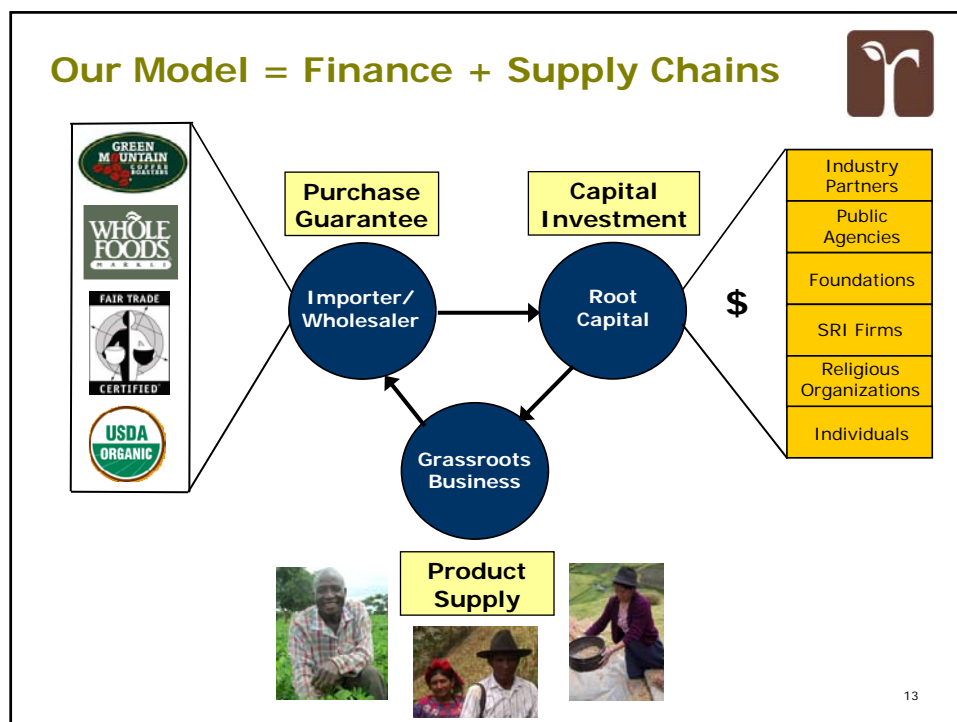
Technology



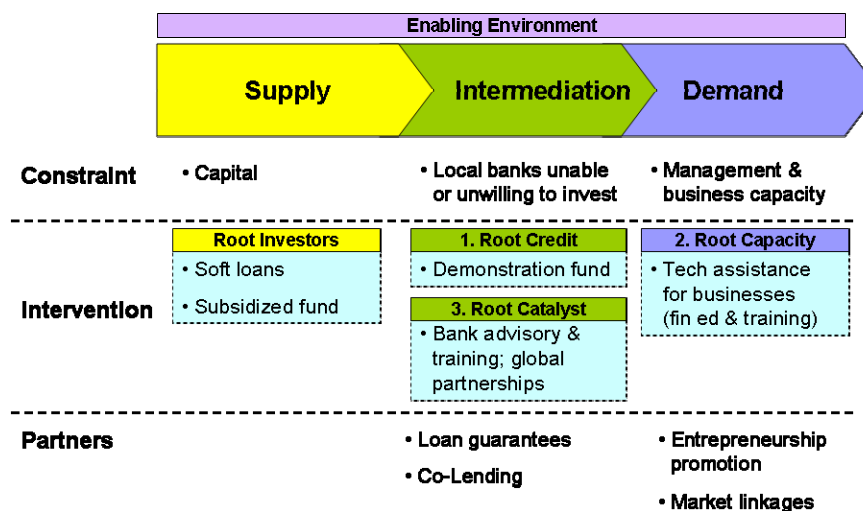
Marketing



Accounting



Interventions to Catalyze Rural Capital Markets



Source: Conceptual framework based on presentation by Antony Bugg-Levine, The Rockefeller Foundation

Ecotourism/Fisheries in Baja California



Packard Foundation \$750,000 PRI

Borrowers: 3 fishing coops & 4 ecotourism operators
 Location: Baja California, Mexico
 Amount: \$815,000 disbursed
 Purpose: Purchase of four-stroke outboard engines



Social Impact: Punta Abreojos Cooperative

Increased incomes for 1,500 fisher members and 7,500 indirect beneficiaries

Environmental Impact

First developing-world fishery to be certified under the Marine Stewardship Council certification

Fuel-efficient motors significantly reduce one of the biggest sources of contaminants into marine habitats of El Vizcaino Biosphere Reserve

H2O-Efficient Coffee Washing Stations in E. Africa



Lemelson Foundation \$300,000 PRI

Borrowers: 5 coffee farmer enterprises
Location: Tanzania, Rwanda, Kenya
Amount: \$390,000 disbursed
Purpose: Clean tech acquisition for village-based processing



Buyers:



2007 Achieved Results

- RC financed installation of 40 Penagos depulping machines in Tanzania, 11 in Rwanda, and 1 in Kenya through the Lemelson PRI

Social Impact (Kilicafe)

- Increased incomes for 1,500 cooperative members and 7,500 community beneficiary members

Environmental Impact

- Reduction of water consumption by 80% in the coffee washing process
- Reduction in drying time by 50%
- Elimination of the fermentation tank step

Jane Goodall Institute/Gombe National Park Region



Lemelson Foundation \$300,000 PRI

Borrower: Kanyovu Grower's Coffee Cooperative
Location: Gombe National Park, Tanzania
Purpose: Export trade credit fixed-asset financing



Partners

THE LEMELSON FOUNDATION

SUSTAINABLE HARVEST
Organic and shade-grown coffee



Expected Results

- Support 2,700 farmers living and working around the ecologically-sensitive park
- Initiative to help relieve:
 - Social and economic instability in this threatened forestland
 - Reduce deforestation and biodiversity loss in one of the last remaining habitats for endangered African chimps

Root Capacity 2007



- 24 enterprises with 21,095 producers from GTE, MEX & NIC participated in PorFin
- Achievements and results in 2007:
 - **17 centralized workshops:** 5-day training courses in each country for 365 grassroots business leaders
 - **40 decentralized workshops:** training 333 people in 1-5 day sessions
 - **735 days of on-site financial TA** delivered by 18 certified trainers (p/t consultants) in the field
 - **6 EARTH University student interns** completed 3-month of financial literacy training internships
 - **2 inter-organizational exchanges:** “farmer-to-farmer learning” in Mexico & Nicaragua

PorFin Mexico



- Enterprises: 8 (4 coffee, 2 honey, hibiscus, forestry)
- Staff & leaders trained: 28 drawn from 11 orgs
- Producers represented: 6,456 producers



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PorFin Guatemala



- Enterprises: 8 (4 coffee, 2 honey, spices, textile)
- Staff & leaders trained: 25 drawn from 14 orgs
- Producers represented: 5,605



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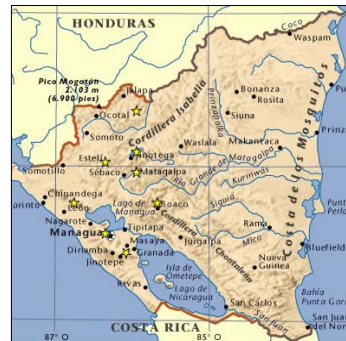
PorFin Nicaragua



- Enterprises: 8 (4 coffee, honey, sesame, textiles)
- Staff & leaders trained: 18
- Producers represented: 9,034



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Fostering the Field



Strategic Plan








In order to support Root Capital's mission, by 2011 we will engage in three strategies:

-  **Place Capital**
-  **Build Capacity**
-  **Accelerate Change**

Place Capital



Goal:	<i>Demonstrate the broad applicability of our lending model to sustainable grassroots businesses in the developing world across industry, geography, and culture</i>
Targets:	<ul style="list-style-type: none">  Double the number of grassroots/SME businesses served from 175 enterprises in 2007 to 390 enterprises in 2011  Quadruple lending volume from \$27 million in 2007 to \$114 million in 2011 and disburse \$300 million from 2008-2011  Increase coffee lending volume from \$20 million to \$57 million  Penetrate high-priority industries (e.g. cocoa, nuts, handcrafts) growing non-coffee credit from 23% to 50% of portfolio  Expand geographically as appropriate for achieving demonstration fund objectives with projected growth from 26 to 40 countries in the following distribution: → Latin America 64%; Africa 27%; Asia 9%

Build Capacity



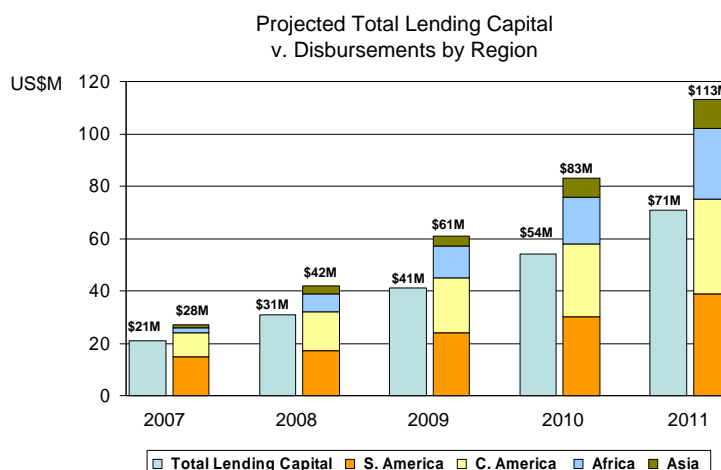
Goal:	<i>Expand financial training to improve managerial capacity among participants, preparing (i) existing borrowers for larger infusions of capital and (ii) new prospects to enter our portfolio.</i>
Targets:	<ul style="list-style-type: none">  Quadruple training program from: 24 rural enterprises in 3 countries in northern LatAm  100 rural businesses in 12 countries in northern Latin America, South America, and Africa  Build partnerships with local educational institutions to disseminate training widely at regional level  Develop an online platform to extend access to innovative training materials beyond the regions where we and our partners work directly

Accelerate Change



Goal:	<i>Accelerate the emergence of dynamic rural capital markets by leveraging our expertise in social finance for sustainable trade and expanding our circle of partnerships with key stakeholders</i>
Targets:	<ul style="list-style-type: none">  Forge partnerships with at least five major global buyers to strengthen sustainable supply chains  Develop bank advisory and training services with at least five local banks and/or microfinance institutions  Collaborate with five global banks to transfer best practices between social finance and mainstream capital markets  Play lead role in building the field of SME finance with an emphasis on sustainable grassroots businesses in rural areas of developing countries

Lending Capital Requirements



Critical Pathway to Success



In order to support strategic growth from 2008 to 2011, Root Capital will raise a total of **\$60 million**

Targets: Debt and philanthropic capital raised from high net worth individuals, foundations, and corporations will allow us to achieve the financing needs of our three strategies

Total	\$60 million
Root Credit	\$53 million
Root Capacity	\$4.6 million
Root Catalyst	\$2.1 million

Profitability/Financial Success will be measured in 2011 by:

Earned Revenue of \$5 million (from \$1.3 million in 2007)

Operational "breakeven" of \$140,000 based on 4% average cost of debt financing capital

Root Credit Capital Requirements



Lending Capital:

\$38.5 million of debt financing for Lending

\$8.0 million of philanthropic capital for Permanent Loan Capital

\$4.1 million of philanthropic capital for Loan Loss Reserves

\$50.6 million total lending capital

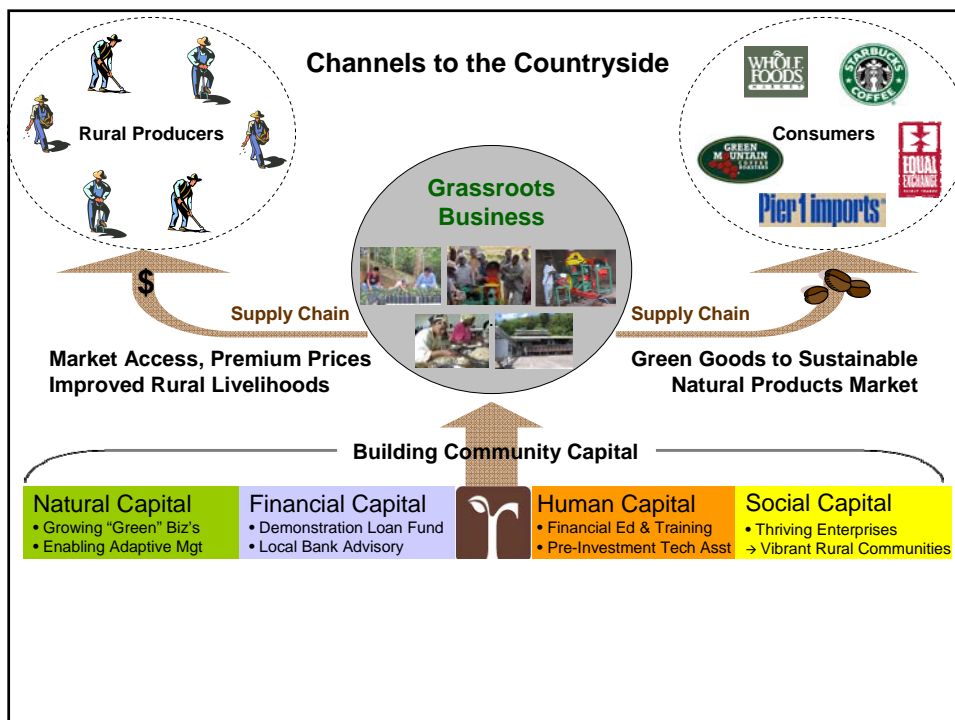
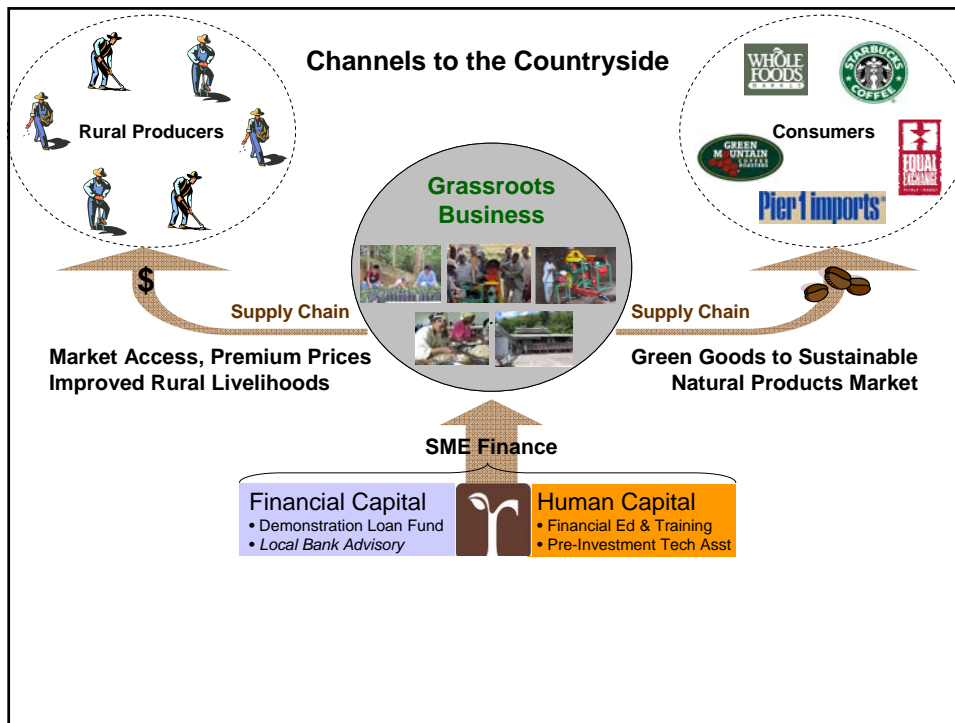
Enterprise Capital:

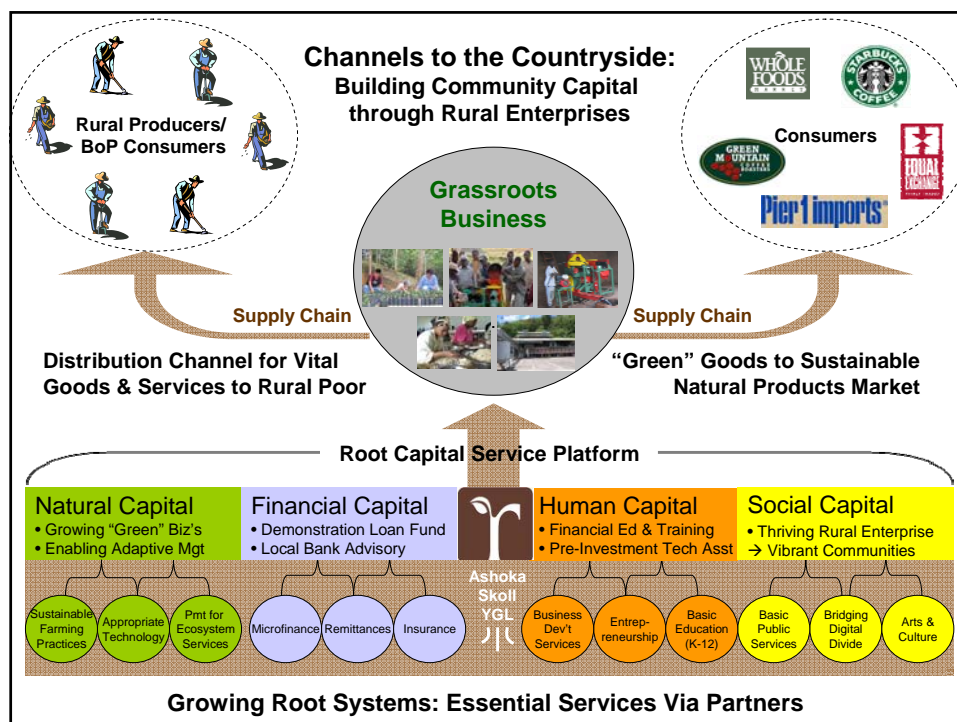
\$1.4 million of philanthropic capital for Operating Support

\$950,000 of philanthropic capital for Operating Reserves

\$2.3 million total enterprise capital

Total Root Credit Capital Requirements: **\$52.9 million**





Enterprise Capital Requirements



Root Credit: Placing Capital

	2008	2009	2010	2011	Total
U.S. Staff and Benefits	932,010	1,018,394	1,059,130	1,151,963	4,161,496
Field-based Contract Staff	239,917	338,554	416,596	493,260	1,488,326
Other Professional Services	201,654	83,820	87,173	90,660	463,308
Travel, Meetings and Conferences	250,629	305,458	353,372	374,495	1,283,953
Office and Computer Supplies	16,645	19,824	27,912	28,994	93,375
Telecommunications	29,231	33,400	40,736	42,365	145,732
Occupancy	40,170	49,942	61,539	65,610	217,261
Other Direct Costs	81,900	106,392	135,104	170,136	493,532
Operating Platform	701,136	669,715	692,211	768,306	2,831,368
Total Operating Expenses	2,493,291	2,625,498	2,873,773	3,185,789	11,178,351

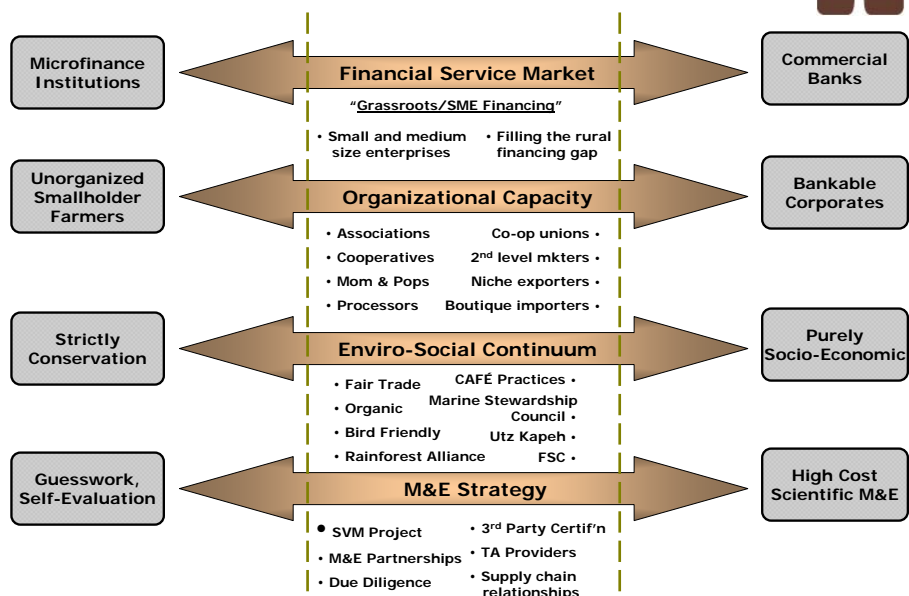
Root Capacity Requirements



Root Capacity: Building Capacity

	2008	2009	2010	2011	Total
U.S. Staff and Benefits	93,837	97,591	101,494	105,554	398,476
Field-based Contract Staff	159,676	340,269	394,660	410,447	1,305,052
Other Professional Services	132,200	263,975	286,459	292,242	974,876
Travel, Meetings and Conferences	74,125	221,010	265,850	240,484	801,470
Office and Computer Supplies	13,575	13,200	7,728	8,412	42,915
Telecommunications	6,360	16,374	17,029	17,711	57,474
Occupancy	13,792	31,911	33,188	34,515	113,406
Other Direct Costs	38,301	39,773	39,804	41,396	159,273
Operating Platform	145,679	221,564	212,122	186,573	765,937
Total Expenses	677,545	1,245,666	1,358,335	1,337,334	4,618,879

Strategic Positioning



Values Statement



- **Passionate** about economic justice and environmental stewardship
- **Entrepreneurial** in finding new solutions to old problems
- **Empowered** as individuals and as a team to achieve new results
- **Professional** lender providing first-class financial services to our customers
- **Accountable** to our clients and our investors to deliver measurable impact
- **"Multilingual"** in board rooms and on back roads in beat-up buses
- **Committed** to systemic change in partnership with grassroots businesses