Using Evaluative Thinking at the Social Impact Investment Planning Stage

Welcome! Our presentation will begin at 11 a.m. (ET)

Dial-In Number: 866-740-1260
Access Code: 3650273#

Presented in partnership with:
A Few Reminders:

✓ Use the ReadyTalk chat box to send us your questions or comments at any time throughout the webinar.

✓ This webinar is being recorded. A link to the recording will be emailed to all registered participants.

✓ A copy of today’s slides will also be emailed to all registered participants.
Teri Behrens
Executive Director
Dorothy A. Johnson Center for Philanthropy

John Sherman
Co-founder and Senior Managing Director
pfc Social Impact Advisors
Today's Guests

Joanna Cohen  Veronica Olazabal  Mike Muldoon  Jane Reisman

Questions? Submit them via the ReadyTalk chat box at any time!
<table>
<thead>
<tr>
<th>STRATEGY TYPE</th>
<th>GOAL</th>
<th>DESCRIPTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>BIG BETS</td>
<td>SOLVE</td>
<td>Strive toward transformative change in areas of profound concern</td>
</tr>
<tr>
<td>ENDURING COMMITMENTS</td>
<td>VALUE</td>
<td>Long-standing, deep, and unwavering engagement</td>
</tr>
<tr>
<td>FIELD SUPPORT</td>
<td>SUPPORT</td>
<td>Support anchor organizations and special projects in a field that is essential to our effectiveness</td>
</tr>
<tr>
<td>AWARDS &amp; SPECIAL PROJECTS</td>
<td>INSPIRE</td>
<td>Celebrate and inspire the creative potential of individuals and organizations</td>
</tr>
</tbody>
</table>
APPROACH TO PROGRams

DESIGN / BUILD

PROBLEM AND OPPORTUNITY

STRATEGY DEVELOPMENT

STRATEGY EXECUTION

STRATEGY OUTCOMES AND IMPACT

END

LEARNING

GRANTEE FEEDBACK MONITORING DATA

LEARNING

ADVISOR INPUT PD EXPERIENCE

LEARNING

EVALUATION RESULTS

INPUTS TO LEARNING
## MONITORING, EVALUATION & LEARNING: LEVELS & RESPONSIBILITIES

<table>
<thead>
<tr>
<th>Organizational Level</th>
<th>Activity</th>
<th>Monitoring</th>
<th>Evaluation</th>
<th>Learning</th>
<th>Strategy Review</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grants/PRIs</td>
<td></td>
<td>Grantees/Investees, Program staff</td>
<td>Grantees/Investees*</td>
<td>Grantees/Investees</td>
<td></td>
</tr>
<tr>
<td>Programs</td>
<td></td>
<td>Program staff</td>
<td>Office of Evaluation, supported by Program staff</td>
<td>Program staff supported by Office of Evaluation</td>
<td>Board, President, Executive Team, Program staff, supported by Office of Evaluation</td>
</tr>
<tr>
<td>Departments</td>
<td></td>
<td>Department head</td>
<td>President, Department head</td>
<td>President, Department head</td>
<td></td>
</tr>
<tr>
<td>Institution</td>
<td></td>
<td>Board, President, Executive Team</td>
<td>President, Executive Team</td>
<td>Board, President, Executive Team</td>
<td></td>
</tr>
</tbody>
</table>

* Occasionally led by the Office of Evaluation
Field Support: Impact Investments

**Goal:** Provide *catalytic capital* to mission-driven organizations working to address social and environmental challenges around the world

**Approach:** Extend and deepen the reach of the impact investing market by supporting field infrastructure and increasing the knowledge, awareness and use of catalytic capital, while also advancing Foundation strategies through the use of impact investments

- **Support for Foundation strategies:** Program-related investments associated with other areas of work (e.g. Big Bets, Enduring Commitments, etc.)

- **Support for the field:** Grants and program-related investments for targeted initiatives
  - Benefit Chicago
  - **Catalytic Capital Consortium (C3)**
Vision & Mission: We believe that informed-decision making lead to more effective stewardship of the Foundation’s resources and to better results.

The Office of Evaluation exists to address the measurement, evaluation, and learning needs of the Board, President, and Program staff in their efforts to live Design/Build. We aim to provide high-quality information as an input to decision-making and the overall management of programs.

Guiding Principles:

- Be ambitious, yet realistic
- Be rigorous and apply logic while staying flexible
- Prioritize learning and be purpose-oriented
- Ensure inclusivity and diversity
- Be ethical and respectful
Office of Evaluation: Services

• **Provide ongoing technical and strategic assistance** to Programs, Departments, and leadership
  - Serve as a member of Core Team for each strategy
  - Review grant/PRI briefs for expectations around monitoring & evaluation
  - Management of TheLoop (internal, web-based portal for tracking and communicating about a strategy)

• **Oversee Evaluation & Learning Partners**, who:
  - Serve as a “critical friend” to the Foundation
  - Pressure test/refine/document Theories of Change
  - Provide guidance on monitoring of grants/PRIs
  - Measure and evaluate progress of the strategy
  - Facilitate learning
Approach to Evaluation

- Focus on learning
- Identify information needs related to a strategy and design measurement and evaluation activities to address those needs
- Utilize developmental evaluation and contribution analysis

Four Categories of Information Needs

- LANDSCAPE
- IMPACT
- FEEDBACK
- OUTCOMES
Evaluation & Learning Partners: Products

- Theory of Change (narrative & visual)
- Evaluation & Learning Framework
- Evaluation reports
  - Technical reports
  - Synthesis reports (e.g. Baseline & Landscape Report for Climate Solutions, Initial Evaluation Report for On Nigeria)
- Learning-focused activities
- Information for TheLoop
Veronica Olazabal

Director of Measurement, Evaluation, and Organizational Performance
The Rockefeller Foundation
Mike Muldoon
Director of Innovative Finance
The Rockefeller Foundation
Innovative Finance, Impact Management and Measurement (IMM)

Updated: September 2019
# The Rockefeller Foundation – Impact Investing Timeline

<table>
<thead>
<tr>
<th>Year</th>
<th>Event Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>Coins the term “impact investing” at Bellagio Center, putting a name to investments made with the intention of generating both financial return and social and/or environmental impact.</td>
</tr>
<tr>
<td>2008</td>
<td>Incubates B Lab to help facilitate the infrastructure to develop more scalable, efficient, and sustainable capital markets.</td>
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<tr>
<td>2009</td>
<td>Incubates the Global Impact Investing Network (GIIN) to build the infrastructure, activities, education, and research to enable more effective impact investing.</td>
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<tr>
<td>2015</td>
<td>Launches Zero Gap initiative, supporting the R&amp;D and piloting of new financing mechanisms to mobilize private sector capital towards the UN SDGs.</td>
</tr>
<tr>
<td>2019</td>
<td>Launches RF Impact Investment Management (IIM), an asset management platform to aggregate funding from investors to deploy against global development challenges.</td>
</tr>
<tr>
<td>2019</td>
<td>Launches $60M Zero Gap Partnership with support from the MacArthur Foundation (managed by RF IIM).</td>
</tr>
</tbody>
</table>
The Innovative Finance program works across the Foundation's core program areas while also pioneering its own portfolio.
The Innovative Finance portfolio has a global reach, with the flexibility to deploy capital across multiple regions, sectors, and asset classes.

**Our Reach**

**Active IF Portfolio: $95M Deployed**  
As of April 2019

- **$27M (28%)** Fund Equity
- **$24M (26%)** Fund Debt
- **$8M (8%)** Direct Debt
- **$7M (7%)** Direct Equity
- **$29M (31%)** Grants

1. Includes guarantees; 2. Only includes grants to support new financing mechanisms under Zero Gap

**Active IF Portfolio: 72 Investments**  
As of April 2019

- **12** Fund Equity
- **10** Fund Debt
- **3** Direct Debt
- **3** Direct Equity
- **44** Grants

**$95M** deployed since 2008 across 28 countries
The **Zero Gap** initiative seeks to close the SDG financing gap by mobilizing private capital

### Annual Funding Gap for UN SDGs

- **Current Investment**: $1.4T
- **Annual Need Gap**: $2.5T
- **Annual Funding Gap**: $3.9T

### Overview: Zero Gap

- Launched in 2015, Zero Gap supports the next generation of financing mechanisms and products to mobilize institutional and retail capital at scale in support of the SDGs.
- All Zero Gap grants and investments must qualify through a set of impact principles, including:
  - Impact
  - Innovation
  - Additionality
  - Scale & replicability
- The Zero Gap grant portfolio supports the development of 44 innovative financial instruments, of which 17 have piloted in the capital markets.
- The Zero Gap portfolio extended to PRIs in 2018, with five active Zero Gap investments and a rapidly growing portfolio.

1. Source: UNCTAD (2014), Rockefeller Foundation analysis
In 2019, RF launched RF Impact Investment Management, an asset management platform designed to aggregate capital from like-minded partners.

**Impact Investment Management (IIM)**

- IIM is the Foundation’s dedicated asset management platform to aggregate and deploy catalytic capital against global development challenges at scale.
- IIM is managed by the Foundation's Innovative Finance team.
- The first entity on IIM’s platform is the Zero Gap Partnership, with equal contributions from the MacArthur Foundation and Rockefeller Foundation, aimed to scale and accelerate RF’s Zero Gap portfolio.

![Zero Gap Partnership Diagram]

[Diagram showing the Zero Gap Partnership with MacArthur Foundation and Rockefeller Foundation as contributors.]
# Examples of Zero Gap Investments

<table>
<thead>
<tr>
<th>Investment Name</th>
<th>Category</th>
<th>Geography</th>
<th>Description</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sixup</td>
<td>PRI</td>
<td>United States</td>
<td>An online lending platform providing college financing and education support services for high-achieving, low-income students who are underserved and underfunded</td>
<td>The investment will directly support ~2,500 loans to low-income, high-achieving students to attend four-year colleges, leading to new economic opportunities and social mobility. $30 million loan portfolio catalyzed by Zero Gap currently being deployed</td>
</tr>
<tr>
<td>Impact Investment Trust PLC</td>
<td>Grant + PRI</td>
<td>Global, with focus on Africa, Asia, Latin America</td>
<td>The first impact-oriented Closed End Investment Company (CEIC) listed on the London Stock Exchange; fund of funds structure that invests in PE/VC funds targeting high growth and high impact SMEs in emerging markets</td>
<td>The listed CEIC format will allow small-scale retail investor participation in PE and impact assets, mobilizing retail capital to frontier market and impact investing. Initial listing anticipated in Q4 2019</td>
</tr>
<tr>
<td>Forest Resilience Bond (FRB)</td>
<td>Grant + PRI</td>
<td>United States</td>
<td>A bond structure for private investors to invest in forest restoration that prevents wildfires and increases water outputs in drought prone areas in California</td>
<td>The FRB will allow stakeholders to collectively pool resources to overcome working capital constraints and untangle bureaucracy to invest in proactive forest restoration activities. Initial issuance in Q4 2018 to maintain 15,000 acres in Lake Tahoe area</td>
</tr>
<tr>
<td>Women's Livelihood Bond (WLB)</td>
<td>Grant + PRI (pending)</td>
<td>Southeast Asia (pilot)</td>
<td>A publicly listed debt product to raise capital for small- and medium-size enterprises and microfinance institutions that support women's livelihoods</td>
<td>The initial $8M bond issuance helped 385,000 underserved women access the necessary skills, capital, market, and natural resources to transition from subsistence to sustainable livelihoods</td>
</tr>
</tbody>
</table>
Impact Management and Measurement for RF’s Zero Gap Partnership
Why RF invests in Measurement and Evaluation

1. Learning and continuous improvement to maximize impact, influence, return-on-investment, and scale of our initiative work, as well as external sharing of lessons learned.

2. Accountability to grantees and beneficiaries, Foundation staff and leadership, the Board of Trustees, and other key stakeholder groups for effective decision-making, transparency, and responsibility, including around unintended consequences.

3. Building an evidence base to substantiate the value proposition of our work, enabling us all to more effectively engage and influence key stakeholders working in the Foundation’s key issue areas.
Impact Management & Measurement (IMM)

What is Impact Management and Measurement for RF?

• The collection, analysis, and use of data about investments’ social and environmental impact performance for three primary purposes:
  – To support informed decision-making and adaptive management
  – To understand and maximize positive effects/outcomes
  – To manage and mitigate possible risk

Everything we do affects people and the planet. Managing impact means figuring out which effects matter – and then trying to prevent the negative and increase the positive.

– Impact Management Project
IMM Practice: Four Component Parts

• How do we ensure that each Zero Gap investment sufficiently considers impact and financial performance at the same time?

• How do we tell the “impact story” at the portfolio level?
Each investment should have answers to the following questions*:

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Guiding Questions</th>
</tr>
</thead>
<tbody>
<tr>
<td>WHAT?</td>
<td>What are we trying to achieve? What are the intended outcomes and impact on people’s lives or on the environment? (e.g., electrification of villages, improved agricultural productivity, etc.)</td>
</tr>
<tr>
<td>WHO?</td>
<td>Who are we trying to reach? (e.g., demographics and geographic location)</td>
</tr>
<tr>
<td>HOW MUCH, AT WHAT RATE?</td>
<td>How much change to we expect to see, how quickly?</td>
</tr>
<tr>
<td>WHAT IS THIS INVESTMENT’S CONTRIBUTION?</td>
<td>What is the investment’s contribution toward generating this change? What is the Foundation’s additionality, and how likely is it that change will happen without its contributions? (e.g., direct and indirect leverage, increased rate of change beyond market rate, % RF contribution to a fund or investee)</td>
</tr>
<tr>
<td>WHAT RISKS?</td>
<td>What risks are there of unintended consequences (e.g., market distortion)?</td>
</tr>
</tbody>
</table>

Ideally, these questions should be answered between the Foundation and investees throughout the negotiation of deal memos, and inform subsequent impact agreements and reporting requirements (incl. metrics).

* Aligned with five dimensions from the Impact Management Framework
Impact Agreements & Reporting Requirements: Must-haves

As relevant and appropriate, the following will be in place for all investees, and possibly included in binding impact agreements:

- **Agreement on Impact Goals.** Clarity between RF and investees on answers to at least the first three questions on the previous slide (what, who, how much), in order to create shared direction and accountability for results.

- **Identification of Key Impact Indicators** that investees will be required to report on based on the impact goals and, where relevant, drawing from GIIN’s IRIS metrics.

- **Alignment to SDGs.** Flagging where individual investment goals align with SDGs and, as appropriate, how they contribute to global targets.

- **Reporting.** Agreement on frequency of reporting (typically quarterly, unless otherwise agreed to), as well as the type of data and formats in which they should be presented.

- **RF Contribution/Attribution.** In the case of multiple investors, % of RF/X contribution relative to whole investment.
Impact Analysis and Management

Management Information System (MIS)

- Data storage via IPREO, making it accessible to multiple users and in multiple formats
- Integration of financial and impact data, enabling cross-analyses
- Data visualization and timely report generation
- Quality control

Roll-up to the SDGs

- Clear mapping of investments’ impact goals to specific Sustainable Development Goals (i.e., framework for how they relate)
- Where applicable, investees report on contributions toward specific SDG targets, enabling understanding of how PRIs are contributing to global development priorities

Data-informed Decision Making

- Ongoing use of data to support decision-making, risk mitigation, and impact maximization
- Holistic perspective of return on investment, impact, and scale of individual investments and at the portfolio level
M&E Support During Investment Phases

M&E and Investment Process and Timeline

**Determine Breadth & Depth of Impact**
- Support PRI team to identify the magnitude of the issue/problem to be solved (i.e., ∆ between current and future desired state)
- Support PRI team to identify how many people the product or service could reach and how deep its impact could be

**Identify Targets**
- Based on investee guidance or projections, and drawing on existing evidence base and benchmarks, help the PRI team determine ambitious yet realistic reach targets

**Impact Framing**
- Ensure clarity and alignment around the “five dimensions of impact” among all key stakeholders
- Use the answers to impact questions to identify appropriate indicators and metrics
- Align to relevant SDG targets and indicators

**Metrics & Reporting Requirements**
- Collaboratively determine the frequency and substance of impact reporting (including impact indicators/metrics based on verifiability and measurability)

**Information Management**
- Advice PRI team on tools and approaches for information management and analysis

**Independent Evaluations**
- As appropriate, conduct Independent assessment of performance and impact at the portfolio or thematic level

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**Roles & Responsibilities**

**PRI Team**
- **Ensure Investee Alignment**
  - Screen for investment alignment with overarching ZeroGap Theory of Change
  - Ensure investments meet RF charitability requirements

**M&E Team**
- **Pipeline Development**
- **Underwriting**
- **Deal Closing**
- **Portfolio Mgmt/IMM**

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**PRI Team**
- **Determine Capacity**
  - Explore investees’ capacity and commitment to collect and report on impact data

**M&E Team**
- **Negotiation**
  - Negotiate reporting requirements; incorporate into impact covenants

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**Data Storage, Analysis, Use**
- **Ongoing use of data to support decision making, risk mitigation, and impact maximization**
**Example #1: Sixup**

**Impact Goal:** The investment will directly support ~2,500 loans to low-income, high-achieving students to attend four-year colleges, leading to new economic opportunities and social mobility.

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Impact frame</th>
<th>Indicators</th>
</tr>
</thead>
</table>
| **What?**            | Bridge the financing gap that prevents individuals from attending four-year colleges by identifying, underwriting, and incubating undervalued students | • FAFSA awards and unmet need  
                       |                                                                                | • Total # loans distributed  
                       |                                                                                | • Avg. value (USD) of loans  
                       |                                                                                | • % loan recipients with access to other loans  
                       |                                                                                | • Loan size (and % of tuition covered by Sixup loan) |
| **Who?**             | High achieving, low-income students who are underserved and underfunded      | • Demographics (age, gender, annual income, zip code)  
                       |                                                                                | • Pell eligibility  
                       |                                                                                | • High school GPA (where available)  
                       |                                                                                | • Family contribution |
| **How much, at what rate?** | Decrease the 1/5 of low-income students (7M) that get in but do not attend college, and close the degree attainment gap between high- and low-income adults | • % degree attainment (disaggregated by income level)  
                       |                                                                                | • % graduation of loan recipients |
| **What is the investment’s contribution?** | Dollars leveraged directly and indirectly – $3M toward $25M from Goldman Sachs with additional follow-on pending | • Progress toward filling the $105B annual funding gap |
| **What risks?**      | Student over-indebtedness                                                    | • % loan defaulted |
Example #2: Leapfrog

**Impact goal:** The investment, tied to an innovative insurance product, will enable LeapFrog to provide 80 million people with healthcare and financial tools, 60 million of whom are Emerging Consumers, while creating or supporting 40,000 jobs by 2029.

<table>
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<tr>
<th>Dimension</th>
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</tr>
</thead>
</table>
| **What?** | Invest in businesses that address basic healthcare and financial services needs | • # and type of financial services companies  
• # and type of healthcare companies  
• # / type of essential services enabled  
  – Financial services  
  – In healthcare (i.e., inpatient/outpatient care, pharma, diagnostics) |
| **Who?** | “Emerging consumer” – individuals in sub-Saharan Africa, South Asia and Southeast Asia whose daily per capita income is between $2.72 and $10.67 and MSMEs that employ between 5-100 people | • # consumers served  
  – # emerging consumers served disaggregated by gender  
• # of first time users of financial services and healthcare |
| **How much, at what rate?** | 80 million people, 60 million emerging consumers by 2029 | • # consumers (individuals or MSMEs)  
  – emerging consumers  
  – # healthcare consumers, % emerging consumers  
  – # financial services consumers, % emerging consumers  
• Net promoter score |
| **What is the investment’s contribution?** | Dollars leveraged directly and indirectly – $3M toward $300M in additional funding | • $ leveraged |
| **What risks?** | Underrepresentation/underservice of lower income people | • % consumers from low- and lower-middle income groups (note: this would already be collected as part of “who” above)  
• ESG compliance for transparency of product terms, conditions and pricing, and client data security and confidentiality |
SDG Mapping: Zero Gap Fund currently contributes to 12 of the 17 SDGs

<table>
<thead>
<tr>
<th>Investments</th>
<th>SDG Targets (Examples)</th>
<th>SDG Indicators</th>
</tr>
</thead>
</table>
| Forest Resilience Bond | 6.6: By 2020, protect and restore water-related ecosystems, including mountains, forests, wetlands, rivers, aquifers, and lakes  
11.5: By 2030, significantly reduce the number of deaths and the number of people affected  
15.2: By 2020, promote the implementation of sustainable management of all types of forests; halt deforestation; restore degraded forests; and substantially increase afforestation and reforestation globally | 6.6.1: Change in the extent of water-related ecosystems over time  
11.5.2: Direct disaster economic loss in relation to global GDP, including disaster damage to critical infrastructure and disruption of basic services  
15.2.1: Progress towards sustainable forest management |
| Impact Invest Trust PLC* | 8.5: By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value | 8.5.1: Average hourly earnings of female and male employees, by occupation, age, and persons with disabilities |
| Sixup               | 4.3: By 2030, ensure equal access for all women and men to affordable and quality technical, vocational, and tertiary education, including university | 4.3.1: Participation rate of youth and adults in formal and non-formal education and training in the previous 12 months, by sex |

*Will impact numerous other SDGs, depending upon ultimate underlying funds selected. Likely targets: SDGs 1-13, 17
SDG Mapping: Zero Gap Fund currently contributes to 12 of the 17 SDGs

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<tr>
<td>LeapFrog</td>
<td>1.4: By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources 3.8: Achieve universal health coverage 9.3: Increase the access of small-scale industrial and other enterprises</td>
<td>1.4.1: Proportion of population living in households with access to basic services 3.8.1: Coverage of essential health services 9.3.2: Proportion of small-scale industries with a loan or line of credit</td>
</tr>
<tr>
<td>Light Resilience Partners (CRAFT)</td>
<td>13.B: Promote mechanisms for raising capacity for effective climate change-related planning and management in least developed countries and small island developing states, including focusing on women, youth, and local and marginalized communities</td>
<td>13.B.1: Number of least-developed countries receiving specialized support, and amount of support, including finance, technology, and capacity-building, for mechanisms for raising capacities for effective climate change-related planning and management, including focusing on women, youth, and local and marginalized communities</td>
</tr>
</tbody>
</table>
RF Roles and Responsibilities

Of PRI Team
- Identification of investments with highest potential impact return on investment, in addition to financial return
- Determination of SMART impact indicators (with investees)
- Reporting and accountability for impact and financial performance to RF leadership
- Maintenance of MIS system, including input, cleaning, analysis, and visualization of data
- Use of impact data for decision-making, and for communications purposes

Of M&E Team
- Review investments with a view to determining SDG alignment
- Support PRI team and investees to identify impact indicators that are meaningful, and allow for tracking of progress of outputs (i.e., # new mini-grids constructed), outcomes (# small businesses electrified through mini-grids), and – as relevant and feasible – longer-term impact (business productivity, profitability). Ensure indicators are SMART.
- Support quality control of impact data
- Co-develop approach for portfolio-level “roll-up” in coordination with PRI team
- Ensure alignment with impact management and measurement best practices, including the Impact Management Project

Of Investees
- High quality reporting of impact and financial indicators to RF based on an agreed upon reporting schedule
- Demonstrated progress toward agreed upon targets
- Adaptive management and course correction based on analysis of data
Thanks for joining us!