Unlocking Capital, Activating a Movement

Final Report of the Strategic Assessment of

The Rockefeller Foundation's Impact Investing Initiative

E.T. Jackson and Associates Ltd.

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Rockefeller Foundation
Innovation for the Next 100 Years

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After climbing a great hill, one only finds that there are many more hills to climb. *–Nelson Mandela*

Passion and power must work together as mutually supportive partners. *–Aung San Suu Kyi*

I skate to where the puck is going to be, not where it has been. *–Wayne Gretzky*

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This report was written by Edward T. Jackson and Karim Harji.

PREFACE

Based on the premise that international aid and public spending will never be enough to adequately fund and scale solutions to the world's most pressing problems, the Rockefeller Foundation has, since 2008, supported the development of a global impact investing industry—an industry whose purpose is to enable the investment of capital with the intent to generate positive social impact beyond financial return. Over the past five years, the Foundation's Impact Investing Initiative has awarded grants and program-related investments (PRIs) aimed at accelerating the development and growth of the impact investing industry.

In particular, the Foundation's support aims to achieve four major outcomes: 1) Catalyze collective action platforms that help impact investors work together more effectively on activities such as standard setting, advocacy and marketing; 2) Develop industry "infrastructure," such as standards and rating systems; 3) Support scaling of intermediaries ranging from private equity funds to secondary market facilities; and 4) Contribute to fundamental research and advocacy necessary to grow the field of impact investing.

In 2011, as part of our Foundation-wide commitment to learning and accountability to our grantees, partners and stakeholders, we undertook an independent evaluation of the work of the Impact Investing Initiative to assess our progress in achieving these outcomes and to inform our actions going forward. Conducted by E.T. Jackson and Associates, this independent evaluation highlights a number of early successes and remaining challenges, many of which will shape our activities in the months and years to come.

We are pleased to share the results of this evaluation with our partners and stakeholders, and to contribute to the broader learning process in this new and rapidly growing field. It is clear from our evaluation and the related scan report, and from the growing body of research on impact investing, that there exists great momentum and inspiring leadership in this dynamic field. More significantly, there are promising signs here that together we can play an important role in bringing about a more sustainable, resilient and equitable future for humankind.

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ACRONYMS

AAC African Agricultural Capital
ANDE Aspen Network of Development Entrepreneurs
BoP Base of the Pyramid
BRIC Brazil, Russia, India, China
CalPERS California Public Employees' Retirement System
CDC Commonwealth Development Corporation
CDFI Community Development Finance Institution
CGAP Consultative Group to Assist the Poor
CRA Community Reinvestment Act (United States)
CSR Corporate Social Responsibility
DEEWR Department of Education, Employment and Workplace Relations (Australia)
DFI Development Finance Institution
ESG Environmental, Social and Governance
FMO Development Finance Company (Netherlands)
G-20 Group of 20 Countries
GIIN Global Impact Investing Network
GIIPP Global Impact Investing Policy Project
GIIRS Global Impact Investing Rating System
HNW High Net Worth
IADB Inter-American Development Bank
ICT Information and Communications Technologies
IDRC International Development Research Centre
IFC International Finance Corporation
II Impact Investing
IIPC Impact Investing Policy Collaborative
IRIS Impact Reporting and Investment Standards
KfW Reconstruction Credit Institute (Germany)
M&E Monitoring and Evaluation
MFI Microfinance Institution
MIX Microfinance Information Exchange
NGOs Non-Governmental Organizations
NMTC New Markets Tax Credit (United States)
OECD Organisation for Economic Cooperation and Development
OPIC Overseas Private Investment Corporation
PCV Pacific Community Ventures
PRI Program-Related Investment
RFP Request for Proposal
RI Responsible Investing
SBIC Small Business Investment Company
SGB Small and Growing Business
SME Small- and Medium-Sized Enterprise
SoCap Social Capital Markets
SRI Socially Responsible Investing
SWF Sovereign Wealth Fund
TIAA-CREF Teachers Insurance and Annuity Association and College Retirement Equities Fund
ToC Theory of Change
ToRs/SoW Terms of Reference/Scope of Work
UBS Union Bank of Switzerland
UK United Kingdom
UNPRI United Nations Principles for Responsible Investment
US United States
USAID United States Agency for International Development
USSBA United States Small Business Administration

EXECUTIVE SUMMARY

Impact investing involves "investors seeking to generate both financial return and social and/or environmental value—while at a minimum returning capital, and, in many cases, offering market rate returns or better."

INITIATIVE OVERVIEW

In 2008, the Board of Trustees of the Rockefeller Foundation approved $38 million in support of the Impact Investing Initiative for the period 2008–2011, which was subsequently extended through 2012, and extended again through 2013. The Initiative sought to address the "lack of intermediation capacity and leadership to generate collective action" that was constraining the small but rapidly growing impact investing industry. Impact investing involves "investors seeking to generate both financial return and social and/or environmental value—while at a minimum returning capital, and, in many cases, offering market rate returns or better."

> The Initiative sought to address the "lack of intermediation capacity and leadership to generate collective action."

Intended Outcomes of the Impact Investing Initiative

1. **Catalyze collective action platforms** that enable impact investors to work together more effectively. This work has centered on the development of an international impact investing network that provides the vehicle through which a select group of global leading impact investors and intermediaries can launch initiatives, such as an independent standards setting body, and ultimately undertake advocacy and marketing. By 2010, these were also referred to as "leadership platforms."
2. **Develop industry "infrastructure,"** specifically collective platforms, networks, standards and rating systems, either collectively or as initiated by individual entrepreneurs, and in conjunction with the impact investing network, where appropriate. This work has focused primarily on supporting grantees to develop a sector-wide ratings system to assess the social and environmental performance of funds and enterprises, as well as a set of common terms and standards for investors.
3. **Support scaling of intermediaries** such as nonprofit and for-profit organizations that undertake the work required to bring investors together, conduct due diligence, assess the viability of investors, package investments, and generally act as a bridge between the investors wanting to make a social and/or environmental impact and the market for doing so. Intermediaries help place capital in new geographies and subsectors, absorb impact investments at a scale necessary to attract the institutional investors who control the lion's share of global capital, and invest this capital into businesses and projects that require both scaled resources and upfront subsidy in order to target poor and vulnerable people. Such intermediaries can take the form of private foundations (e.g., the Calvert Foundation), nonprofit loan funds (e.g., Root Capital), social venture capital funds (e.g., Acumen Fund) and equity funds investing in developing countries (e.g., IGNIA in Mexico). Intermediaries can also take the form of advisory groups for impact investors (e.g., Imprint Capital, ImpactAssets) and impact investees (e.g., Total Impact Advisors) that may or may not manage capital.
4. **Contribute to fundamental research and advocacy.** In 2010, the Foundation added a fourth outcome to recognize the importance of research and the centrality of improved policy and regulations to take the impact investing industry to scale. This showed a clear path to engaging government to link advocacy with clear demonstration projects and credible research and analysis.

EVALUATION OVERVIEW

Carried out from July through December 2011, the Evaluation sought to evaluate the relevance, rationale, effectiveness, influence and sustainability of the Initiative through document review, portfolio analysis, interviews with more than 100 impact investing leaders based in 11 countries, participant observation at industry events, and organizational assessments. The external evaluation team ("Evaluators") also conducted a scan of the impact investing industry's evolution over the past four years. The findings of the scan are summarized in the companion report, *Accelerating Impact: Achievements, Challenges and What's Next in Building the Impact Investing Industry*.

The Evaluators were asked to make recommendations to the Foundation on

1. the approach of the Initiative (strategies, results and work program);
2. further actions needed in the medium and long term to nurture and sustain the achievements of the Initiative as the Foundation winds down its support; and
3. implications of the achievements and challenges of the Initiative for the strategy and work of the Rockefeller Foundation in general, and for impact investing partners and more broadly the field of impact investing and development.

Overall, the Evaluation found the Impact Investing Initiative to be a very successful intervention.

Given the rapidly changing and emergent nature of the impact investing field, the Evaluators were asked to frame their findings for the Initiative in the context of findings for the field as a whole, to help guide the recommendations for the Foundation and for leaders in the field more broadly.

KEY FINDINGS OF THE EVALUATION

Findings for the Impact Investing Initiative:

1. Overall, the Evaluation found the Impact Investing Initiative to be a very successful intervention in building a broad-based, cross-national understanding of and support for the concept and practice of impact investing; leaders in the field agree that the Initiative's role in this regard has been a decisive one. The original rationale for the Initiative established in 2008 was valid at the time and has become stronger over time.
2. The Initiative succeeded in defining the field of impact investing, thus enabling collective action from diverse stakeholders. This allowed for the establishment of the initial public goods infrastructure of the impact investing ecosystem—an international network, a set of common standards and terms, and the creation of a ratings system—while it fostered supporting and learning from the growth of dynamic, smaller impact investing funds.
3. Animated by the Foundation's Initiative, this budding ecosystem, in turn, activated the beginning of a broader movement involving other stakeholders, including government policymakers and civil society leaders, who also see value in building impact investing to address economic and social challenges in all parts of the world.
4. From the outset, the Initiative established the Global Impact Investing Network (GIIN) not only as the field's prime collective action platform, but also as the Initiative's own legacy organization to continue animating the field after the Initiative is completed.
5. As a result of its cumulative efforts, the Initiative established the Rockefeller Foundation as a leader in the impact investing field in financial, philanthropic and development communities around the world, and especially those in developed countries. In turn, this has enabled the Foundation to expand its connections to new partners, open new conversations with funding agencies and work with institutions that can support the implementation of the Foundation's other initiatives.

Outcome 1: Collective Action Platforms

6. The Initiative made effective, strategic use of convening in its early years, most notably with two Bellagio gatherings of leaders in the field in 2007 and 2008, where the term "impact investing" was coined and a strategic framework was developed that would guide the Initiative and its allies to build the impact investing field.
7. The Initiative made very strong progress in establishing and supporting the continued evolution and more diversified funding base of the GIIN, the prime collective action platform for the new field and the Foundation's legacy instrument for continuing to build the field; as of December 2011, 42 foundations, funds, banks, intermediaries and development agencies, almost all of which are headquartered in the US or Europe, had joined the GIIN's Investors' Council.

> The Initiative made very strong progress in establishing and supporting the continued evolution and diversified funding base of the Global Impact Investing Network.

Outcome 2: Industry Infrastructure

8. The Initiative has made solid progress in developing industry infrastructure to establish common language, metrics and ratings, but there is a long way to go, with sustainability challenges ahead in terms of diversifying funding, balancing subsidy with earned income, deepening capacity and maintaining credibility over the long run. Experience in the microfinance field, notably with the Consultative Group to Assist the Poor (CGAP), indicates that such industry infrastructure can require ongoing subsidy and refinement over a period of decades.
9. Housed at the GIIN, the Impact Reporting and Investment Standards (IRIS) provides a common system for organizations to communicate and report their social and environmental performance, and is building larger pools of quantitative performance data, though there is very little developing-country involvement in the development of IRIS and its links to other, more decentralized reporting systems remain underdeveloped. The Foundation's support for IRIS has produced a necessary and important element of this emerging field's infrastructure and it is increasingly adopted by impact investors, intermediaries and investees. IRIS' full development and adoption will, however, require at least another five years of work by its proponents.
10. For its part, the Global Impact Investing Rating System (GIIRS), animated by the B Lab organization and seeking to emulate mainstream market ratings groups like Morningstar and Standard and Poor's, has attracted 50 impact investing funds to become GIIRS-rated, but it continues to search for a sustainable business model, a process that will likely take another five to seven years. The Foundation's support for GIIRS has enabled a solid analytic base and relevant performance measures. However, to date, GIIRS has been too time-consuming to use, so its proponents are now working to streamline the system for users, and are making solid progress in this respect.

Outcome 3: Scaling Intermediaries

11. The Initiative's support of scaling intermediaries took a variety of forms, including grants for strategic planning (e.g., Calvert Foundation) and demonstration projects involving new product development (Cincinnati Community Foundation) as well as program-related investments (PRIs), particularly the Acumen Fund, Root Capital and IGNIA, and provided the Initiative with firsthand knowledge of how smaller, usually impact-first investors can design investment vehicles, and mobilize and place capital. This provided a valuable opportunity for the Foundation and its partners to learn from firsthand experience how, and if, approaches like this will work.

12. To support the scaling process, the Initiative used grants for advisors to design new programs and coach institution leaders, PRIs to help expand the investment capacity of the intermediary, and research and advocacy to promote new intermediary models.
13. Efforts by the Initiative to engage larger institutions—investment banks and pension funds—yielded slow and uneven results, causing the Initiative to focus on smaller investor organizations like foundations, family offices, and social or green funds.

Outcome 4: Research and Advocacy

14. The Initiative achieved significant field-building gains through co-produced and co-branded research studies, which the team and its core allies aggressively marketed to key segments of the impact investing field and to the business, philanthropy and development communities. More recently, the GIIN has taken on the co-production and co-branding role of new reports.
15. While the Initiative was late in supporting research on strengthening the enabling environment for impact investing, grantees of the Initiative, assisted by these research studies as well as by public awareness building by the Initiative team, provided research and advice that led to significant policy influence in the US, UK, Canada and Australia.
16. In 2011, the Initiative supported a collaborative network on policy for impact investing, with a good mix of "Northern" and "Southern" representatives, addressing what has been to date a lack of sufficient Southern (developing-country) representation.

Findings for the Field of Impact Investing as a Whole

17. The Evaluation found that, against the backdrop of a volatile world economy, the emerging field of impact investing has made good progress over the past four years, with its leaders coalescing around a common understanding of impact investing, mobilizing significant new pools of private and public capital, and putting in place initial industry infrastructure. The Evaluation identified nearly $6 billion worth of new funds and deals in the period under review. In addition, the average size of impact investment funds has grown considerably.

A constraint on the growth of impact investing is the lack of investment readiness of enterprises and projects to receive increased flows of impact capital.

18. Nevertheless, a constraint on the growth of impact investing is the lack of investment readiness of enterprises and projects to receive increased flows of impact capital. Closely related to this problem is the need to strengthen the capacity of intermediaries (e.g., foundations, social venture funds, fund managers and nonprofit financial services firms) to source, prepare, execute and monitor investments, and enable exit routes, on behalf of impact investors while also building the capacity of investee enterprises and projects.
19. There are diverse approaches to supporting impact investing. These range from loans and guarantees to small and growing businesses (SGBs) and social enterprises, provided by organizations like the Acumen Fund and Root Capital, to equity investments in larger, growing companies, sometimes employing hundreds of people, by funds such as IGNIA in Mexico. These and other approaches are all valid, show good promise, and are worthy of support.

    More specifically, investor expectations of financial returns can range from zero to 25%. For debt-related investments, expected gross annual yields can range from 3 to 4% for nonprofits and from 7 to 8% for for-profit impact investors. Private debt has been the favored investment instrument, and microfinance, housing and cross-sector projects have been the most popular investment targets.
20. The larger financial institutions have been slower than the smaller funds to engage in impact investing, and developing-country investors have been under-represented in field-building efforts.

21. For their part, the smaller impact investment funds have begun to measure social impact among poor and distressed communities, but building quantitative databases for this purpose takes time and money, and efforts to link centralized and decentralized performance tracking have been too rare.

22. Nevertheless, the smaller impact investing funds have demonstrated—mostly through qualitative data and increasingly via quantitative data—that they are having both financial and social impact. They are demonstrating the validity of their strategies and theories of change for how equity, loans and guarantees in small business, microenterprise and smallholder farm operations result in employment and income gains, more affordable goods, and cheaper access to health, education and energy.

23. However, a good number of impact investing leaders in developing countries do not perceive this field as yet owned by them—there is considerable interest in asserting a "Southern" voice in the shaping of this field, and in building developing-country networks and capacity.

24. Impact investing professionals bring a timely set of capital pools, financial products and technical tools that can be tapped in support of new efforts by the Foundation and its partners to test, develop and roll out new forms of innovative finance. This is particularly relevant now when Western aid budgets are declining as the new Southern economic powers (notably China, India and Brazil) continue their rise.

Impact investing professionals bring a timely set of capital pools, financial products and technical tools that can be tapped to test, develop and roll out new forms of innovative finance.

The Impact Investing Initiative: What Worked?

25. **Investments in action platforms:** Action platforms provided an important focal point for participants in the impact investing marketplace, especially the GIIN, the IRIS system, and the GIIRS.

26. **Financial resource mobilization:** Resource mobilization for action platforms has been successful, as evidenced by recent new funding commitments by private and public organizations, including significant support by J.P. Morgan and the United States Agency for International Development (USAID), together with strong interest by the UK Government's Department for International Development (DFID) and the Omidyar Network, for the GIIN and IRIS, as well as support by USAID and Prudential Financial for GIIRS.

27. **Resource efficiency:** The successes of the Initiative are due both to efficient use of its grant funds and to effective use of staff time for leadership, positioning and relationship management. While the spread of grant resources is strategically aligned with the strategy and outcomes of the Initiative, the average size of grants was just under $300,000, with the duration being between one and two years. The transaction costs of small grants of short duration may have added unduly to the workload of an already stretched team.

28. **Thought leadership and human resource effectiveness:** The productive and hardworking nature of the Impact Initiative team is widely recognized across all stakeholder groups. In particular, the thought leadership and positioning role the team members played throughout the life of the Initiative have been viewed by those stakeholders as essential to building the field of impact investing. The Initiative successfully extended its human resource capacity by setting up the GIIN, which has taken on more of the knowledge co-production, awareness-raising and relationship-building functions previously provided by the Initiative team. Nonetheless, the Initiative has had to cope with reduced staff capacity with the departure in 2011 of two of its core members, including its Managing Director.

29. **Mobilization of a critical mass of core allies and champions:** Using convening, grantmaking, partnerships and public advocacy, the Foundation built a network of core allies and champions who, despite being diverse, were willing to coalesce under the impact investing umbrella in order to build something bigger together.

Co-created knowledge products were used by the Initiative's allies to make the case for new impact investing funds, new intermediaries and new policy initiatives around the world.

30. **Influential, co-created and co-branded knowledge products:** Noteworthy examples here include reports produced with the Monitor Institute (in 2009) describing the field's potential and how it could be built, and with J.P. Morgan (in 2010) on a more finance-focused survey of the field and its growth prospects. Both of these products were used by the Initiative's allies to make the case for new impact investing funds, new intermediaries and new policy initiatives around the world.

31. **Policy influence evident in the US, UK, Canada and Australia:** In the US, the Initiative-supported research and advocacy both contributed to and benefited from policy initiatives at the Federal Reserve System and the White House Office of Social Innovation, as well as at the US Small Business Administration and the Overseas Private Investment Corporation (OPIC), both of which announced major impact investing initiatives in 2011. Initiative grantees also provided technical advice to the White House National Economic Council on ways and means of strengthening both the Community Reinvestment Act and the New Markets Tax Credit. In the UK, the Initiative supported and was supported by the principals who created Big Society Capital, a government-mandated financial institution for the "third sector" aimed at social and/or environmental return. In addition, leaders outside government in Canada and inside government in Australia drew heavily on Initiative knowledge products and leadership in animating policy advances in those countries.

32. **Validation of the basic elements of its theory of change was clear, supported by evidence of the Initiative's clear contribution to key results:** In both its grantmaking and complementary activities, the Initiative team remained focused on its four priority outcome areas, a strategic discipline that paid off in important gains.

What Did Not Work?

33. **Aggressive demarcation of the definition:** The Initiative's sometimes aggressive demarcation of the definition of impact investing, aimed at protecting the integrity of the definition of impact investing against manipulation or dilution, had at times the unintended effect of alienating certain constituencies. A more diplomatic and nuanced approach to related fields, as was taken in the case of microfinance, could have been employed.

Persistent North-South asymmetries in the governance of the Initiative's grantees and partners favored Northern-based grantees and partners.

34. **North-South asymmetries:** Persistent North-South asymmetries in the governance of its grantees and partners favored Northern-based grantees and partners, thus limiting recognition and contributions of the South.

35. **Limitations on impact investing by the Foundation:** The decision to not pursue additional mission-based impact investing was viewed by a minority of leaders in impact investing as diminishing somewhat the credibility of the Foundation to lead the field in its next phase of development. However, for the majority of leaders interviewed by the Evaluators, this decision was not viewed as a serious impediment to the Initiative's leading role in catalytic grantmaking to build the impact investing field.

36. **Coming late to the policy dimension of impact investing:** The Initiative missed early opportunities to influence policy by not focusing on the role of government until 2010, despite the 2008–2009 financial crises, or learning from the history of microfinance and community development finance, where policy has played a central role.

KEY LESSONS

Notwithstanding these and other issues, the Evaluators consider the Impact Investing Initiative to have been a very successful intervention that offers three important lessons:

1. Building a new field requires a special combination of mutually reinforcing tactics, including front-end convenings and co-produced research, thought leadership, strategic grantmaking and PRI placement, establishment of a legacy instrument, industry-wide standards, engagement of a core group of allies and champions, and building awareness in the mainstream and social media.
2. In a global context in which Western aid budgets are being reduced, the search for innovative forms of finance for development is intensifying, and impact investing offers an array of highly relevant financial products, intermediaries and professional skills in quantitative analytics.
3. When the Foundation transitions out of a leadership role in an ambitious field-building process, it should consider the following: ensuring a smooth transition to an effective legacy organization; forging new funding partnerships; supporting selected bridging activities; and managing staff rotation.

Building a new field requires a special combination of mutually reinforcing tactics.

RECOMMENDATIONS TO THE ROCKEFELLER FOUNDATION

In light of the findings of this evaluation, the Evaluators put forward the following recommendations for the Rockefeller Foundation:

Approach and Model of Operation

1. Create new knowledge products and learning opportunities, including systematizing raw knowledge, for Foundation teams, in order to
   a) transfer the lessons of the Impact Investing Initiative's experience in terms of the strategy and tactics used to effectively catalyze and launch a dynamic new field;
   b) promote the awareness of impact investing and investors among Foundation teams in other programming areas, in order to facilitate the financing of downstream implementation of enterprises and projects; and
   c) assist Foundation personnel in smoothly and constructively winding down and handing off initiatives or programs in fields that have gained momentum and constituencies.

Action to Sustain Achievements

2. Sustain the gains toward, and steward the vision of, a robust, mature impact investing movement, through
   a) innovative, results-oriented partnerships with other funding agencies;
   b) continued, active support of the further evolution of the GIIN as a truly global, catalytic network; and
   c) active promotion of the adoption rates and business models of the IRIS and GIIRS projects.

Transitions

3. Design and implement a two-year transitional phase of targeted grants in order to
   a) strengthen Southern platforms and networks in selected emerging markets (e.g., Kenya, India, Hong Kong, Mexico);
   b) test ways of improving investment readiness on the demand side;
   c) demonstrate new ways of effectively engaging larger investors that have shown an appetite for making impact investments; and
   d) create new products and distribution platforms for investors.

4. Support the engagement of the development evaluation profession based in developing countries to add value and hold impact investors accountable for their social and environmental objectives.
5. Convene and animate a series of conversations/encounters between leaders in impact investing and those in other areas of innovative development finance.

RECOMMENDATIONS TO THE FIELD OF IMPACT INVESTING

Furthermore, the Evaluators recommend that the leaders of the impact investing field take steps to

6. Institutionalize authentic developing-country voice and governance in the impact investing movement at all levels through
   a) creation of new Southern platforms and networks on the supply side, or involving a combination of both supply-side and demand-side actors;
   b) deepening policy dialogue among Southern policy actors in all spheres: private, philanthropic and public; and
   c) experimentation with more democratized forms of impact investing and enterprise (e.g., widely held shareholder base in for-profits; mass membership in nonprofits and cooperatives).
7. Accelerate the velocity and expand the volume of capital mobilized for impact investing through
   a) support to the rapid, targeted development of new products, distribution systems and other "plumbing" in the impact investing space;
   b) strengthening the capacity of intermediaries to identify, prepare, monitor and enable an exit from new investment deals on behalf of impact investors, while also enabling the building of investee capacity;
   c) increased formation of private-public investment syndicates involving development finance institutions (DFIs) and focused on specific sectors (e.g., water, health, energy, agriculture);
   d) design and implementation of large-scale investment funds and mechanisms (e.g., in green real estate or social infrastructure) that can attract pension fund and sovereign wealth fund (SWF) investment at low transaction costs; and
   e) closer relations and joint partnerships between impact investors and investors in related fields, such as responsible investing, community development finance, clean technology, corporate social responsibility and inclusive business.
8. Secure and sustain funding for the public-goods infrastructure of the impact investing movement.
9. Deepen the talent pool of the impact investing field through
   a) encouragement of policies and incentives for investment management teams to drive impact investing;
   b) new courses to enhance the skills and knowledge of current investment fund managers and new entrants to the impact investing field; and
   c) strengthened policies and practices relating to salaries, benefits and career paths for young professionals.
10. Convene the key players—including strong representation from impact investors in developing countries—to build a 10–15 year, phased plan to move toward a mature and sustainable global impact investing movement.

The leaders of the impact investing field should institutionalize developing country voice and governance in the movement, accelerate the velocity and expand the volume of impact capital, sustain the public goods infrastructure of the industry, and develop its talent pool.

CONCLUSION

Overall, the evaluation found that the Impact Investing Initiative of the Rockefeller Foundation has been a very successful intervention. As a result of the contributions of the Foundation, and in tandem with the efforts of dedicated and gifted impact investing leaders around the world, the broader field of impact investing has made good progress over the past four years, and is gaining momentum and scale. Yet it also faces challenges. Now, in a very real sense, the hard work begins in earnest. Building a mature impact investing field and movement will take another 20 to 25 years. As the Rockefeller Foundation completes its support of the Impact Investing Initiative and plans its next round of interventions, promising directions and channels are available through which the Foundation can continue to add value to, and benefit from, this important field-building effort.

Impact investing has made good progress. Now the hard work begins in earnest.

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PART I: CONTEXT

This report summarizes the findings and recommendations of the strategic assessment of the Rockefeller Foundation's Impact Investing Initiative, which began in 2008 and has been extended through 2013. The assessment aimed to evaluate the effectiveness, influence and sustainability of the Initiative.

1 INTRODUCTION

1.1 BACKGROUND

In 2008, the Board of Trustees of the Rockefeller Foundation (the Foundation) approved $38 million in support of the Impact Investing Initiative for the period 2008–2011, which was subsequently extended through 2012, and extended again through 2013. The overall aim of this effort has been to improve the lives of poor and vulnerable citizens through greater availability of affordable products and services, expanded income-generating activities and a better physical environment resulting from increased flows of impact investment. To achieve this goal, the Initiative sought to address the "lack of intermediation capacity and leadership to generate collective action" that was constraining the small but rapidly growing impact investing industry. Impact investing involves "investors seeking to generate both financial return and social and/or environmental value—while at a minimum returning capital, and, in many cases, offering market-rate returns or better." The intended outcomes of the Initiative are to 1) catalyze collective action platforms; 2) develop industry infrastructure; 3) support scaling of intermediaries; and 4) contribute to fundamental research and advocacy. In mid-2011, the Foundation provided a grant to E.T. Jackson and Associates Ltd. to carry out a strategic assessment of the Impact Investing Initiative. The purposes and scope of the assessment were set out in the evaluation's terms of reference/scope of work (ToRs/SoW; see Appendix A).

The Initiative sought to address the "lack of intermediation capacity and leadership to generate collective action."

1.2 DESCRIPTION OF THE INITIATIVE

Through both its grantmaking and non-grant activities, the Foundation's Impact Investing Initiative team has played a prominent and widely recognized role in the definition, promotion and development of the field of impact investing in the United States and other parts of the world. Through 2011, the Initiative had approved more than 100 grants plus four program-related investments (PRIs) worth about $34.6 million. Its largest allocations had been directed to the Global Impact Investing Network (GIIN)—the Initiative's prime collective action platform and its key instrument for sustaining and extending the results achieved over the past four years—and to B Lab and the Global Impact Investing Rating System (GIIRS), which is the Initiative's prime tool for establishing industry performance norms and measuring social impact, together with the GIIN's Impact Reporting and Investment Standards (IRIS).

A group of investment funds that are mostly based in the United States are testing the GIIRS system and constitute part of the core network of grantees and PRI investees engaged by the Initiative. Examples of these funds include Root Capital, IGNIA, the Acumen Fund and Agora Partnerships. Other core-network partners have included, for example, the Aspen Network of Development Entrepreneurs (ANDE, another collective action instrument), the Calvert Foundation (intermediation and policy), Pacific Community Ventures (research and policy) and the Monitor Institute (field-building strategy). Investment bank J.P. Morgan has been a notable non-grantee partner, as has the US Federal Reserve Bank. Outside the United States, key grants have been made to impact investing organizations in Brazil, Canada, India, Kenya, Mexico, Singapore, South Africa and other countries. The United Kingdom has been a special focus of the Initiative's grantmaking and partnership activities, particularly through Social Finance UK and the Social Stock Exchange there.

The Impact Investing team at the Foundation has played an active thought-leadership and advocacy role in defining and promoting the concept and practice of impact investing. As frequent conference speakers and authors of reports, articles and blogs on the subject of impact investing, the Initiative's team members have been interviewed and quoted extensively in both the mainstream press (e.g., *New York Times*, *Forbes*) and niche media on philanthropy, development and social business, including social media platforms such as *LinkedIn* and *Facebook*. Furthermore, research studies supported and often co-produced by the Impact Investing Initiative along with its grantees and partners have been cited in policy reports not only in the United States but also in the United Kingdom, Canada and Australia.

1.3 PURPOSES AND OBJECTIVES

1.3.1 Purposes

The strategic assessment has the following five general purposes:

1) learning from the evolution of the field and the experience of the Initiative;
2) making recommendations to the field of impact investing;
3) documenting the achievements of the Initiative (what has worked, what has not, and why);
4) accountability to the Rockefeller Foundation President and Board of Trustees; and
5) contributing knowledge to the fields of impact investing, development and evaluation.

The strategic assessment has five purposes: learning from the evolution of the field, making recommendations to the field, documenting the achievements of the Initiative, ensuring accountability and contributing knowledge.

1.3.2 Objectives

More specifically, the strategic assessment has pursued the following objectives:

1) to document and analyze the evolution of the field since Bellagio 2007;
2) to assess the relevance and rationale of the Initiative;
3) to assess the theory of change and underlying hypothesis of the Initiative;
4) to assess the effectiveness of the Initiative—the extent to which it has achieved its outcomes, in terms of
   - strategies and tactics
   - quality and quantity of outputs
   - policy influence
   - management and leadership;
5) to assess the cost effectiveness and efficiency of the Initiative;
6) to document the Initiative's achievements, challenges and lessons;
7) to highlight the knowledge contributions of the Initiative;
8) to make recommendations to the Foundation on
   - the Initiative's approach and model of operation
   - future action needed to sustain the achievements of the Initiative, including resource mobilization and stakeholder engagement; and
9) to make recommendations and give guidance to the impact investing industry.

1.4 METHODOLOGY

1.4.1 Overall Approach

The conduct of the strategic assessment was guided by the standards set out in the guidelines for development evaluations of the Organisation for Economic Cooperation and Development (OECD).[1] The general approach adopted by the assessment was a mixed methods[2] one, with an emphasis on management issues, outcome results, qualitative data and the linkages between evaluation and strategic planning. The study was undertaken in consultation with the Impact Investing Initiative team and was managed by the Evaluation Office of the Rockefeller Foundation.

1.4.2 Scope and Emphasis

The scope and emphasis of the strategic assessment are set out in the ToRs/SoW of the assignment. The bulk of the data collection and analysis and reporting for the evaluation component was completed by early 2012. The two main evaluation reports are the overall assessment report, *Unlocking Capital, Activating a Movement: Final Report of the Strategic Assessment of The Rockefeller Foundation's Impact Investing Initiative,* and the industry scan, *Accelerating Impact: Achievements, Challenges and What's Next in Building the Impact Investing Industry*. In general, the evaluation examined questions related to relevance, effectiveness, efficiency, sustainability and impact. From early 2012 through late 2012, the focus of the assessment will be on supporting a strategic planning process with key players in the impact investing field as well as the Rockefeller Foundation. As provided for in the ToRs/SoW, the assessment will also involve the organizing of learning events and the production and dissemination of public-goods knowledge products, including up to six thematic papers, aimed at the fields of impact investing, development and evaluation. This work also will be undertaken in the second half of the assessment process.

In general, the evaluation examined questions related to relevance, effectiveness, efficiency, sustainability and impact.

1.4.3 Evaluation Matrix

A key tool in the design of the strategic assessment was the evaluation matrix. Attached as Appendix B, the matrix contains 22 main questions grouped by the following headings: relevance, effectiveness, efficiency, sustainability and impact. Among the data sources that were mobilized in the service of answering these questions were the following: document review, key-person interviews, participant observation, organizational assessments, and the scan of the impact investing field. Data were assessed through theory of change analysis and other methods (particularly, policy-influence analysis and contribution analysis).

1.4.4 Data Sources

The strategic assessment team collected data from five main sources:

1) **Document review:** Reports, policies, articles, websites and a wide range of other documents pertaining to Initiative grantees and non-grantee partners and to other actors in the global impact investing space were reviewed.

2) **Portfolio review:** Data on grants and grantee performance from the Rockefeller Foundation's Sharepoint system, and supplemented by information on the GuideStar database for US charities and nonprofits, were also reviewed. While the assessment team examined the full Initiative portfolio of grants, particular attention was devoted to portfolio information on the fifteen grantees that received significant financial support from the Impact Investing Initiative, totalling approximately $24 million on 42 grants (Table 1), including three PRIs worth a combined $6.7 million (see Table 2).

Table 1: Fifteen Key Impact Investing Initiative Grant Recipients, 2008–2011

	Organization	Total Funds Received	# of Grants/PRIs	Period
1	B Lab/GIIRS LLC*	$4,900,000	8	2008-2011
2	Rockefeller Philanthropy Advisors/GIIN/IRIS	$4,545,000	4	2009-2014
3	Acumen Fund, Inc.	$3,600,000	2 (1 PRI)	2009-2018
4	Root Capital Inc.	$2,651,600	3 (1 PRI)	2008-2010
5	Calvert Foundation, Inc.	$1,307,700	5	2007-2012**
6	The Aspen Institute, Inc./ANDE	$1,177,000	5	2007-2013**
7	Monitor Institute, LLC	$1,104,700	4	2008-2011
8	IGNIA Partners, LLC	$1,000,000	1 (PRI)	2010-2020
9	Social Finance Limited UK	$ 708,100	1	2009-2011
10	Intellecap Inc.	$ 700,000	2	2009-2011
11	Pacific Community Ventures, Inc.	$ 537,760	2	2010-2011
12	Social Stock Exchange Limited UK	$ 500,000	1	2008-2009
13	Impact Investment Exchange (Asia) Pte. Ltd.	$ 495,040	1	2009-2011
14	Agora Partnerships	$ 450,000	2	2009-2010
15	Lion's Head Global Partners LLP	$ 450,000	1	2010-2011
Total	15 Organizations	$24,126,900	42 Grants, 3 PRIs	2007-2020

* A $600,000 grant to B Lab in 2009 was used for IRIS work

** The 2007 grants were part of the Development phase of this intervention

Source: Rockefeller Foundation, 2012

Table 2: Program-Related Investments, Impact Investing Initiative

	Organization	Amount of PRI	Repayment Period
1	Acumen Capital Markets	$3,500,000	2009–2018
2	Root Capital	$2,000,000	2008–2010*
3	IGNIA	$1,000,000	2010–2020
4	Seven Seas	$ 200,000	2009–2010*
	Total for Four Organizations	$6,700,000	2009–2020

* PRI has been exited

Source: Rockefeller Foundation, 2012

The evaluation team interviewed more than100 leaders from 11 countries. Nearly one-third were based in developing regions.

3) **Key-Person interviews:** In addition, the evaluation team interviewed more than 100 leaders in the impact investing field from 11 countries, including face-to-face interviews with these key informants in the United States, United Kingdom, Canada, Singapore, India, Kenya, Mexico and Nicaragua, plus Skype/telephone interviews with leaders in Australia, Brazil and South Africa. This sample of interviewees was constructed purposefully,[3] to achieve geographic distribution with an emphasis on representatives of grantee organizations that had received more than one grant. Convenience, or cost effectiveness, was also a factor in the sampling process. Nearly one-third of our interviewees were based in developing regions; this was an attempt by the assessment to somewhat amplify Southern voices in this study. Appendix C lists the persons interviewed for the strategic assessment. Table 3 presents the number of interviewees by role and region.

Table 3: Interviewees by Role and Region

Role	Region					Total
	North America	Europe	Asia	Africa	Americas	
Grantee	24	10	7	4	5	50
Partner	7	3	2	4	2	18
Sector Actor	25*	5	2	4	4	40
Total	**56**	**18**	**11**	**12**	**11**	**108**

* Includes ten Rockefeller Foundation staff members

For the interviews themselves, interviewees were sent, in advance, a protocol comprising 16 questions relating to the effectiveness and sustainability of their grant(s), of the Impact Investing Initiative, and of the impact investing field at large (see Appendix C). The protocol served as a guide for what often evolved into a free-flowing dialogue, especially with respect to the gains, challenges and future needs of the field as a whole.

4) **Participant observation:** The strategic assessment team also collected data through participant observation at major conferences in the United States (Social Capital Markets-SoCap), Mexico (Opportunity Collaboration), United Kingdom (Skoll Emerge Conference) and Canada (Social Finance Forum) during the period September through December 2011. Team members were able to gather more information about the field and its debates and innovations by participating in plenary and workshop sessions and by networking informally with other conference participants. Attendance at these events also permitted team members to efficiently schedule a series of interviews at the conference sites with individual impact investing leaders.

5) **Organizational assessments:** The final data source involved more detailed data collection to assess the Global Impact Investing Network, the Initiative's prime collective action platform and its chief post-Initiative legacy instrument, and the Global Impact Investing Rating System. This component examined GIIN and GIIRS from the point of view of its external environment, as well as organizational capacity, motivation and performance.

1.4.5 Data Analysis

The strategic assessment team used a group of principles, frameworks and tools to analyze the data collected, including

The strategic assessment team used triangulation, theory of change, a field-building framework, influence assessment and contribution analysis.

1) **Triangulation:** First and foremost, the strategic assessment team implemented the fundamental research principle of triangulation in all of its data analysis activities. This principle directs researchers to compare and verify findings across two or more sources of data. Data from a single source alone is insufficient to present clear findings and make meaningful judgments of the significance of the findings.

2) **Theory of change/program theory:** Utilizing Initiative outcome statements, staff interviews and other inputs, the assessment team constructed a theory of change[4] for the Impact Investing Initiative (see Section 4 below). Assessing the outcomes achieved by the Initiative in relationship to the theory of change constituted an important analytic approach in this evaluation.

3) **Field-building framework:** For the scan of the impact investing field, the assessment team used the original field-building framework developed by the Monitor Institute. This tool comprised a matrix setting out, on one axis, the type of capitalization required to build the field, and, on a second axis, the level of coordination that is required.[5]

4) **Influence assessment:** In addition, the team sought to determine the influence of the grantees and partners of the Initiative on private-sector and public-sector policies and practices, and drew on frameworks and tools from the Overseas Development Institute and the International Development Research Centre (IDRC) for this purpose.[6]

5) **Contribution analysis:** A final data-analysis approach used in the present study was contribution analysis,[7] which involves building a "contribution story" for the intervention by analyzing evidence to verify its theory of change. Contribution analysis can, in this way, provide credible assessments of cause and effect.

1.4.6 Learning Events

As set out in the TOR/SoW for the strategic assessment, in 2012, a series of learning events (workshops, seminars, meetings) will be organized with key stakeholder groups: impact investing leaders, representatives of foundations and development agencies that support the public goods infrastructure of the field, and leaders in the associated fields of development finance, philanthropy and evaluation. Some of these events will be invited sessions at conferences, workshops and other meetings organized by Initiative grantees and partners. Others will be organized by the strategic assessment team in conjunction with the Impact Investing Initiative and the Evaluation Office of the Rockefeller Foundation. The purpose of these activities will be to present findings, lessons and recommendations from the strategic assessment to encourage discussion, feedback and future planning at the global, regional and national levels.

1.4.7 Knowledge Products

Knowledge products will be created based on the findings of both this report and the scan of the impact investing field.

The assessment team will also create accessible knowledge products based on the findings of both this report and the scan of the impact investing field. Created in both hard-copy and online formats, these products will take the form of up to six thematic papers of five to seven pages in length. Table 4 lists potential topics for these papers. The papers will be introduced as learning tools at the various learning events referred to in Section 1.4.6.

Table 4: Potential Topics for Thematic Papers

- **Evaluation methods** for assessing field building
- **What works, and what does not** in field-building interventions
- **Regional strategies for impact investing:** new directions for Africa, Asia, the Americas
- **Social impact assessment:** trends, tools—and what investors want
- **More than money:** non-financial and non-traditional supports for social entrepreneurs
- **Filling in the "missing middle":** the financing gap between micro- and SME-finance
- **The GIIN:** strengthening the collective action platform for the next decade
- **The GIIRS rollout:** achievements, learning, next steps
- **Building impact investing:** growing supply and demand together
- **Policy models for impact investing:** sparking legislative change
- **Models for intermediation:** bringing impact investing to scale
- **Strategies for accelerating impact investing** in water, housing, renewable energy, agriculture, financial services, business process services

1.5 LIMITATIONS

The main limitations of the present study relate to the nature of the impact investing field itself. The emergent character of the global impact investing industry means that there are many organizations involved in and around the field that are not members of organized networks (e.g., of GIIN, ANDE), or participants at high profile conferences (e.g., SoCap, Skoll, Sankalp in India), and whose work thus remains largely invisible and often unconnected with other efforts. Furthermore, the multi-level (global, national, local), multi-asset (debt, equity), and multi-sector (e.g., water, health, energy, agriculture, etc.) nature of the field renders actors and their activities even more dispersed within and across countries. These and other factors pose challenges to sampling and assessing the field as a whole.

The emergent character of the impact investing industry means that there are many organizations whose work remains largely invisible.

Furthermore, much of the activity in the field is "front-end loaded." That is to say, impact investors have heretofore been preoccupied with setting up their own structures and funds, raising capital, and then finding deals and placing their capital. Other than in established subfields like microfinance and community development finance, there are relatively few cases of investments that demonstrate long-term, or even medium-term, downstream social impacts for the households and individual citizens of poor communities. In this sense, impact investing can be said to be metrics-rich but, at least so far, generally data-poor—though the field is taking energetic and creative steps to rectify this situation.

Against this backdrop, the strategic assessment team elected to focus its resources and time on a relatively small sample of individuals, organizations, projects and countries in the field as a whole. However, this is nonetheless a significant sample in terms of the percentage of Rockefeller Foundation funds received by grantees and in terms of the extent of their engagement with the Initiative work. These and other limitations notwithstanding, we are nevertheless confident that the findings presented here are both accurate and appropriate, and that the recommendations advanced in this report are relevant, feasible and timely.

2 EVOLUTION OF THE IMPACT INVESTING FIELD

2.1 WHAT IS THE IMPACT INVESTING FIELD?

Impact investing is the process of "making investments that generate social and environmental value as well as financial return."[8] More specifically, it involves the deployment of capital with the intention of actively creating positive social or environmental impact.[9] Impact investing can most usefully be understood as a subset of the broader umbrella concept of responsible or social investing.[10] In turn, subfields of impact investing include, for example, microfinance, community development finance, affordable housing investments, clean energy investments and the financing of small- and medium-sized enterprises in regions of high poverty and unemployment rates.

Examples of impact investing include the following:

- provision of below-market loans by development finance institutions (DFIs) to small businesses in a post-conflict zone;
- provision of loan guarantees (as PRIs) by charitable foundations in an affordable housing fund, which then can lever additional commercial finance;
- purchase of the securitized debt of a microfinance loan portfolio by a commercial bank on commercial terms, which in turn helps the microfinance institution expand its lending; and
- purchase by private investors of shares or units in a green energy fund that then invests in local renewable energy projects (wind, solar) in poor communities.

There are many more examples of impact investing that are well-documented elsewhere.[11]

Overall, the impact investing field is dynamic, diverse, emergent and entrepreneurial. The field is influenced by a blend of the culture and tools of finance and investment, on the one hand, interacting with the culture and tools of social-mission organizations, on the other hand.

Impact investing has emerged as a marketplace and as a field of practice, as well, comprising investors, intermediaries, investees, consultants, networks and standards-in-process. It is currently in the organizing and market-building phase. To date, the development of the field of impact investing has been strongly influenced by Northern-based impact investors, notably private foundations, nonprofit funds and DFIs, from the US, UK and Europe. These stakeholders have, in turn, worked with for-profit and nonprofit social entrepreneurs from both the North and the South, particularly from countries such as India, Kenya and Mexico. Research suggests that the global market potential of impact investing is in the order of $500 billion, with some upper estimates putting it at $1 trillion.[12] A central player in this emerging field is the GIIN and its Investors' Council, as well as the associated IRIS, together with the GIIRS. The Rockefeller Foundation's Impact Investing Initiative has been the lead animator and funder of the GIIN, IRIS and GIIRS.

Overall, the impact investing field is dynamic, diverse, emergent and entrepreneurial. The field is influenced by a blend of the culture and tools of finance and investment, on the one hand, interacting with the culture and tools of social-mission organizations, on the other hand. Deeply committed to both financial and social measurement, the field of impact investing can be rightly said to be metrics-rich, as has been the case for microfinance. However, because of its early stage of development, impact investing, so far, is generally data-poor—though there are important efforts underway to rectify this situation.[13] Related to this is the field's ongoing task of managing the tension between centralized versus decentralized standards and social-impact measurement.

The key stakeholders in the impact investing field are listed in Table 5. This list includes a range of organizations engaged in mobilizing capital and placing it in impact investments. These are supply-side actors. On the demand side are the institutions, enterprises and projects that *receive* these investments, and utilize this capital to create jobs, produce goods and services, and enhance the well-being of households and communities.

Table 5: The Key Stakeholders in the Impact Investing Field

Supply of Capital	Demand for Capital
• Nonprofit and for-profit social funds (Root Capital, African Agricultural Capital, Acumen)	• Social entrepreneurs (nonprofit, for-profit)
• Charitable foundations (Elumelu, Rockefeller, Gates)	• Small- and medium-sized enterprises
• Family offices (Hull)	• Microenterprises
• Development finance institutions (OPIC, FMO, CDC)	• Microfinance institutions
• Investment banks (UBS, Deutsche Bank)	• Nonprofit housing projects
• Development agencies (USAID, DFID)	• Urban revitalization projects
• Major corporations	• Green energy businesses
• Pension funds	• Sustainable agriculture initiatives
• Sovereign wealth funds	• Water systems
• Intermediaries for investors	• Health care facilities
	• Intermediaries for investees

Note that on the supply side there is a group of investors that are considered "impact-first." Including foundations, social funds and development agencies, this group is driven, in the first instance, by the objective of creating social impact and, secondarily, earning a financial return—though impact investors often insist on a modest interest or profit rate and work very hard to protect the principal of their investment. In contrast, the other group of investors can be said to be "financial-first," seeking prudent placement of their capital and predictable, solid returns, and, secondarily, aiming to create social or environmental value. Most investment banks, development finance institutions, pension funds and sovereign wealth funds (SWFs) fall into this category, as do some impact investing funds.

There is a group of investors that are considered "impact-first." The other group can be said to be "financial-first."

2.2 FRAMEWORK AND BASELINE

The ToRs/SoW directed the strategic assessment team to undertake a scan of the impact investing field as a whole and to assess the evolution of the field since 2008, when the Rockefeller Foundation's Impact Investing Initiative began. The full results of that scan are reported in *Accelerating Impact: Achievements, Challenges and What's Next in Building the Impact Investing Industry*. To carry out this task, the team used the framework for field building originally developed for the Initiative by the Monitor Institute in 2008 and presented in its influential 2009 report, *Investing for Social and Environmental Impact*. The report, in fact, summarized and represented the views of a collectivity of hundreds of impact investing pioneer leaders—including investors, entrepreneurs and service providers—and should not be seen as solely the product of either the Monitor Institute or the Rockefeller Foundation. Furthermore, given that this framework guided the Initiative and its network of allies in both defining and building the impact investing field, it made sense to apply it to the present assessment task, as well.

The baseline for our scan was the situation on the impact investing field as it was found by the Impact Investing Initiative team, the Monitor Institute and other allies in 2007, when the Rockefeller work in this field was in the Development phase. The Monitor Report emphasized the opportunity that existed then, as the authors put it, "to unlock capital by building efficient intermediation." The report identified several categories of impact investors: ultra-high net worth (HNW) individuals, public-benefit infrastructure and other Base of the Pyramid (BoP) investments, and value-driven consumers of financial products, among others. The report also pointed to greater recognition of the need for effective solutions to social and environmental challenges, including the world's "bottom billion" living in extreme poverty, and the pressing issue of climate change. At the same time, more mature fields related to impact investing—notably, microfinance in developing countries and community development finance in the US—were recognized for their successful track records in creating economic and social value for poor and distressed communities and households. In 2008, new capital pools and pioneering deals were beginning to be announced more frequently, often led by impact-first investors, and a greater number of intermediaries were beginning to enter this emerging marketplace.

Leaders in the field have, in fact, begun the journey of fulfilling the promise of impact investing. The field is off to a strong start.

The Monitor Report also underscored the fragmentation and lack of coordination of these efforts. The authors argued that enabling infrastructure was needed in order to bring some coherence to the impact investing industry and to provide a common set of terms, tools, data and benchmarks for industry participants.

Moreover, the Monitor Report drew attention to the issue of the possible lack of absorptive capacity on the demand side to receive and utilize investments on a large scale, both for individual placements as well as for the field as a whole. This fundamental issue would need to be addressed by the industry, as well, the authors argued.

Finally, the Monitor Report posed the fundamental challenge, as follows:

> The pressing question is whether impact investing will remain a small, disorganized, under–leveraged niche for years or even decades to come—or whether leaders will come together to fulfill the industry's clear promise, making the new domain a major complementary force for providing the capital, talent and creativity needed to address pressing social and environmental challenges.[14]

2.3 COORDINATION/CAPITALIZATION MATRIX: 2008 AND 2012

The impact investing field is off to a strong start.

Our answer to the "pressing question," articulated in the Monitor Report, is this: The leaders in the field have, in fact, begun the journey of fulfilling the promise of impact investing. The field is off to a strong start. Thanks to the pivotal efforts of the Rockefeller Foundation's Impact Investing Initiative, the field of impact investing has now

- been defined by a growing network of private, nonprofit and public actors;
- put in place initial public-goods infrastructure for terms, standards and performance rating;
- mobilized significant new impact capital from private and public investors; and
- made important new research and policy gains in some jurisdictions.

Impact investing has a long road ahead and faces an array of challenges, but this exciting journey has begun. This movement-in-process has much to contribute, especially, to the intensifying global search for new services and instruments of development finance.

Flowing from its analysis of the situation in 2008, the Monitor Institute advanced 17 recommendations for building the impact investing industry. These recommendations were located within a Coordination/Capitalization Matrix, which had been developed by impact investing stakeholders at meetings in Bellagio in 2007 and 2008. Chart 1 reproduces the Monitor matrix. Within the matrix are five priority recommendations (marked in bold):

- Create industry-defining funds that can serve as beacons for how to address social or environmental issues;
- Place substantial, risk-taking capital into catalytic finance structures;
- Set industry standards for social measurement;
- Lobby for specific policy/regulatory change;[15] and
- Develop an impact investing network.

Good progress was made on mobilizing capital for impact investing.

During the past four years, much was achieved in the impact investing field. With respect to the creation of industry-defining funds, there was good, tangible progress during the period. Table 6 lists 20 investment funds or deals worth nearly $6 billion that were in operation between 2008 and 2011. These examples do not include investments by the International Finance Corporation (IFC) or Inter-American Development Bank (IADB) aimed at small- and medium-sized enterprises (SMEs) and infrastructure in BoP areas or in microfinance institutions (MFIs), or the double bottom-line investments by such major Southern entities as the Brazilian Development Bank. Nor does this list include other impact investing funds (e.g., Prudential, Calvert) set up prior to 2007, or extensive investments in the US under the New Markets Tax Credit. Yet much of the new activity is associated with the Rockefeller Foundation's Impact Investing Initiative. Indeed, of the 20 funds or deals listed in this table, 14 benefited from either relationships (USSBA, Big Society, OPIC and Sarona), research (Australia, Canada), grants (Kiva, Blue Orchard, Bridges, LeapFrog, African Agricultural Capital (AAC) and United Kingdom) or PRIs (Root Capital, IGNIA) provided by the Initiative. And, of these 14, the Initiative's contribution through grantmaking and thought leadership was especially influential in five cases: OPIC, Australia, Canada, AAC and the United Kingdom.

In addition, two impact-first funds that are grantees and allies of the Initiative reached significant milestones. In 2011, the Calvert Community Investment Note, a retail product offered by the Calvert Foundation, reported it had nearly $200 million invested in 250 organizations across 100 countries. And, on its 10th anniversary in 2011, the Acumen Fund reported that it had invested nearly $70 million in its portfolio investees in Asia and Africa. These two funds are also illustrative of a broader trend in the field: significant growth over the past four years in the average size of impact investing funds.

During the past four years, there was good, tangible progress with respect to the creation of industry-defining funds and significant growth in the average size of impact investing funds.

Table 6: Selected Impact Investment Activity, 2008–2011

No.	Amount ($ Millions)	Investment Fund or Deal	Region	Year Announced
1	1,000	International Finance Facility for Immunization (AAA-rated Vaccine Bonds)	Developing Regions	2006*
2	1,000	Impact Investment Initiative for SBICs, US Small Business Administration	United States	2011
3	900	Big Society Capital. Loans, guarantees, equity for third-sector organizations	United Kingdom	2011
4	875	Leverage on $285 million commitment by Overseas Private Investment Corporation to six impact investing funds	Developing Regions	2011
5	400	Commitment to program-related investments by the Gates Foundation	Global	2009
6	350	Disbursement by Root Capital to smallholder farmers cumulative to Q1 2011	Developing Regions	2011
7	260	Microfinance loans from retail investors through Kiva.org	Developing Regions	2011
8	195	Blue Orchard Private Equity Fund for MFIs launched	Developing Regions	2007**
9	170	GroFin Africa Fund for private equity investment in SMEs launched	Africa	2009
10	140	Portion of DFID's development funds are reallocated to impact investments	India	2011
11	110	Bridges Venture II Fund launched, targeting social enterprise investments	United Kingdom	2007**
12	102	IGNIA Fund LPI closes; Latin America's first impact investment fund	Latin America	2010

Table 6: Selected Impact Investment Activity, 2008–2011

No.	Amount ($ Millions)	Investment Fund or Deal	Developing Regions	Year Announced
13	100	LeapFrog Microinsurance Fund launched	Developing Regions	2008
14	100	Kellogg Foundation commitment to mission-based investments	United States	2008
15	50	Global Climate Partnership Fund launched, a public-private partnership of European banks, DFIs	Developing Regions	2010
16	25	African Agricultural Capital Fund established by USAID, J.P. Morgan, plus Gates, Gatsby and Rockefeller foundations	Africa	2011
17	22	Sarona Frontier Markets Funds I launched	Developing Regions	2009
18	20	Australian government announces two Social Enterprise Development Investment Funds	Australia	2011
19	20	Royal Bank of Canada launches two $10 million facilities to support impact investing	Canada	2012***
20	8	First social impact bond issued by Social Finance, UK, to reduce recidivism	United Kingdom	2010

* Launched in 2006, and was operational for the 2008–2011 period
** Launched in 2007; operational in 2008–2011 period
*** Announced in January 2012; negotiated in 2011

Indeed, several smaller impact investing funds demonstrated steady growth and considerable innovation over the past four years. Table 7 presents basic data for four such funds: Acumen, Calvert, IGNIA and Root Capital—all close allies of the Impact Investing Initiative. Together these funds have invested more than $450 million in all parts of the developing world and, in two cases, in distressed communities in the United States. Broadly speaking, their investments range from $200,000 to $2.5 million, and may span seven to ten years. Their investment instruments and terms and conditions, their sectoral focus and their rates of return vary across the four funds. However, they are united by a common interest in building the broader impact investing field.

Table 7: Four Impact Investing Funds

Fund	Year Founded	Focus	Assets Under Management/ Investments Made	Expected Rate of Return
Acumen Fund	2001	Loans and equity investments in Africa and Asia in businesses focusing on health, housing, water and energy	$70 million in 65 enterprises	6%
Calvert Foundation	1988	Loans to community-based financial institutions in 100 countries	$200 million	0–2%
IGNIA	2008	Venture capital firm placing long-term investments in companies providing products and services to BoP populations in Latin America	$102 million	25%
Root Capital	1999	Loans to farmers' cooperatives in Africa and the Americas	$120 million in loans between 1999 and 2011	2.5–3.0%

Sources: Acumen Fund, Calvert Foundation, IGNIA, Root Capital, 2011–2012

Among impact investing funds, investor expectations of financial returns can range from 0 to 25%.

Investor expectations of financial returns vary considerably.

The past four years have seen impact investors launch funds and engage in deals with expectations of financial returns that vary considerably. For example, financial return expectations for the funds profiled in Table 7 range from zero to 25%. A recent analysis of the field as a whole by the GIIN and J.P. Morgan for debt-related investments found that expected gross annual yields ranged, on average, from 3 to 4% for nonprofits and from 7 to 8% for for-profit impact investors. In the years ahead, more work needs to be done to track the universe of impact investors and their expected returns and to examine actual returns against these expectations.[16]

Capital originated, overwhelmingly, in the Global North.

The capital mobilized during the past four years originated, overwhelmingly, in the Global North, particularly the United States and the United Kingdom. The mobilization of capital was also uneven in terms of its target sectors, which tended to focus mainly on the structures of microfinance and SMEs, especially in agriculture, communications and retail, with some activity in such sectors as health, water, education or infrastructure. It is also the case that a good number of funds have not found sufficient, investment-ready deals on the ground, and so they have not actually deployed their total pool of investable capital. Also, the operations of some funds have been delayed by legal and regulatory hurdles. In general, impact investing is a new field, and the full, downstream effects of its capital have not been felt yet on the ground, or assessed in detail.

New, catalytic structures have appeared.

Nonetheless, new catalytic structures have, in fact, appeared in the past four years. Two good examples are vaccine bonds and social impact bonds. Impact-first investors tend to anchor these innovative structures. There is a real opportunity now, however, for the field to create more inclusive structures for capital, particularly products and instruments that meet the needs of larger, financial-first players such as pension funds, sovereign wealth funds and large corporations. Social infrastructure and green real estate are prime targets for these investors.

> Capital originated, overwhelmingly, in the Global North. Debt investment in microfinance, housing and cross-sector projects is favored.

Debt investments in microfinance, housing and cross-sector projects are favored.

Examining some 2,200 impact investments across the Global North and Global South worth nearly $4.4 billion, the GIIN and J.P. Morgan found that fully 75% of these investments took the form of debt instruments, especially private debt. The same study found that, in terms of sectoral targeting, these investments were concentrated in microfinance, housing and cross-sectoral projects. Smaller investments were also frequently made in food and agriculture, and clean energy and technology.[17]

Measurement systems have been launched, but need more work.

With regard to setting standards for social measurement, the Impact Investing Initiative of the Rockefeller Foundation played a leadership role in supporting the public-goods infrastructure of the IRIS, whose taxonomy has gained traction but still requires further refinement. In addition, the GIIRS ratings system, also supported by the Initiative, is widely seen to hold potential for the industry. However, the development and adoption process for GIIRS has proven to be slower than anticipated. There has also been some progress on enterprise-side measurement and standards. Still, with many organizations utilizing their own methods and indicators, fragmentation in measurement approaches persists, and tension remains between centralized and decentralized systems.

Moderate and uneven progress on policy was achieved.

There has also been moderate and uneven progress by the field as a whole on lobbying for policy and regulatory change to boost impact investing. Policy gains are evident in several countries of the Global North, particularly the US, the UK, Canada and Australia. However, progress was less evident in Southern jurisdictions, with some exceptions. Notable exceptions are the Kenya Microfinance Act, which supervises MFIs in that country; the Brazil Clean Development Mechanism, which provides tradable credits for projects that reduce greenhouse gas emissions; Resolution 28 in South Africa; and the voluntary environmental, social and governance (ESG) disclosure framework in India.[18]

Good progress was made on establishing a network for impact investing.

In terms of the fifth priority identified by the Monitor Report, good progress has been achieved, notably with the establishment of the Global Impact Investing Network in 2009. The GIIN has become the leading voice of the impact investing field, has provided important intellectual leadership, and is backed by influential investors and donors. Complementary networks, particularly ANDE, have emerged and are engaging in the field, as well. Going forward, though, the GIIN needs to become more inclusive, by finding effective ways of engaging demand-side networks, Southern leaders and networks, and larger institutions.

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In light of this analysis of the field of impact investing over the past four years, the strategic assessment team has produced its own proposed Coordination/Capitalization Matrix for the field, as of early 2012. Chart 2 presents our matrix. We recommend to the leaders of the field that seven priorities be pursued over the next three to five years, at least. We recommend that impact investing leaders

1) place substantial, risk-taking capital into catalytic finance structures;
2) create financial products to increase accessibility;
3) coordinate seed and early-stage funding via collaboration and syndication;
4) set industry standards for social performance and measurement;
5) lobby for specific policy/regulatory change;
6) support effective and scalable management capacity development approaches for entrepreneurs; and
7) develop a market-driven ecosystem of sustainable support for impact enterprises.

We believe all of these tasks are important for the next phase of building the field of impact investing worldwide, and that, with a concerted, collective effort, substantial progress can be made on them all.

Chart 1: Coordination/Capitalization Matrix, 2008

What type of CAPITALIZATION is required?	Operating alone	Small groups of individuals or institutions	Industry level coordination
Subsidy (philanthropy, government corporate social responsibility)	N. Integrate social and environmental factors into economic and finance theory P. Support effective and scalable management capacity development approaches for entrepreneurs	F. Support the development of backable fund managers	**H. Set industry standards for social measurement** **I. Lobby for specific policy/ regulatory change** **J. Develop an impact investing network** L. Coordinate development of a common language platform O. Launch a targeted public relations campaign to promote demonstrated successes
Medium-term development funding	C. Launch and grow dedicated impact investment banking capabilities K. Develop risk assessment tools	E. Create investment clubs focused on specific themes Q. Provide tools to support research and development for innovative, scalable models	M. Create publicly available comprehensive benchmarking data
Short-term profit	G. Create financial products to increase accessibility	**A. Create industry-defining funds that can serve as beacons for how to address social or environmental issues** **B. Place substantial, risk-taking capital into catalytic finance structures** D. "Pull" existing intermediaries into impact investing by making business commitments	

What level of COORDINATION is required?

Chart 2: Coordination/Capitalization Matrix, 2012

What type of CAPITALIZATION is required?	Operating alone	Small groups of individuals or institutions	Industry level coordination
Subsidy (philanthropy, government corporate social responsibility)	N. Integrate social and environmental factors into economic and finance theory **P. Support effective and scalable management capacity development approaches for entrepreneurs**	F. Support the development of backable fund managers **S. Develop a market-driven ecosystem of sustainable supports for impact enterprises**	**H. Set industry standards for social measurement** **I. Lobby for specific policy/ regulatory change** J. Develop an impact investing network L. Coordinate development of a common language platform O. Launch a targeted public relations campaign to promote demonstrated successes
Medium-term development funding	C. Launch and grow dedicated impact investment banking capabilities K. Develop risk assessment tools	E. Create investment clubs focused on specific themes Q. Provide tools to support research and development for innovative, scalable models **R. Coordinate seed and early-stage investments via collaboration and syndication**	M. Create publicly available comprehensive benchmarking data
Short-term profit	**G. Create financial products to increase accessibility**	A. Create industry-defining funds that can serve as beacons for how to address social or environmental issues **B. Place substantial, risk-taking capital into catalytic finance structures** D. "Pull" existing intermediaries into impact investing by making business commitments	

What level of COORDINATION is required?

Impact investing growth is constrained by a mix of factors relating to demand, supply and intermediation.

Further observations on the capital/coordination nexus are merited here. What appear to be purely demand-side issues constraining the growth of impact investing is actually a mix of factors relating to demand, supply and intermediation all at once. Take the case of what seems to be the most active category of impact investing in recent years: investments in early-stage, for-profit social businesses in developing and emerging markets. It is true that too few of these enterprises are investment-ready; technical assistance, training and coaching by intermediaries could help address this challenge. And on the supply side, the transaction costs to carry out due diligence and prepare these deals are high relative to deal size. More generally, the lack of well-developed private equity or venture capital capacity in some countries also inhibits this work. In addition, the full, front-end preparation costs are rarely covered by the financial returns on these investments. Also, capacity building is usually expensive. Moreover, there is usually no clear exit route for the investor. So, for this category of investment, an important action that should, and could, be taken is to strengthen the capacity of intermediaries to source deals, conduct due diligence, structure deals, build monitoring capacity, and create exit routes to secondary markets. Furthermore, the more these costs and opportunities can be shared by impact investors, the better.

What would seem to be a demand-side, investment-readiness issue limiting investments in small social businesses is actually a cluster of interrelated issues relating to demand, supply and intermediation.

In summary, then, what would seem to be a demand-side, investment-readiness issue limiting investments in small social businesses is actually a cluster of interrelated issues relating to demand, supply and intermediation. Strengthening the latter is an important way of addressing these three dimensions.

The situation is different, however, for other impact investment categories. In the case of environmental, renewable energy and housing projects in advanced economies, and microfinance in the Global South—all investment areas that have demonstrated the ability to scale up, absorb significant capital, and generate competitive returns—finding good new deals is more difficult as these markets mature. Again, however, this constraint can be reduced by strengthening intermediaries to find, assess and package new investments in these areas. In the case of the secure, large-scale investment products sought by pension funds and sovereign wealth funds, the more likely solution is to create *new* intermediaries to expressly serve these investors and their particular requirements.

The definition of impact investing is a work in progress.

Some important gains were made during the past four years in clarifying the definition of impact investing, but it still remains a work in progress. The approach of the Initiative team was to define impact investing on the basis of the intent of the investor to create social impact; this was a thoughtful and productive decision. In turn, the J.P. Morgan report interpreted that as requiring proxies of intent, such as investment documents and measurement systems. However, some investors have resisted these requirements, arguing that they undermine the financial viability of their deals; such a perspective emerged among some investors in Kenya and India, for example. In this regard, efforts to build capacity and platforms in the Global South must be cognizant of this strain of opinion and find reasonable ways of working with this constituency.

Both the intent of the investor to create impact and tangible evidence of this impact must remain core elements of the definition of impact investing.

However, the fact is that the field as a whole must guard against "impact washing." In this sense, leaders in the field must be sensitive to regional variations in definitions, but at the same time must strengthen the test of what is defined as impact investing. Our own view is that, going forward, the test of whether an investment is an impact investment or not should be threefold: first, there should be intent to create meaningful social impact; second, tangible results of social impact must be produced; and, finally, there should be a clear theory of change that describes the process of achieving these outcomes. Raising the definitional bar in this way, over the next 10 to 15 years, may make on-the-ground organizing more challenging, but it will also make the brand of impact investing stronger and more compelling for all serious stakeholders.

2.4 PROSPECTS AND DIRECTIONS FOR THE FUTURE

Overall, our scan of the sector found that the impact investing field made good progress over the past four years. The leaders in the field were able to come together around a common understanding of the concept and value of impact investing as a new field of practice. Good progress was made in establishing a network and in mobilizing capital, though the origins of that capital were primarily in the Global North. At the same time, moderate to good progress was made on establishing common standards and a ratings system; both of those systems will require further work, and adoption of them has been slower than expected. In general, the field-building process has been very Northern-driven. In a G-20 world, the leadership, funds and entrepreneurs from the new economic powers and from the developing world more broadly must have a strong voice and choice in impact investing as a market and as a field.

What needs to happen over the next three to five years is for the leaders of the impact investing field to move, collectively, from this recent start-up and organization phase to a single-minded focus on implementation, especially in the execution of their investments all the way to their target populations. Moreover, the field should be further developed, and extended to under-represented regions, particularly in the Global South, untapped asset classes, and under-served sectors. Going forward, other priority areas for field building should be developing talent across the field, integrating social impact measurement systems and methods, deploying capital at scale, engaging larger institutions, promoting an enabling policy environment, building an entrepreneur/venture ecosystem, strengthening the transparency of the marketplace, clarifying and strengthening the definitional test of impact investing, and seeking to better understand regional perspectives and practices.

The leaders in the field must move from the start-up and organization phase to a single-minded focus on implementation and execution.

3 RELEVANCE AND RATIONALE OF THE INITIATIVE

3.1 RATIONALE

The rationale for launching the Rockefeller Foundation's Impact Investing Initiative is encapsulated in the following statement by the Foundation:

> It's going to take far more money than all the philanthropists and governments have at their disposal to make a significant impact on improving the lives of all the poor and vulnerable people in the world. Impact investing—which helps address social and/or environmental problems while also turning a profit—could unlock substantial for-profit investment capital to complement philanthropy in addressing pressing social challenges.[19]

The Foundation goes on to state that "this Initiative seeks to help accelerate the development of an industry that can efficiently place for-profit impact investments to improve a wide range of social and/or environmental conditions."[20] To overcome the obstacles facing the growth of the industry, continues the Foundation, the Initiative catalyzes platforms for collective action, builds industry-wide infrastructure, supports the development of scaled intermediation vehicles, and supports research and advocacy efforts. The Foundation has maintained this basic rationale for the Initiative since its inception in 2008.

The world's center of economic gravity has shifted; it is a G-20 world much more now than an OECD world.

In our view, this rationale was valid then, and, four years later, it is even more valid today. The global financial crisis of 2008–2009 and the Eurozone debt crisis of 2011 highlighted structural weaknesses in the advanced economies that appear to be deepening rather than receding. High levels of unemployment, a shrinking middle class and growing income inequality have combined to constrain the tax revenues and spending capacities of Western governments (in the case of the United States, government coffers were further depleted by the prosecution of two wars). Consequently, philanthropic giving is stagnating, governments are instituting austerity measures, and foreign aid budgets are being reduced.[21,22] Among other things, these cuts constrain the ability of the international community to meet its obligations to the Millennium Development Goals targeted for 2015.

Moreover, as the spending capacities of Western governments and philanthropies have stagnated or declined, the rise of China, India, Brazil and other new powers has continued apace, and even accelerated, in the global economy. The World Bank has projected that, by 2025, these three nations, plus Russia, Korea and Indonesia, will account for more than half of all global growth.[23] The world's center of economic gravity has shifted; it is a G-20 world much more now than an OECD world. The money centers of Mumbai, Shanghai, Sao Paolo and Abu Dhabi are challenging the longstanding dominance of New York, London and Zurich. And, along with the BRIC (Brazil, Russia, India and China), Middle Eastern oil powers like Saudi Arabia and Iran are exerting greater influence in Africa and other developing regions. Indeed, non-Western foreign investment is a major contributor to the economic success of African countries such as Ghana, Rwanda and Kenya. And, while some of this investment by the new economic powers has positive effects on workers and households at the BoP, it rarely is *intentionally* designed to do so. In fact, many of these new investors are so far, at least, demonstrably unconcerned with, and sometimes hostile toward, labor and human rights and environmental standards.

Thus, over the past four years, the rationale advanced by the Rockefeller Foundation for the Impact Investing Initiative has actually grown stronger as events in the world economy have evolved. And this rationale will almost certainly hold during the next 20 to 25 years. The importance of finding new ways of mobilizing and accelerating the velocity of larger pools of new forms of development financing—intentionally aimed at reducing poverty and addressing climate change and other pressing, complex challenges—is very likely to remain firmly on the agenda of the G-20 going forward.[24]

The Rockefeller Foundation is keenly aware of the imperative of creating, testing and rolling out innovative finance products and mechanisms to solve social, economic and environmental problems.[25] The field of impact investing is well-positioned to contribute to this global effort, and, indeed, is already doing so in important ways.

3.2 ROLE AND COMPARATIVE ADVANTAGE OF IMPACT INVESTING

At a practical level, its potential to unlock private capital for development purposes is a fundamental comparative advantage of impact investing. It does this in several ways:

- the purchase of units of impact funds and other products by high net worth individuals through private wealth advisors in private banking (e.g., Deutsche Bank, J.P. Morgan and UBS);
- direct impact investments by the family offices of high net worth families (e.g., the Sterling Group in Hong Kong or the Hull family in the United States), assisted by intermediary advisors (ImpactAsset);
- stand-alone or syndicated impact investments by private foundations, or private donor-advised funds within community foundations, also assisted by intermediary advisors (e.g., Imprint Capital);
- debt or equity investments in MFIs, SMEs, social and microenterprises by social venture capital groups (e.g., the Omidyar Network);
- debt or equity investments by dedicated social impact funds (Acumen, Root Capital) or BoP funds (IGNIA, Business Partners International); and
- investments with social and environmental impacts by major corporations through their corporate social responsibility (CSR) or inclusive business programs in poor regions (e.g., Walmart).

This is an impressive range of channels and mechanisms through which to mobilize private capital for the social good. Such investment strategies can often also be twinned with grant funds from foundations, governments and aid agencies.

There is an impressive range of channels and mechanisms through which to mobilize private capital for the social good.

At the same time, the field of impact investing is also capable of mobilizing public capital for development purposes, particularly through

- targeted investment funds, loans and guarantees and investment syndicates by development finance institutions, both bilateral (OPIC, CDC, FMO) and multilateral (IFC, IADB), assisted by intermediaries working with investee firms and projects (e.g., Total Impact Advisors);
- loans and grants to the private sector and social enterprise sector by aid agencies (USAID, DFID, others);
- direct investments in infrastructure and real estate with social and environmental impacts, or investments in targeted impact funds, by public-sector pension funds (e.g., CalPERS, TIAA-CREF) and by sovereign wealth funds; and
- the re-engineering of existing SME financing programs toward more social-impact objectives (e.g., the US Small Business Administration).

Not only are these mechanisms of great utility in their own right, but the professionals who run these institutions and funds themselves also constitute a valuable pool of expertise in the financial engineering, regulation and management of social-purpose capital. Further, key segments of the impact investing field—e.g., in the social funds and among social venture capitalists—have great entrepreneurial drive and often a sophisticated understanding of technology platforms and scaled business models. Other segments of the field—e.g., in the investment banks, pension funds and SWFs—offer impressive capacity in quantitative research, data mining and long-term strategic analysis.

It is true that the field of impact investing is an emergent one that is not yet fully organized or mature. However, there is solid evidence among individual institutions, and more broadly, in some jurisdictions as a whole (the United States and the United Kingdom, in particular) of the creativity, skill and productivity of the professionals and organizations in this field. There is little doubt that these actors can play a valuable role in the years ahead in expanding and accelerating the flows of development finance into the regions of the world that require it. Impact investing specialists can also advise individual institutions, like the Rockefeller Foundation itself, on how to make impact capital available in appropriate forms to enable the fullest execution of programs and achievement of results across its entire portfolio, from health and agriculture to energy and transport. The comparative advantages of impact investing are varied and robust.

At a global level, the value proposition advanced by the field's leaders is that impact investing can potentially unlock $500 billion in new capital, both private and public.

3.3 VALUE PROPOSITION OF IMPACT INVESTING

At the global level, the value proposition advanced by the field's leaders is that impact investing can potentially unlock $500 billion in new capital, both private and public, to solve the world's pressing social and environmental problems and improve the well-being of the poor.[26] Similarly, at the level of individual impact-investing institutions, the value proposition is that impact investing can catalyze significant new capital to address these issues in targeted regions for specific groups of citizens and workers. Moreover, if successful, it can recycle that capital for further impact.

It is important to note that the process of unlocking capital here does not refer to subsidizing the return on private capital in exchange for investors accepting lower financial returns. The impact investing field, in fact, is developing a broad menu of explicitly blended returns available to investors, from deals that feature high social impact and modest financial returns, to risk-adjusted market-rate financial returns and modest social impact—and sometimes investments that yield both substantial financial and social returns at the same time. What is becoming more common are multi-investor groups or syndicates of different types of impact investors (e.g., foundations, social funds, DFIs, venture capital firms) combining their capital in the same major investments but seeking a mix of diverse financial and social returns and agreeing on a set of common performance indicators with which to monitor these results.

To make a tangible difference at the level of both poor households and impact-investing institutions, however, impact investing's leaders must fulfill at least three conditions. First, sufficient capital, in appropriate form, must be mobilized and channeled to targeted investees, enterprises and projects. Second, the investees must utilize the capital in such a way that positive social and environmental changes are actually achieved. Third, it must be possible to cost-effectively measure such social or environmental impact on the ground in ways that are understandable and credible to a reasonable person.

As this report will show, considerable progress is being made by the field as a whole and by individual institutions in mobilizing new development capital. And a subset of all impact investors has been able to channel this capital to a mix of relevant demand-side investee funds, enterprises and initiatives, sometimes in concert with each other, sometimes separately. However, the field's track record in measuring its social impact on the ground remains early-stage. Many organizations highlight stories of how the lives of individual entrepreneurs or borrowers have improved, and some—notably some organizations working in the microfinance and SME areas—provide hard data, as well.[27] But this is the assumption that is still least fulfilled in the value proposition of impact investing.

Fulfilling the impact measurement condition will take time. More capital must reach its investees, and investees must then utilize this capital, and the impacts of this utilization must be measured. However, the more this happens, the more evidence will be available for collection and analysis at the levels of the entrepreneur, employee, consumer, household and community—the levels at which impact matters most.

Fulfilling the impact measurement condition will take time. More capital must reach its investees, and investees must then utilize this capital, and the impacts of this utilization must be measured.

3.3.1 Value to the Rockefeller Foundation

In addition to demonstrating its value through the core activities of impact investors—with both the gains and limitations that has entailed—the field of impact investing has delivered value to the Rockefeller Foundation in other ways. First, through its creative grantmaking and thought leadership in this emergent sector, the Foundation has come to be recognized as a leading actor in this space—a reputational gain that was, and is, in fact, well-deserved. Second, by becoming centrally involved in this field, the Foundation also expanded and deepened its connections to key players in important investment banks, family offices and charitable foundations in the United States and United Kingdom, as well as to government officials and social entrepreneurs across Africa, Asia, Latin America and the Caribbean, and North America, Europe and Australia. The impact investing work also opened new conversations with other funding agencies—social venture capitalists, foundations, development finance institutions—and new opportunities for collaboration and leverage. Finally, the Foundation learned about and strengthened its connections to a wide range of impact investing institutions that can be beneficial to downstream implementation in the Foundation's other initiatives in, for example, agriculture, health, energy and transportation.

3.3.2 Value to Development

A growing number of development finance institutions have adopted and are operationalizing the strategy and tactics of impact investing. Prominent among these is the US Overseas Private Investment Corporation, which has just provided financing worth $285 million to a group of new impact investing funds operating in the developing world, which in turn is expected to lever another $875 million in additional financing.[28] For its part, USAID invests through the GIIN in IRIS, and in Root Capital and other impact-first funds, through grants and loans.

Other DFIs that, along with OPIC, are members of the Investors' Council include CDC/DFID (UK), FMO (Netherlands) and KfW (Germany). The IFC and IADB have also engaged with impact investing, and other multilaterals are interested in doing so, as well. These investment activities are sometimes syndicated, while other times, impact investing is carried out separately by individual institutions. But, while a growing number of Western DFIs are "voting with their feet" to support impact investing, it is also true that some development constituencies (e.g., NGOs, some evaluation professionals, etc.) are skeptical that these agencies will stay in the field for the long-term, which is, ultimately, what success demands. Moreover, some development practitioners are concerned that impact investing could be used as a "Trojan Horse" to permit the local state and aid agencies to reduce their contributions to the development enterprise, or exit it altogether, leaving it to be driven by private interests and priorities.[29]

4 THEORY OF CHANGE OF THE INITIATIVE

The Initiative focused on building industry infrastructure to reduce transaction costs and support a higher volume of activity.

4.1 LOGIC OF THE INITIATIVE

Overall, the logic of the Impact Investing Initiative was defined and framed by the discussions at the planning meeting of impact investing leaders in Bellagio in 2007. It later gained greater expression and precision in a framework proposed by the Monitor Institute's 2009 report, entitled *Investing for Social and Environmental Impact*, which encouraged the Initiative and its allies to intervene in building the impact investing marketplace, particularly by building infrastructure "that reduces transaction costs and supports a higher volume of activity." The Institute highlighted five initiatives that were seen to hold the greatest catalytic potential: creating "industry-defining funds that can serve as beacons for how to address specific social or environmental issues"; placing "substantial, risk-taking capital into catalytic finance structures"; setting "industry standards for social measurement"; lobbying for "specific policy/regulatory change"; and developing an "impacting investing network."[30]

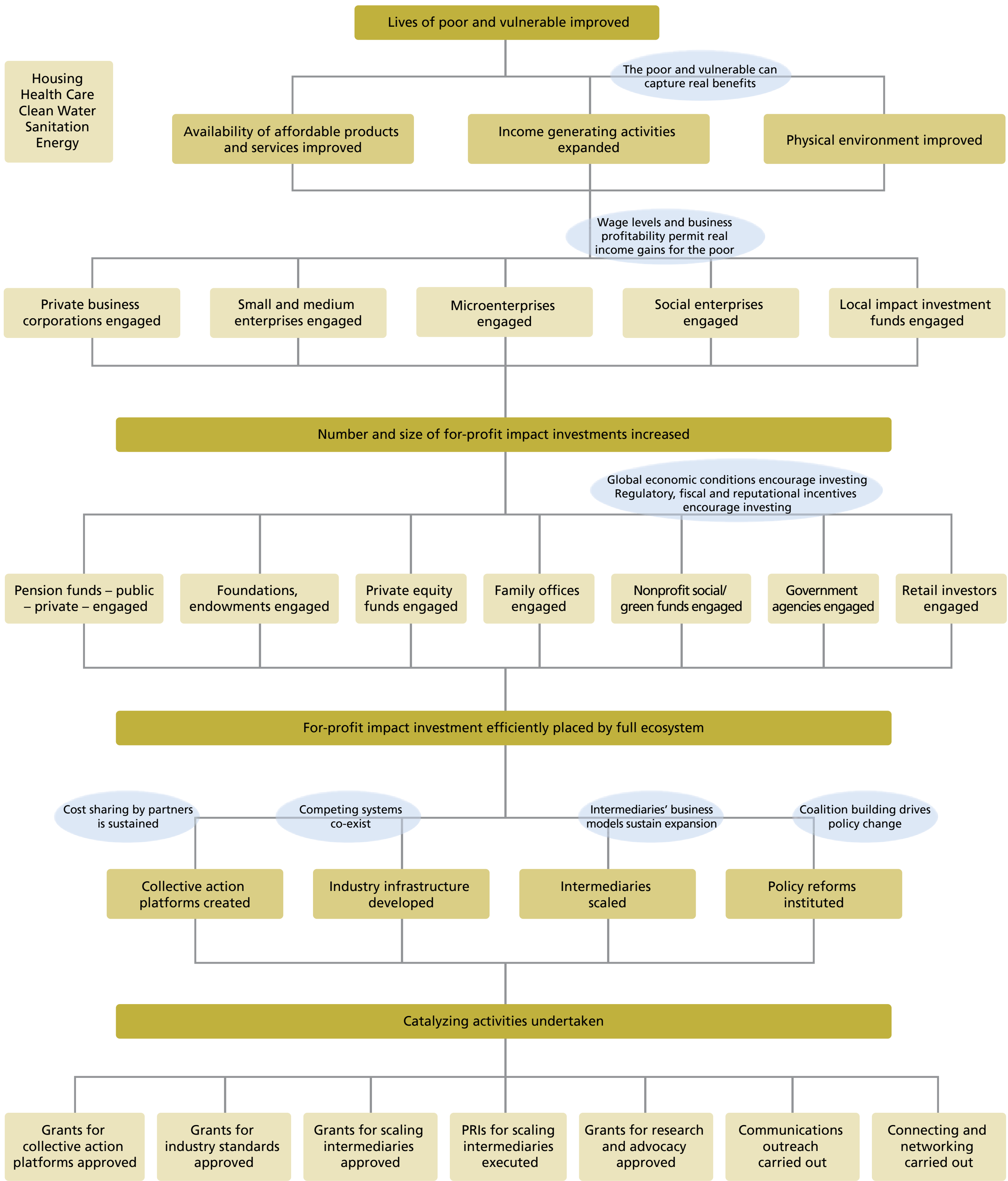
Since then, the Impact Investing Initiative has devoted considerable resources and effort to building the GIIN and the GIIRS system and to investing in and partnering with a select group of intermediaries. The Initiative's support to grantees on policy evolved more slowly, but has gained some momentum in the past year. And, through its non-grantmaking activities, the Initiative team has encouraged both private and public entities to build new funds in the impact investing field.

4.2 THEORY OF CHANGE

The Impact Investing Initiative has not articulated a detailed theory of change (ToC) in the formal sense that specialists in this method would argue is necessary for a major intervention to utilize, assess its own performance, adjust and improve.[31] However, building on Initiative documents, the strategic assessment team has developed a working theory of change for the Initiative, as depicted in Figure 1. The diagram shows the "upward" movement of results that the catalytic work of the Initiative is intended to generate. The pivotal result that is intended to arise from the work of the Initiative is that impact investment is efficiently placed by the full ecosystem that has been built. From there, through a variety of channels, the theory is that the number and size of impact investments are increased in private businesses, small enterprises, microenterprises, social enterprises and local impact investing funds. It is expected that these investments, in turn, will improve the availability of affordable products and services, expand income-generating activities and improve the physical environment—all for poor and vulnerable citizens. Indicators of quality of life and well-being should thus improve for the poor in areas such as housing, health care, clean water, sanitation, energy and trade.

Note the "gray clouds" in the diagram, which identify important assumptions that must be fulfilled in order for the basic level supply-side results to be fully maximized. More generally, the ToC makes clear just how many layers of results stand between the work of the Rockefeller Foundation's Initiative and the ultimate impacts that are sought for poor individuals and households. The challenges in realizing these ultimate impacts are technical, geographic and temporal, to list only three critical dimensions.

Figure 1: Impact Investing Initiative Theory of Change



Source: E.T. Jackson and Associates Ltd., 2011

Table 8: Initiative Results Statements and Indicators

Results Area	Results Statement	Results Indicators
Impact (Long-Term Results)	The lives of poor and vulnerable people improve as a result of the availability of affordable products and services, expanded income-generating activities and a better physical environment that have been enabled by for-profit impact investment (Key impact sectors include housing, health care, water and sanitation and trade).	• Significant increases in the flows of II • Establishment, influence and sustainability of basic institutions to support the II industry • Platforms exist for investors to build infrastructure to ensure efficient allocation of resources • Measurement and communication of social impact of II based on facts rather than anecdotes • Network of global advisors support investors to develop new investment structures and accelerate replication of proven ones • II has become an increasingly well understood and respected concept for the central role it must play in complement to philanthropy and government resources • Associated improvements in the lives of people who benefit from these investments
Outcome Area 1 (within 3–5 years) Catalyzing collective action	Platforms exist for II industry leaders to coordinate investment and promote the infrastructure activities, education, research and collaboration needed for the II industry to tackle a wider range of social challenges more efficiently.	• Existence of, and participation in, II networks, most importantly, the GIIN • Additional financial and in-kind resources made available to these networks, and their long-term sustainability with these resources • Collaboration of II networks with existing similar bodies • Extent and efficiency of partnerships between impact investors and other socially focused actors (e.g., philanthropy, governance and civic organizations)
Outcome Area 2 (within 3–5 years) Developing industry infrastructure	Selected institutions have increased capabilities to set standards, assess opportunities, provide information and facilitate collaboration between impact investors that pioneer investment practices and lead to significant investment that efficiently improves the lives of poor and vulnerable people.	• A standard for defining, tracking and reporting the social and environmental impact of investment exists, is increasingly adopted, and is embedded with a sustainable institutional arrangement • A process is underway to launch a sustainable ratings agency to predict, assess and compare the social impact of investment alternatives • An increasingly sophisticated impact investment banking sector is emerging that facilitates efficient impact investment
Outcome Area 3 (within 3–5 years) Supporting scaling of intermediaries	Impact investors are able to address a wide range of social issues through investment at scale in credible and effective intermediaries that efficiently match investments with projects that improve the lives of poor people while generating financial profit.	• The existence of intermediaries operating at scale sustainably in more sectors (health care, rural development, education, green jobs, better services) • Total investment capital allocated and deployed through these intermediaries (and trajectory of this investment total) • Existence of sustainable retail investment exchanges that facilitate retail investor participation in this industry and growth in assets deployed across their platforms
Outcome Area 4 (within 4–6 years) Research and advocacy)	Accelerated adoption of II practices by institutional investors. In targeted countries, supportive policy reforms help to facilitate II. II is taken up by major bilateral and multilateral donor agencies and private donors as a powerful tool to improve the lives of poor people.	• Increased use of II for deploying capital by donor agencies and private foundations • Offering of II product on the major platforms for wealth advisors, private bankers and family offices • Incorporation of research and communication about II from the major investment research institutions • Policy or regulatory changes in targeted countries • Increase in appropriate use of the term **impact investing** in relevant public fora (e.g., business press, philanthropy press)

Source: The Rockefeller Foundation, "Results Framework for Impact Investing Initiative," 2010.

4.3 RESULTS STATEMENTS AND INDICATORS

In July 2010, the Initiative team worked with the Foundation's Evaluation Office on an exercise that produced a series of results statements and indicators for the long-term impacts it sought, for the Initiative as a whole and for each of the Initiative's four outcome areas. Targets were set out for 2011 and 2020. Table 8 presents in a grid format the main content produced by this effort. While some of these statements and indicators are clearly ambitious, the full document does, in effect, constitute key elements of the Initiative team's theory of change. The fact that the parties preparing these statements and indicators were projecting ten years out suggests they understood that their expected results would take considerable time to be realized.

Moreover, by this time, the Initiative team was also becoming aware of how challenging it was to actually implement its approach. Thus, in July 2010, the team added a note to their original approval memorandum, entitled "What we have learned from 1.5 years of implementation." In this note, the Initiative team

- expressed concern that impact investing, even while the term was attracting much attention, should be more rigorously defined by the actors in the field;
- observed that, while the impact investing industry was growing, few institutions were coming forward "to subsidize public goods infrastructure," as the Rockefeller Foundation was doing;
- reported that the Initiative was shifting its focus away from its slow and labor-intensive work with institutional investors and toward faster-responding foundations, family offices and private banks to create demonstration projects and "validated infrastructure";
- found, increasingly, that policy is central to the success of its work and the field as a whole, and, accordingly, "made grants in 2010 that lay the groundwork for a focus on this area"; and
- indicated that its "active and time-intensive leadership roles" driving key boards and advisory committees and serving as "network weavers" were essential to achieving Initiative outcomes, but are rarely tied to grant development and execution—and, in this field-building process, are "unavoidable."

Through 2011, the Initiative team continued to implement activities informed by these observations and insights.

As the Initiative proceeded, the Foundation team adjusted its tactics and activities to address unanticipated obstacles.

2

PART II: FINDINGS

Between 2008 and 2011, the Rockefeller Foundation's Impact Investing Initiative deployed a combination of grantmaking, thought leadership, public advocacy, awareness raising, relationship building and network mobilization.

5 MAIN FINDINGS AND LESSONS

5.1 WHAT HAPPENED?

Between 2008 and 2011, the Rockefeller Foundation's Impact Investing Initiative deployed a combination of grantmaking, thought leadership, public advocacy, awareness raising, relationship building, and network mobilization to achieve the following:

> Using its grantmaking, convening power, partnerships and awareness building, the Initiative built a network of core allies and champions.

1) **Broad-based agreement on the concept of impact investing as a new global field of practice.** Leaders in the impact investing field, across the board, give credit to the Initiative team for creating the umbrella concept of impact investing at a time when many disparate actors and initiatives were working on a common mission but had, to that point, no broader coalition through which they could come together, join forces and advance their work collectively. Leveraging the prestigious brand and well-known convening power of the Rockefeller Foundation to good effect, and mobilizing a network of core allies, the Initiative team injected energy, intentionality and strategy—and leadership—into this organizing effort.

2) **The establishment of the initial public-goods infrastructure of the impact investing ecosystem.** At the same time, the Initiative team moved quickly to set up a network for the emerging ecosystem of impact investing that would enhance connectivity, information learning, cooperation and leverage among the diverse investors in the new space—the Global Impact Investing Network (GIIN). Second, the Initiative supported, alongside this network, the development of the Impact Reporting and Investment Standards (IRIS) system, which provides a common taxonomy and set of standards for impact investors. In parallel, the Initiative also invested significantly in the design and testing of a ratings system to assess the performance of funds and companies, akin to Standard and Poor's or Morningstar in the mainstream financial markets; this is the Global Impact Investing Rating System (GIIRS). Not only were these three projects—GIIN, IRIS and GIIRS—widely seen to be essential elements in the building of the new marketplace (and in the enforcement of its social mission), they were also seen as worthy of being recipients of a substantial portion of the Initiative's grant funds. There is a cost to public-goods infrastructure, and the Initiative was willing to make the lead contribution to that cost, a contribution that is recognized and appreciated by leaders in impact investing around the world.

3) **Activation of a global movement.** As the four-year (2008–2011) period proceeded, two things became evident to the Initiative and its core allies. First, even if they could accelerate the process, building the impact investing industry to maturity, scale and sustainability is a long-haul task. The development of microfinance internationally and community development finance in the United States have both required in excess of three decades, and they continue to evolve. Second, the operational dynamics of an ecosystem alone are insufficient to achieve this long-term goal. In particular, there must be an active role for public policy and for civil society. There must, in essence, be a global movement for impact investing. By the end of the period, having been activated by the Impact Investing Initiative, the leaders of the impact investing field were poised to pursue this more robust, long-term agenda.

4) **Connecting finance to development.** In achieving these first three results, the Impact Investing Initiative also achieved a fourth: it opened a window on the actors, instruments and culture of the world of finance and investment to funders and practitioners working in the field of development. While there are other sites of interaction between finance and development, the nascent impact investing field was made more transparent by the Initiative and its allies to permit stakeholders on both sides to learn about each other and experiment with new joint projects and techniques. All of this can contribute to the broader effort to access new capital pools and investment tools for development finance to fight poverty and advance sustainability. And this knowledge and expertise is available, in particular, to the Rockefeller Foundation itself, for its own future work.

Co-created knowledge products were used by the Initiative's allies to make the case for new impact investing funds, new intermediaries and new policy initiatives.

5.2 WHAT WORKED?

In order to achieve these and other results, the Impact Investing Initiative employed a variety of strategies, some of which proved to be very successful:

1) **Investment in collective action platforms and industry infrastructure:** Setting up the GIIN and supporting IRIS and GIIRS, early on, provided a focal point for participants in the impact investing field. While leaders in the field understand that all of these initiatives are early-stage works-in-progress and improvements are needed, those same leaders also increasingly relate to and benefit from these structures as a normal part of doing business in this sector. Further, the importance of the structures has been underscored by recent new funding commitments to their work on the part of private and public organizations alike.

2) **Mobilization of a critical mass of core allies and champions:** Using its grantmaking, convening power, partnerships and awareness building, the Initiative built a network of core allies and champions for its market-building agenda. Private foundations, social venture firms, commercial banks, private asset managers, nonprofit investment funds, community development finance institutions (CDFIs), DFIs, aid agencies and management consulting firms—this network of core allies was institutionally diverse and, at the same time, willing to coalesce under the impact investing umbrella in order to build something bigger together. This kind of strategy, however, necessitates that its proponents pay attention to those outside the core-ally network who may feel excluded but who are also capable of adding value. More of that work still needs to be done.

3) **Co-created and co-branded knowledge products:** In addition, the Initiative made effective use of producing and disseminating research and field-building studies with other grantee or partner institutions, published on a co-branded basis. Several of these reports had far-reaching effects for field building and policy influence around the world.

4) **Policy influence:** Through both advice and advocacy, the grantees and partners of the Impact Investing Initiative exerted significant policy influence in the United States, United Kingdom, Canada and Australia. In the US, the Initiative partnered with, learned from and provided framing and knowledge to community development investment specialists within the Federal Reserve System. Initiative grantees also provided technical advice to the White House National Economic Council on ways and means of strengthening both the Community Reinvestment Act (CRA) and the New Markets Tax Credit (NMTC). The Initiative and its grantees also benefited from and contributed to reciprocal partnerships with the White House Office of Social Innovation, as well as the US Small Business Administration and the US Overseas Private Investment Corporation, both of which announced major impact investing initiatives in 2011. In the UK, the Initiative both supported, and received support from,

the principals who created Big Society Capital, that country's new, government-mandated financial institution for the third sector. In addition, leaders outside government in Canada, and inside government in Australia, drew heavily on Initiative knowledge products, branding and leadership in animating policy advances in those nations.

5) **Theory of change:** Overall, the past four years have generally validated the theory of change put forward by the Impact Investing Initiative team. Applying a mix of tactics, the team vigorously and thoughtfully pursued change in its four outcome areas. And it achieved sufficient results in these areas, as we have noted, to define a new field, begin to build the new field, and activate a global movement—all of which are impressive achievements. Not only did consistently using a theory of change generally help guide the Initiative's work, its particular theory of change proved effective in yielding results.

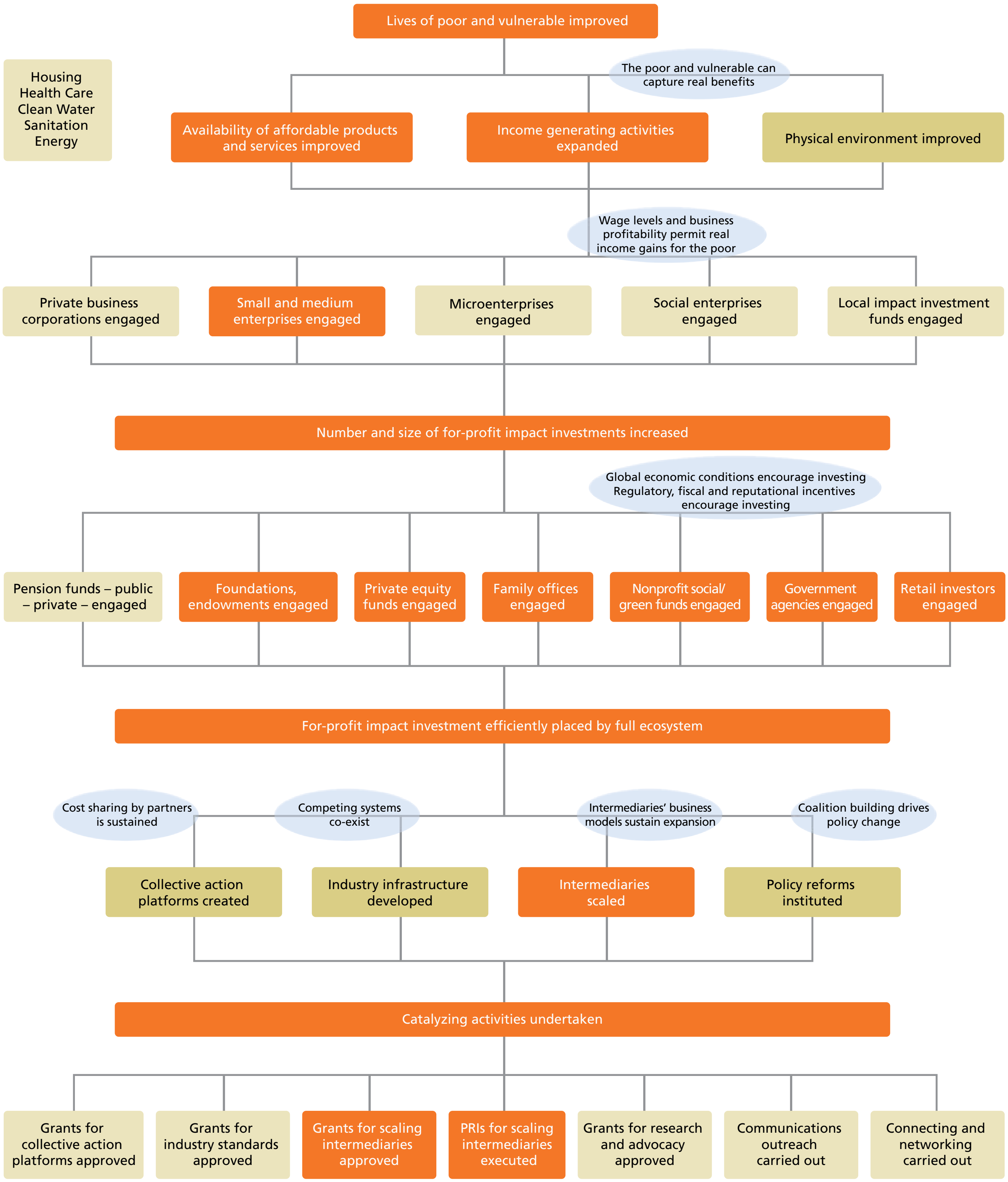
   The caveat here, however, is that it was mainly the "lower" elements of the theory of change that were validated. The "upper levels" of this theory of change still must be tested and validated. More investment deals must be executed. More enterprises and projects must receive and deploy this impact capital. And then economic and social impacts must be measured, over time, for the employees and consumers, and their households and communities. This will take time and effort by many stakeholders in the years—indeed, the decades—to come. Nevertheless, in terms of market-definition, field building and movement activation, the Initiative's results generally validated the "lower," foundational levels of the theory of change of the Initiative.

   That is not to say, though, that no impact was demonstrated at the upper levels of the theory. In fact, impact *was* achieved and documented for poor households, small farmers and social entrepreneurs by such social-impact funds as the Acumen Fund and Root Capital, as well as BoP funds such as IGNIA. Important income gains and access to affordable products and services, in particular, were generated among target populations by these and other impact investors. Using Root Capital as an example, Figure 2 shows the flow of impact capital from the lower levels of the ToC diagram to the upper levels.

The past four years have generally validated the theory of change put forward by the Initiative team.

6) **Clear contribution to results:** The body of evidence we have reviewed for this assessment—including data from documents and files, portfolio analysis, key-person interviews, participant observation and organizational assessments—confirms that there is a clear link between the activities of the Initiative and the results achieved at the level of the impact investing field. This link is decisive in the case of the conceptualization and definition of the field; all evidence points to the pivotal, lead role of the Initiative here. And there is a clear link again in the case of the establishment of the initial, basic elements of the impact investing sector. Others in the core-ally groups (e.g., J.P. Morgan, USAID, Acumen) have contributed in important ways, but the Initiative's leadership and catalytic role is widely recognized by leaders in the field around the world. Others, though, have taken the lead in mobilizing capital for this emerging market; some of these actors are members of the Initiative's core network, while others are not. Finally, the Initiative's efforts have been crucial to activating a broader, more inclusive impact investing movement. However, here the Initiative must share the credit with a wider range of partners and grantees, including, for example, the organizers of the influential SoCap (in the US) and Sankalp (in India) conferences. In summary, then, the Initiative can be credited primarily with defining the field of impact investing, leading the establishment of key ecosystem structures and, with others, activating a broader movement. These are significant and far-reaching achievements.

Figure 2: The Route to Impact: Root Capital



Source: E.T. Jackson and Associates Ltd., 2012

5.3 WHAT DID NOT WORK?

Not everything the Initiative undertook worked well:

1) **Aggressive demarcation of the definition:** For understandable reasons, the Initiative team was committed to protecting the integrity of the definition of impact investing against manipulation or dilution. This sometimes led them to take aggressive public stances on this question. In turn, such stances sometimes alienated leaders in other, related fields—socially responsible investment was one example; community development finance was another—who, with justification, felt their contributions were undervalued in the impact investing discourse. This led to unnecessary distance and lack of cooperation between the Initiative and some individuals and groups. A more diplomatic and nuanced approach to related fields, as was taken in the case of microfinance, could, and should, have been employed with all such constituencies.

2) **North-South asymmetries:** More serious, though, from a global perspective, was the Initiative's preference for Northern-based grantees and partners. It is true that impact investing is most fully developed in the United States and the Global North generally. It is also true that the North was an efficient place to start. However, in today's G-20 world, and where the targets of much impact investing are and must be developing regions, it makes little sense to limit the role of the South in the impact investing field to recipients of capital and adjuncts. It is also true that traditionally the "money centers" of international capitalism have primarily been New York and London (and Zurich, perhaps) but that situation, too, is changing rapidly. Among others, Shanghai, Mumbai, Dubai and Sao Paolo are all already important finance centers. A full-fledged strategy to build a sustainable impact investing movement must move beyond these North-South asymmetries. Southern leaders and organizations must form and direct their own collective platforms in Southern countries and regions, and participate as equals in the governance of the global network and systems.

> Persistent North-South asymmetries in the governance of the Initiative's grantees and partners favored Northern-based grantees and partners, thus limiting recognition and contributions of the South.

3) **Limitations on impact investing by the Foundation:** The Impact Investing Initiative triggered an internal debate within the Rockefeller Foundation on the extent to which the Foundation should itself engage in direct impact investing with its endowment capital, as distinct from making grants to build the sector as a whole. The outcome of this debate was to limit the Foundation's own direct impact investing to four targeted PRIs in the Initiative's portfolio. The Foundation also administers PRIs in other program areas, and is active in the PRI Makers network. Moreover, the Foundation is diligent and rigorous in its administration of these investments. Still, the decision to forego additional mission-based impact investing was viewed by a minority of leaders in the impact investing field as diminishing somewhat the credibility of the Foundation to lead the field in its next phase of development. However, for the majority of leaders whom we interviewed, including those in the Global South, this decision was not viewed as a serious impediment to the Initiative's leadership role. Broadly speaking, the leaders understand that field building requires both investments per se and grants, especially for public-goods infrastructure. Nonetheless, as some leaders observed, having the Foundation play an active impact investing role beyond the PRI mode could have energized efforts to create new investment funds and products for investment banks, and investment advisors, on behalf of their high net worth clients, and perhaps also for some institutional investors.

4) **Coming late to policy:** A final area in which the Initiative's performance was not optimum involves its support to grantees for policy work. At the beginning of the period, in 2007, amid the exuberant discourse of the financial markets, the Initiative adopted a laser-like focus on supporting grantees engaged in field-building processes and tools. This was an appropriate

and creative focal point at that time. Yet, even in the aftermath of the 2008–2009 financial crisis, the Initiative still framed its work as largely unrelated to government. However, by 2010, the Initiative began to pay more attention to the role of government, and, through a call for proposals, initiated a series of grants in that area. By this time, notably, several agencies in the US government were engaging in the impact investing field. Thereafter, the policy theme in the Initiative's grantmaking gained momentum, visibility and influence.

But the visible results came late. This is curious, since a careful reading of the history of both microfinance and community development finance clearly indicates the central role of policy in the development of those fields. For nearly two decades, publicly funded aid agencies have funded the Consultative Group to Assist the Poor (CGAP), which has promoted policy reform and set institutional standards for microfinance institutions in developing regions. CGAP donors have pressed for legislation and regulations to enable microfinance to thrive in Southern jurisdictions. And, for more than three decades, the federal CRA has driven commercial bank capital into low income communities in the US, through CDFIs. This history was well-known. The Initiative could, and should, have engaged with policy sooner.

5.4 WHAT ARE THE KEY LESSONS?

Notwithstanding these issues, we consider the Rockefeller Foundation's Impact Investing Initiative to have been a very successful intervention that produced significant outcomes. In our view, it also offers three important lessons, as follows:

Building a new field requires a special combination of mutually reinforcing tactics.

1) **Building a new field requires a special combination of tactics:** In defining the impact investing field and building this emergent market, the Impact Investing Initiative team deployed a particular combination of tactics. These tactics included strategic convenings, mobilizing of a critical mass of core allies and champions, co-production of knowledge products, sector-wide standards and norms, public awareness raising, relationship building, and the creation of a legacy instrument (in this case, the GIIN) to extend and sustain the work. Of course, teams attempting to use these tactics must be staffed with professionals who possess one or more of these skill sets and, collectively, possess *all* of these skill sets. The field-building methods used by the Impact Investing Initiative can inform other field-building efforts both inside and outside the Rockefeller Foundation.

2) **Impact investment professionals can create and manage innovative instruments for accessing non-traditional sources of development finance:** Social impact bonds, vaccine bonds, affordable housing guarantees, debentures in social enterprises, working capital based on the inventory of small farmers, the securitized debt of a microfinance institution's portfolio, units in a social stock exchange, shares in the stock of SMEs in poor regions—all these and other products are in operation today in the impact investing marketplace. Impact investing professionals offer a valuable resource to be engaged to generate innovative products through which to mobilize new pools of development finance. One important area for future efforts is that of infrastructure and real estate funds designed to maximize employment and other economic and social benefits to poor regions. These funds should, and could, be structured at a scale and under terms that would attract significant participation by major pension funds and sovereign wealth funds. Options for exit and liquidity must be provided to investors by all of these products, as well, in addition to acceptable rates of return and levels of risk.

3) **Transitioning from a leadership role in field building requires a smooth hand-off to an effective legacy organization, new strategic funding partnerships, selected bridging activities and the management of staff rotation:** The Rockefeller Foundation's intervention model of time-bound Initiatives (usually three to seven years in duration) demands an effective transition plan in the final years of any Initiative. The experience of the Impact Investing Initiative suggests four measures can assist in facilitating a smooth transition process. The first is a legacy instrument that will extend and sustain the field-building work; in this case, it is the Global Impact Investing Network. The second measure is to negotiate this changing leadership role with cooperating partner funders that may have an interest in taking on elements of leadership and animation. The most challenging part of this is ensuring ongoing financial support for the field's public-goods infrastructure. The third transition measure is a package of limited, select bridging activities over, say, a two-year period, to protect the gains already made and ensure a smooth, effective hand–off of responsibilities. The final measure is to anticipate and address staff turnover during the Initiative's final year. And, taken as a whole, this effective transition process, in turn, positions the leaders of the field to organize themselves appropriately to carry out the next phase of the work.

The transition from a leadership role in field-building requires an active legacy organization, new strategic funding partners and a package of select bridging activities.

6 EFFECTIVENESS

6.1 STRATEGIES AND TACTICS

Goal and Strategy: The Impact Investing Initiative of the Rockefeller Foundation, which began in 2008 and has been extended through 2013, took on the ambitious goal of forming and launching a new field: the global impact investing industry. It sought, as its long-term impact, that "the lives of the poor and vulnerable people improve as a result of the availability of affordable products and services, expanded income-generating activities and a better physical environment that have been enabled by for-profit impact investment."[32] The strategy adopted by the Initiative was to concentrate on achieving medium-term results in four outcome areas: catalyzing collective action, developing industry infrastructure, supporting the scaling of intermediaries, and promoting research and advocacy.

The strategy adopted by the Initiative was to concentrate on achieving medium-term results in its four outcome areas.

Tactics: In order to implement this strategy, the Initiative utilized a combination of ten mutually reinforcing tactics, as follows:

1) **Strategic grantmaking:** The team allocated medium-sized and larger grants to a few lead instruments or organizations in each outcome area, while distributing smaller and medium-sized grants to a larger cohort of core allies in the field-building process.
2) **Some use of PRIs:** The team also made some use of program-related investments, negotiating three large PRIs with proven funds (ranging from $1 million to $3.5 million, with various time horizons) and one small deal.
3) **Front-end convening:** During 2007 and 2008, and levering the prestigious brand of the Rockefeller Foundation, the Initiative organized two Bellagio meetings of impact investing leaders from the finance, consulting and nonprofit segments of the field to plan and secure support for its field-building strategy. As the period progressed, the Initiative also co-convened or co-sponsored important gatherings (e.g., with the Federal Reserve), as did its grantees.
4) **Legacy instrument:** It was clear to the Initiative team from the outset that it would be necessary to put in place a legacy instrument to carry on the field-building work beyond the life cycle of the Initiative. Thus, in 2009, the Global Impact Investing Network was launched.
5) **Industry-wide standards and ratings:** The Initiative led and paid for the development of new public-goods infrastructure—particularly standards and ratings systems—to serve the impact investing field globally. This work will also continue beyond the Initiative's life span.
6) **Active leadership:** Key members of the Initiative team have played active leadership roles on the boards and committees of the global network, standards and ratings projects.
7) **Cohort of core allies:** Through its partnerships, convening, networking and grantmaking, the Initiative built and maintained a core group of 30–40 allied foundations, DFIs, investment banks, nonprofit funds, private asset managers and consultants all committed to building the impact investing sector.
8) **Co-production, co-branding and co-championing of knowledge products:** At the front end of the period, the Initiative team played active roles as co-authors and co-champions of influential reports with allied organizations (e.g., Monitor, J.P. Morgan), a role it is handing off to the GIIN and other grantees.

9) **Relationship building and connecting:** Outside of the public sphere, senior members of the Initiative team played a responsive, informal role in connecting private and public organizations seeking to engage or scale up in the impact investing field.

10) **Media engagement:** Through conference presentations, media interviews and social media connectivity, the Initiative team also played the role of thought leaders and advocates of the concept and field of impact investing.

The team that was assembled was (and is) young, talented, committed and creative, together possessing a set of impressive, complementary skills in strategy, programming, finance, administration, development, writing, marketing and more. They were aggressive in pursuing their strategy and in demarcating early what impact investing is and is not. In doing so, they sometimes alienated certain groups, such as those in the socially responsible investment field or in community development finance, who, with some justification, believed that they were already doing or supporting impact investing. But these ruptures can be, and are being, mended through diplomacy, respect and cooperation.

One interesting question relates to the concept of "pay to play." It is certainly true that the Initiative intentionally built its cohort of core allies using the full range of its tools, from grants and convenings to co-branded products, and more. And it is also true that a good number of grantees played multiple roles across many Initiative files. However, there was also a group of cooperating allies and partners that did not receive funds from the Initiative, and in fact provided their own data, tools, brand and cash contributions to the field-building effort. Moreover, a majority of the interviews we conducted for this study clearly indicated it was the interviewee's own organization's mission and strategy, usually developed well before 2008, that motivated them to be involved with the Initiative's work. Among US-based organizations, this included, for example, Acumen Fund, Calvert Foundation and Root Capital, among many others. Although, of course, the money from a grant or a trip to Bellagio was appreciated, grants were not the primary drivers of participation for the majority of core allies in this effort.

6.2 OUTPUTS

6.2.1 Grantmaking

Overall, the Impact Investing Initiative implemented a strategic, flexible and results-oriented grantmaking strategy.

From its inception through 2011, the Initiative provided, in fairly distributed fashion, some $34.6 million in support across its four main outcome areas and across the regions of the world; this quantum was channeled through more than 100 grants and four PRIs. Table 9 and Charts 3 and 4 show the distribution of funds across outcome areas.

The Initiative implemented a strategic, flexible and results-oriented grantmaking strategy.

As Table 9 shows, fully one quarter of the $34.6 million allocated, about $8.6 million, was directed to developing industry infrastructure. Of this amount, more than half has been directed, via eight grants, to the B Lab and its work on GIIRS (see Table 10), while nearly $1.2 million has been provided through five grants to the Aspen Institute, mainly for its work on ANDE. In addition, some 37% of the Initiative's financial support was aimed at supporting the scaling of intermediaries. Of the $12.8 million allocated to this outcome area, more than half, or $6.7 million, took the form of four PRIs.

Table 9: Grant Data by Outcome Area, 2008–2011

	Outcome Area	Total Amount	Percentage
1	Catalyzing Collective Action Platforms	$ 6,909,402*	20
2	Developing Industry Infrastructure	$ 8,566,750	25
3	Research and Advocacy	$ 6,306,752	18
4	Supporting Scaling Intermediaries	$ 12,788,091	37
	Total	$ 34,570,996**	100

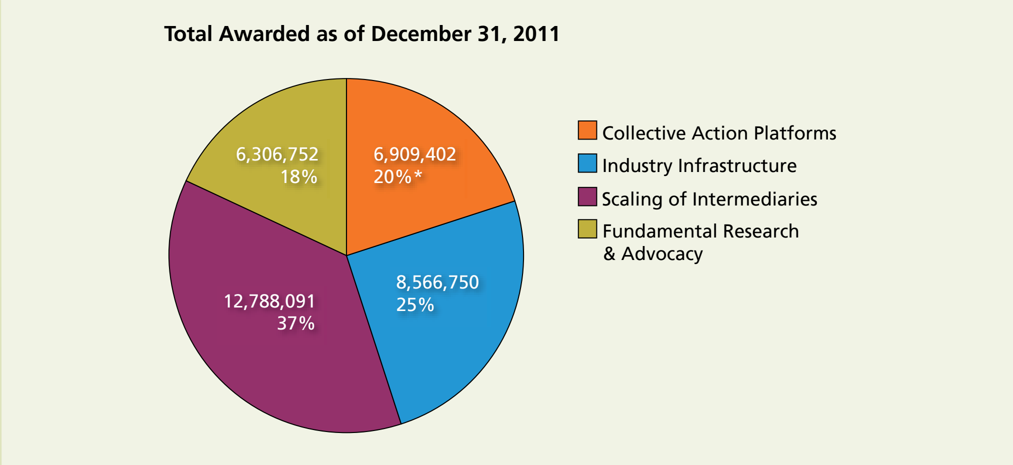
* Includes $200,000 for connections to SRI organizations
** Totals adjusted via rounding
Source: Rockefeller Foundation, 2012

Table 10: Top 20 Recipients of Funds

	Organization	Total Funds Received	Number of Grants	Period
1	B Lab/GIIRS LLC*	$ 4,900,000	8	2008–2011
2	Rockefeller Philanthropy Advisors/GIIN/IRIS	$ 4,545,000	4	2009–2014
3	Acumen Fund, Inc.	$ 3,600,000	2 (1 PRI)	2009–2018
4	Root Capital Inc.	$ 2,651,600	3 (1 PRI)	2008–2010
5	Calvert Foundation	$ 1,307,700	5	2007–2012**
6	The Aspen Institute/ANDE	$ 1,177,000	5	2007–2013**
7	Monitor Institute	$ 1,104,700	4	2008–2011
8	IGNIA Partners	$ 1,000,000	1 (PRI)	2010–2020
9	Social Finance Limited UK	$ 708,100	1	2009–2011
10	Intellecap Inc.	$ 700,000	2	2009–2011
11	Pacific Community Ventures	$ 537,760	2	2010–2011
12	Pennsylvania Treasury Department	$ 506,800	2	2010–2011
13	Alliance for a Green Revolution in Africa	$ 500,000	1	2009–2010
14	Nonprofit Finance Fund	$ 500,000	1	2008–2010
15	Social Stock Exchange Limited UK	$ 500,000	1	2008–2009
16	Impact Investment Exchange (Asia) Pte. Ltd.	$ 495,040	1	2009–2011
17	Allavida (Kenya) Limited	$ 467,400	1	2010–2012
18	Agora Partnerships	$ 450,000	2	2009–2010
19	Lion's Head Global Partners	$ 450,000	1	2010–2011
20	Ceres, Inc.	$ 400,000	1	2010–2012
	Totals	$ 26,501,100	48 (3 PRIs)	

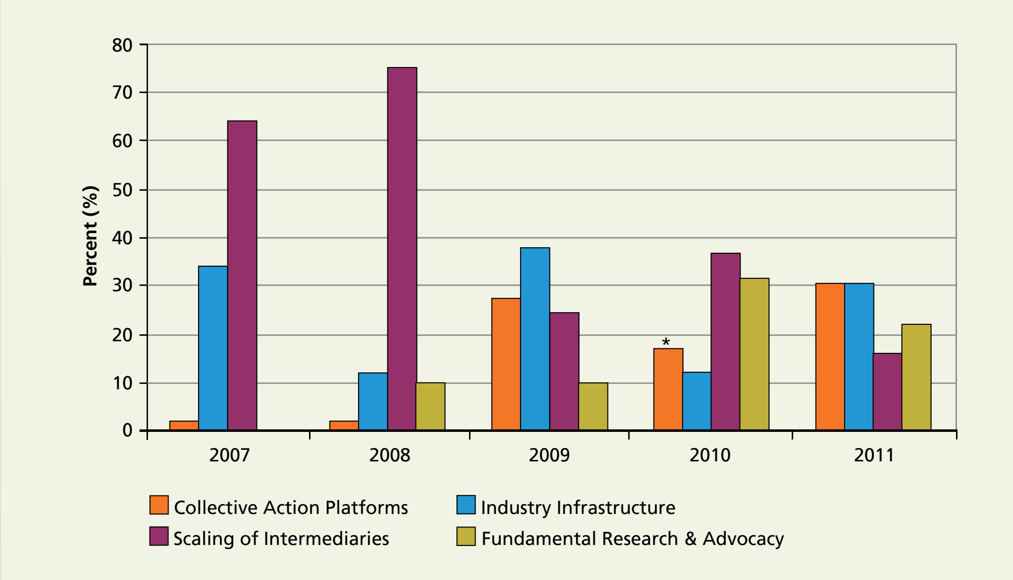
* A $600,000 grant to B Lab in 2009 was used in part for IRIS work
** The 2007 grants were part of the Development phase of the Initiative
Source: Rockefeller Foundation, 2012

Chart 3: Grants by Outcome Area



* Includes $200,000 for connections to SRI organizations
Source: Rockefeller Foundation, 2012

Chart 4: Annual Awards by Outcome

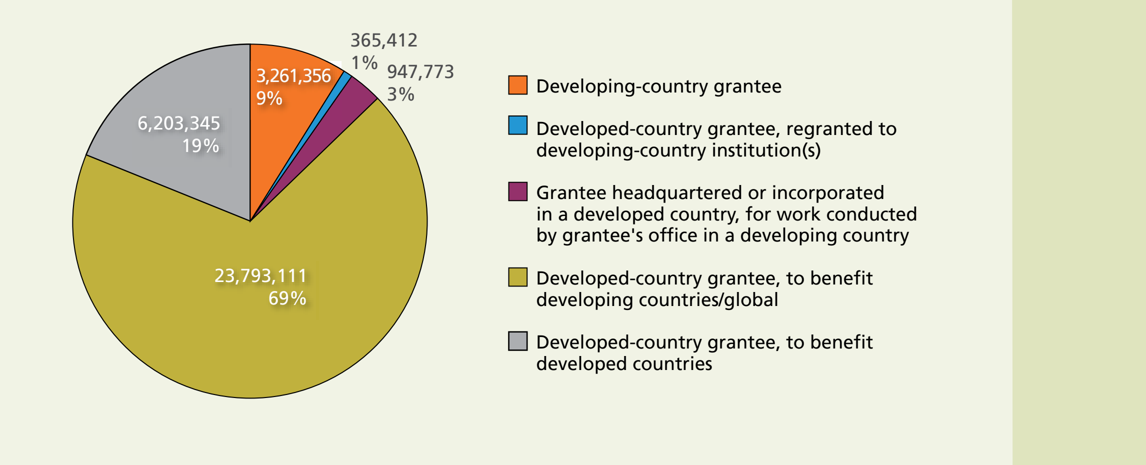


* Includes $200,000 in grants for connections to SRI organizations
Source: Rockefeller Foundation, 2012

The outcome area of catalyzing collective action platforms received almost $7 million. The majority of funds for this category went to the GIIN, via, in the early years, Rockefeller Philanthropy Advisors. A series of grants to the Aspen Institute, primarily for its work on ANDE, made up most of the rest of this allocation. Finally, another 18%, or about $6.3 million worth, of grants went to research and advocacy.

As Chart 5 shows, about 70%, or $23.8 million worth, of Initiative funds were allocated to developed-country grantees for activities to benefit developing countries or the global level as a whole. Another 18%, or $6.2 million, was provided to developed-country grantees for work in developed countries. Some 9%, or approximately $3.3 million, was provided to developing-country grantees.

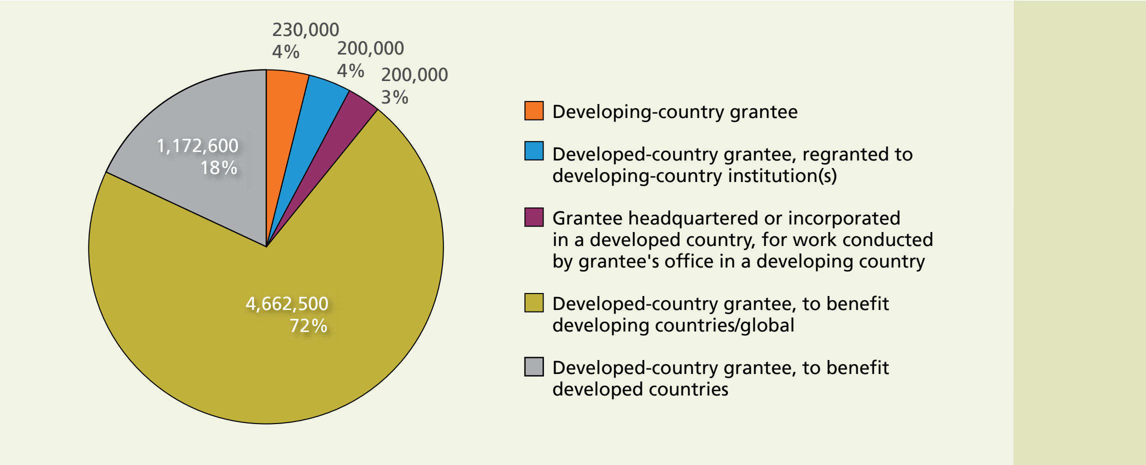
Chart 5: Grants by Geography, to Date



Source: Rockefeller Foundation, 2012

If impact investing is to become fully global and sustainable, the South must have an authentic voice in the governance of the movement.

Chart 6: Grants by Geography, 2011



Source: Rockefeller Foundation, 2012

The Initiative relied on a core group of grantees to undertake the bulk of its work.

Table 10 lists the top 20 recipients of grants and PRIs from the Impact Investing Initiative. Indeed, these 20 organizations alone account for $26.5 million worth of support from the Initiative, representing the bulk of its allocations. Nine organizations in this group received more than $1 million each in financial support from the Initiative, from multiple grants and sometimes also PRIs. By far the two largest aggregate allocations, through multiple grants, were made to the B Lab/GIIRS work and the GIIN/IRIS initiative, which received $4.9 million and $4.5 million, respectively. The next two largest recipients were impact-first funds—Acumen Fund and Root Capital—which received PRIs valued at $3.5 million and $2 million, respectively. The Calvert Foundation, Monitor Institute and Aspen Institute were also recipients of multiple grants from the Initiative.

The Initiative relied overwhelmingly on grantee organizations headquartered in the United States.

Some 70% of all grants and PRIs were made to grantee organizations headquartered in the United States. The main strength of this approach is that impact investing is most fully developed and highly networked in the US relative to all other countries in the world. Thus, the capacity, strategy and tools of American grantees tend to be more advanced than their non-American peers. The major weakness of this approach is that organizations based in poorer countries, where much of the focus of impact investing should be, or in the new economic powers (e.g., China, India) were able to exercise little voice in the direction of the Initiative as a whole. Indeed, only 10% of grants were made to organizations headquartered in the Global South, while 90% were made to organizations based in the Global North.[33]

Persistent North-South asymmetries will impede the success of the impact investing market and movement.

The same North-South asymmetries evident in the Initiative's pool of grantees are reflected in the governance and membership of the GIIN and in the bodies advising IRIS and GIIRS. One argument advanced by some stakeholders is that the money is in the North and therefore the organizational orientation of the GIIN is appropriate. This is a fair comment, but it is unhelpful on two counts. First, the sites of money centers are already shifting from the US and Europe to Asia and the Middle East. The North's dominance in this field is weakening. Second, if impact investing is to become a fully global and sustainable movement, it cannot be solely Northern-driven. The South must have an authentic voice in the governance of the movement, at the country and regional, as well as global levels. Going forward, North-South asymmetries must be addressed as a top priority by the leaders of the field.[34]

The Initiative made very effective use of convening in its initial years, directly and through key grantees.

Appendix E presents a more detailed discussion of perspective, performance and prospects for Southern platforms that we found through our interviews with key leaders in Mexico, Nicaragua, Brazil, India, Singapore, Kenya and South Africa. Overall, we found that these Southern leaders appreciate and want to be part of the global effort by the Initiative and its allies to build the field of impact investing. At the same time, however, they see it as, so far, an essentially US-based effort, and not one that is rooted in the regions of the world most in need of impact capital. And there is some impatience with this state of affairs. Their view—and we completely agree with it—is that for impact investing to become a *truly* global self-sustaining field and movement, developing countries must become full participants in the governance and shaping of this work—and not merely the recipients of capital originating in the North. The Northern-driven model is unsustainable and inappropriate, especially in this G-20/BRIC era, and the developing-country leaders in impact investing will not, ultimately, buy into it.

The Southern leaders we spoke with want to build an impact investing industry in a way that is appropriate to the unique conditions and needs of their cultures, institutions and territories, and to take up roles as governors and directors of this process, rather than as recipients and adjuncts. Our fieldwork pointed to some immediate starting points for building Southern collective platforms, though all local contexts are complex and will require thoughtful diplomacy and animation, and carefully allocated resources. In the short-term, the initial sites for local platform building should include, in our view, Mexico, India, Singapore and Kenya, followed shortly thereafter by Brazil, Nicaragua, Hong Kong and South Africa. There are no doubt other sites that could be added to the list. It is our view, furthermore, that there exist other funding agencies operating in each of the Southern regions that would be interested in sharing the public-goods infrastructure costs of these efforts.

The Initiative could allocate its remaining funds to transition activities.

To date, the Impact Investing Initiative has allocated $34.6 million of its Board-approved $38 million budget. These allocations include some $27.9 million[35] in grants per se, with the rest ($6.7 million) provided as PRIs. At the beginning of 2012, the Initiative therefore still had some $3.4 million in approved budget room, though some of that amount was already committed to new grants. In any case, its net unallocated funds would be a useful contribution toward transition grants that could help move the Rockefeller Foundation into its next phase of work on impact investing, impact enterprise and innovative finance.

6.2.2 Convening

The Initiative made very effective, strategic use of convening in its initial years.

During the period 2007 through 2011, the Impact Investing Initiative organized or supported the organization of a wide range of important convenings, conference sessions and other meetings aimed at advancing the development of impact investing. Most notably, the Initiative convened two early Bellagio gatherings of leaders in the field—in 2007 (as part of the Development phase of the Initiative), when the term impact investing was first coined; and, in 2008, when the strategic framework was collectively generated that would guide the Initiative and its allies in their efforts to build the impact investing market. More recently, in 2011, the Initiative team was active in jointly organizing, with Pacific Community Ventures (PCV) and the Initiative for Responsible Investment, a Bellagio convening on policy, enabling the planning of a full-fledged global project on policy exchange and advocacy.

Through its support of the GIIN, IRIS and GIIRS, among other grantees, the Initiative has indirectly made possible the convening of a host of other working groups and committees to advance the field, including meetings of the GIIN's Board of Directors and Investors' Council; IRIS' executive, taxonomy, strategy and technology committees; and GIIRS' advisory and standards councils. The Initiative team has also played prominent roles in addressing sessions at conferences organized by, for example, the Federal Reserve, Social Capital Markets (SoCap) and ANDE in the US, and Sankalp in India, and by allies in London, Singapore, Toronto and elsewhere.

6.2.3 Knowledge Products

Co-production and co-branding of key research studies advanced the Initiative and the field as a whole.

Another set of outputs generated by the Impact Investing Initiative team during the period 2008 through 2011 involved knowledge products, primarily in the form of reports. In the earlier years, whether grantees like the Monitor Institute or partners such as J.P. Morgan were taking the lead in preparing these reports, the Initiative team members took a very active role as co-authors and co-producers of this knowledge, using their unique, big-picture positioning and analysis to add value to these products—and, at the same time, to learn and benefit from these studies. Indeed, the team also identified the *need* for these studies to fill information gaps as the field building proceeded. Among the most influential of these earlier reports were

- the Monitor Institute's 2009 report, entitled *Investing for Social and Environmental Impact*;
- J.P. Morgan's 2010 report, *Impact Investments: An Emerging Asset Class*; and
- Pacific Community Ventures' 2011 report, *Impact Investing: A Framework for Policy Design and Analysis.*

Over the past year, however, the role of producing industry-wide research reports has shifted more to the GIIN and to a lesser extent to GIIRS. In recent months, a number of new reports have appeared:

- GIIRS' 2011 report on its pioneer funds, entitled *Impact Investing: Challenges and Opportunities to Scale*;
- the GIIN and IRIS report of 2011, *Data Driven: A Performance Analysis for the Impact Investing Industry*;
- the GIIN's late 2011 report, entitled *Impact-Based Incentive Structures*; and
- the co-produced and co-published J.P. Morgan and GIIN report of late 2011, entitled *Insight into the Impact Investment Market*.

These new research studies are going deeper and generating a larger and more sophisticated database to assess the performance of the impact investing market. And these reports are mutually enhancing the brands of those issuing them, particularly the GIIN and J.P. Morgan.

6.2.4 Media Engagement

Initiative staff and allies succeeded in framing and disseminating the impact investing concept in the mainstream and social media.

Another important set of outputs were media reports on impact investing in both the mainstream and business press, in niche media in social finance, enterprise and innovation, and in social media. Interviews, articles, reports on, about or by the Initiative team, grantees and partners appeared frequently over the four years ending in 2011. Among the vehicles for these media stories, for example, were *The New York Times*, *Forbes*, *Huffington Post, Stanford Social Innovation Review*, *Innovations Journal*, the Federal Reserve's *Community Development Investment Review*, as well as several discussion groups on *LinkedIn,* the social media site for professionals. Media engagement proved to be an effective tactic for advancing the team's thought leadership in the impact investing field.

Initiative staff and allies succeeded in framing and disseminating the impact investing concept in the mainstream and social media.

6.2.5 A Group of Core Allies

Over the four years, the Initiative built a network of 30–40 core allies that powered the launch of the impact investing industry.

Through all of these activities, as well as the quiet, behind the scenes connecting, networking, knowledge production and relationship building by the Initiative team, a group of core allies was built to enable the defining, protection, advocacy and launch of the impact investing field, and to set the stage for the building of a movement. Table 11 lists 70 organizations that, because of their engagement with the Initiative, the GIIN or the impact investing field as a whole, could be considered the general group of allies of the Initiative. Table 12 shows, for a smaller group of 30 core allies, some of the overlapping and interlocking relationships among them and with key efforts of the Initiative, such as GIIN's Investors' Council and IRIS, GIIRS, and ANDE's research work. This densely networked set of allies has been an important output of the Initiative as a whole. And it was a pivotal factor enabling the Initiative to realize its outcome achievements, as well.

Table 11: Seventy Allies of the Impact Investing Initiative

Networks / Systems	Foundations/ Venture/ Philanthropists	Banks / Institutions	Development Finance Institutions	Consultants/ Researchers	Funds
GIIN	Lundin	UBS	OPIC	Monitor	Acumen
ANDE	Omidyar	Deutsche Bank	FMO	Dalberg	AAC
IRIS	Citi Foundation	J.P. Morgan	CDC	Deloitte	AGRA
GIIRS	Gatsby	Morgan Stanley	DFID	PriceWaterhouse Coopers	Agora
B Lab	Ford	Federal Reserve, DC	USAID	SoCap/Hub	BPI
Social Stock Exchange	Elumelu	Fed-San Francisco	IADB	Intellecap/ cKinetics	Calvert Foundation
Impact Investing Exchange	Kellogg	TIAA-CREF		Duke	E+Co
Ceres	Gates	Penn Treasury		Technoserve	Equilibrium
	Doen	Prudential		PCV	Grassroots Business Fund
	Packard	Big Society		Allavida	IGNIA
		Triodos		Imprint Capital	Root Capital
				ImpactAssets	RSF Social Finance
				Shorebank Int'l	SEAF
				Wolfensohn	Nonprofit Finance Fund
					Lion's Head
					LeapFrog Investment
					NCIF
					Sarona
					Generation

Table 12: Thirty Core Allies of the Impact Investing Initiative

Organization	Grantee	GIIN Investors' Council	IRIS Committees	GIIRS Committees	ANDE Executive Member	ANDE Member	GIIRS Pioneer Fund	Partner
AAC	✔						✔	
Acumen	✔	✔	✔	✔	✔	✔	✔	
Agora Partnerships	✔					✔	✔	
ANDE	✔		✔		✔	✔		
Business Partners International							✔	
B Lab	✔		✔		✔			
Calvert Foundation	✔	✔			✔	✔	✔	
Citi Foundation		✔						✔
Core Innovation							✔	
Dalberg	✔			✔	✔	✔		
Duke	✔			✔				
E+Co	✔				✔	✔	✔	
Equilibrium		✔					✔	

Table 12: Thirty Core Allies of the Impact Investing Initiative

Organization	Grantee	GIIN Investors' Council	IRIS Committees	GIIRS Committees	ANDE Executive Member	ANDE Member	GIIRS Pioneer Fund	Partner
GIIN	✔	✔	✔	✔				
Grassroots Business Fund	✔			✔			✔	
Gray Ghost		✔				✔	✔	
Intellecap/cKinetics	✔	✔ (Board)				✔		
IGNIA	✔	✔				✔	✔	
Investors' Circle	✔			✔		✔		
J.P. Morgan		✔		✔				✔
Lundin		✔				✔		
Monitor	✔	✔ (Board)				✔		
Omidyar		✔				✔		✔
OPIC		✔				✔		✔
Pacific Community Ventures	✔		✔	✔		✔		
Root Capital	✔	✔	✔		✔	✔	✔	
RSF Social Finance	✔	✔		✔			✔	
Social Finance UK	✔	✔ (Board)						
SEAF	✔				✔	✔	✔	
Technoserve	✔			✔		✔		
USAID			✔	✔		✔		✔

6.3 OUTCOMES

6.3.1 Catalyzing Collective Action

The Initiative has made very strong progress in establishing and supporting the continued evolution and sustainability of the Global Impact Investing Network.

The GIIN: From the outset, the focal point for this outcome area, and the chief legacy instrument intended to sustain and extend the gains of the Initiative, has been the GIIN. Incubated through Rockefeller Philanthropy Advisors, the network was guided by a small, strategically selected Board of Directors, and bolstered by allied organizations from both the impact-first and financial-first segments of the field. From 23 founding members, the GIIN's Investors' Council membership now stands at 42, an impressive lineup of foundations, development finance institutions, commercial banks and private equity firms. The GIIN team has been steadily improving its education and exposure activities, including webinars, for Council members, particularly by providing a safe space for impact investors to learn about new models and products, and privately share their positive and negative experiences in the field. In 2011, the GIIN hired a respected investment leader as its new chief executive, and further expanded its research, education and outreach activities. A series of reports released by the network in late 2011—on executive incentives for impact investing and data-driven performance standards and an update, produced jointly with J.P. Morgan, on the impact investment market as a whole demonstrated both strengthened analytic capacity and more visible leadership.[36]

At the same time, lead grants from the Initiative to the network and for IRIS have helped attract significant financial support from both J.P. Morgan and USAID, with discussions underway on possible support from DFID and the Omidyar Network, among other partners. Earlier support came from the Gates and Casey foundations for Terragua and outreach, and from the Citi Foundation for Impact Base, originally created by Imprint Capital and RSF Social Finance. Overall, then, at the onset of 2012, and thanks to efforts of the Initiative and its allies, the GIIN is well-positioned to animate the further development of the impact investing field as both a market and as a movement. It is, undeniably, a success story.

The GIIN still has some work to do to become an even more effective and sustainable instrument of change over the next 20–25 years.

However, the GIIN still has some work to do to become an even more effective and sustainable instrument of change over the next 20–25 years, the time horizon likely required to build a robust, self-sustaining impact investing movement worldwide. The network has recently obtained independent legal status as a 501c(3) organization, which is a positive step forward. At the same time, fundamentally, the network must now convert itself into a membership-driven organization, which would receive significant membership dues in return for, as one impact investing leader put it, "a relentless focus on membership service." Further, the GIIN needs to broaden its governance structure by enlarging its board and making it more representative of its membership; options for achieving this broader representation should be examined in 2012 and changes instituted in 2013. In addition, in the years ahead, the network should generate effective ways of engaging new members from the sphere of larger institutions, including pension funds, sovereign wealth funds and major corporations, whose needs for products, models and data are likely to differ from those of the smaller players in the field.

In terms of the GIIN's legal structure, there may be a contradiction in its new status as a 501c(3) organization and the need, in our view at least, for the network to become a membership-driven organization. One possibility could be for the GIIN to incorporate a second time as a 501c(6) organization. This latter legal structure is used by chambers of commerce and real estate boards, nonprofit business associations run by their members. This option, or others that would achieve the same result, should be investigated by the network.

Equally important, the network must take steps to become a truly global organization—one in which the Global South, especially, has a meaningful voice. This too will take time and effort. However, the GIIN should develop a plan now to help build and interface with national networks on impact investing, and impact enterprise, in Africa, Asia and the Americas. Currently, the GIIN is primarily an organization driven by American leaders in impact investing, with some involvement of those from the UK, the Netherlands and Germany. This has been a useful place to start, but, in a G-20 world, this leadership base is too narrow. The network needs a five- to ten-year plan to build a fully global membership in its Investors' Council and its board. And the Rockefeller Foundation can play a valuable role in encouraging and supporting this process, by funding key groups on the ground to build local networks and other infrastructure and to engage with the GIIN as partners and members. Other funding partners—foundations, aid agencies, others—should be approached to collaborate in this set of key activities in the years ahead.

In the meantime, the GIIN is, in fact, exploring ways and means of gaining a presence in Europe. There are many good reasons to do this. There are certainly important European family offices, foundations, banks and DFIs to be engaged. Moreover, this new direction could begin an international shift to expand the role of non-US based investor organizations in the network. This direction could, and should, be broadened to include investor organizations based in other parts of the world, especially in the Global South.

6.3.2 Developing Industry Infrastructure

The Initiative has made solid progress in developing industry infrastructure, but there is still a long way to go, with sustainability challenges ahead.

The Impact Investing initiative has channeled its resources and energy into two instruments in particular aimed at developing infrastructure for the impact investing industry: the Impact Reporting and Investment Standards (IRIS) project and the Global Impact Investing Rating System (GIIRS), led by the B Lab group, champions in the US of the Benefit Corporation model.

Three projects—GIIN, IRIS and GIIRS—are widely seen to be essential elements in the building of the new marketplace.

IRIS: For its part, IRIS was initiated in 2008 by the Rockefeller Foundation, the Acumen Fund and B Lab, with Deloitte and PricewaterhouseCoopers soon engaged to develop the initial framework. In 2009, IRIS became a project of the GIIN. IRIS aims at creating a common language to enable impact investors to measure the non-financial performance of their investments. "By standardizing the way organizations communicate and report their social and environmental performance, IRIS aims to increase the value of non-financial data by enabling performance comparisons and benchmarking, while also streamlining and simplifying reporting requirements for companies and their investors."[37] Through advisory committees and working groups of experts, and data- and tool-sharing partnerships in the social enterprise (the Pulse monitoring system of Acumen), microfinance (the MIX) and SME (ANDE) fields, early versions of the system were designed, tested and refined into IRIS 2.0 in 2010. IRIS v2.2 was released in late 2011. The project also worked with practitioners to show how IRIS and social return on investment methods can be used in tandem. In 2011, IRIS published *Data Driven: A Performance Analysis for the Impact Investing Industry*, which drew on data from nearly 2,400 organizations and was endorsed by 29 leading impact investors, who are also core allies of the Impact Investing Initiative and the GIIN.[38] The IRIS work continues to benefit from the financial support of the Initiative and USAID, and is of interest to other funders, as well.

While this progress is good, some cautionary points should be made. As its leadership and advisors understand, the IRIS work is of a long-haul nature. It will require funding and support for, it would seem, another five to seven years, at least. This will require foundations, aid agencies and others to step forward with additional funding. It will also require both continuity and renewal of the leadership and staffing of this effort over time; after all, a process that extends from 2008 into, say, 2018, is a decade's worth of work. Moreover, like the GIIN and GIIRS, IRIS is still very much an American-based initiative driven from the Global North. Again, as with GIIN, this has been a reasonable place to start. But in order to recognize the realities of today's G-20 world, and to achieve credibility and adoption that are truly global, IRIS must find cost-effective ways of engaging stakeholders from the Global South in building and rolling out the system. Currently, only the Agriculture Working Group incorporates significant Southern participation; other IRIS bodies must find ways of affording voice and choice to the South.

GIIRS: The situation is similar in the case of GIIRS. The GIIRS ratings and analytics system aspires to be the Morningstar or Standard and Poor's ratings system of the impact investing marketplace. Using a series of key performance indicators, and guided by the IRIS taxonomy of definitions, the GIIRS system assesses companies and funds (and their portfolio companies) on four performance areas: governance, workers, community and environment. GIIRS also tracks nearly a dozen business models that can generate social and environmental impact (see Table 13). Companies and funds must take the time to provide information through online forms, telephone interviews and randomized site visits. The information requirements for companies and funds are extensive, but the GIIRS team and its advisors have tried to simplify and streamline the process.

The Global Impact Investing Rating System needs another five to seven years to refine its rating and analytic tools and its business model.

Progress has been solid. However, GIIRS, like IRIS, is a slow, long-haul task. And it has been expensive. Through successive grants, the Impact Investing Initiative has provided nearly $5 million to B Lab for its work on both B Corps and GIIRS. This is the Initiative's largest single expenditure area, exceeding even its support to the GIIN and IRIS. Nonetheless, over the past year, the GIIRS project has gathered real momentum. It was publicly launched in September 2011 at the annual Clinton Global Initiative event, with 25 "pioneer funds" and their investee companies agreeing to be rated. By January 2012, the GIIRS principals could report that nearly 50 funds are seeking to be GIIRS-rated, and the beta version of the GIIRS Analytics and Benchmarking snapshot report was released. These are major advances. However, there is much more work still to be done, also probably another five to seven years' worth, as with IRIS.

There are two critical issues that must be treated as priorities by the GIIRS principals in the years ahead. One, as with the GIIN and IRIS, is to strengthen the voice and participation of Southern actors in the further development of the ratings system. While they are served by an experienced staff person, currently only one of the members of the emerging markets group within the GIIRS Standards Advisory Council is based in the South; the rest are US-based. Again, this is not optimal for the building of a truly global ratings system and impact investing movement. The second issue relates to the business model of GIIRS itself. To this point, work on the system has been heavily subsidized by the Impact Investing Initiative and USAID, with contributions from Prudential Insurance and Deloitte, as well. But the system has the potential to earn revenue from investors, as well as from funds and companies seeking to be rated. There should be a detailed plan for reducing the subsidy component and increasing earned revenue over time. In our view, within two years, there must be demonstrable progress toward a sustainable business model for the ratings system. This matter should be reviewed by the Rockefeller Foundation, USAID, GIIN and other parties in early 2014. If there is insufficient progress on this front, steps must be made by the GIIRS principals to redesign a viable business model to guide the subsequent five years of additional work on the system.

Table 13: GIIRS Business Models that Generate Social and Environmental Impact

1	Social enterprise
2	Worker ownership
3	Community-oriented products and services (e.g., education, arts, capital, etc.)
4	Workforce development
5	Supply chain
6	Local development
7	Local economic development
8	Producer cooperative
9	Charitable giving
10	Environmental practices
11	Environmentally oriented products and services (e.g., renewable energy, land conservation, etc.)

Source: GIIRS, 2012

IRIS and GIIRS: There has been some confusion between the IRIS and GIIRS, but that is dissipating, as their respective roles and tools become clearer to stakeholders in the field. There is tension between what investors of various types want versus what these projects think investors need. This is exacerbated by the time- and labor-intensiveness of the GIIRS process, in particular. There is also a general tension between investor approaches to social measurement, which tend to focus on accountability, on the one hand, and entrepreneur/operational approaches to social measurement, which have a performance and management bias, on the other hand.

Perhaps the Initiative and its allies were quick to recommend tools as opposed to taking investors through a basic theory of change process. However, we do not believe this was decisive in limiting take-up of IRIS and GIIRS. Building and marketing the tools helped investors to envision what the system and the industry could actually look like in a more mature state. Theory of change discussions may not have helped in that regard, though they could have assisted investors and the two projects in more precisely determining investor aspirations and objectives regarding social impact—and could do so in the future.

CGAP: Having observed that progress is slow in the cases of both IRIS and GIIRS, it is also important to point out that this is not unexpected. The most relevant comparator field here is that of the microfinance industry. For nearly two decades, CGAP, housed as a semi-autonomous unit within the World Bank and funded currently by 30 donor agencies and private foundations, has provided infrastructure, set standards and carried out performance assessment for the microfinance field around the world. Donor agencies, foundations and banks have relied on CGAP to inform them of the merits and performance of investee MFIs and their readiness for scaling. Today, the group "provides market intelligence, promotes standards, develops innovative solutions and offers advisory services to governments, financial service providers, donors, and investors."[39] It has clearly taken a great deal of time and money to enable CGAP and the microfinance industry to their present level of maturity and scale. IRIS and GIIRS face a different context than CGAP did in its early years. In particular, longer term grant funding may, in fact, become more difficult to garner, at least from traditional Western donors. We agree with the view that GIIN, IRIS, GIIRS and other key components of the impact investing industry can potentially accelerate this maturation and scaling process. However, the fundamental conditions for this to be realized must be put in place by the leaders of the impact investing field over the next five to ten years. The experience of CGAP can be a useful touchstone as this work proceeds.

6.3.3 Supporting the Scaling of Intermediaries

The Initiative's support of scaling intermediaries provided it with a window on how smaller, impact-first, impact investors can design investment vehicles, mobilize capital and place that capital.

Half of the Impact Investing Initiative's allocations to this outcome area were in the form of four PRIs. While in the cases of the three major PRIs (to Acumen, Root Capital and IGNIA), the Initiative was one of a group of investors that typically included foundations, aid agencies, international financial institutions and private investors, the Rockefeller Foundation brand nevertheless added credibility and heft to the efforts of these funds to mobilize and deploy impact capital.[40] These PRIs have been prudently administered by the Initiative, and have performed consistently to Foundation expectations. Indeed, the Root Capital PRI was repaid in 2010. One important feature of these investments was that they provided the Initiative with a window through which to learn about the processes, techniques and challenges of the scaling up of impact investing

The Initiative's support of scaling intermediaries provided it with a window on how smaller, impact-first, impact investors can design investment vehicles, mobilize capital and place that capital.

assets and portfolios. And the PRIs also strengthened the Initiative's relationships with each of these core allies. These investment funds have continued to work with the Initiative on a variety of files, including IRIS (Root Capital and Acumen), GIIRS (Acumen) and the GIIN (all three).

The Initiative's grants added value to grantee efforts to expand their scale.

On the grants side, the Initiative's contributions added value to grantee efforts to expand their scale. For example, a recent Initiative grant to the Calvert Foundation enabled that organization to develop a new strategic plan and its CEO to receive mentoring that has enabled the Foundation to strike a new and exciting growth path forward. The consultant engaged for this effort was another trusted ally of the Initiative: the Monitor Institute. In another case, after hearing the President of the Rockefeller Foundation speak about impact investing at a conference, the President of the Greater Cincinnati Community Foundation expressed interest in setting up an impact investing fund. The Initiative then provided a grant to permit the Foundation to hire Imprint Capital to help design this fund. Today, the Cincinnati Foundation offers an impact investment product that can be directed to assist local health centers, an energy alliance and minority business.[41]

The Initiative also used its non-grant activities to support scaling. When, in 2010–2011, the Overseas Private Investment Corporation was preparing its major request for proposal (RFP) call in a competition to finance impact investing funds, OPIC sought the general advice of both the Initiative team and the staff of the GIIN in identifying a long list of potential bidders. The Corporation appreciated and used this advice. Following the competition, one member of the GIIN Investors' Council, Sarona Asset Management, will manage one of the six funds selected by the Corporation for its initial investment of $285 million. Other funds and managers close to the Initiative and the GIIN may be selected for future investments by OPIC.

Social stock exchanges still must prove their effectiveness.

The Initiative made several grants in support of social stock exchanges (SSEs), notably those based in London, Singapore, Mauritius and Canada. The prime purpose of SSEs is to address the issues of exit, liquidity and investment readiness that limit impact investing's growth. However, other functions have been added to some of these exchanges, including, for example, defining standards for a nascent impact investing marketplace (e.g., B corporation status, other listing requirements), building capacity through education and research, or bringing prospective impact investors together.

> The social stock exchanges supported by the Initiative to address issues of exit, liquidity and investment readiness still must prove their effectiveness.

Our findings with regard to social stock exchanges can be summarized as follows: It is too early to say definitively whether SSEs can cost-effectively address the issues of exit, liquidity and investment readiness, but they represent an important model that deserves thorough, continued testing and adjustment. It certainly appears that the state of the mainstream stock market in a given center is an important factor; the more sophisticated the marketplace, the more possible it is for an SSE to build upon it. Furthermore, it also appears that focusing on the core functions of the SSE, rather than taking on a broader mission, is more feasible. That is, standards setting, education and research, and investor networking are all public-goods functions that generally require subsidy and, in any case, are labor-intensive. Adding such activities to the already challenging core functions of SSEs can render these projects too complex, cumbersome and costly. The public-goods functions should be separated out, and also funded separately.

In terms of the status of the exchanges supported by the Initiative, these projects are at various stages of development. After a long gestation period and a lot of hard work, and despite a well-developed mainstream market, the London SSE seems to have attracted sufficient funding to launch this year. It has both supporters and critics in the UK. In Singapore, the SSE there has generated some momentum and visibility, but whether adequate demand and supply will exist still remains to be tested. And for its part, the SSE project in Canada is currently working through local regulatory issues, but it has succeeded in getting the mainstream Toronto exchange on board, which in turn became an important driver of activity for the new, affiliated Centre for Impact Investing.

Perhaps the most well-developed social stock exchange is that of the iX, a platform for social businesses to raise at least $700,000 in publicly listed debt or equity. Incubated by the South African social enterprise Nexii and operated in cooperation with the Stock Exchange of Mauritius, iX launched in mid-2011. With the latter's presence on major trading platforms in Europe and the US, and its multicurrency trading and settlement capabilities, iX could be poised to play a key intermediary role in the years ahead. Nonetheless, like other SSEs, it must still prove the viability of both the supply and demand sides of the market it aims to serve, and of its own business model.

6.3.4 Research and Advocacy

The Initiative achieved significant field building gains through co-produced and co-branded research studies, which the team and its core allies aggressively marketed to the key segments of the impact investing field and to the business, philanthropy and development communities. Between 2008 and 2011, the Initiative invested about $6.3 million in research and advocacy activities, mostly in the form of research studies. In a handful of these studies, the Initiative team played a very hands-on, activist role as co-leaders and co-authors of the reports, and subsequently as champions of their contents in the media and at conferences. In terms of field building, the most influential of these reports were the Monitor Institute's 2009 *Investing for Social and Environmental Impact*, a strategic plan for building the impact investing industry, and the J.P. Morgan report in 2010, entitled *Impact Investments: An Emerging Asset Class*, which further defined and legitimized the industry. More recently, the Initiative's legacy instrument, the GIIN, has taken on this co-production and co-branding role, with the joint J.P. Morgan/GIIN report, *Insight into the Impact Investing Market*, which appeared in December 2011, being the clearest example of this shift. These key reports have had far-reaching effects, providing the concepts, data, models and allies that have helped the impact investing market to consolidate and successfully launch.

The Impact Investing Policy Collaborative has become another very important instrument for building the field, particularly in developing regions.

The IIPC: It took the Initiative several years before its grantees produced significant results on policy. Perhaps it was the exuberance of the pro-market discourse that preceded the global financial crisis, or that infuses the culture of Western finance and investment more generally. Perhaps the Initiative team was preoccupied in mobilizing stakeholders and tools for levering capital for social change. Perhaps the central role of policy in community development finance in the US or in microfinance globally is so taken for granted that it is nearly invisible. In any case, it was not until the appearance in early 2011 of an innovative report by Pacific Community Ventures (PCV) on policy models for impact investing that the role of policy became visible in the Initiative's work.

We acknowledge that the Initiative team was concerned with policy issues well before 2011. Indeed, in early 2010, the Initiative issued an RFP to find a partner to lead the policy work. In fact, the team saw this as a large, multi-stage piece of work, and not a short-term, one-off piece of research. It thus took time for this process to reach its conclusion in the selection of PCV and its partner, Harvard's Initiative for Responsible Investment. It is also true that the Initiative team was working on many fronts and projects at once, and trying to balance many actors and factors. Notwithstanding all of this, however, the first major policy deliverables, we still contend, arrived late in the four-year period under review here. The Initiative should, and could, have started this whole process sooner, and provided support to this area of work faster.

In any case, during the remainder of 2011, this work was accelerated impressively, spurred on by a multinational convening in Bellagio in mid-2011 on policy capacity building and then the formal start-up of the Global Impact Investing Policy Project (GIIPP), now known as the Impact Investing Policy Collaborative, or IIPC.[42] The coordinating organizations for the report, the convening and the project have been PCV together with the Initiative for Responsible Investment. In our view, the IIPC has become another very important instrument for building the impact investing field globally, particularly in developing regions. It can, and has already begun to, work very productively with the Rockefeller Foundation, other funding agencies, the GIIN, IRIS and GIIRS to successfully build out the global market—and the global movement. Like the other instruments, the IIPC needs to transform itself into a G-20 like structure, facilitating strong Southern voice and choice. Indeed, it has begun to move in that direction, as well.

6.4 IMPACT

There is a growing body of evidence that impact investments can, in fact, add positive value to the well-being and livelihoods of poor and vulnerable populations.

We make the point several times in this report that the quantum and quality of data demonstrating positive social and environmental impact on the ground remain underdeveloped and insufficient—and that it will take the field time to build this larger base of evidence. This is true for the field as a whole. However, that is not to say there is no such evidence. In fact, some impact investors and intermediaries are working very hard to expand this body of evidence, both by testing their own theories of change operationally and by collecting more and better information. At the same time, there are recent studies in subfields such as microfinance that can add to our understanding of the limits, as well as the possibilities, of impact investing.

Some impact investors and intermediaries are working very hard to expand this body of evidence, both by testing their own theories of change operationally and by collecting more and better information.

One intermediary that received a PRI from the Initiative is **IGNIA**, based in Mexico.[43] This venture capital firm generates social impact by providing good quality, relatively inexpensive services to BoP populations and by assisting BoP groups to access additional public resources. One example is Mexvi, a Mexican investee company of IGNIA that builds affordable homes for BoP populations, while also accessing federal-government housing subsidies (covering up to 40% of the value of the house) for its customers. With its large scale, Mexvi can provide complex services such as financing, procurement and construction. Anecdotal evidence suggests that the provision of good quality homes can result, in turn, in improved health, increased financial security, better motivation and security for children's education, and increased resilience of home construction to natural disasters such as floods and hurricanes.

In the case of another IGNIA investee company in Mexico, Finestrella, this business transitions its low-income customers from pre-paid to post-paid cell phone service. This gives BoP customers the same access to a range of services available to those in higher income brackets, at substantially lower cost. Finestrella surveys 100 of its 15,000 customers each month. These surveys indicate that the social and economic benefits of access to affordable phone service can include access to emergency services (when there is no land line, which is the case for most Finestrella customers); regular contact with family and friends to communicate needs and make requests; the ability to apply for jobs; and the capacity to conduct business. Overall, our fieldwork in Mexico found these two businesses—Mexvi and Finestrella—to represent credible theories of change that demonstrate tangible social and economic results for BoP groups.

Root Capital is a US-based nonprofit that, like IGNIA, was a recipient of a PRI from the Impact Investing Initiative. The PRI ran from 2008 to 2010, when it was repaid. Root Capital's main line of business is to finance farmers' cooperatives in Africa and the Americas in order to reduce rural poverty. This working capital is often secured against the coops' inventories. In 2010, its average loan size ranged from $350,000 to $400,000, and its average rates of return were 2.5 to 3%. That year, the organization maintained a worldwide portfolio of about $40 million in outstanding loans that benefited some 200,000 individual farmers and artisans. Root Capital also provides training, marketing advice and access to other sources of financing (e.g., USAID, Rabobank).[44]

In terms of social and economic benefits, the Root Capital theory of change holds that its loans enable borrowing organizations to flourish and grow as businesses, providing steady, more attractive revenue streams to individual farmers and their households. Our fieldwork in Nicaragua, in particular, confirmed that this theory of change is credible and can indeed deliver tangible and meaningful economic benefits to individual farmers and their households, which in turn can be converted into social outcomes, as well. For example, last year, one of the Nicaraguan cooperatives financed by Root Capital created a fund for health. Two women cooperative members had died earlier of cervical cancer. The new health fund paid for the screening of nearly 140 women members. This testing process found that 127 of the 137 women had HPV (human papillomavirus). These health issues are now identified and are being addressed. This case provides an interesting example of how an enterprise strengthened by impact investing can, in turn, contribute to improved health outcomes as well as delivering enhanced incomes to households.

A third intermediary that is working hard to demonstrate social impact is the **Acumen Fund**, which also received a PRI from the Impact Investing Initiative. Like IGNIA and Root Capital, Acumen is a prominent player in the impact investing field; the fund has played a leadership role in a wide range of Initiative-supported organizations and activities, including the GIIN, IRIS and GIIRS. This ten-year-old not-for-profit has raised more than $70 million and has placed investments in some 65 enterprises in Africa and Asia that have created and supported 55,000 jobs. Acumen investee businesses provide services and products for the poor in the health, housing, water and energy sectors. The fund seeks to invest in enterprises that reduce costs, test novel delivery systems, create innovative financing solutions, offer scalable products and services, and employ market-driven solutions.

A case study prepared by the Ross School of Business at the University of Michigan used the Best Available Charitable Option (BACO) tool to assess Acumen's investments against other charitable models. Using the example of an investee business that produces insecticide-treated bed nets to prevent malaria, the authors found that the Acumen approach—providing a multi-year loan, in-kind support, and other inputs, as opposed to a one-time grant from a more traditional charity—has a BACO ratio of more than 40. Even when this ratio is reduced through a consideration of other factors, the Acumen model of producing social impact is found to be comparatively much more effective and efficient than charitable grantmaking approaches. More generally, Acumen uses its own performance monitoring system, Pulse, which is aligned with (and informed and aided in the development of) IRIS, to track the financial, organizational and social data of its investments over time.[45]

Building a larger, more comprehensive body of evidence on the social impact of impact investing will take another ten years.

The efforts of these and other funds to demonstrate social impacts in practice are very important to the future growth of the field of impact investing as a whole. And other projects attempt to take this evidence-building task even further. A case in point is that of Mtanga Farms, a Tanzanian farming enterprise that grows and sells high-quality, disease-free potato varieties for use as seed by smallholder farmers who cultivate less than two hectares of land. Between 2009 and 2011, four major impact investors invested their capital in Mtanga Farms: Lion's Head Global Partners from the UK,

Building a larger, more comprehensive body of evidence on the social impact of impact investing will take another ten years.

US-based Calvert Foundation, and Nigerian investment company Heirs Holdings, Ltd. along with its partner, the Tony Elumelu Foundation. A case study recently published by the GIIN traces the evolution of the investment strategy by these organizations, whose objectives for financial and social returns are diverse, and their attempt to put in place proxy measures for impact. One example of an indicator of improvements in smallholder farmer livelihoods that was agreed to by the investors and the management of Mtanga Farms is the extent of farmer ownership of motorbikes. The investors are less concerned with direct attribution in the case of this proxy measure; rather, they are interested in focusing on quantifiable and verifiable indicators. However, like many impact investments currently in the execution phase, it will take some time before the effects of the capital injected into Mtanga by the investor group will result in changes on this or other impact indicators.[46]

Another relevant body of evidence of impact is found in the microfinance field, now more than three decades old. One 2010 study, sponsored by the Grameen Foundation, found that "micro-credit is good for micro-businesses." However, the extent to which these businesses and the income they generate for borrowers and their households are converted into gains in social well-being (via health, education and women's empowerment) was found to be less clear.[47] Indeed, as this evaluation report was being completed, a renewed and spirited debate emerged on the effectiveness of microfinance, prompted by a new study that finds little evidence that microcredit is able to raise very poor borrowers out of poverty. In fact, the author of the study argues that MFIs worldwide have been pushing too much credit onto the poor and overselling its benefits. The study calls for scaling back public funds for microcredit, which should be seen as a modest tool for stabilizing and smoothing the incomes of the poor, and focusing instead on building the savings of the poor and providing them with other financial services, like insurance. The debate stimulated by this research confirmed that rigorous assessment of all development finance approaches, such as investments in the small and growing business (SGBs) promoted by member organizations of ANDE, will be essential in the years ahead.[48]

It is instructive that a mature, well-funded field like microfinance is still grappling with the detailed questions of impact even 35 years after its birth.

It is instructive that a mature, well-funded field like microfinance is still grappling with the detailed questions of impact even 35 years after its birth. The implications for impact investing would seem to be threefold. First, assessing social impact is an iterative, long-haul task. Indeed, it will likely take another ten years to build a full-scale body of evidence. Second, there is a need to provide a centralized framework (as IRIS and GIIRS aim to do) within which to locate the many disparate decentralized efforts to measure impact. And, third, the process of learning and adjusting through impact assessment never ends. As a field evolves and matures, new trends, challenges and dilemmas inevitably arise and must be addressed—openly, transparently, and with conviction.

6.5 POLICY INFLUENCE

Through the advice and advocacy of its grantees, the Impact Investing Initiative exerted significant policy influence in the US, UK, Canada and Australia.

In general, there are three broad approaches to influencing government policy: providing evidence and advice, conducting public campaigns and advocacy, and engaging in lobbying.[49] Through its grantmaking and thought leadership, the Impact Investing Initiative utilized the first two approaches—advice and advocacy—in supporting efforts to influence government policy in a direction that would expand and deepen impact investing in key jurisdictions. Its greatest success in this effort was achieved in the latter half of the four-year period, in the Global North. These results were most evident in the United States, United Kingdom, Canada and Australia, as the following policy episodes illustrate:

Policy Episode – Canada: In 2006, representatives from the foundation, university and nonprofit sectors came together to form a national network, the Causeway Initiative, to promote social finance across Canada. By 2008, the network has spawned a new website, socialfinance.ca, and organized its first national forum on social finance at the Ontario-government funded MaRS research center in Toronto. Subsequent forums followed in 2009, 2010 and 2011, coordinated by the Social Innovation Generation project supported by the McConnell Foundation. The leaders of this Canadian effort were informed and inspired by the Impact Investing Initiative's framing of the concept of impact investing, and by its co-produced research reports, particularly the 2009 Monitor and 2010 J.P. Morgan reports. In 2010, the principals of the Canadian group invited the Initiative's managing director to give a lecture on impact investing in Toronto that attracted 200 participants. This reinforced a major initiative launched by SIG and MaRS: the Canadian Task Force on Social Finance, led by leaders in business and finance, philanthropy and the social economy. The task force's report, *Mobilizing Private Capital for Public Good*, was published in 2011 and received good press coverage. Referring extensively to the Monitor study in particular, the task force report presented seven overarching recommendations, five of which require important policy reforms in charities law, pension investment regulation and other policy areas. The leaders of this effort provided a progress report on the task force's work at the 2011 social finance forum, where both the former Initiative managing director and the GIIN's director of strategy also gave plenary presentations. At the same 2011 event, the creation of a new Centre for Impact Investing, to be based at the MaRS facility, was announced, to be funded by a grant of $325,000 from the Impact Investing Initiative, $1 million from the McConnell Family Foundation, and additional contributions from the Toronto Stock Exchange. A focal point for the new Centre's work will be to energetically build support for the policy changes at the federal and provincial levels across Canada that are necessary to create the enabling environment in which impact investing can flourish. There have been commitments to impact investing made by the Ontario and British Columbia provincial governments, and strong interest expressed by the federal government in social impact bonds.

Through the advice and advocacy of its grantees, together with active awareness-building and its co-produced knowledge products, the Initiative exerted significant policy influence.

Policy Episode – Australia: Over the past three years, a senior government official in Australia's Department of Education, Employment and Workplace Relations (DEEWR), with links to the Impact Investing Initiative, has animated a process inside and outside the national government there that has yielded a range of concrete and impressive results. Framing these efforts within the concepts of the social economy and cross-sector investment, she and her colleagues have drawn heavily on the research co-produced by the Impact Investing Initiative, especially the 2009 Monitor and 2010 J.P. Morgan reports, together with the prestigious brand of the Rockefeller Foundation.[50] In fact, in a major submission to the Australian Senate Economics Review Committee into Mechanism and Options for the Development of a Capital Market for Social Economy Organisations, made jointly by the Prime Minister's Department and the DEEWR, the proponents cited the Monitor Report nearly 20 times, the J.P. Morgan report several times; the submission also cited the PCV report on policies for impact investing more than a dozen times, and the Canadian Task Force report, which itself had been heavily influenced by Initiative-supported reports, ten times.[51] In turn, the Senate Committee has now reported and has made extensive use of the research and policy directions provided in the DEEWR/Prime Minister's Department submission. Meanwhile, on another front, the DEEWR official had led, in 2010, a parallel process resulting in an RFP for the establishment of two impact investing funds. Under this pilot initiative, called the Social Enterprise Development and investment Funds, two funds were selected for federal support from this competition and began operating in fall 2011. Government's combined investment in these two funds is $20 million, with a requirement that these public funds be matched on a 1:1 basis by philanthropic and private investors. Finally, the Australian official and her colleagues have led a public advocacy effort to make the case for impact investing in their nation, speaking at conferences and other gatherings of organizations in the social economy, philanthropy and law.[52]

Policy Episode – United Kingdom: Following a decade of hard work and government support by a network of social finance and social enterprise champions in the United Kingdom, Big Society Capital was announced by the David Cameron government in mid-2011.[53] The purpose of this new, non-bank financial institution is to wholesale investments for the third sector through intermediaries. Funded by commitments of £400 million from unclaimed bank accounts to be retrieved by government, and another £200 million in investments by four major commercial banks—Barclays, HSBC, Lloyds and the Royal Bank of Scotland—Big Society is expected to begin making its own investments in 2012. The leadership of the new institution is close to the Impact Investing Initiative. Big Society's chair is a senior-level champion of third-sector financing and a confidant of the Initiative.[54] The chief executive is the former senior executive at J.P. Morgan in New York, who sponsored the social investment unit at that bank and co-authored the 2010 report *Impact Investments: An Emerging Asset Class*; he is also a founding and continuing Board member of the GIIN. As recently as late January, he cited J.P. Morgan research supported by the Initiative to show the growth of social-purpose investment.[55] Another Big Society Board member is a Rockefeller Foundation grantee.[56] Further, the model that ultimately defined Big Society was informed by experience in the US impact investing field; this model consists of a for-profit, a trust and a charitable foundation.[57] In this case, it cannot be concluded that the Impact Investing Initiative played a decisive role in the creation of Big Society Capital. In fact, the Initiative benefited considerably from its association with the leadership and the work of the Big Society Capital project. However, it can reasonably be said that, in the last few years, the Initiative provided its UK counterparts with new research, brand association and confidence that contributed to the deal getting done to launch the new body. Moreover, the fact that the first CEO of the new institution was among the closest allies of the Initiative is neither incidental nor accidental. In this policy episode, therefore, the vectors of influence have moved in both directions. It was useful for the Big Society proponents to be associated with the Initiative, and vice versa. This dynamic of mutual reinforcement is likely to operate for the foreseeable future.

Successful episodes of policy influence are characterized by a mix of tactics and change vectors, active champions and good political timing.

Policy Episodes – United States: Impact Investing Initiative team members and grantees interfaced frequently and to good effect with departments and agencies of the United States government. These exchanges have been generally positive and productive, and often mutually reinforcing. Since assuming office in 2009, the Obama Administration has taken an open and encouraging stance toward impact investing in both the domestic and foreign policy spheres. One ongoing channel of exchange on the domestic policy front was with the Office of Social Innovation and Civic Participation at the White House, which both convened events on impact investing and participated in events that others, including the Initiative, organized. Another was with the Small Business Administration (USSBA), which, in 2011, announced the launching of a $1 billion (over five years) impact investment fund for small businesses in communities and regions with low and moderate income levels; the fund works with institutional investors and experienced fund managers to achieve both financial and social returns.[58] The USSBA benefited from general research as well as specific policy insights (on, for example, how to balance impact targeting with investment scale, and how to engage institutional investors) from the Initiative team and experts among its grantees in framing, defining and launching the fund. For its part, the new USSBA fund lent additional credibility and momentum to the work of the Initiative.

In a third case of mutually reinforcing policy exchange, the Impact Investing Initiative and the Federal Reserve System collaborated in conferences on social metrics and impact investing in 2010 and 2011, resulting in two special issues of *Community Development Investment Review* on these topics. In 2009, a special issue of the *Review* on impact investing was published.[59] Initiative team members and grantees—including Pacific Community Ventures and RSF Finance (both are designated as community development financial institutions) and consultant Imprint Capital—featured prominently in these conferences and journal editions. PCV was especially active in trying to bridge the experience and issues of US-based community development finance with those of the emergent global impact investing field. Other journal issues during the period carried articles on possible applications of the US CRA to Latin America, China and other parts of the world,[60] a potential programming area, which should be considered by the IIPC.

A fourth example of productive policy collaboration entailed an influence vector running mainly from an Initiative grantee—in this case, PCV and the Harvard Initiative for Responsible investment—to the White House National Economic Council. In early 2011, PCV and the Harvard Institute for Responsible Investment provided private, bilateral advice to the Council on measures that should be taken to strengthen both the Community Reinvestment Act and the New Markets Tax Credit, which were both up for renewal. One recommendation by the grantee team, that the NMTC should be reengineered to direct capital to small businesses rather than mainly larger real estate projects, found a receptive audience; we understand that steps are being taken to retool the tax credit's regulations in this direction. Further, the advice provided by PCV/IRI also contributed to a broader interagency exercise by the federal government to assess how administrative discretion could be used to advance impact investing across a range of policy files. It is noteworthy that the grantees confirm that their grant from the Impact Investing Initiative enabled them to devote the necessary time, at the right time, in order to provide the Council with professional, responsive advice.

Several lessons can be drawn from these policy episodes. The overarching lesson, in our view, is that policy influence can be achieved through a mix of tactics and vectors. In the experiences reviewed here, public-goods knowledge products (reports, journals) providing framing, research and branding proved valuable. So was thought leadership and awareness raising by Initiative staff and grantees at conferences and in the media. And so, in several cases, were briefings and advice provided bilaterally by staff and grantees to government agencies in response to a request for analysis of a specific project or law. Not to be forgotten, either, is grantmaking. In particular, grants provided grantees with the time and space to be responsive and precise, in real time, to the needs of government for specialized advice and analysis. And finally, the importance of reciprocity and mutual benefit between parties engaged in policy exchanges should be underscored. This dynamic of mutual reinforcement was a feature in several of these episodes.

Policy-change agents must ensure that departing champions are replaced smoothly and that incoming champions gain the skills and orientation to take the work further.

Another lesson is that champions matter. In several policy episodes, such as those for Canada and Australia, the continuity, energy and creativity of key leaders on the ground made it possible to optimize the value of the Initiative's products, brand and leadership. In the case of the UK, the J.P. Morgan champion moved "sideways" to an executive position in Big Society Capital. The main insight here is that the field must, and can, find ways of utilizing the talents of proven champions at various key sites across geographies, sectors and institutions. There is always a certain amount of leadership "churn" in corporate and political organizations. Change agents must ensure that departing champions can be replaced smoothly, that incoming champions possess the skills and orientation to take the work further, and that "outbound" champions can exercise their skills and expertise fully in their new positions. Building "bench strength" through training and mentoring, and by intentionally creating new opportunities for both established and emerging leaders, are important tasks for a vibrant, growing field like impact investing.

Finally, these episodes confirm that political conditions and timing matter, too. In particular, the leaders of the impact investing field found receptive conditions and partners in the Obama government in the US, as did the Initiative's partners in the Blair and Cameron governments in the UK. The fact is that unless a number of factors converge at the same time—notably, the election of a majority government that is open to policy change, a reasonable ideological fit between the governing party and the proposed policy change, productive relationships between external and internal champions of the change, a government bureaucracy capable and motivated to take clear action, a coalition outside government advocating intensively for the change, and access to a set of draft laws, regulations and costed programs that operationalize the change—then the policy aperture will not open, and the reform or innovation will not be instituted. And what the leaders of a field-building effort must understand is that the cycles, the rhythms, in which such conditions are obtained are asynchronous vis-à-vis the field-building process itself. That is to say, such conditions will follow the logic of election cycles (every four or five years) rather than the grantmaking or investment cycles of the stakeholders that aim to build the field.

All of this suggests that the new Impact Investing Policy Collaborative (IIPC), working closely with the GIIN, must take a very long-term, wide-angle view of its mission and its knowledge production and exchange processes. It also must be agile enough to move quickly when, in a given part of the world, conditions converge and a policy door opens. Local champions will need the support and tools necessary to go through that door boldly and to act with precision and confidence to achieve their objective of policy change. The IIPC can play a very valuable role when this happens.

6.6 MANAGEMENT AND LEADERSHIP

The most important factor relating to management and leadership with respect to the Impact Investing Initiative was the decision by the Board of the Rockefeller Foundation, as recommended by the President and Executive Team, to approve $38 million for the work of the Initiative. This decision was bold, visionary and timely, and deserves to be highlighted. In fact, leaders in the impact investing field around the world, whether they are close to the Foundation or not, are nearly unanimous in their praise of this decision.

The decision by the Board of Trustees of the Rockefeller Foundation to approve funds for the Impact Investing Initiative was bold, visionary and timely.

The subsequent success achieved by the Impact Investing Initiative team in deploying these approved resources owes much, in turn, to the vision, energy and skill of the Initiative's Managing Director and Associate Director, in particular. They became the public faces of the new field, inspiring, pushing and advocating at every opportunity. Indeed, by all accounts, *all* members of the Initiative team exercise effective leadership on their files, through diligent grant negotiation, grantee supervision, PRI administration, convening, public presentations and networking. All team members were actively and productively involved in boards and committees of key grantees (notably the GIIN, IRIS, GIIRS and more recently IIPC), demonstrating both strategic and tactical skill, holding their grantees and partners accountable for producing results while navigating with them, often in uncharted territory, encouraging them to learn, to adjust—and to do more. For his part, the Managing Director also played a quieter, less visible role in the emerging impact investing marketplace, connecting investors with common interests, sharing contacts and opportunities privately on a bilateral basis. This connecting and relationship building behind the scenes also paid off in new activity in the field.

Two issues are worth noting here. First, the Initiative team seemed to rely as much or more for mentoring and advice, as their work proceeded, on external advisors, as it did on senior Foundation personnel. This did not hamper the team's productivity by any means, but it may have fed the perception of the team as sometimes operating "outside" the Foundation's ambit. In fact, in our assessment, the team was steadfast in its commitment to implementing the strategy originally approved by the Board and, in some ways, was more critical of its own plans and performance than either internal or external observers.

The Initiative team was steadfast in its commitment to implementing the strategy originally approved by the Board.

The second issue relates to the direct, activist roles played by the Initiative team as leaders of grantee and legacy projects, as public advocates of impact investing, and as behind-the-scenes connectors and relationship builders. While such an activist, direct role may not be the norm at the Foundation, our view is that it was not an inappropriate approach to take in defining and launching a new field in a compressed period of time. And it generally proved to be successful.

7 COST EFFECTIVENESS AND EFFICIENCY

7.1 EFFICIENT USE OF FUNDS

Overall, the Impact Investing Initiative team utilized its funds in an efficient manner. First, the team was very hardworking, viewing its work as more of a mission than a job, and putting in long hours to get the work done. Second, the Initiative levered additional funds from other funders and in-kind contributions by grantees, all of which enabled the effects of its own funds to extend even further. Financial support from J.P. Morgan and USAID for core activities, including the GIIN and IRIS, was especially important, for example.

> There is, inevitably, an oversight and administrative burden conferred on staff by a portfolio of smaller, shorter grants.

The average size of Initiative grants was just under $300,000, and most grants were between one and two years in duration. This approach may be appropriate in the case of an emerging field where the cycle of action, learning, review and more action must necessarily be compressed. And the Initiative team sought to engage a critical mass of actors to drive the market-building agenda forward, and so elected to distribute its funds fairly widely. However, at the same time, there is, inevitably, an oversight and administrative burden conferred on staff by a portfolio of smaller, shorter grants. It may be worth considering larger, longer-term grants, especially with proven grantees, to reduce this burden and further increase efficiency.

7.2 APPROPRIATENESS OF HUMAN AND FINANCIAL RESOURCES

We have already made the point that the Initiative team was dedicated, hardworking and productive. We have also observed elsewhere that the team, collectively, possessed the necessary skills and knowledge to enable them to effectively implement their chosen combination of tactics. However, two additional issues are worth commenting on here.

First, one of the ways that the Initiative extended its human-resource capacity, at least in a strategic sense, was to set up the GIIN. The team at the Network has been assuming greater responsibility for the public advocacy, co-produced knowledge products and the awareness raising and relationship building that the Initiative team used to provide. This is as it should be. But, as a number of interviewees observed, the Initiative and the Network seemed to move slowly in appointing a chief executive to run the GIIN. Once it was made, though, the appointment received widespread praise.

The second issue relates to the final year, in which the Initiative team lost two team members, including its founding Managing Director. This represented 40% of the five-person Initiative team, all of whom had (and still have) other program duties in addition to their impact investing work. Our observation on this experience is that this kind of staff churn is to be expected in the final 12–18 months of an Initiative. It simply goes with the territory of programming cycles that are of three to five, or even seven, years in duration, and that really do, in fact, terminate. The Foundation should anticipate this extent of staff rotation out of Initiatives that are in their final year. Provision should be made to assist the remaining team members to, first, manage the current workload, and, second, efficiently facilitate the Initiative wind-down and transition, including the transfer of lessons and knowledge products. Assigning replacement staff or consultants to an Initiative for its wind-down year may also be necessary.

7.3 GOVERNANCE AND MANAGEMENT PRACTICES

The Initiative made extensive and productive use of external governance structures that were closely held, as in the case of the Board of the GIIN, or largely programmatic, as with the advisory committees for IRIS and GIIRS. However, it is now time to adjust these practices. Going forward, the GIIN needs to formalize and expand its Board, reflecting a new focus on becoming a membership organization, and involving greater participation by Southern leaders, demand-side actors and larger financial institutions.

Strengthening the representation in these directions on the advisory boards of IRIS and GIIRS will also be important in the years ahead. It is not yet clear what the most feasible business model should be for either of these systems. Nor is it clear what the role of certain key players—particularly the major accounting firms in the case of IRIS, and the B Lab group in the case of GIIRS—will be in these evolving governance arrangements. These are important matters to manage and monitor going forward.

The governance of the GIIN and GIIRS should be formalized, expanded and involve greater participation of leaders and institutions based in the Global South.

8 KNOWLEDGE CONTRIBUTIONS

8.1 KNOWLEDGE PRODUCTS

As this assessment has shown, the Impact Investing Initiative supported the creation of a wide range of knowledge products. Many of these outputs are formal ones—such as reports, articles, podcasts, databases and websites—which encode and present data, analysis, models and policies in systematic form. We have referred in earlier sections to the more prominent reports, in particular, which organize this knowledge, analyze it and make it accessible for use by others. The key producers of these reports and managers of these databases and websites are, in particular, the GIIN and IRIS, J.P. Morgan, the Monitor Institute, GIIRS and B Lab, the Acumen Fund (the Pulse system), the MIX, the GIIRS pioneer funds, most other grantees, the Federal Reserve system, and partner organizations such as USAID, Omidyar Network, the Gates Foundation, OPIC and others.

The Initiative supported the creation and dissemination of a wide range of encoded and systematized knowledge.

Other knowledge, however, has been produced in *raw form* only, and has not been systematized or formally encoded for wider use and exchange. Some of this raw knowledge has been identified in the present report, and includes insights and lessons (though no magic bullets or instant prescriptions) related to, for example,

- the tactics and conditions required to successfully define and launch a new field;
- more specifically, how to use co-created and co-branded knowledge products and a network of core allies to advance the field-building agenda;
- methods for effectively exiting and handing off a leadership role in a dynamic sector;
- new tools and products for mobilizing capital from non-traditional sources for development purposes (e.g., vaccine bonds, social impact bonds); and
- the potential for the centralized IRIS and GIIRS systems to interact and be integrated with the decentralized monitoring and evaluation systems of funds and enterprises.

These and other raw-knowledge outputs generated by the Initiative should, in fact, be systematized, formally encoded and made available to a range of audiences who could take action on it. With modest additional contributions to their grant budgets, a small number of core grantees could take on this task and complete it by the third quarter of 2012.

8.2 KNOWLEDGE MOBILIZATION

The process of knowledge mobilization differs from that of knowledge production. The latter involves the creation or co-creation—and often, though not always, the systematization—of knowledge. The former, instead, refers to the process of disseminating such products to various audiences for application and use—sometimes in alternative, more accessible forms. While the Initiative team and its allies have mobilized key knowledge products for the purposes of defining the impact investing field and building the impact investing movement, there are other important potential uses, and users, of these products, including

- Rockefeller Foundation staff working in other sector areas, such as health, agriculture, transport and innovation, seeking downstream investment for their partners' and grantees' enterprises and projects;

- Rockefeller Foundation staff who are in the final year of their Initiative and must exit from a leadership role and hand off to other actors;
- other personnel in the philanthropy sector seeking insights on both entering and exiting field-building interventions;
- development practitioners searching for new tools to access non-traditional sources of development finance;
- Southern private-sector or nonprofit leaders, or policymakers, in fields that are linked or related to impact investing, such as social entrepreneurship, youth enterprise, women's businesses, and infrastructure and real estate construction in BoP regions; and
- Southern development evaluation professionals seeking to contribute their evaluation and monitoring skills to hold the actors in impact investing accountable for their social and environmental objectives.

The Initiative should engage grantees to identify target users for raw knowledge that could be efficiently systematized, encoded and shared.

During the final year of the Impact Investing Initiative, the Initiative team should work with one or two grantees to identify a few key audiences who could make use of Initiative-supported knowledge now in a raw form that could be efficiently systematized, encoded and shared in modes that will encourage optimum take-up and utilization.

3

PART III: RECOMMENDATIONS

The Initiative has increased the connectivity between investment professionals and development practitioners at a time when the international community's search for new sources of development finance is intensifying.

9 RECOMMENDATIONS TO THE ROCKEFELLER FOUNDATION

The Rockefeller Foundation should take steps to create new knowledge products based on the experience of the Impact Investing Initiative, sustain and steward the achievements of the Initiative and design targeted grants to strengthen Southern platforms and engage larger investors. In light of the findings of this assessment, it is recommended that the Rockefeller Foundation move forward as follows:

9.1 APPROACH AND MODEL OF OPERATION

1. Create new knowledge products and learning opportunities, including systematizing raw knowledge, for Foundation teams, in order to
   a) transfer the lessons of the Impact Investing Initiative's experience in terms of the strategy and tactics used to effectively catalyze and launch a dynamic new field;
   b) promote the awareness of impact investing and investors among Foundation teams in other programming areas, in order to facilitate the financing of downstream implementation of enterprises and projects; and
   c) assist Foundation personnel in smoothly and constructively winding down and handing off initiatives or programs in fields that have gained momentum and constituencies.

The Rockefeller Foundation should create new knowledge products, sustain the achievements of the Initiative and design targeted grants to further strengthen the field.

9.2 ACTION TO SUSTAIN ACHIEVEMENTS

2. Sustain the gains toward, and steward the vision of, a robust, mature impact investing movement, through
   a) innovative, results-oriented partnerships with other funding agencies;
   b) continued, active support of the further evolution of the GIIN as a truly global, catalytic network; and
   c) active promotion of the adoption rates and business models of the IRIS and GIIRS projects.

9.3 TRANSITIONS

3. Design and implement a two-year transitional phase of targeted grants, in order to
   a) strengthen Southern platforms and networks in selected emerging markets (e.g., Kenya, India, Hong Kong, Mexico);
   b) test ways of improving investment readiness on the demand side;
   c) demonstrate new ways of effectively engaging larger investors that have shown an appetite for making impact investments; and
   d) create new products and distribution platforms for investors.

4. Support the engagement of the development evaluation profession based in developing countries to add value and hold impact investors accountable for their social and environmental objectives.

5. Convene and animate a series of conversations/encounters between leaders in impact investing and those in other areas of innovative development finance.

The leaders of the impact investing field should institutionalize developing country voice and governance in the movement, accelerate the velocity and expand the volume of impact capital, sustain the public goods infrastructure of the industry and develop its talent pool.

Furthermore, it is recommended that the leaders of the impact investing field take steps to

6. Institutionalize authentic developing-country voice and governance in the impact investing movement at all levels, through
   a) creation of new Southern platforms and networks on the supply side or involving a combination of both supply-side and demand-side actors;
   b) deepening policy dialogue among Southern policy actors in all spheres: private, philanthropic and public; and
   c) experimentation with more democratized forms of impact investing and enterprise (e.g., widely held shareholder base in for-profits; mass membership in nonprofits and cooperatives).

7. Accelerate the velocity and expand the volume of capital mobilized for impact investing, through
   a) support to the rapid, targeted development of new products, distribution systems and other "plumbing" in the impact investing space;
   b) strengthening of the capacity of intermediaries to identify, prepare, monitor and enable exit from new investment deals on behalf of impact investors, while also enabling the building of investee capacity;
   c) increased formation of private-public investment syndicates involving DFIs and focused on specific sectors (e.g., water, health, energy, agriculture);
   d) design and implementation of large-scale investment funds and mechanisms (e.g., in green real estate or social infrastructure) that can attract pension-fund and sovereign wealth fund investment with low transaction costs; and
   e) closer relations and joint partnerships between impact investors and investors in related fields, such as responsible investing, community development finance, clean technology, CSR and inclusive business.

8. Secure and sustain funding for the public-goods infrastructure of the impact investing movement.

9. Deepen the talent pool of the impact investing field, through
   a) encouragement of policies and incentives for investment management teams to drive impact investing;
   a) new courses to enhance the skills and knowledge of current investment fund managers and new entrants to the impact investing field; and
   b) strengthened policies and practices relating to salaries, benefits and career paths for young professionals.

10. Convene the key players—including strong representation from impact investors in developing countries—to build a 10- to 15-year, phased plan to move toward a mature and sustainable global impact investing movement.

11 CONCLUSION

Overall, the evaluation found that the Impact Investing Initiative of the Rockefeller Foundation has been a very successful intervention. As a result of the contributions of the Foundation, and in tandem with the efforts of dedicated and gifted impact investing leaders around the world, the broader field of impact investing has made good progress over the past four years, and is gaining momentum and scale. Yet it also faces challenges. Now, in a very real sense, the hard work begins in earnest. Building a mature impact investing field and movement will take another 20 to 25 years. As the Rockefeller Foundation completes its support of the Impact Investing Initiative and plans its next round of interventions, promising directions and channels are available through which the Foundation can continue to add value to, and benefit from, this important field-building effort.

Impact investing has made good progress. Now the hard work begins in earnest.

APPENDICES

APPENDIX A: Draft Terms of Reference and Scope of Work for A Strategic Assessment of the Rockefeller Foundation's Impact Investing Initiative (June 2011; Abridged March 2012)

1. Introduction

This document sets out the Terms of Reference and Scope of Work for a Strategic Assessment of the Rockefeller Foundation's Impact Investing Initiative. This includes a series of evaluative components to be conducted during the period March 2011 to December 2012 by an independent evaluation team from E.T. Jackson and Associates.

The components include 1) a strategic assessment of the field of impact investing and the work of the Impact Investing Initiative in relation to the evolution of the field; 2) organizational assessments of key partners/intermediaries in the Initiative; 3) analysis of thematic issues across the Initiative; and 4) facilitated learning and learning forums with Initiative stakeholders.

2. BACKGROUND CONTEXT FOR THE EVALUATION

The Rockefeller Foundation seeks to help poor and vulnerable people benefit from more equitable economic growth, and increased resilience whereby individuals, communities and systems to survive, adapt, and grow in the face of changes, even catastrophic incidents.

Working toward that end through a series of time-bound global and regional initiatives, the Foundation builds capacity, fosters networks and partnerships, influences policies and public discourse, nurtures innovation and promotes excellence, accountability, social responsibility and good governance.

The Impact Investing Initiative

In 2008, the Board of Trustees of the Rockefeller Foundation approved $38 million for a period of 2008–2011, now extended to 2012, in support of the Impact Investing Initiative. The Initiative is premised on the belief that "the lack of intermediation capacity and leadership to generate collective action is currently the binding constraint on expanded investment" in the small but rapidly growing industry of impact investing, which comprises "investors seeking to generate both financial return and social and/or environmental value—while at a minimum returning capital, and, in many cases, offering market-rate returns or better."

The vision of success articulated by the Initiative team includes contributions to improvements in the lives of the poor and vulnerable; the development of an ecosystem to support the efficient placement of for-profit impact investments; additional resources from both existing impact investors and new entrants, particularly larger-scale institutional investors; and more effective investments that help to solve a wide range of social challenges through, for example, low-income housing loans, financing the delivery of health services to the poor, broadened availability of clean water and sanitation, and better access to markets for poor producers.

The intended Outcomes of the Impact Investing Initiative (from the Initiative's Results Framework) are

- **Outcome 1: Catalyze collective action platforms** "that enable investors to work together more effectively. This work will center on the development of an Impact Investing Network that provides the vehicle through which a select group of global leading impact investors and intermediaries can launch initiatives, such as an independent standards setting body, and ultimately undertake advocacy and marketing." By 2010, these were also referred to as "leadership platforms."
- **Outcome 2: Develop industry infrastructure**, "either collectively or as initiated by individual entrepreneurs, and in conjunction with the impact investing network, where appropriate."
- **Outcome 3: Support scaling of intermediaries** "that help place capital in new geographies and sub-sectors (not just a narrow set of issues in a limited range of countries and communities), absorb impact investments at a scale necessary to attract the institutional investors who control the lion's share of global capital, and invest this capital into businesses and projects that require both scaled resources and upfront subsidy in order to target poor and vulnerable people."
- **Outcome 4: Contribute to fundamental research and advocacy.** In 2010, the Initiative team wrote: "We are increasingly aware of the *centrality of policy* and regulatory reform to get the impact investing industry to scale. Our discussions with leaders who have won similar policy reforms (such as CRA, New Market Tax Credits and venture capital tax breaks) show a clear path to engaging government that links advocacy with clear demonstration projects and credible analysis. We have added a fourth component to our strategy that highlights advocacy and research and have made grants in 2010 that lay the groundwork for a focus on that area."

In 2007, in the Development phase of the Initiative, and to foster the development of the impact investing ecosystem, the Rockefeller Foundation convened a meeting at the Rockefeller Bellagio Conference and Study Center. The meeting included 18 leaders within the impact investing industry. The participants included investment managers, family offices, boutique banks and funds, representing tens of billions of dollars aimed at a range of impact investments. The participants united around a shared conviction that they could generate a social return while receiving a return on their investment. The participants highlighted the need to improve syndication capacity, create a set of standards to quantify social impact and target intermediation capabilities. The group launched three project teams: a Sustainable Agriculture Team, which eventually became Project Terragua; a Social Impact Standards Team, which transformed into the Global Impact Investing Rating System (GIIRS) and the Impact Reporting and Investment Standards (IRIS); and Developing Targeted Investment Banking Capabilities for Impact Investors.

Now, four years after the Initiative started, it is time to assess the evolution and progress of the field against the agenda set out in the Monitor Report and to evaluate the contribution of the Rockefeller Foundation in the evolution of the field. It is also time to determine the current needs of the impact investing industry and to provide a set of recommendations to the industry at large.

Impact Investing Grantmaking to Date

By early 2011, the Initiative had allocated approximately 100 grants to organizations in Africa, Asia, the Americas, the United Kingdom and the United States for a total of $23.7 million dollars, in addition to $7.9 million dollars of program-related investments (PRIs) in six partner organizations. The bulk of these allocations have been focused on 12 main partner organizations. Annex 1 lists the grants awarded by the Initiative, and the PRIs.

Five Impact Investing Initiative PRIs will continue to be managed by Foundation staff within the Foundation's larger portfolio of PRIs following the winding down of the Initiative in 2012.

3. PURPOSE AND OBJECTIVES OF IMPACT INVESTING STRATEGIC ASSESSMENT

The Impact Investing Strategic Assessment has the following purposes:

1. Learning from the evolution of the field of impact investing and the experience of the Initiative in contributing to field building.
2. Making recommendations to the field of impact investing.
3. Documenting the achievements of the Initiative, including what has worked well, and what has not, and why.
4. Accountability to the Rockefeller Foundation President and Board of Trustees and other key stakeholders for the funds invested to date in Impact Investing.
5. Contributing knowledge as a public good on approaches, methods and tools in impact investing, and in evaluation of impact investing, to the fields of philanthropy, social investing, poverty reduction, and related development evaluation, economic and social policy fields.

The main objectives of the Strategic Assessment are as follows:

1. To document and analyze the evolution of the field of impact investing since the 2007 Bellagio meeting of impact investors.
2. To assess the relevance and rationale of the Initiative as a viable approach to contribute to positive development outcomes through impact investing.
3. To assess the theory of change and the underlying hypothesis of the Initiative that "the lack of intermediation capacity and leadership to generate collective action is currently the binding constraint on expanded investment" in the small but rapidly growing industry of impact investing, which comprises "investors seeking to generate both financial return and social and/or environmental value—while at a minimum returning capital, and, in many cases, offering market-rate returns or better." This is a core element of the Initiative's theory of change.
4. To assess the effectiveness of the Initiative—that is, the extent to which it has achieved its outcomes. This includes
   - an analysis and documentation of the strategies and tactics utilized by the Initiative team in pursuit of the four key outcomes;
   - an assessment of the quality and quantity of the outputs of the Initiative in relation to achieving the desired outcomes;
   - an assessment of the policy influence of the Initiative in stimulating and changing behavior, attitudes and practice among key stakeholder groups such as private investors, philanthropists, donor agencies, governments, technical agencies, civil society, and academic organizations to incorporate impact investing approaches and lessons into their work; and
   - an assessment of the management and leadership of the Initiative in providing thought leadership in the Foundation, in the philanthropy community, with its technical and donor partners, and to grantees in the field of impact investing.
5. To assess the cost effectiveness and efficiency of the Initiative in using its resources (human and financial) wisely to achieve its outputs and outcomes. Of particular interest is the extent to which the strategy and resources of the Initiative are aligned with the level of effort required to build the field of impact investing.
6. To document the achievements of the Initiative, the challenges it has encountered, and the lessons it has learned in order to inform future work inside and outside the Foundation.

7. To highlight the knowledge contributions of the Initiative. This includes the public goods generated for the field, for philanthropy and for development evaluation, such as conceptual advancements, frameworks, approaches, methods and tools, and standards.
8. To make recommendations to the Foundation on
   - the approach of the Initiative and its model of operation (its strategies, results and work program);
   - further actions needed in the medium and long term to nurture and sustain the achievements of the Initiative as the Foundation winds down its support to this area of work, including resource mobilization and stakeholder engagement; and
   - implications of the achievements and challenges of the Initiative for the strategy and work of the Rockefeller Foundation, Impact Investing Initiative partners, and more broadly, for the field of impact investing and development.
9. To make recommendations and give guidance to the impact investing industry on the needs of the industry to enable the industry leadership to enact needed initiatives. This will include the provision of a map of stakeholders and players in the industry currently (i.e., active and potential investors, industry infrastructure, collective action platforms, intermediaries, research and advocacy groups, and demand-side organizations), as well as three scenarios of what the industry could look like in 2025. The map and scenarios will focus on stakeholders involved in industry coordination and capitalization.

4. COMPONENTS OF THE EVALUATION

The Evaluation will undertake a series of components that will provide both evaluative feedback as well as documentation and analysis of the growth and progress of the Initiative and the field of impact investing.

1. **A strategic assessment of the field of impact investing and the work of the Foundation's Impact Investing Initiative;** This includes 1) a scan of the field of impact investing and a strategic assessment of its evolution since 2006; 2) an assessment of the results achieved by the Impact Investing Initiative team in relation to the evolution of the field; 3) lessons for the Foundation and the field of impact investing from the experience of the Impact Investing Initiative; and 4) recommendations to the field of impact investing to support future growth of the industry.
2. **Organizational assessments of the key impact investing intermediaries and partners driving the Initiative's four outcome areas:** Organizations to be assessed will include, for collective action platforms, the Global Impact Investing Network (GIIN); for industry infrastructure, GIIRS and IRIS; for scaling up of intermediaries, Acumen, Root Capital, IGNIA and perhaps other PRI partners. For research and advocacy, the study will focus on results achieved by key grantees, including the Monitor Institute, J.P. Morgan, Parthenon, Pacific Community Ventures, Rockefeller Philanthropy Advisors, and others.
3. **Preparation of special reports on key themes** that will be disseminated as accessibly written, public goods of the evaluation: Such themes could include comparative sector/industry building experiences by foundations, nonprofits, governments, development agencies, banks, investment firms and corporations in such fields as microfinance, community development investing and social entrepreneurship; strategies for financial sustainability of collective action platforms and intermediaries; strategies for sustaining the public goods functions of a sector or industry's infrastructure; issues related to the development and application of social metrics; the potential for expanding the impact investing field by region and by asset class; and other topics to be determined.

4. **Facilitated learning and learning forums:** Sub-components will include 1) ongoing dialogue and feedback between the Evaluation Team and the Initiative Team; 2) "cross-walking" the Initiative's experience with that of other Foundation Initiatives; 3) presentations on evaluation learning by the Evaluation team to selected meetings of philanthropic, development and evaluation networks; 4) organization and implementation of a major stakeholder meeting on evaluation findings and next steps for the industry at the Foundation's Bellagio facility; and 5) organization and implementation of regional learning events in Africa, Asia, the Americas and Europe.

5. KEY EVALUATION QUESTIONS

A detailed Evaluation Matrix will be developed with the Evaluation Grantee to set out the evaluation criteria and key questions that the Evaluation will be designed to answer. It will specify the data sources and data collection tools that will be used, and the type of analysis to be employed.

In summary, the main evaluation criteria and key questions are

Relevance – an assessment of the rationale, niche, role, comparative advantage and value added of the Impact Investing Initiative:

- To what extent is the Impacting Investing Initiative based on a sound rationale?
- To what extent does impact investing have a clear role and comparative advantage in the broader field of social investing?[61]
- What is impact investing's value proposition, and to what extent is it adding this value to development and the work of the Foundation?

Effectiveness – an assessment of the products and services planned and provided, the changes or outcomes that have occurred, as well as the impact which impact investing has exerted on the capacity of individuals, institutions and networks, policies and resources.

Effectiveness in achieving high quality results:

- To what extent has the Impact Investing Initiative achieved its planned outcomes?
- To what extent have the capacities of individuals, institutions and networks, policies and resources been increased, and to what extent has the Impact Investing Initiative contributed to these changes?
- What lessons does the Impact Investing Initiative experience offer for the design and strategy of other initiatives and programs of the Foundation?

Effectiveness at the formative stage:

- How effective has the Impact Investing Initiative been in developing a shared vision for the program with key stakeholders?
- To what extent is the Impact Investing Initiative based on clear and shared program logic, theory of change and results framework?
- To what extent has the Impact Investing Initiative provided the planned products and services (outputs)?
- To what extent are the products and services
  - of high quality?
  - of sufficient quantity to bring about change?
- What unexpected direct and indirect positive and negative changes have occurred as a result of the Impact Investing Initiative and what are the lessons derived from this?

Efficiency – an assessment of the use of resources to obtain results including the extent to which the Rockefeller Foundation uses good management and governance practices, and to what extent those practices are providing good value for money.

- Has the Impact Investing Initiative used program funds efficiently to obtain results and demonstrate value for money?
- To what extent are the human and financial resources appropriate to deliver the impact investing strategy? How well equipped is the Foundation to run an impact investing initiative?
- To what extent has the Rockefeller Foundation demonstrated good management and governance practices in the oversight and guidance of the Impact Investing Initiative?

Sustainability – the extent to which the Impact Investing Initiative develops both financial and/or institutional support to continue the work that it has begun.

- To what extent has the Impact Investing Initiative developed both financial and/or institutional support to continue its work after project funding terminates? In particular, to what extent has it been successful in securing multi-year support for the public-goods functions of the impact investing sector? How does this experience compare with that of other sector/industry building efforts, in particular microfinance globally, community development finance in the US, and other relevant experiences?
- Are the grantees of the Impact Investing Initiative financially sustainable?
- To what extent are the results the Impact Investing Initiative has achieved likely to be sustained? In particular, to what extent are the results achieved with regard to the work of GIIN, GIIRS/IRIS and key intermediaries likely to be sustained?
- What else can the Impact Investing Initiative team do in the final year of the Initiative to optimize the sustainability of the Initiatives' results?
- What initiatives are needed to ensure the growth of the field of impact investing (such as policy)?
- What leadership is needed to ensure the growth of the field of impact investing?

Impact – the changes in the state and condition of people and the environment in which they live as a direct or indirect result of the work of the Foundation, its grantees and partners.
It is generally understood that in most instances impact will not be achieved alone by the Foundation and its grantees, but that many others will contribute to this level of change.

- To what extent has the Impact Investing Initiative achieved its planned outcomes and contributed to its intended impact?
- What unexpected direct and indirect positive and negative changes have occurred as a result of the Impact Investing Initiative, and what are the lessons derived from this?

6. AUDIENCES FOR THE EVALUATION

The primary audiences for the Evaluation are the Rockefeller Foundation Board of Trustees, President, Executive Team, the Impact Investing Initiative Team and the Initiative Management Team. Primary audiences are expected to act on the results and recommendations of the Evaluation to make improvements in the final implementation and winding down of the Impact Investing Initiative, and the Strategy and Resource Allocation of the Foundation.

Secondary audiences are the Impact Investing Initiative grantees, partners, other funders, technical agencies and foundations specializing in social investing more broadly and impact investing in particular. It is hoped that they will incorporate the general lessons from the Evaluation into their work and strategies.

7. SCOPE OF THE EVALUATION

The scope of the Evaluation includes all activities that contribute to the Impact Investing Initiative's outputs and outcomes, including

- all Rockefeller Foundation Impact Investing Initiative grantmaking (Annex 1 lists all relevant grants); and
- the non-grant work of the Impact Investing Initiative team in thought leadership and relationship building in the broader field of social investing, including Bellagio and other events undertaken to advance thinking and influence policy and practice in social investing. A preliminary list of non-grant activities and events considered to be important for this Evaluation will be developed and refined in the early stages of the Evaluation.

8. METHODOLOGY FOR THE EVALUATION

The Evaluation will aim to be results-oriented, participatory and gender-sensitive and will adopt a mixed-methods approach to data collection and analysis. Methods will be refined in the work planning phase of the Evaluation by the Evaluation Team Leader in consultation with the Impact Investing Initiative and the Evaluation Office.

Proposed methods include

1. **A scan and assessment of the field of impact investing**, describing and analyzing the growth of the field of impact investing and the role of the Foundation in its evolution. Criteria for the scan will be determined in the first stage of the evaluation, including specific regions/countries, asset classes, themes/outcomes (such as water, health). This scan will be conducted through web-based research, key-person interviews (via telephone, email and in person) and an online survey.
2. **An analytical review of the Portfolio** of all grants funded under the Impact Investing Initiative. Criteria for the review will be determined in the first stage of the evaluation.
3. **Field visits** to grantees and PRI recipients, in particular Acumen, Root Capital and IGNIA, and additional selected PRI recipients. Field visits will focus mainly on sites in East Africa and South Asia, with a shorter field visit to Latin America.
4. **Stakeholder interviews** with
   - impact investing leaders, policymakers and practitioners globally and regionally;
   - partner organizations and other impact investing funders globally and regionally; and
   - Rockefeller Foundation staff in Asia, Africa and New York, including the President, VPFI, VPSE, COO, all Impact Investing Initiative team members and other relevant Initiative and Operations staff.
5. **Desk review of documents** including grant documentation, PRI documentation, regional trip reports, speeches, work plans, conference reports, financial reporting, budgets, monitoring reports, etc.
6. **Organizational assessments** of the key collective action platforms, intermediaries and other partners supported by the Impact Investing Initiative, including GIIN, GIIRS/IRIS, Acumen, Root Capital, IGNIA and other bodies. These assessments will be prepared in the form of case studies.
7. **Additional methods** to be employed by the evaluation will include theory of change and logic model analysis, online surveys, financial metric analysis, social metric analysis, contribution analysis, and stakeholder dialogue and engagement, as well as other methods to be determined.

With respect to the quality of evaluation work, the Foundation requires the Evaluation Team to adhere to the OECD DAC evaluation standards.[62]

9. PRODUCTS OF THE EVALUATION

The products of the Evaluation of the Impact Investing Initiative will include the following:

1. A draft and final Work Plan containing the methodology and evaluation matrix for the Impact Investing Evaluation.
2. A draft and final scan of the field of impact investing; and a draft and final overall Evaluation Report for the Initiative as a whole, including an executive summary, and addressing the key evaluation questions, assessing results and identifying lessons, as well as containing methodological annexes, with elements that are useful for sharing with the evaluation and impact investing communities.
3. An impact investing coordination and capitalization map, including future scenarios.
4. For the Organizational Assessments, draft and final cases studies with a common framework for up to six key platforms, intermediaries, grantees and PRI recipients.
5. Draft and final short reports on between seven and ten key themes.
6. A detailed agenda and record of proceedings for the Bellagio meeting of impact investing stakeholders.
7. A set of summary slides suitable for presentation to the Impact Investing Team, the Executive Management Team and the Board of Trustees of the Foundation.

10. ROLES AND RESPONSIBILITIES IN THE EVALUATION

The Evaluation of the Impact Investing Initiative is commissioned by the Executive Team of the Rockefeller Foundation and managed by E.T. Jackson and Associates, in conjunction with the Foundation's Evaluation Office. The roles and responsibilities of the Evaluation Grantee and the Foundation in the evaluation are as follows:

The Evaluation Grantee will be responsible for

- engaging qualified evaluators to carry out the evaluation (see bios of the team in section 11 below);
- developing a detailed work plan and methodology that employs appropriate progressive evaluation methods;
- conducting the evaluation in a way that enables capacity development with key participants of the evaluation, aimed at facilitating learning about the evaluation of impact investing;
- delivering the evaluation products according to the agreed work plan and to a level of quality acceptable to the Rockefeller Foundation;
- managing the administrative and logistical requirements of the Evaluation, including travel, field visits and stakeholder interviews; and
- presenting and discussing the findings of the Evaluation with the Evaluation Office and the Impact Investing Initiative team, and if requested, the Executive Team of the Foundation.

The Evaluation Office of the Foundation is responsible for

- working with monitoring and evaluation (M&E) grantees to ensure that M&E approaches are appropriate to the work of the Foundation and that M&E products meet accepted evaluation standards;
- working collaboratively with the Evaluation Grantee in the design of the Evaluation to ensure the input of the Foundation managers in the design, and a methodology appropriate for the Foundation and the specific Evaluation;

- ensuring a common electronic repository of relevant information that is accessible by the Evaluation Team, and that responds to the requests of the Evaluation Team for information essential to the evaluation (joint responsibility with the Impact Investing Initiative team);
- facilitating the interviews and other data collection of the Evaluation Team in the Rockefeller Foundation, New York;
- reviewing draft M&E products provided by the grantee (work plans, evaluation methods, draft reports, briefings, etc.) and signing off on the quality of these evaluation products;
- obtaining feedback from the Rockefeller Foundation's M&E Advisory Group on the evaluation design and products, and facilitating a dialogue with the Advisors as needed; and
- reporting the results of the Evaluation to the Board of Trustees and the Executive Management Team of the Foundation. The Grantee may be requested to participate in this reporting.

The Impact Investing Initiative team will be responsible for

- providing ongoing guidance and information to the Evaluation Grantee in relation to the work of the Impact Investing Initiative and the Foundation as a whole;
- providing guidance on appropriate scheduling of field visit itineraries, and providing letters of introduction for the Evaluation Team;
- responding to the requests of the Evaluation Team for additional information (joint responsibility with the Evaluation Office depending on where the information is stored in the Rockefeller Foundation system);
- providing feedback on draft evaluation reports and other evaluation products with regards to factual accuracy;
- providing feedback to the Managing Director of Evaluation with respect to the quality and usefulness of the Evaluation Grantee's work;
- receiving and considering the recommendations of the Evaluation, and reporting on the actions proposed by the Impact Investing Initiative team to take into account the recommendations of the evaluation; and
- communicating and discussing the key findings of the Evaluation with Impact Investing Initiative's grantees and partners.

11. THE EVALUATION TEAM

The following are short bios of the Evaluation Team members. In summary, the team includes

1. **Edward Jackson, Team Leader:** 30 years of experience in leading major evaluations, especially in Africa and Asia; strong knowledge of impact investing/social finance, social enterprise.
2. **Yusuf Kassam, Senior Consultant:** 30 years of experience in social development in Africa; 20 years in development evaluation for CIDA, Nordics, BRAC; deep links to East Africa; Swahili fluency.
3. **Allan Maslove, Senior Consultant:** Senior economist specializing in cost-benefit analysis and social return on investment calculations.
4. **Karim Harji, Consultant:** 10 years of innovative practice and research in social finance and impact investing, and in social impact assessment; field experience in South Asia and East Africa.
5. **Sarah Farina, Consultant:** 10 years of evaluation and policy research in international development, corporate social responsibility, and sustainability; field experience in Africa; strong analyst.

6. **Alana Glenwright, Researcher:** Program and field experience in India and Ghana; strong research and analysis skills.
7. **Jennifer De Bien, Project Administrator:** Strengths in financial management and reporting; experienced in the administration of major evaluations.

For its fieldwork activities, the Evaluation Team will also engage short-term local consultants and interpreters, as required. For the Bellagio meeting, the Foundation's administrative and logistical systems will be utilized, though the Evaluation Team will organize, manage and facilitate the meeting.

12. REPORTING

The Evaluation Grantee will report to the Managing Director for Evaluation.

13. BUDGET

The budget for the Evaluation is US $450,000.

14. TIMEFRAME

Date	Key Milestones and Deliverables
April–May 2011	Evaluation Terms of Reference and Scope of Work drafted in consultation with the Impact Investing Initiative Team, Evaluation Office and senior Foundation managers.
June 2011	Grant approval and execution of grant agreement. Award issued for the Evaluation.
June–July 2011	Discussion with the Evaluation Team to clarify the interests of the Foundation and the Evaluation assignment Completion of work plan, evaluation matrix, data collection tools and protocols
July–November 2011	Undertake the scan and analysis of the impact investing field.
July–December 2011	Undertake the Evaluation interviews, field visits, data analysis, including organizational assessments.
January–February 2012	Analysis of findings, preliminary report. Drafting of reports.
March 2012	Full draft evaluation report and organizational assessments delivered to the Foundation. Preparation of first set of thematic papers. Planning of Bellagio meeting (invitations, agenda).
May or June 2012	Preparation of final set of thematic papers. Presentation and discussion of findings with Evaluation Team, Impact Investing Initiative Team and the Evaluation Office.
June 2012	Convening of impact investing partners (Bellagio, or other venue). Record of proceedings of Bellagio meeting.
August–November 2012	Finalization of all Evaluation products. Presentation to Executive Team and if appropriate, the Board of Trustees of Foundation.

ANNEX 1: LIST OF GRANTS AND PROGRAM-RELATED INVESTMENTS

Grant Number	Entity Legal Name	Starting Date (M/D/Y)	Grant Amount	Purpose
2008 INV 205	Acumen Capital Markets I, LP (PRI)	1/1/2009	$ 3,500,000	Program-Related Investment
2009 INV 307	Acumen Fund, Inc.	1/1/2009	$ 100,000	Working Group on Reporting Standards
2009 INV 331	Africa Agriculture Development Company Limited	10/1/2009	$ 250,000	Pilot Projects for Sustainable Business Opportunities
2008 INV 209	Agora Partnerships	1/1/2009	$ 250,000	Promoting Small Businesses and Impact Investing
2010 INV 333	Agora Partnerships	1/1/2011	$ 200,000	Accelerator Initiative in El Salvador, Honduras and Nicaragua
2010 INV 304	Alitheia Capital Limited	3/1/2010	$ 75,000	Entrepreneurial Ecosystem Project in Nigeria
2009 INV 325	Allavida (Kenya) Limited	1/1/2010	$ 467,400	Kenya Social Investment Exchange
2009 INV 326	Alliance for a Green Revolution in Africa	10/1/2009	$ 500,000	Impact Investing Guarantee Fund for African Agriculture
2010 INV 316	Aspen Institute, Inc.	7/1/2010	$ 500,000	New Initiative on Social Enterprise and the Impact Economy
2011 INV 301	Aspen Institute, Inc.	4/1/2011	$ 400,000	Strengthening the Research Capacity of ANDE
2007 SRC 154	B Lab Company	1/1/2008	$ 500,000	Institutionalizing B Corporations
2008 INV 203	B Lab Company	9/1/2008	$ 100,000	Social Impact Investment Survey and Web-Based Tool
2008 INV 211	B Lab Company	1/1/2009	$ 200,000	General Support of its Mission to Promote B Corporation
2009 INV 306	B Lab Company	1/1/2009	$ 600,000	Global Impact Investing Standards Board and the Global Impact Investing Rating System
2009 INV 324	B Lab Company	1/1/2010	$ 500,000	General Support of its Mission
2010 INV 328	B Lab Company	1/1/2011	$ 1,000,000	General Support of Its Mission
2010 INV 303	Bridges Ventures Limited	9/1/2009	$ 10,000	Disseminating Case Studies of Impact Investments
2007 SRC 159	Calvert Social Investment Foundation, Inc.	12/1/2007	$ 200,000	Calvert Community Investment Note Program and Micro-Place
2008 INV 207	Calvert Social Investment Foundation, Inc.	12/1/2008	$ 200,000	General Support of its Mission
2010 INV 307	Calvert Social Investment Foundation, Inc.	2/1/2010	$ 124,500	Symposium by Enterprise Innovation Fund
2010 INV 324	Calvert Social Investment Foundation, Inc.	10/1/2010	$ 268,200	Research on Impact Investment Vehicles
2011 INV 313	Calvert Social Investment Foundation, Inc.	7/1/2011	$ 515,000	Strategic Impact Investing Planning and Rebranding Projects

Grant Number	Entity Legal Name	Starting Date (M/D/Y)	Grant Amount	Purpose
2009 INV 333	Capital Markets Authority	12/1/2009	$ 246,200	East African ICT Impact Investing Task Force
2010 INV 312	Ceres, Inc.	5/1/2010	$ 400,000	Encouraging Best Practices in Sustainability by Companies
2009 INV 327	Clean Economy Network Foundation	1/1/2010	$ 200,000	Three-Year Strategic Plan
2010 INV 334	Cleveland Foundation	11/1/2010	$ 400,000	Evergreen Cooperative Initiative
2010 INV 325	Dalberg Consulting CC	10/1/2010	$ 122,350	A Scoping Study in West Africa
2010 INV 318	Duke University	8/1/2010	$ 84,500	Research based on B Corp and GIIRS Data
2011 INV 315	Duke University	10/1/2011	$ 300,000	Research by the Center for the Advancement of Social Entrepreneurship
2010 INV 330	E+Co., Inc.	10/1/2010	$ 300,000	Model to Aggregate Capital for Clean-Energy Enterprises
2011 INV 312	Edward T. Jackson and Associates Ltd.	5/1/2011	$ 450,000	Evaluation of the Rockefeller Foundation’s Impact Investing Initiative
2010 INV 332	Enterprise Community Partners, Inc.	10/1/2010	$ 300,000	Mobilizing Private Sector Capital in the US
2009 INV 334	Evergreen Cooperative Development Fund LLC	11/1/2009	$ 200,000	To Structure a New Form of CDFI
2010 INV 322	Financial Times Limited	9/1/2010	$ 69,600	Articles about Impact Investing in Africa
2011 INV 309	Fundacao Interuniversitaria de Estudos e Pesquisas sobre o Trabalho	6/1/2011	$ 140,000	Policy Research on Investment in the Solidarity Economy
2009 INV 305	Gachao Kiuna	3/1/2009	$ 50,100	Identifying and Convening Impact Investors in East Africa
2009 INV 330	GIIRS, LLC	11/1/2009	$ 1,000,000	General Support of its Mission
2011 INV 314	GIIRS, LLC	9/1/2011	$ 1,000,000	Work on an Impact Investing Rating System
2009 INV 319	Giving Assets Inc.	1/1/2009	$ 200,000	General Support of its Mission
2008 INV 201	Global Development Incubator, Inc.	7/1/2008	$ 163,500	Developing the Social Impact Rating System
2008 INV 303	Global Development Incubator, Inc.	3/1/2008	$ 71,000	Business Plan for ANDE
2011 INV 316	Godeke Consulting	11/1/2011	$ 195,000	Research on the Market for Social Impact Bonds
2010 INV 320	Goldmark Productions, Inc.	10/1/2010	$ 70,354	Radio and Online Segments on Trends in Impact Investing
2010 INV 326	Grameen Foundation USA	9/1/2010	$ 252,486	A Demonstration Project, with BASIX in India
2010 INV 327	Greater Cincinnati Foundation	8/1/2010	$ 135,000	Developing an Impact Investing Donor-Advised Fund Product
2011 INV 310	GreaterCapital Association Inc.	6/1/2011	$ 90,000	Research on Pension Fund Investment in South Africa

Grant Number	Entity Legal Name	Starting Date (M/D/Y)	Grant Amount	Purpose
2009 INV 302	GreaterGood South Africa Trust	1/1/2009	$ 72,540	Meeting for and Design of a Global Social Investment Exchange
2010 INV 313	Growth Philanthropy Network, Inc.	5/1/2010	$ 300,000	Social Impact Exchange Initiative
2009 INV 310	Habitat for Humanity International, Inc.	6/1/2009	$ 136,000	Framework for a Housing Finance Accelerator
2009 INV 332	Hope Global Consulting, LLC	11/1/2009	$ 143,000	Analysis for Organizations Serving SGBs
2011 INV 303	IC Foundation, Inc.	1/1/2011	$ 200,000	Public Education on Responsible Investment and Business
2010 INV 302	IGNIA Partners, LLC (PRI)	2/1/2010	$ 1,000,000	Program-Related Investment
2009 INV 320	Impact Investment Exchange (Asia) Pte. Ltd.	7/1/2009	$ 495,040	Research for an Asia-Based Social Stock Exchange
2009 INV 308	Intellecap Inc.	2/1/2009	$ 200,000	Sankalp Social Enterprise Forum
2010 INV 309	Intellecap Inc.	4/1/2010	$ 500,000	2010 and 2011 Sankalp Social Enterprise and Investment Forum
2011 INV 311	IntelleVentures LLC DBA cKinetics Consulting Services	6/1/2011	$ 271,220	Research on Regulation of Rural Electrification Projects
2009 INV 315	Investors' Circle Network	4/1/2009	$ 30,000	Support to Two Conferences
2010 INV 331	Keystone Accountability	4/1/2010	$ 50,000	An Impact Investing Survey for Social Enterprises
2007 SRC 140	Kiva Microfunds	10/1/2007	$ 300,000	Expansion of Online Micro-Lending Platform
2010 INV 319	Lion's Head Global Partners LLP	8/1/2010	$ 450,000	Framework for Impact Investing in African Agriculture
2011 INV 307	MaRS Discovery District	6/1/2011	$ 325,000	Launching its Centre for Impact Investing
2010 INV 305	Microfinance Information Exchange, Inc.	3/1/2010	$ 187,600	Data Sharing Collaboration with GIIN
2010 INV 314	Monitor Company Group LP	2/1/2010	$ 300,000	Research on New Business Models and Market Solutions in Africa
2008 INV 210	Monitor Institute, LLC	9/1/2008	$ 213,100	Disseminating the Findings of Future of Impact Investing Project
2008 INV 306	Monitor Institute, LLC	4/1/2008	$ 325,000	"Future of Impact Investing" Project
2009 INV 309	Monitor Institute, LLC	1/1/2009	$ 266,600	Disseminate Report, Support Launch of GIIN
2009 INV 329	National University of Singapore	8/1/2009	$ 114,400	Research on Measuring Impact of Social Enterprises in Asia
2009 INV 317	Natural Resources Defense Council, Inc.	7/1/2009	$ 309,200	Financial Analysis for Financial Mechanisms
2007 SRC 123	Neighborhood Funders Group, Inc.	1/1/2008	$ 25,000	Program-Related Investment Makers Network
2011 INV 306	New Venture Fund	6/1/2011	$ 150,000	Support to its Toniic Institute

Grant Number	Entity Legal Name	Starting Date (M/D/Y)	Grant Amount	Purpose
2008 INV 202	Nonprofit Finance Fund	10/1/2008	$ 500,000	Sustainable Enhancement Grant (SEGUE) Model
2010 INV 301	Pacific Community Ventures, Inc.	2/1/2010	$ 139,700	Study of Global Impact Investing Policy Landscape
2010 INV 329	Pacific Community Ventures, Inc.	1/1/2011	$ 398,060	Research on Policy in the US
2010 INV 311	Pennsylvania Treasury Department	5/1/2010	$ 441,800	Developing Financing Vehicles for Energy-Efficiency Retrofit Programs
2010 INV 323	Pennsylvania Treasury Department	9/1/2010	$ 65,000	Financing Vehicle to Scale Impact Investments in Energy-Efficiency Retrofit Programs
2009 INV 304	Philanthropy Northwest	1/1/2009	$ 25,000	Program-Related Investment Makers Network
2010 INV 310	Philanthropy Northwest	1/1/2010	$ 50,000	Program-Related Investment Makers Network
2009 INV 303	Philip J. Riddell	11/1/2008	$ 122,900	Research and Network Building for Project Terragua
2009 INV 312	Progressive America Fund	1/1/2009	$ 80,000	Financing Model for Green Jobs/Green Homes, New York
2010 INV 337	Registered Trustees of the Financial Sector Deepening Trust	1/1/2011	$ 250,000	Study of Agriculture Finance in Tanzania
2009 INV 313	Rockefeller Philanthropy Advisors, Inc.	7/1/2009	$ 1,500,000	For GIIN
2009 INV 318	Rockefeller Philanthropy Advisors, Inc.	6/1/2009	$ 1,000,000	For IRIS, through GIIN
2009 INV 328	Rockefeller Philanthropy Advisors, Inc.	7/1/2009	$ 45,000	Monograph for Foundations and Other Institutions
2011 INV 308	Rockefeller Philanthropy Advisors, Inc.	12/1/2011	$ 2,000,000	For IRIS and Communications Outreach
2008 INV 305	Root Capital Inc.	4/1/2008	$ 151,600	Business Plan and Integrated Debt and Grant Fundraising Strategy
2010 INV 308	Root Capital Inc.	4/1/2010	$ 500,000	Transitioning to a Multiple Loan Fund Model
2008 INV 204	Root Capital Inc. (PRI)	9/1/2008	$ 2,000,000	Program-Related Investment
2008 INV 302	Rudolf Steiner Foundation, Inc., d.b.a. RSF Social Finance	12/1/2007	$ 50,000	Research on Investment Capital for Sustainable Agriculture
2009 INV 316	Rudolf Steiner Foundation, Inc., d.b.a. RSF Social Finance	7/1/2009	$ 120,000	Open-Source Database of Impact Investment Opportunities
2007 SRC 152	Scojo Foundation	10/1/2007	$ 194,800	Private Sector Start-Up Finance for Nonprofits
2011 INV 305	Service Employees International Union	4/1/2011	$ 350,000	Planning a Health Care Development Financial Institution

Grant Number	Entity Legal Name	Starting Date (M/D/Y)	Grant Amount	Purpose
2009 INV 301	Seven Seas Capital Management LLC	2/1/2009	$ 100,000	Impact Measurement System for the Africa Healthcare Fund
2009 INV 311	Seven Seas Capital Management LLC (PRI)	7/1/2009	$ 200,000	Program-Related Investment
2010 INV 306	Shared Interest, Inc.	4/1/2010	$ 120,000	Engaging Nonprofit Finance Fund's Sustainable Enhancement Grant Model in South Africa
2009 INV 323	Small Enterprise Assistance Funds	12/1/2009	$ 200,000	Feasibility of a Capital Vehicle
2010 INV 336	Small Enterprise Education and Promotion Network	1/1/2011	$ 75,000	Social Performance Working Group for Microfinance Associations
2009 INV 314	Social Finance Limited	1/1/2009	$ 708,100	Learning About Innovative Approaches to Impact Investing
2010 INV 317	Social Investment Forum Foundation, Inc.	7/1/2010	$ 50,000	Report on Socially Responsible Investing Trends in the US
2007 SRC 157	Social Stock Exchange Limited	3/1/2008	$ 500,000	Research for a UK Social Stock Exchange
2008 INV 301	Social Venture Technology Group	1/1/2008	$ 49,500	Research on Measuring Impact in Social Venture Private Equity
2011 INV 302	Stichting Global Alliance for Banking on Values	6/1/2011	$ 200,000	Market Research on Values-Based Banks
2008 INV 208	TechnoServe, Inc.	12/1/2008	$ 198,300	Piloting of East African Agribusiness Accelerator
2007 SRC 122	The Aspen Institute, Inc.	7/1/2007	$ 5,000	Conference on The Private Sector in Development Initiative
2008 INV 206	The Aspen Institute, Inc.	9/1/2008	$ 72,000	Start-Up of Aspen Network for Development Entrepreneurs (ANDE)
2009 INV 321	The Aspen Institute, Inc.	10/1/2009	$ 200,000	For ANDE
2010 INV 315	University of Pretoria	7/1/2010	$ 366,300	Educating Chinese Stakeholders on Responsible Investing in Africa
2009 INV 335	William J. Clinton Foundation	1/1/2009	$ 350,000	2009 Clinton Global Initiative
2009 INV 322	World Resources Institute	10/1/2009	$ 150,000	New Ventures Program In Partnership with E+Co

Source: Sharepoint Database and Files, Rockefeller Foundation, 2011

APPENDIX B: Evaluation Matrix

Main Evaluation Issue: *Relevance*

Questions	Sub-Question	Measure/Indicator	Data Collection Sources: Document Review	Key-Person Interviews	Focus Groups	Organizational Assessments	Industry Scan	TOC Analysis	Other	Team Member Responsible
1. TWE* is the Initiative based on a sound rationale?		• Quality of contextual analysis • Clear theory of change	✔	✔	–	–	✔	✔	–	TJ/KH
2. TWE does II have a clear role and comparative advantage?		• Investment industry gaps • Development finance gaps • Uniqueness of II products and services	✔	✔	–	–	✔	✔	–	TJ/KH/AG
3. What is II's value proposition?		• Types of value offered by range of II services and products	✔	✔	–	–	✔	✔	–	KH/TJ
a) Is II adding value to development?		• Solutions • Innovations • Funding/ Resources • Partners • Reputation	✔	✔	–	✔	✔	✔	–	KH/TJ/AG
b) Is II adding value to the work of the Foundation?		• Solutions • Innovations • Funding/ Resources • Partners • Reputation	✔	✔	–	✔	✔	✔	–	TJ/AG

* TWE: To What Extent

Main Evaluation Issue: *Effectiveness I: Effectiveness in Achieving High-Quality Results*

Questions	Sub-Question	Measure/Indicator	Data Collection Sources: Document Review	Key-Person Interviews	Focus Groups	Organizational Assessments	Industry Scan	TOC Analysis	Other	Team Member Responsible
4. TWE has the Initiative achieved its planned outcomes?	a) with regard to catalyzing collective action platforms	Effectiveness of • GIIN • ANDE • Other	✔	✔	–	✔	✔	✔	–	TJ/KH/AG
	b) developing industry infrastructure	Effectiveness of • GIIRS/ IRIS/B-Lab	✔	✔	–	✔	✔	✔	–	TJ/AG
	c) Supporting the scaling of intermediaries	Effectiveness of • IGNIA • Root Capital • Other orgs	✔	✔	✔	–	✔	✔	SROI	KH/YK/SF/AM/AG
	d) contributing to fundamental research and advocacy	Effectiveness of • Products and processes	✔	✔	–	–	✔	✔	Influence Studies • Media Analysis • Episode/ Mini-Cases	TJ/KH/YK/SF/AG
5. TWE have capacities increased?	• Individuals • Institutions • Networks • Policies • Resources	• Knowledge and Skills • Policies • Systems • Resource Mobilization • Product and service development	✔	✔	✔	✔	✔	✔	–	TJ/KH/YK/SF/AG
6. What lessons does the Initiative offer other Foundation interventions?	• For the design • For the strategy	• Team composition profile • Tools/models • Results	✔	✔	–	✔	✔	✔	–	TJ/KH/AG

Main Evaluation Issue: *Effectiveness II: Effectiveness at the Formative Stage*

Questions	Sub-Question	Measure/Indicator	Data Collection Sources: Document Review	Key-Person Interviews	Focus Groups	Organizational Assessments	Industry Scan	TOC Analysis	Other	Team Member Responsible
7. How effective has the Initiative been in developing a shared vision with key stakeholders?		• Clear, shared vision • Extent of additional championing by stakeholders	✔	✔	–	✔	✔	–	–	TJ
8. TWE is the Initiative based on a clear, shared program logic, theory of change and results framework?		• Logic Model • Theory of Change • Results Framework	✔	✔	–	–	–	✔	Expert Advice from P. Rogers	TJ/KH/AG
9. TWE has the Initiative provided the planned products and services (outputs)?		• 4 Outcome Areas • Non-grant activities	✔	✔	–	✔	✔	–	–	TJ/KH/YK/SF/AG
10. TWE are the products and services	a) of high quality?		✔	✔	✔	✔	–	–	–	TJ/KH/YK/SF/AG
	b) of sufficient quality to bring about change?		✔	✔	✔	✔	–	–	–	TJ/KH/YK/SF/AG
11. What unexpected direct and indirect positive and negative changes have occurred as a result of the Initiative		• Direct positive changes • Direct negative changes • Indirect positive changes • Indirect negative changes	✔	✔	✔	✔	✔	✔	TOC • Influence • Media Analysis • Episode Mini-Cases • Contribution Analysis • SROI	TJ/KH/YK/SF/AM/AG
	and what are the lessons derived from this experience?		✔	✔	✔	✔	✔	✔	–	TJ/KH/YK/SF/AG

Main Evaluation Issue: *Efficiency*

Questions	Sub-Question	Measure/Indicator	Data Collection Sources: Document Review	Key-Person Interviews	Focus Groups	Organizational Assessments	Industry Scan	TOC Analysis	Other	Team Member Responsible
12. Has the Initiative used program funds efficiently to:	1) obtain results?	• Results per dollar spent	✔	✔	–	✔	–	✔	–	TJ/KH/YK/ SF/AG
	2) demonstrate value for money?	• Value created per dollar spent	✔	✔	–	✔	–	–	–	TJ
13. TWE are the human and financial resources appropriate to deliver the II strategy?		• Staff complement assigned to Initiative • Skill and knowledge mix of team members • Quantum of funds available for grants, PRIs, personnel	✔	✔	–	✔	✔	–	–	TJ
	How well-equipped is the Foundation to run an impact investing initiative?	• Knowledge • Commitment • Strategy • Resources • Positioning • History	✔	✔	–	✔	✔	–	–	TJ/AG
14. In the oversight and guidance of the Initiative, TWE has the Foundation demonstrated:	1) good management practices?	• Clear, consistent guidance from executive • Learning and adjustment by management	✔	✔	–	✔	–	–	–	TJ/AG
	2) good governance practices?	• Clear decisions by board of trustees • Focused discussion of merits, progress	✔	✔	–	–	–	–	–	TJ/AG

Main Evaluation Issue: *Sustainability*

Questions	Sub-Question	Measure/Indicator	Data Collection Sources: Document Review	Key-Person Interviews	Focus Groups	Organizational Assessments	Industry Scan	TOC Analysis	Other	Team Member Responsible
15. To continue its work after project funding terminates TWE has the Initiative developed:	a) Financial support?	• Foundations • Donor agencies • Private sector • Governments	✔	✔	–	✔	✔	–	–	TJ
	b) Institutional support?	• Foundations • Donor agencies • Private sector • Governments • Civil Society • Universities	✔	✔	–	✔	✔	–	–	TJ
	c) How does this experience compare with other sector/ industry building efforts?	• Global microfinance • US CD banking • US venture capital	✔	✔	–	✔	✔	–	–	KH/TJ/AG
16. TWE are the grantees of the Initiative financially sustainable?		• Key grantees by Outcome Area	✔	✔	–	✔	✔	–	–	TJ/AG
17. TWE are the results the Initiative has achieved likely to be sustained?	• GIIN • GIIRS • ANDE	• Diversification and quantity of resources and partners	✔	✔	–	✔	✔	–	–	TJ/KH/AG
18. What else can the Initiative do in its final year to optimize the sustainability of its results?		• Four Outcome Areas • US, Africa, Asia, Americas	✔	✔	✔	✔	✔	✔	–	TJ/KH/ YK/ SF/AG
19. What initiatives are needed to ensure the growth of the field of impact investing (such as policy)?		• Supply side • Demand side • United States • Developing countries	✔	✔	✔	✔	✔	✔	–	TJ/KH/AG
20. What leadership is needed to ensure the growth of the field of impact investing?		• Supply side • Demand side • United States • Developing countries	✔	✔	✔	✔	✔	✔	–	TJ/KH/ YK/ SF/AG

Main Evaluation Issue: *Impact (Long-Term Results)*

Questions	Sub-Question	Measure/Indicator	Data Collection Sources: Document Review	Key-Person Interviews	Focus Groups	Organizational Assessments	Industry Scan	TOC Analysis	Other	Team Member Responsible
21. TWE has the Initiative:	a) Achieved its planned outcomes?	• Four Outcome Areas • Initiative Results Statement	✔	✔	✔	✔	✔	✔	Influence Studies • Media Analysis • Episode / Mini-Cases	TJ/AG
	b) Contributed to its intended impact?	• Original Program Approval Document • Initiative Results Statement	✔	✔	✔	✔	✔	✔	• Contribution Analysis • Mini-Case Studies • SROI	TJ/AM/AG
22. (From an impact perspective) What unexpected changes have occurred as a result of the Initiative?		• Direct positive • Direct negative • Indirect positive • Indirect negative	✔	✔	✔	✔	✔	✔		TJ/KH/YK/SF/ AM/ AG
	and what are the lessons derived from this?	• Immediate • Medium-Term • Long-Term	✔	✔	✔	✔	✔	✔		TJ

APPENDIX C: KEY PERSONS INTERVIEWED

Interviewee	Organization or Firm
AUSTRALIA	
R. Addis	SIS DEEWR, Government of Australia
BRAZIL	
V. Mellão	UNISOL
D. Izzo	Vox Capital
F. Mazzeu	UNESP/Unitrabalho
Canada	
A. Hewitt	Centre for Impact Investing at the MaRS Centre
T. Hebb	Carleton Centre for Community Innovation, Carleton University
INDIA	
P. Gupta	TechnoServe
R. Pillai	Sankalp/Intellecap
S. Kumar	BASIX India
V. Rai	Aavishkaar Ventures
A. Karamchandani	Monitor India Pvt. Ltd.
S. Shrivastava	Grameen Capital India (GCI)
R. Katz	Acumen Fund
K. Sree Kumar	Intellecap
H. Hande	Selco India
KENYA	
C. Kapkusum-Mbae	Acumen Fund
J. Macharia	Kenya Social Investment Exchange
J. Oltetia	Capital Markets Authority
J. Wakiumu	AGRA
N. Bugo	AGRA
M. Mbaka	Financial Sector Deepening Trust
N. Robinson	Juhudi Kilimo
N. Schaffran	Root Capital
N. Mule	Fanisi Venture Capital Fund
F. Jiwa	Honey Care Africa
K. Maina	International Finance Corporation
A. Zeller	Open Capital Advisors
MEXICO	
Á. Rodriguez Arregui	IGNIA
M. Roza	Mexvi/IGNIA
R. Villar	New Ventures
G. Manjarrez	Finestrella/IGNIA

Interviewee	Organization or Firm
NICARAGUA	
R. Castellón	Root Capital
L. Cuadra	Agora Partnerships
PANAMA	
M. Cavalcanti	AVINA Foundation
SINGAPORE	
D. Shahnaz	Impact Investment Exchange/NUS
R. Kraybill	Impact Investment Exchange
SWITZERLAND	
A. Wood	Total Impact Advisors
UNITED KINGDOM	
I. Anderson	Gatsby Trust
B. Hundal	Lion's Head Global Partners
C. Egerton-Warburton	Lion's Head Global Partners
P. Jethi	Social Stock Exchange Ltd.
M. Campanale	Social Stock Exchange Ltd.
K. Palmer	AgDevCo
D. Carrington	Consultant, GIIN
A. Nicholls	Skoll Centre, Oxford University
M. Robinson	Cabinet Office, HM Treasury
N. O'Donohoe	Big Society Capital
P. Cheng	Venturesome
J. Ludlow	Nesta
L. Black	Wavelength
P. Hartigan	Skoll Centre, Oxford University
D. Hutchinson	Social Finance UK
T. Eccles	Social Finance UK
E. Bolton	Social Finance UK
UNITED STATES	
W. Foote	Root Capital
A. Kassoy	BLab/GIIRS
B. Trelstad	Acumen Fund
A. Schütte	CORE Innovation Capital
B. Moellenbrock	Investors' Circle/SJF Ventures
B. Thornley	Pacific Community Ventures
S. Godeke	Godeke Consulting
C. Clark	Duke University
C. Kleissner	K.L. Felicitas Foundation
D. Erickson	Federal Reserve of San Francisco
D. Shaffer	RSF Social Finance
D. Wood	Initiative for Responsible Investment, Harvard University
E. Littlefield	Overseas Private Investment Corporation
M. Strauss	Overseas Private Investment Corporation
T. Strasser Higgins	Overseas Private Investment Corporation

Interviewee	Organization or Firm
G. Hattem	Deutsche Bank
J. Goldstein	Imprint Capital
J. Greenblatt	Director, White House Office of Social Innovation and Civic Participation
S. Shah	Former Director, White House Office of Social Innovation and Civic Participation
J. Simon	Total Impact Advisors
K. Fulton	Monitor Institute
L. Faiz	State Department
J. Thompson	State Department
P. Goldman	Omidyar Network
L. Hall	Calvert Foundation
R. Schneider	USAID
T. Freundlich	ImpactAssets
V. Chau	Dalberg
L. Ragin	GIIN
A. Bouri	GIIN
S. Gelfand	GIIN, IRIS
S. Shah	GIIN
G. Leung	GIIN
R. Kempner	Aspen Network of Development Entrepreneurs (ANDE)
D. Hammeken	Agora Partnerships
D. Katzin	Shared Interest
G. Nelund	TriLinc Global
Y. Shi	Monterey Institute of International Studies, Middlebury College
R. Cordes	ImpactAssets/Cordes Foundation
C. Christafulli	Skoll Foundation (formerly)
B. Milder	Root Capital
K. Stevenson	Bamboo Finance USA
A. Walji	World Bank
M. Fisher	Kickstart
M. Gordon	University of Michigan
P. Chin-Sweeney	I-DEV International
P. Madonia	Rockefeller Foundation
Z. Khan	Rockefeller Foundation
E. Taus	Rockefeller Foundation
N. MacPherson	Rockefeller Foundation
A. Bugg-Levine	Rockefeller Foundation/Nonprofit Finance Fund
M. Brandenburg	Rockefeller Foundation
B. Ganguly	Rockefeller Foundation
J. Lai	Rockefeller Foundation
T. Strong	Rockefeller Foundation
L. Fishler	Rockefeller Foundation

APPENDIX D: Protocols for Key-Person Interviews – Grantee and Non-Grantee Partners

INTERVIEW PROTOCOL – PARTNERS (GRANTEES)

Name of Interviewee: ______________________________

Date: ______________________________

Name of Interviewer: ______________________________

Date: ______________________________

Introduction

Thank you for taking the time to talk with me today. We will aim to keep this interview to 45–50 minutes.

The purpose and objectives of the Strategic Assessment we are conducting are set out in a separate attachment, as is background information on the Rockefeller Foundation's Impact Investing Initiative and its priority outcome areas. Your knowledge and experience are valuable sources of information for this study.

Let me start first with some questions about your grant from the Rockefeller Foundation's Impact Investing Initiative. Then we will move on to your views on the Initiative as a whole. Finally, we will discuss the broader Impact Investing Field.

1. Background on Grant(s) Received

Confirm the basic details of the grant:

Purpose and Objectives: ______________________________

Amount: ______________________________

Start Date: ______________________________

Completion Date: ______________________________

Activities: ______________________________

Outputs: ______________________________

2. Effectiveness of the Grant

1) To what extent were you successful in achieving the purposes and objectives of the grant?

2) What were the most significant results you achieved with the grant? (*Please explain, and give examples*)

3) What obstacles or constraints did you encounter in implementing the grant?

4) How will you and your partners/allies/networks sustain these results, in terms of:
   a. Financial support?
   b. Institutional support?

5) In what ways have you benefited from any non-grant activities (for example, speeches, conferences, networking, brokering, media coverage, etc.) undertaken by the Rockefeller Initiative? (*Please explain*)

3. The Effectiveness of the Initiative as a Whole

6) To what extent has the theory of change of the Initiative been appropriate and timely?

7) To what extent has the Initiative achieved its planned outcomes?
   a. Collective action platforms
   b. Industry standards
   c. Scaling intermediaries
   d. Research, advocacy, policy

8) To what extent are the products and services of the Initiative of
   a. High quality?
   b. Sufficient quality to bring about change?

9) To what extent has the Initiative contributed to increasing the capacities of individuals, institutions, networks, policies and resources?
   a. How has it done this? (*Please give examples*)

10) In your view, has the Initiative used program funds efficiently to obtain results and demonstrated value for money? (*Please give examples*)

11) To what extent are the Initiative's human and financial resources appropriate to implement the Foundation's II strategy?

12) What unexpected direct and indirect positive and negative changes have occurred as a result of the Initiative?

13) What lessons for building the field of Impact Investing can be drawn from the experience of the Impact Investing Initiative?

4. Building the Field of Impact Investing

14) Does Impact Investing have a clear role and comparative advantage in the broader field of social investing?

15) What is the value proposition of Impact Investing, and to what extent is it adding value to:
    a. The investment and finance field?
    b. The development field?

16) In your view, what else should be done to continue to build the field of Impact Investing, and what organizations should (or could) play leadership roles in this work?

5. Additional Comments

17) Do you have any other comments to add?

Thank you very much!

We will be reporting in early 2012, and producing a number of public-goods products from the assessment. We will make sure that links to these products are sent to you.

INTERVIEW PROTOCOL – PARTNERS (NON-GRANTEES)

Name of Interviewee: ______________________________

Date: ______________________________

Name of Interviewer: ______________________________

Date: ______________________________

Introduction

Thank you for taking the time to talk with me today. We will aim to keep this interview to 45–50 minutes.

The purpose and objectives of the Strategic Assessment we are conducting are set out in a separate attachment, as is background information on the Rockefeller Foundation's Impact Investing Initiative and its priority outcome areas. Your knowledge and experience are valuable sources of information for us.

Let me start first with some questions about your partnership activities with the Rockefeller Foundation's Impact Investing Initiative. Then we will move on to your views on the Initiative as a whole. Finally, we will discuss the broader Impact Investing Field.

1. Background on Partnership Activities

Confirm the basic details of the interviewees partnership activities:

Nature of Partnership Activities: ______________________________

Purpose and Objectives: ______________________________

Start Date: ______________________________

Completion Date: ______________________________

Outputs: ______________________________

____

2. Effectiveness of the Partnership Activities

1) To what extent were you successful in achieving the purposes and objectives of the partnership activities?

2) What were the most significant results you achieved through these partnership activities? (*Please explain, and give examples*)

3) What obstacles or constraints did you encounter in implementing the partnership activities?

4) How will you and your partners/allies/networks sustain these results, in terms of:
   a. Financial support?
   b. Institutional support?

5) In what ways have you benefited from other activities (for example, speeches, conferences, networking, brokering, media coverage, etc.) undertaken by the Rockefeller Initiative? (*Please explain*).

3. The Effectiveness of the Initiative as a Whole

6) To what extent has the theory of change of the Initiative been appropriate and timely?

7) To what extent has the Initiative achieved its planned outcomes?
   a. Collective action platforms
   b. Industry standards
   c. Scaling intermediaries
   d. Research, advocacy, policy

8) To what extent are the products and services of the Initiative of
   a. High quality to bring about change?
   b. Sufficient quality to bring about change?

9) To what extent has the Initiative contributed to increasing the capacities of individuals, institutions, networks, policies and resources?
   a. How has it done this? (*Please give examples*)

10) In your view, has the Initiative used program funds efficiently to obtain results and demonstrated value for money? (*Please give examples*)

11) To what extent are the Initiative's human and financial resources appropriate to implement the Foundation's II strategy?

12) What unexpected direct and indirect positive and negative changes have occurred as a result of the Initiative?

13) What lessons for building the field of Impact Investing can be drawn from the experience of the Impact Investing Initiative?

4. Building the Field of Impact Investing

14) Does Impact Investing have a clear role and comparative advantage in the broader field of social investing?

15) What is the value proposition of Impact Investing, and to what extent is it adding value to
   a. The investment and finance field?
   b. The development field?

16) In your view, what else should be done to continue to build the field of Impact Investing, and what organizations should (or could) play leadership roles in this work?

5. Additional Comments

17) Do you have any other comments to add?

Thank you very much!

We will be reporting in early 2012, and producing a number of public-goods products from the assessment. We will make sure that links to these products are sent to you.

APPENDIX E: Southern Platforms: Perspectives, Performance and Prospects

Introduction

An important source of information for the strategic assessment of the Rockefeller Foundation's Impact Investing Initiative was the leadership of the emerging impact investing field that is based in the new economic powers and in the developing countries of the Global South. To this end, we interviewed some 30 leaders who work in Mexico, Nicaragua and Brazil, India and Singapore, and Kenya and South Africa.

Overview

Overall, we found that most of these Southern leaders appreciate and want to be part of the global effort by the Initiative and its allies to build the field of impact investing. At the same time, however, they see it as an essentially US-based effort, and not one that is rooted in the regions of the world most in need of impact capital. And there is some impatience with this state of affairs. Their view—and we agree completely with it—is that for impact investing to become a truly global and self-sustaining field and movement, developing countries must become full participants in the governance and the shaping of this work—and not merely the recipients of capital originating in the North. The Northern-driven model is old, unsustainable and inappropriate, especially in this G-20/BRIC (Brazil, Russia, India, China) era, and the developing-country leaders in impact investing will not, ultimately, buy into it.

So, building Southern platforms for impact investing is an essential next step for the field. Yet that is not to say that making this happen will be simple or easy. The United States has the most developed network of organizations engaged in various forms of impact investing, and supportive policies for doing so (notwithstanding their limitations); there are no other countries so advanced in this respect. As it stands now in Southern economies, the nascent field of impact investing is fragmented, underdeveloped and often rivalrous. Indeed, in too many developing countries, the capacity for any kind of private investing is still weak. Nonetheless, each country and region has important strengths to build on. In Latin America, for example, a core of investors involved in Base of the Pyramid (BoP) investments and small and growing businesses (SGBs) and others engaged in sophisticated forms of microfinance can be brought together. In Asia, particularly in India, these groups together with a large and dynamic network of social entrepreneurs can form the backbone of country platforms in that part of the world. And in Africa, where microfinance is less developed and social entrepreneurship is evolving unevenly, BoP venture capital firms and private-public syndicates—often focused on sectors such as agriculture, health care and water—can serve as important building blocks for platforms along with other components. Other players to be engaged in Southern regions include national governments as well as major institutions, such as investment and commercial banks, pension funds and major corporations.

The specific character of each country or regional network for impact investing will be unique. What is fundamental, though, in the construction of Southern platforms is to mobilize a core of organizations that are committed to the public-goods functions of the field and that can put aside their rivalries for the common good. Clearly, the value proposition of Southern platforms must be that the foregoing of competition among the local parties will lead, in at least the medium term, to a robust, scaled field of impact investing at the country level that is capable of generating significant social impact and a range of financial returns. Some countries, of course, are bigger than others. Building a national impact investing platform in Brazil or India will be more complex and labor-intensive than constructing a national network in Nicaragua or Hong Kong. And this process can begin in some countries sooner than in others. The sequencing of this work, therefore, matters, as well.

AMERICAS

Perspectives

> "Latin America should have more of a role in building impact investing. So far, we've been left out."
>
> "The definition of success for some organizations is the number of conferences they participate in. The field needs fewer conferences, and more closed door gatherings with specific recommendations for the industry."
>
> "So much of what the Rockefeller Foundation has done has had a US lens. It has been good. It has set a high bar. But now the outcomes for impact investing need to be set by the countries in the region."
>
> "Country-based foundations can catalyze the idea, convince local funders and access local wealth."
>
> "We need to spread our resources out, to try more models."
>
> "Impact investing takes longer and is more work than you think it would take."

Impact investing leaders in Latin America who were interviewed by the assessment team generally respect and admire the work of the Rockefeller Foundation's Impact Investing Initiative, the Global Impact Investing Network (GIIN) and the Aspen Network of Development Entrepreneurs (ANDE) in advancing the field globally and facilitating joint ventures and partnerships in the region. However, there is a sense that more attention and resources have been allocated in this effort by the Initiative in Asia and Africa. Leaders in the Americas understand why this is the case, but point out the strong performance of impact investors in some countries in their region, the even more impressive economic growth of some national economies there, and the positive track record in the area of microfinance in several countries in the region. These regional leaders indicate that, while the US-based efforts to build the impact investing field have been useful, it is time now to enable local leaders to build the field in the region in ways that take into account local culture, networks, policies and economic opportunities. Some leaders in the region are willing and able to begin this process now, but need initial financial support to do so.

However, interviewees also indicated that there are some key barriers to the success of impact investing in the Americas that need to be addressed. These include

- the wide range of definitions of social impact and investment practices by Latin American investors;
- the failure, so far, of mainstream financial institutions in the region to engage with impact investing;
- the lack of models for nonprofits and governments to collaborate with the private sector;
- more specifically, insufficient space in government regulations to permit PRI-like investments; and
- the unrealistic expectations of the time it takes to design, place and nurture successful impact investments; it takes longer, and it is harder work than the current discourse in the field suggests.

Performance

The past four years have witnessed increased activity by impact investors in the Americas, especially by BoP and SGB investors. Some of the same US-based players—such as Acumen, Root Capital and ANDE—have been very active in this developing region as they have in Asia and Africa; their engagement and development of leaders in the field have been important contributions. At the same time, other impact investors in the Americas are homegrown and are rapidly building track records. The most prominent of these include IGNIA, an important BoP investor closely tied to the Rockefeller Foundation's Initiative, and Vox Capital, a BoP venture fund in Brazil. It is also worth remembering that microfinance has been widely adopted in Latin America, with Bolivia, Peru and Chile as well-known examples, though it has not succeeded to the same degree in Brazil, in particular.

Further, the larger Latin American countries have, in their mainstream economies, large domestic financial institutions—investment banks, sovereign wealth funds, pension funds and major corporations—whose assets could be engaged for impact investing purposes in the years ahead. Two areas that could be the focus of efforts by these investors would be infrastructure and affordable housing among BoP populations. Finally, across the region, the multilateral development banks, notably the International Finance Corporation (IFC) and the Inter-American Development Bank (IADB), are increasingly expressing openness to the concept and practice of impact investing.

There are currently no functioning, formal country-level platforms or networks for impact investing in the Americas. However, the leaders we interviewed were very interested in exploring how such networks could be set up in the region. While some countries are further ahead than others, and the leadership and organizations that could form these networks are often fragmented and sometimes rivalrous, the countries our team studied closely already have the elements to bring together an initial national impact investing platform. But the alignment of leaders and the character of each national network would be unique to the needs and conditions in each country, as would the pacing for growing each network. Notwithstanding these site-specific features, our assessment is that there are some exciting prospects and starting points that could be supported with grants over the next two years and that would yield significant results. Mexico should be first, with Nicaragua, Brazil and other countries, next.

Prospects

Mexico: Our fieldwork indicates that a platform or network on impact investing could be established in the short term in Mexico, a large emerging economy that is also a member of the Organisation for Economic Cooperation and Development (OECD). With a focus on both financial-first BoP investors and on those targeting SGBs, this new body could be built around the leadership of IGNIA, Adobe Capital and ANDE representatives. The impact-first side of the Mexican platform could also be bolstered by external players such as Root Capital and Agora, and ANDE could play a useful role in bringing SGBs and their networks into the platform. In the medium term, large financial institutions could also be invited to engage with, and perhaps join, the network. The Avina, Hallorin and other local foundations active in the region could, and should, be engaged to support this new infrastructure.

Brazil: Setting up a platform in Brazil, a new global economic power, will take more time to facilitate; however, the groundwork is there, particularly networks and organizations focused on the solidarity economy. Local ANDE affiliates working with SGBs could play a key role in this new platform, as could BoP venture capital groups such as Vox Capital and one of its founding organizations, Artemesia. Bamboo and other foreign investor groups active in Brazil could also be part of the platform. So could UNISOL, an association of more than 700 cooperatives, which seeks new capital to finance the growth of its member cooperatives. Furthermore, over time, larger players such as investment banks, pension funds and major corporations, could be invited into the network. Some of these institutions have, in 2012, invested in a new national solidarity fund for social enterprises. Another large network of public institutions that cooperate in poverty reduction projects is COEP, which also could be invited. In Brazil, the government must be a key player in any national impact investing network; one starting point is the office of the Secretary of the Solidarity Economy in the Ministry of Labour. Among other institutions, the IADB, together with the Avina and Hallorin foundations, could be engaged to support this new platform. The upcoming meetings of and around the Rio + 20 conference could be an opportune time to test what is possible in the design of a Brazilian platform for impact investing.

Nicaragua: Establishing a new platform in Nicaragua, a smaller country, would likely need to rely on leaders currently working with foreign organizations such as Agora and Root Capital. It would be possible to put a network of these groups together with other organizations working in SGBs, BoP, microfinance and renewable energy, among other areas. The Nicaraguan government could be invited into the network, as well as the IADB and other multilateral institutions.

ASIA

Perspectives

> "The Initiative could have played a more significant role in Asia."
>
> "The Foundation could have taken a more regional approach in its intervention."
>
> "Mainstream financial institutions here are not yet taking impact investing seriously."
>
> "The state is very powerful in most Asian countries. The Initiative could have engaged Asian governments earlier."
>
> "Avoid the danger of 'overheating' impact investing. Learn from the microfinance industry."
>
> "The growth of the field is encouraging, but it will be a slow and long process for maturity and scaling up."
>
> "Although the 'glamor' of impact investing has attracted young, talented folks into internships and fellowships, the latter now need to be converted to working hard on the ground in the villages, not in Mumbai or New York."

Performance

The field of impact investing is growing in Asia, though it is doing so unevenly and slowly. At the same time, not surprisingly given the economic rise of China and India, leaders in the region agree that there is great growth potential there. In India, there are local and foreign venture capital firms focused on the BoP and SGB markets. Across South Asia is a well-developed network of microfinance institutions (MFIs) that are often more than two decades old. India, and to a lesser extent the region as a whole, is also home to a burgeoning social entrepreneurship sector. Among others, the Sankalp Forum has supported and brought visibility, connectivity and research to the work of social entrepreneurs in India, as have such US-based groups as ANDE, Acumen and Monitor. At the opposite end of the spectrum, key organizations have emerged as pivotal players in the smaller jurisdictions of Hong Kong (the Sterling Group) and Singapore (the Impact Investment Exchange).

Among the key barriers constraining the growth of impact investing in Asia are the following:

- equity financing is generally available, but there is not enough debt financing;
- in fact, a full "ladder" of investment capital is needed, from seed capital and angel investments to venture capital in debt and equity forms to later-stage equity;
- there are, generally, not enough investment-ready deals;
- demand-side capacity needs to be built through grant-funded technical assistance;
- demand and supply must be linked more closely; and
- most governments in the region have yet to be engaged in impact investing, or even to be made aware of it as a development finance option.

Prospects

India: It would appear that an initial Indian platform for impact investing could be built around the cluster of organizations including the Sankalp Social Enterprise Forum, Intellecap and the social venture firm Aavishkaar, with the participation of Indian leaders based in Monitor Inclusive Markets, Caspian Management, Elevar Equity and Lok Capital, together with Acumen India, Technoserve India and ANDE. Selected MFIs and related institutions could also be invited to join this new platform, including, for example, BASIX, a livelihoods-promotion agency working in 19 states. The Government of India should also be engaged in this field-building process, particularly elements of the state dealing with social innovation, the $1-billion national innovation fund, and other forms of development finance. Indian leaders also recognize the value of involving universities and institutes in generating the knowledge and talent required to fuel the growth of the field. In addition, the Asian Development Bank and other multilateral institutions could be involved. Finally, the Omidyar Network could serve as a co-funder of the new platform along with other Indian and foreign sources.

Hong Kong: One potential anchor organization for an impact investing platform in Hong Kong is the family office for the Sterling Group, a major real estate concern. This office is active in SoCap and advised by the American intermediary, ImpactAssets. Among other notable players in Hong Kong are Sequoia Capital-Hong Kong, a venture firm, and Hong Kong University's Social Enterprise Incubation Centre. Not part of the impact investing space, Oxfam Hong Kong has focused its corporate social responsibility (CSR) work on publicly traded Hong Kong companies and on corporations in the garment industry. With the assistance of the Asian Development Bank and the agreement of the Hong Kong government, an initial network could be established for this important jurisdiction, which offers both a gateway and a learning site for longer term platform building in mainland China.

Singapore: The Rockefeller Foundation's Impact Investing Initiative has made grants to two related, Singapore-based projects, which seek to build the field of impact investing across Asia as a whole. One of these projects is the Impact Investment Exchange, which aims to develop and launch an Asia-based stock exchange for social enterprises and charitable organizations. The second, earlier project produced several research outputs, including the Shujog Impact Assessment Framework, a tool to assess a company's qualifications as a social enterprise. The Asian Development Bank, the Omidyar Network and other institutions would be candidates to provide additional support to advance the social stock exchange in particular, which will take several more years to become fully operational and achieve a viable business model. At the same time, the Singapore government and its powerful pension and sovereign wealth funds could prove to be valuable allies in these and related efforts to expand impact investing in Asia.

AFRICA

Perspectives

> "The impact investing conversation has so much jargon, and the rhetoric is very American."
>
> "Nobody wants to use the term 'social' here, but SME resonates with everyone."
>
> "Commercial banks need to be better educated on social enterprise and small business."
>
> "There is a moral hazard here. Why would you take commercial money at 10% when donors are also happy to give interest free money? This is a distortion."
>
> "Some find the hands-on nature of our investment practices intrusive, and others find it helpful."
>
> "There is a pretty heavy discovery cost to understand the right cost structure for scale."
>
> "I wish there was more collaboration between investors, through co-investment and shared due diligence and knowledge."

Performance

There is a vibrant set of impact investing players emerging in Africa, and particularly in Kenya. These include local and foreign venture capital and private equity firms, social venture organizations, nonprofits, MFIs, commercial banks and government agencies. Northern-based development finance institutions are active, as well. Other prospective players who could be engaged in the years ahead include the CSR programs of major corporations, pension funds and sovereign wealth funds.

At the same time, there are obstacles that currently limit the growth of impact investing; these include

- the tension across impact-first and financial-first models and their leaders' advocacy;
- the lack of experience and models in growing SMEs into major corporations;
- the expectation that organizations with social objectives are non-governmental organizations (NGOs) and offer "free money";
- lack of education on impact investing of the commercial banks, the government and the media; and
- a variety of information asymmetries between supply and demand at all points on the capital continuum.

Prospects

There is strong interest in strengthening the role and voice of African actors in the field of impact investing. Currently, there are identifiable points of contact and potential champions for impact investing in a number of African countries, some of which have been grantees of the Foundation. These countries include, for example, Tanzania, Uganda, Nigeria and South Africa. It will take some groundwork to build a broader leadership base in these countries, but that is a task that is feasible and there are organizations that could undertake such work. The country that has the biggest critical mass of actors in and close to the impact investing space is Kenya. And that is where efforts to build a national platform should be focused first. South Africa could serve as a second site shortly thereafter.

Kenya: There are several sector-wide bodies in Kenya that could be encouraged to cooperate as the initial core of a Kenyan impact investing network. The Financial Sector Deepening Kenya trust, the Kenya Social Investment Exchange and Allavida Kenya and the Capital Markets Authority are worth considering as key elements of this core. Other organizations that could be engaged in building the network include AGRA, Equity Bank, Standard Bank, as well as US-based groups including ANDE, Root Capital and the Acumen Fund. Development finance institutions (DFIs) that should be considered, as well, are the Overseas Private Investment Corporation (OPIC), the Commonwealth Development Corporation (CDC), the Development Finance Company (Netherlands) (FMO) and Norfund. The African Development Bank and the IFC are two other organizations that could be supportive of this platform-building process.

South Africa: There is a diversity of organizations to be assessed as possible members of a South African impact investing platform. One network, the South African Network for Impact Investing coordinated by GreaterCapital, organizes conferences and carries out research. Another organization that should play a key role here is Nexii, a South African social enterprise that has set up iX, a new social stock exchange for Africa, associated with the Stock Exchange of Mauritius. Other groups include social enterprise and Black empowerment business networks, select government agencies, consulting firms, local and foreign foundations, pension funds, commercial banks, DFIs, and the CSR programs of major corporations, as well as some university business schools. It would require some groundwork to develop an appropriate and feasible design for the platform in South Africa.

CONCLUSION

There are champions and creative activity in impact investing across the Global South, in the rising new powers and poor countries alike. Most leaders from these regions whom we interviewed are open to being engaged in governing and co-directing the development of this exciting field and movement. Indeed, some are insisting that the shift to full Southern participation happen immediately. To be sure, they want to remain connected to a global effort, and to continue to benefit from the work of the GIIN and Northern-based impact investors. At the same time, however, they want to build the industry in a way that is appropriate to the unique conditions and needs of their cultures, institutions and territories, and to take up a role as governors of this process, rather than as recipients and adjuncts.

Our fieldwork has pointed to some immediate starting points, though all local contexts are complex and will require thoughtful diplomacy and animation and carefully allocated resources. In the short term, the initial sites for supporting local platform building should include, in our view, Mexico, India, Singapore and Kenya, followed shortly thereafter by Brazil, Nicaragua, Hong Kong and South Africa. There are no doubt other sites that could be added to the list, but this package of activities should yield several solid initial platforms over the next two years. Further, it is our view that there exist other funding agencies operating in each of the Southern regions that would be interested in sharing the public-goods infrastructure costs of these efforts.

ENDNOTES

1 OECD Development Assistance Committee, *DAC Quality Standards for Development Evaluation* (Paris: Organisation for Economic Cooperation and Development, 2010).

2 See J.C. Greene, *Mixed Methods in Social Inquiry* (San Francisco: Wiley, 2007) and S.N. Hesse-Biber, *Mixed Methods Research* (New York: Guilford Press, 2010).

3 On purposeful sampling, see, for example, L. Morra Imas and R. Rist, *The Road to Results: Designing and Conducting Effective Development Evaluations* (Washington, DC: World Bank, 2009).

4 On theory of change and program theory analysis, see S.C. Funnell and P.J. Rogers, *Purposeful Program Theory* (San Francisco: Jossey-Bass, 2011) and P.J. Rogers, "Using Program Theory to Evaluate Complicated and Complex Aspects of Interventions," *Evaluation* 14(1) (2008): 29–48. On evaluating logic models and results chains, see Morra Imas and Rist, The Road to Results (2009) and J.A. Frechtling, *Logic Modeling Methods in Program Evaluation* (San Francisco: Wiley, 2007).

5 J. Freireich and K. Fulton, *Investing for Social and Environmental Impact* (New York/Cambridge, Mass./San Francisco: Monitor Institute, 2009).

6 H. Jones, *A Guide to Monitoring and Evaluating Policy Influence: Background Note* (London: Overseas Development Institute, 2011) and F. Carden, *Knowledge to Policy: Making the Most of Development Research* (Ottawa: International Development Research Centre, 2009).

7 J. Mayne, "Contribution analysis: an approach to exploring cause and effect," *ILAC Brief 16* (May 2008):1–4.

8 Freireich and Fulton, *Investing for Social and Environmental Impact* (2009).

9 Impact Investing Initiative team members have stressed the importance of "policing the boundaries of the definition," and that intentionality is central to the definitional test. And they have underscored the need for continuous performance assessment of investments to prevent "social washing"—the use of the term impact investing as a marketing device and little else.

10 See, for example, the United Nations Principles for Responsible Investing, a global network of almost 1,000 asset owners, investment managers and professional service firms, and nonprofits. UNPRI signatories pledge to incorporate ESG issues into their investment analysis and decision-making (unpri.org; accessed January 20, 2012).

11 See A. Bugg-Levine and J. Emerson, *Impact Investing: Transforming How We Make Money While Making a Difference* (Hoboken: Jossey-Bass, 2011).

12 J.P. Morgan, *Impact Investments: An Emerging Asset Class* (New York: J.P. Morgan, 2010). Available at www.jpmorgan.com/pages/ jpmorgan/investbk/research/impactinvestments.

13 See the recent group of reports by key Initiative grantees: IRIS, *Data Driven: A Performance Analysis for the Impact Investing Industry* (New York: Global Impact Investing Network, 2011); Y. Saltuk, A. Bouri and G. Leung, *Insight into the Impact Investment Market* (New York: J.P. Morgan and the Global Impact Investing Network, 2011); and GIIRS, *Impact Investing: Challenges and Opportunities to Scale* (New York: GIIRS and B Lab, 2011).

14 Freireich and Fulton, *Investing for Social and Environmental Impact* (2009).

15 As a US private foundation under Section 501(c)(3), the Rockefeller Foundation is prohibited from engaging in or earmarking funding for "lobbying" as defined in applicable regulations. The recommendations promoted in the Monitor Report apply to the broader impact investing field, as distinct from the Foundation, which, as an actor and as a funder, is limited in this regard.

16 Saltuk, Bouri and Leung, *Insight into the Impact Investment Market* (2011).

17 Ibid.

18 A larger sample of policy innovations in the impact investing field are profiled in B. Thornley, D. Wood, K. Grace and S. Sullivant, *Impact Investing: A Framework for Policy Design and Analysis* (San Francisco/Cambridge: Insight at Pacific Community Ventures and the Initiative for Responsible Investment, Harvard University, 2011). Both the Kenya Microfinance Act and the Brazil Clean Development Mechanism were created prior to 2007, but they were both in operation during the 2007–2011 period.

19 "Harnessing the Power of Impact Investing," Rockefeller Foundation, accessed January 20, 2012, www.rockefellerfoundation.org/what-we-do/current-work/harnessing-power-impact-investing.

20 Ibid.

21 In late 2011, the United States announced it would reduce its foreign aid budget by nearly 13% in 2012. The governments of other advanced economies, such as the United Kingdom and Canada, are likely to follow the American lead.

22 Furthermore, Lucy Bernholz asks what effect, in the 2012 American presidential election year, new regulations that permit unlimited corporate funding of political action committees will have on philanthropic giving and various forms of impact investing in the United States. See L. Bernholz, *Philanthropy and Social Investing: Blueprint, 2011* (Stanford: Center on Philanthropy and Civil Society, Stanford University, 2011).

23 World Bank, *Multipolarity: The New Global Economy* (Washington, DC: World Bank, 2011). Available at http://siteresources.worldbank.org/INTGDH/Resources/GDH_CompleteReport2011.pdf.

24 See Bill Gates' presentation to the G-20 Summit at Cannes in late 2011 (B. Gates, "Innovation with Impact: Financing 21st Century Development" (presentation, G-20 Summit, Cannes, November 2011). In this presentation, he argued that annual development-finance flows could be increased worldwide to $165 billion by adding to basic aid commitments (of $80 billion) the following new instruments: an infrastructure fund for sovereign wealth funds ($8 billion), a financial transaction (Tobin) tax by some European countries ($9 billion), savings in remittance transfers ($16 billion), diaspora bonds ($4 billion), and the global component of a fuel tax ($37 billion).

25 The Rockefeller Foundation uses the term *innovative finance* to refer to a range of products and strategies seeking to address social and environmental issues in both the North and the South; these include, for example, social impact bonds, a new instrument that has emerged in the impact investing field as well as other fields, such as social innovation. However, for the purposes of the present report, we favor the term *development finance*. While this term is relevant to the North, it has a more explicit focus on the Global South, which is where, in our view, the global impact investing effort should now focus its efforts. Further, as the Gates' presentation shows, the range of innovation in the development finance field appears to be broadening quickly, and impact investing can make a substantial contribution to these new directions. Still, the focus going forward by the impact investing field should not, of course, be exclusively on the developing world; there are clearly many serious social and environmental challenges facing Northern economies, as well.

26 J.P. Morgan, *Impact Investments: An Emerging Asset Class* (2010). While this study estimates the upper level of the potential market at as much as $1 trillion, we believe the $500 billion figure is a more useful and appropriate estimate.

27 The release of the IRIS 2011 data report is an example of how the field is working to produce and disseminate hard data. This report was a very good initial step. See IRIS, *Data Driven: A Performance Analysis for the Impact Investing Industry* (2011).

28 Overseas Private Investment Corporation, "In Historic Commitment to Impact Investing, OPIC Board approves $205 Million for Six Funds Catalyzing $875 Million in Investments" (press release, Washington, DC, October 27, 2011).

29 This range of opinion was evident at a workshop on evaluating impact investing in Africa at the biannual conference of the African Evaluation Association in Accra in January 2012. At the same time, most workshop participants appeared to be interested in engaging in the evaluation of impact investments in order to hold investors to account and advance the development agenda.

30 Freireich and Fulton, *Investing for Social and Environmental Impact* (2009).

31 See Funnell and Rogers, *Purposeful Program Theory* (2011) and Rogers, "Using Program Theory" (2008).

32 Impact Investing Initiative, "Results Statements and Indicators" (New York: Rockefeller Foundation, 2010).

33 Interestingly, most of the Northern-based grants outside of the US were concentrated in the United Kingdom. The Initiative's relationships with grantees or partners in Francophone, Spanish and Lusophone countries were not well-developed. In those nations, there are often strong networks of social-economy and social-solidarity financial institutions and enterprises, which have their own international connections to Latin American peers and multilateral agencies like the International Labour Organization. For the most part, these networks were not directly connected to the Initiative during 2008–2011. Much more could be done to strengthen such links.

34 We acknowledge that the Initiative team and the GIIN in its pre-launch phase tried to launch a chapter in Mumbai around the Sankalp Forum in 2009. However, local investors indicated they needed to see a stronger value proposition before forming or affiliating as a network. This experience has implications for future efforts in the South.

35 This amounts to an average of just under $300,000 per grant.

36 For a recent overview of the mission and activities of the GIIN, see A. Bouri, "The Global Impact Investing Network" (presentation, Social Finance Forum, Toronto, December 2011).

37 "About IRIS," Impact Reporting and Investment Standards, accessed January 20, 2012, http://iris.thegiin.org/about-iris.

38 IRIS, *Data Driven: A Performance Analysis for the Impact Investing Industry* (2011).

39 "Who We Are," Consultative Group to Assist the Poor, accessed January 20, 2012, http://www.cgap.org/p/site/c/aboutus/.

40 In fact, the Rockefeller Foundation played a key role in the development of Acumen Capital Markets.

41 "Impact Investing," The Greater Cincinnati Foundation, accessed January 20, 2012, http://www.gcfdn.org/CommunityLeadership/ImpactInvesting/tabid/368/Default.aspx.

42 The Global Impact Investing Policy Project, or GIIPP, changed its name in April 2012. The analytic framework on which the IIPC's work is based shows a role for government influence and/or direct participation in advancing impact investing through investment rules and co-investment on the supply side; taxes, subsidies and reporting, and procurement, in investing capital; and enabling corporate structures and capacity building on the demand side. See Thornley, Wood, Grace and Sullivant, *Impact Investing: A Framework* (2011).

43 See IGNIA's website at www.ignia.com.mx.

44 For information on Root Capital, consult www.rootcapital.org.

45 The Acumen Fund website is found at www.acumenfund.org; for the case study analysis, see M. Lee and T. London, *Acumen Fund: How to Make the Greatest Impact* (Ann Arbor: William Davidson Institute, Ross School of Business, University of Michigan, 2008).

46 GIIN, *Improving Livelihoods, Removing Barriers: Investing for Impact in Mtanga Farms* (New York: Global Impact Investing Network, 2011).

47 K. Odell, *Measuring the Impact of Microfinance: Taking Another Look* (Washington, DC: Grameen Foundation, 2010).

48 See R. Kempner, "Learning from Microfinance's Woes" (blog entry, *HBR Blog Network*, February 27, 2012) as well as readers' comments on this blog. This conversation was stimulated by the publication of D. Roodman, *Due Diligence: An Impertinent Inquiry into Microfinance* (Washington, DC: Center for Global Development, 2011).

49 See Jones, *Guide to Monitoring and Evaluating Policy Influence* (2011). On assessing influence through advocacy in particular, see S. Teles and M. Schmidt, "The Elusive Craft of Evaluating Advocacy," *Stanford Social Innovation Review* 9(3) (2011):39–43.

50 DEEWR, "Draft-Work in Progress: Cross-Sector Investment—A framework for understanding cross-sector investment" (Canberra: Department of Education, Employment and Workplace Relations, 2011).

51 DEEWR and the Office of the Not-for-Profit Sector, Department of the Prime Minister and Cabinet, "Joint Submission into the Senate Economics Inquiry into Mechanisms and Options for the Development of a Capital Market for Social Economy Organizations" (Canberra, 2011).

52 R. Addis, "Building Partnerships between Government and Non-profits" (presentation, Criterion Conference, Canberra, May 2011).

53 Big Society Capital Group, "Big Society Capital Launch" (press release, London, July 29, 2011, accessed January 20, 2012) http://www.bigsocietycapital.com/pdfs/BSC%20Launch%20Press%20Release.pdf.

54 Sir Ronald Cohen is chair of Big Society Capital. His championing of social investment, venture philanthropy and related strategies for over a decade has influenced and been supported by both Labour and Conservative governments, as well as influencing policy debates in Canada, Australia and the US. Nick O'Donohoe, now Big Society chief executive, was also instrumental in securing two tranches of financial support for the GIIN from J.P. Morgan, and co-authored the first J.P. Morgan report on impact investing, in 2010.

55 V. Mair, "Big Society Capital Chief Executive says sector must co-ordinate on impact," *CivilSociety.Co.UK*: 26 January, 2012.

56 Geoff Mulgan, formerly Director of the Young Foundation in the UK and now heading the National Endowment of Science, Technology and the Arts, is a leading thinker and practitioner in the field of social impact bonds, which are the focus of a number of experiments by the Cameron government.

57 To be sure, there are also critics of Big Society Capital on the political left, who argue that this institution and other "Big Society" projects provide cover for the government's large-scale spending reductions in the social sector. This issue deserves to be monitored in the years ahead.

58 USSBA, "Small Business Investment Company (SBIC) Impact Investment Initiative" (policy memo, Washington, DC, April 2011, accessed January 20, 2011). http://www.sba.gov/content/small-business-investment-company-sbic-impact-investment-initiative.

59 See, especially, *Community Development Investment Review* 5(2): 2009 on Social Enterprise and Impact Investing; 6(1): 2010 on Building Scale in Community Impact Investing through Nonfinancial Performance Measurement; and 7(2): 2011 on the proceedings of the Advancing Social Impact Investment through Measurement conference.

60 See *Community Development Investment Review* 7(1): 2011 on International Community Development.

61 Here the term *social investing* refers to a broad basket of social purpose investment strategies that include, in addition to impact investing per se, socially responsible investing, green and clean technology investing, social venture capitalism, community development finance, microfinance and other forms of social purpose investing both by institutions and individuals, in the United States, other Organisation for Economic Cooperation and Development Countries (OECD) countries and in emerging and developing economies.

62 OECD DAC Quality Evaluation Standards; http://www.oecd.org/dataoecd/30/62/36596604.pdf.

ABOUT E.T. JACKSON AND ASSOCIATES

E.T. Jackson and Associates Ltd. is an international management consulting firm providing professional services in strategic planning, organizational learning and performance assessment to grant-makers and investors in the public interest. With a track record of award-winning work in Africa and Asia, the firm specializes in impact investing, microfinance, social enterprise, civil-society organizations, gender equality, local governance, and basic and higher education.

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ABOUT THE ROCKEFELLER FOUNDATION

The Rockefeller Foundation's mission to promote the well-being of people throughout the world has remained unchanged since its founding in 1913. Working to realize a vision of a globalization whose benefits are more widely shared, the Foundation builds resilience among individuals, communities and institutions and promotes growth with equity in which the poor and vulnerable have more access to opportunities that improve their lives. The Foundation works through defined initiatives within or at the intersection of five issue areas: basic survival safeguards, global health, environment and climate change, urbanization, and social and economic security. For more information, please visit www.rockefellerfoundation.org.