A Portfolio Approach to Impact Measurement
To meet our goal of deploying high impact capital we will synthesize the best available information from three domains: research, informed opinion, and field experience. By considering evidence from these three sources, we look to leverage the strengths while minimizing the limitations of each. We believe the most promising opportunities will emerge from where these three knowledge domains overlap.
Building a Portfolio Approach To Impact Assessment

- Portfolio
  - Initiative
    - Channel
      - Enterprise
        - Investment
          - Sharpen our theory of change, document our evidence base, identify our learning agenda
          - Dissect business models, understand key impact performance drivers, standardize metrics
          - Assess alignment, conduct SWOT analysis, develop case, monitor results
          - Quantify the impact of GP’s Investment
## Sharpening our Theories of Change

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<th>IMPACT AREA</th>
<th>INITIATIVE</th>
<th>CHALLENGE</th>
<th>OPPORTUNITY</th>
<th>IMPACT</th>
<th>MARKET FORCES DRIVING SCALE</th>
<th>PROMISING SOCIAL ENTERPRISES</th>
<th>KEY LEARNINGS</th>
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</table>
| HEALTH      | Microfinance w/ Health | • The majority of the world’s poor lack access to effective and affordable health care  
• Even when they do have access, people living in poverty often:  
  - Deal with excessive costs, poor geographic proximity and/or poor quality  
  - Lack the information needed to prevent, make informed decisions, and seek timely treatment  
  - Lack the upfront cash needed to pay for treatment | • Credit plus:  
  • Health education on prevention and appropriate treatment and/or  
  • Early detection of preventable/treatable conditions and/or  
  • Primary care services | • Family health improves and household costs are reduced due to:  
  • Behavior change  
  • Illness prevention  
  • More informed health decisions  
  • Timely treatment  
  • Increased utilization due to quality, affordability and/or consistency of care | • Mature microfinance market (LAC), MF is seeking market differentiation via integrated service provision  
• Increasing prevalence of non-communicable diseases in the developing world  
• Inability of the public sector to meet increased demand  
• Increasing interest from private sector providers in deeper market penetration | • MFIs delivering preventative education via group lending platform  
• MFIs linking to discounted third party screening and/or treatment, marketing and/or selling services alongside loan products | • Education delivered via cross trained loan officers during regularly occurring credit meetings is cost effective & scales  
• Clients not willing to pay for education so bundled into portfolio yield only viable option  
• Screening harder to scale (requires “nurse skills” and “health facility”). Experimentation with various business/linkage models  
• Direct Provision very hard to scale and make sustainable. Management challenge for MFIs to be in two separate businesses (health care and lending). Not likely to scale beyond a few unique MFIs  
• Linkage models scale but utilization requires strong promotion/education, geographical coverage and quality/timeliness of services |
| HEALTH      | Rural Pharmacies | • The majority of the world’s poor lack access to essential medicines  
• Where they do have access, people living in poverty often:  
  - Deal with excessive costs, poor geographic proximity and inadequate supply  
  - Lack the information needed to ensure appropriate dosage/treatment | • Access to essential medicines, supplies, and basic health information | • Family health improves and household costs are reduced due to:  
  • Improved geographic access  
  • Improved affordability  
  • Timely/appropriate treatment | • Increasing prevalence of non-communicable diseases in the developing world  
• Inability of the public sector to meet increased demand  
• Increasing interest from private sector suppliers in deeper market penetration | • Micro-franchise and microlender models that leverage functional expertise (commercial and NGO) in procurement, distribution, community relations, and training | • Price points must be competitive, but convenience, flexible purchase volumes, and brand appeal all influence customer demand for product  
• The strongest performing distributors have basic product/health knowledge and are highly trusted by the community  
• In order to achieve sustainability, strong consideration must be given to demand within a given catchment area and consideration for designed cross subsidy  
• NGO’s may lack necessary expertise in procurement and distribution – optimal social enterprises will leverage commercial expertise as well as NGO knowledge of the community and training capacity |
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<th>INITIATIVE</th>
<th>PROBLEM</th>
<th>OPPORTUNITY</th>
<th>IMPACT</th>
<th>MARKET FORCES DRIVING SCALE</th>
<th>CHANNELS/SOCIAL ENTERPRISES DRIVING SCALE</th>
<th>KEY LEARNINGS</th>
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| GREEN TECHNOLOGY | Solar Lights     | - Over 1.3 billion people worldwide live in areas that are not serviced by an energy utility  
- These families rely mostly on kerosene lanterns, which:  
  - Provide poor light  
  - Emit harmful toxins/irritants  
  - Are the source of many burns/house fires  
  - Release carbon into the atmosphere  
  - Cost families a significant portion of their income | - A suite of solar products that offer choice with a specific focus on:  
  - Solar lights  
  - Solar light with charging  
  - Small solar home systems (SHS) | - Household economics and quality of life improve due to:  
  - Reduced fuel and cell phone charging costs  
  - Increased productivity  
  - Decreased smoke/improved health  
  - Increased study time | - Increasing off-grid population in Sub-Saharan Africa (SSA)  
- Increasing cost of kerosene  
- Decreasing cost of solar components  
- Increasingly attractive/user-centric product design  
- Mobile phone sales and the need for charging solutions | - Global manufacturers  
- National distributors  
- Pay as you go entities | - Very low volume in MiF channel  
- Working capital in distribution channel biggest obstacle to growth  
- Most impact by funding global manufacturers and large distributors  
- P2P channel is still in its infancy, but shows promise long term (particularly in SSA) |
| AGRICULTURE     | Rural Livelihoods | - More than 2 billion of the world's poorest live in households that depend on agriculture for their livelihoods  
- Many of these households belong to 450 million smallholder farmers who struggle to maintain and/or increase their income  
- Smallholder production, which generally occurs on plots of less than two hectares, is characterized by lack of information, low yields, low quality, poor linkages, and little access to finance | - Working capital for smallholder farmers  
- Training on crop practices  
- Better access to markets and higher prices | - Net incomes of rural households increase and/or stabilize due to:  
- Higher and/or more stable yields  
- Diversification  
- Higher and/or more stable prices | - Population growth, rising incomes, and increased consumer awareness are creating unprecedented global demand for sustainable production of high quality, high volume, specialty (Fair-trade and organic) products  
- To satisfy this demand, global importers and multinational companies are increasingly relying on smallholder farms. | - Outgrowers  
- Tier 2 rural coop  
- Value chain MiF | - Outgrowers are showing promise for scale with a reasonably high degree of integration. Focusing learning on how value is delivered to smallholder farmers and the resultant household impact.  
- Tier 1 trade coops offer highly integrated services but are not focused on growth. Scale through the channel will be achieved via volume of partners/transactions.  
- Value chain MiFs bring lending expertise, but often lack the sector expertise to deliver TA, which is both time and cost intensive. Linkage models seem most viable, but finding the right commercial partners and aligning incentives is key to effective service delivery. So far scale has been limited. |
| MICROFINANCE    | Microentrepreneurship | - An estimated 110 to 130 million microfinance clients (roughly half) remain unfamiliar with basic financial principles  
- Women make up 70% of microfinance clients and an even higher % of those reached via the group lending platform (which targets lower income clients)  
- These women often lack the confidence, information and training needed to transform loan capital and business activities into sustained income generation  
- Furthermore their capacity to transform income into improved livelihoods is highly dependent upon decisions related to household consumption, health, and education | - Women-centered credit plus  
- Tailored education covering topics such as how financial literacy, health, nutrition, business, and money management | - Household resilience improves due to:  
- Empowered and informed decision making  
- Income/consumption smoothing  
- The building of assets  
- Increased capacity to anticipate major expenses and better deal with shocks | - Mature microfinance market (LAC), MiFs seeking market differentiation via integrated service provision  
- The improved risk profile of a well educated client | - MiFs delivering preventative education via group lending platform | - Tailoring content/delivery based on client segmentation is key  
- Effectiveness is rooted in the commercial appeal of the combined service offering as well as the pedagogical opportunity to facilitate participatory, trust-based learning that focuses on both substance and replication  
- Sustainability and scalability are driven by cross-trained loan officers leveraging existing touch points with clients, resulting in low additional costs for both the client and the enterprise  
- Full business model integration (particularly how you recruit, train, and incentivize loan officers) is key to successful delivery |
In summary: We ask partners to report on the **output** (delivery) of products/services aligned with our initiatives and use that data, along with what we know of our partners' business models and the type/stage of GP’s engagement, to calculate the **number of opportunities made possible and in turn lives impacted by GP’s investments**.

Diagram Credit: “When Measuring Social Impact, We Need To Move Beyond Counting” By Mike McCreless, Forbes July 2013
## Moving from Outputs to Impact

<table>
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<tr>
<th>Initiative</th>
<th>Output Metrics</th>
<th>Reporting Period</th>
<th>What We Define as a Meaningful Opportunity</th>
<th>What we count</th>
<th>How we Count it</th>
<th>Conversion to &quot;Lives Touched&quot;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Solar Technology</td>
<td>(I) Units/Volume Sold, average purchase price and rotation (itemized by product type), average loan amount and term (for MFIs)</td>
<td>1 quarter</td>
<td>1 product</td>
<td>Number of products</td>
<td>If units/volume sold is &gt; # of projected products funded by GP (using working capital algorithm), rejected products, if not, units/volume sold</td>
<td>1 product X family multiplier = # of lives touched</td>
</tr>
<tr>
<td>Health Services</td>
<td>Attention from a medical professional</td>
<td>1 year</td>
<td>2 instance of attention from a medical professional per year</td>
<td>Annual service provision (proportional to investment)</td>
<td>If annual loans funded &gt; # of visits/sessions with a medical professional during that year, # of visits and/or session, if not, annual loans funded</td>
<td>2 instances of attention from a medical professional = 1 life touched</td>
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<tr>
<td>Essential Medicines</td>
<td>(I) Units/Volume Sold, (I) Sales Revenue, sales inventory</td>
<td>1 quarter</td>
<td>5 courses of treatment (estimated at $1.50 each)</td>
<td>Courses of Treatment Proxy (Total sales/5x$1.5)</td>
<td>If units/volume sold is &gt; # of projected products funded by GP (using working capital algorithm), projected products, if not, units/volume sold</td>
<td>5 courses of treatment = 1 life touched</td>
</tr>
<tr>
<td>Small-Holder Farmer Services</td>
<td>(I) Individuals Receiving Training: Total (group + individual)</td>
<td>1 year</td>
<td>1 person receiving TA for 1 year</td>
<td>Annual service provision in one or both services (proportional to investment)</td>
<td>MFI/Coops with Lending Activity: If annual loans funded &gt; # of people receiving TA during that year, # of people receiving TA, if not, annual loans funded</td>
<td>1 person receiving one year of TA and/or market access = 1 life touched</td>
</tr>
<tr>
<td></td>
<td>Individuals Receiving Improved Market Access</td>
<td></td>
<td>1 person receiving market access for 1 year</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Broad Based Group Education</td>
<td>(I) Individuals Receiving Training: Total (group + individual)</td>
<td>1 year</td>
<td>1 person receiving education for 1 year</td>
<td>Annual service provision (proportional to investment)</td>
<td>If annual loans funded &gt; # of people receiving education that year, # of people receiving education, if not, annual loans funded</td>
<td>1 person receiving one year of education = 1 life touched</td>
</tr>
<tr>
<td>Financial Services</td>
<td>(I) Number of loans disbursed, Average loan size/term by product (actual)</td>
<td>1 year except (I)</td>
<td>1 year of credit</td>
<td>Annual loans funded</td>
<td>(Avg Capital Invested During the Quarter/Avg Loan Term in GP's Areas of Interest) * (12/Avg Loan Term in GP's Areas of Interest)</td>
<td>1 year of credit X family multiplier = # of lives touched</td>
</tr>
</tbody>
</table>