

# IMPACT REPORT

2015-2020

HIGHLIGHTS



Roots  
of Impact



## A NOTE FROM OUR FOUNDER & CEO

We believe there is a compelling answer for how to fix the mismatch between the needs of high-impact enterprises and the realities of the capital markets: [providing financial rewards for positive impact directly to the entrepreneurs on the ground.](#)

This is how we came to the [Social Impact Incentives \(SIINC\)](#) model, which has since further evolved into the broader concept of [Impact-Linked Finance](#). We are excited to see this approach establishing itself. Moreover, we are actively promoting the adoption of Impact-Linked Finance by the market and are heavily engaged in capacity building. We know that progress in this space cannot be championed by one actor alone. Nor can the demand for such solutions be met by just one provider. [The name of the game is collaboration and we have only just started!](#)



Bjoern Struwer

# 1

## I. IMPACT-LINKED FINANCE: FROM PILOTING TO SYSTEMS-LEVEL IMPACT

HIGHLIGHTS FROM OUR JOURNEY OVER THE PAST 5+ YEARS



2015-17



Development of the first Social Impact Incentives (SIINC) program for high-impact enterprises raising investment<sup>1</sup>

Roots of Impact is founded in 2015 and starts to design innovative financing models with impact at the core



Pilot SIINC transaction with Clínicas del Azúcar offers evidence for significant additional impact<sup>2</sup> and investment<sup>3</sup>

1ST PROOF THAT SIINC WORKS

1 Public Private Partnership with the Swiss Agency for Development & Cooperation (SDC) and the Inter-American Development Bank (IDB)

2 See independent SIINC data analysis report  from Ari Bronsoler, M.I.T. researcher, 2019

Main conclusions:

- There is a causal effect of the SIINC on the Bottom of the Pyramid (BOP) proportion of patients in CDA. The effect is estimated to be 0.02, which represents an increase of 6% relative to the 0.34 baseline levels.
- SIINC seems to improve the clinics' ability to attract BOP patients without impairing its ability to attract non-BOP members.
- Patients that continue treatment at Clínicas del Azúcar improve their health a lot. On average, they reduce their HbA1c by 2 points and the effect does not disappear even after 24 months of treatment.

3 Clínicas del Azúcar raised USD 1.5M equity in 2017 and USD 6M debt in 2018

2018-19

# SIINC TAKES TO THE NEXT LEVEL(S)

First application of  
**SIINC at the portfolio level**  
for 40 high-additionality loans to agricultural  
SMEs provided by **Root Capital**

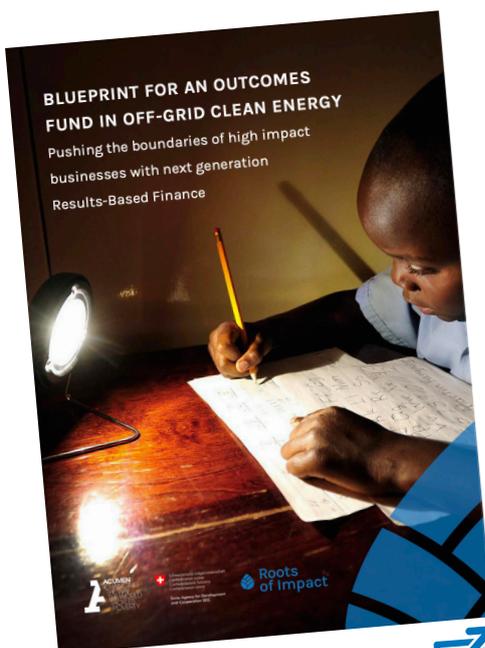
“  
The SIINC model is a game-changer. It will enable Root Capital —and ultimately many other financial institutions— to lend to the enterprises that need it most.

— *Willy Foote, CEO Root Capital*

”



Root Capital, February 20, 2019

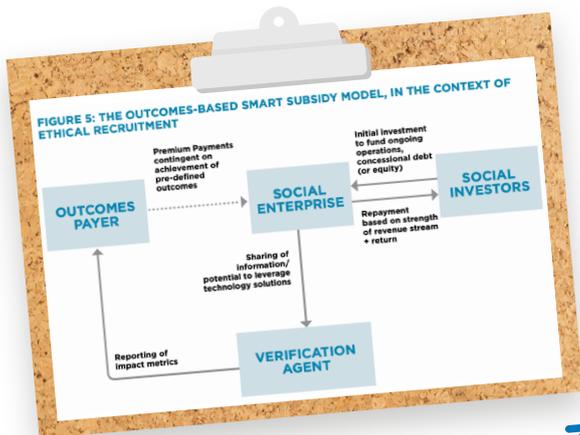


Definition of how to use  
**SIINC at the sector level via an outcomes fund** for off-grid clean energy  
(fund entering inception phase soon)

# SIINC AT SCALE

2019-20

Establishment of SIINC as an effective blended finance solution:  
6 SIINC transactions closed,  
13 SIINC in preparation,  
37 SIINC in pipeline<sup>4</sup>



Social Finance UK suggests a SIINC-type structure to address bonded labor in supply chains

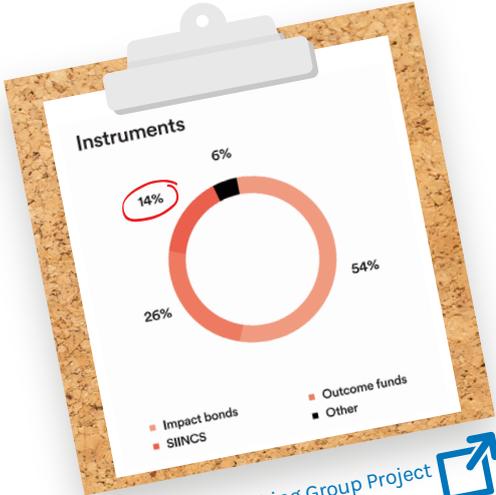
Increasing adoption of the SIINC model by the market<sup>5</sup>

4 — 6 SIINC transactions closed: Clínicas del Azúcar (2016), Village Infrastructure Angels (2017), Inka Moss (2018), Root Capital (2018), Novulis (2020), Programa Valentina (2020)  
— 13 SIINC transactions in preparation (enterprises selected): 4 impact enterprises in Latin America (vocational skills development, agriculture and financial inclusion), 5 impact enterprises in Bangladesh (inclusive fintech, health care, agriculture, retail, off-grid energy), 4 WASH innovations globally  
— 37 SIINC transactions in pipeline: 3 off-grid energy Kenya, 2 impact enterprises in Bangladesh, 5 impact enterprises in South- and East Africa, 1 vocational skills development MENA, 1 agriculture Sub-Saharan Africa, SIINC outcomes fund for off-grid clean energy (25 transactions expected)

5 Outcomes funders for SIINC programs beyond pioneer SDC: IDB Lab, EnDev (through GIZ), Aqua for All and KfW DEG; programs without involvement of Roots of Impact include Aceli Africa providing incentives to 25 financial institutions in Sub-Saharan Africa

# SIINC GETS BROAD & GLOBAL

2019-20



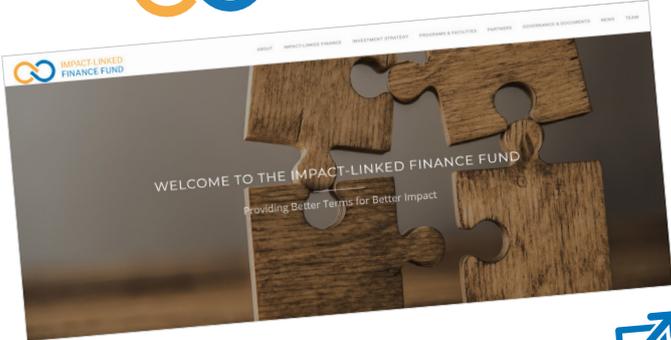
Impact Bonds Working Group Project Pipeline, 2020

Further establishment of SIINC: 14% of outcomes-based funding programs globally in preparation [are SIINC programs](#)

From SIINC to Impact-Linked Finance  
 Joining forces with BCG, defining the practice of Impact-Linked Finance and how to accelerate it



IMPACT-LINKED FINANCE FUND



www.ilf-fund.org

Launch of the Impact-Linked Finance Fund in partnership with iGravity for implementing scalable Impact-Linked Finance programs and facilities



# SIINC gaining traction in media & expert publications



**next billion**

TUESDAY  
JULY 25  
2017

ROBERN STRUEVER / CHRISTINA MOEHRLE

Social Impact Incentives: A New Solution for Blended Finance

## IMPACT ALPHA

INVESTMENT NEWS FOR A SUSTAINABLE EDGE



Beats The Brief The Call Podcasts Opinion Agents of Impact

April 24, 2018 | Latin America

Early data signals success of Social Impact Incentives

“  
*A German innovation I hope we don't overlook.*  
 Rodney Schwartz, ClearlySo, in Third Sector  
 ”



DEVELOPMENT | DEVELOPMENT FINANCE

### Social impact incentives? A new tool for supporting impact

By *Atva Saldinger* // 31 May 2019

Funding Banking & Finance SDC Switzerland



ADVERTISEMENT devex

Devex Pro Funding

All the tools to elevate your funding strategy

Watch a demo ▶

# SIINC GOES POLICY

2019-20

Recommendation of impact-based incentives in guidance note for OECD DAC Blended Finance Principles



“

This could include linking the financial returns to the achievement of specific development impact objectives, encouraging fund managers to have a personal stake and buy shares in the fund, or allowing co-investment of managers in funds to ensure optimum performance.

— *Guidance for Principle 1, page 12*

”



## Integration of SIINC in OECD Policy Framework for Social Impact Investment

Table 1.2. Analytical dimensions of the OECD Policy Framework for Social Impact Investment

Policy dimensions	
1. Market target	Demand, supply, intermediaries, enabling environment
2. Government role	Market regulator, market participant, market facilitator
3. Policy type	4. Policy instrument
Employing or reforming government structure and capacities (STEER)	<ul style="list-style-type: none"> <li>• Definition of a national strategy for impact investing</li> <li>• Identification of a formalised function</li> <li>• Internal government consultation</li> <li>• Stakeholder partnerships</li> <li>• Other</li> </ul>
Setting and enforcing rules (RULE)	<ul style="list-style-type: none"> <li>• Certification</li> <li>• Fiscal incentives: tax and investment relief</li> <li>• Legislation: fiduciary responsibility, social enterprises, unclaimed assets</li> <li>• Regulation: pension, public procurement, reporting standards</li> <li>• Social stock exchange</li> <li>• Other</li> </ul>
Levying and granting financial resources (FINANCE)	<ul style="list-style-type: none"> <li>• Awards, challenges</li> <li>• Funds: investment readiness fund, outcome fund, venture capital fund</li> <li>• Pay-for-success: social, development or humanitarian impact bond (social impact incentives)</li> <li>• Outcome commissioning</li> <li>• Technical assistance, capacity building</li> <li>• Wholesaler, incubator, accelerator, fund of funds</li> <li>• Other (grants, debt, equity, mezzanine, guarantees)</li> </ul>
Providing and sharing information (INFORM)	<ul style="list-style-type: none"> <li>• Communication campaign</li> <li>• Consultation with external stakeholders</li> <li>• Research, studies, data publication</li> <li>• Other</li> </ul>

“

SIINCs allow for straightforward monetisation of predefined impact performance and provide a mechanism to incentivise social enterprises to deepen impact without sacrificing profitability and attractiveness for investors.”

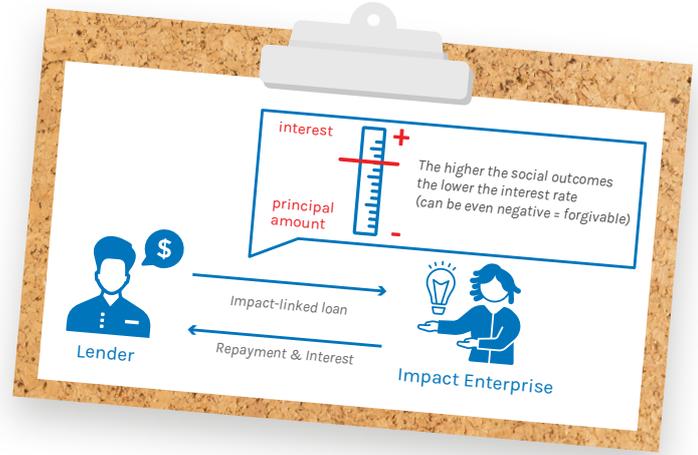
— *OECD, Social Impact Investment 2019, Page 89*

”

# IMPACT-LINKED FINANCE IN ACTION

2020+

Launch of the first  
**Impact-Linked Loan program**  
 for impact enterprises in Latin America<sup>6</sup>



ES2 Latam, December 8, 2020

Various sector-specific  
**Impact-Linked Finance facilities**  
 in preparation – more to come!

	Concept Note	Feasibility Study	Public Report	Final Design Phase	Seed Funding	Launch
1 Access to Off-Grid Clean Energy	✓	✓	✓	✓	✓	Inception starting soon
2 Gender-Inclusive FinTech	✓	✓	✓			
3 Innovations for WASH	Pilot ongoing					

6 Provision of up to 10 loans with partial loan forgiveness (by achieving and demonstrating impact performance) within the scope of PES Latam Covid-19 emergency response program in partnership with Open Road Impact Fund, VIWALA, Kaya Impacto and SDC.



PROGRAMA VALENTINA



Solving unemployment with data and analytics to train, certify and place at-risk populations in formal jobs.

“ SIINC is about having the opportunity to create impact without compromising on revenues and sustainability. It ensured that we did not forget about creating impact for our most vulnerable clients when we had to adapt our model as a consequence of the pandemic. ”

[Read more of this interview](#)

**Katia Cerwin, Co-Founder**

PROGRAMA VALENTINA





2017-18

## FIRST “ACCESS TO FINANCE” ONLINE COURSE FOR SOCIAL ENTREPRENEURS



Launch of the  
**Social Finance Academy (SFA)**  
providing practice-driven knowledge and  
tools that combine open and free online  
education with personal on-site trainings and  
acceleration programs run by our partners<sup>8</sup>

Co-creation and launch of the  
**first online course**  
on “Access to Impact Investment for Social  
Enterprises” (MOOC) with 1,500 participants<sup>7</sup>



Online course available **in Spanish**<sup>9</sup>

<sup>7</sup> The online course “Access to Impact Investment for Social Enterprises” was launched in May 2017 in partnership with VIVA Idea, INCAE Business School and Ashoka

<sup>8</sup> The Social Finance Academy was launched in 2017 with support from the Swiss Agency for Development and Cooperation (SDC)

<sup>9</sup> The Spanish version currently runs on the ES2 Latam platform, with previous runs on Udemy and VIVA Idea. English course content is also included in the “Finance4Social Change” project’s AirMOOC.

# Train-the-Trainer Programs & Resources

2019-20

Creating dedicated **Investment Readiness and Impact Management Programs** that we deliver in a train-the-trainer format to incubators, accelerators, and other service providers.



...first time implemented for Biniyog Briddhi, a market and capacity building program in Bangladesh



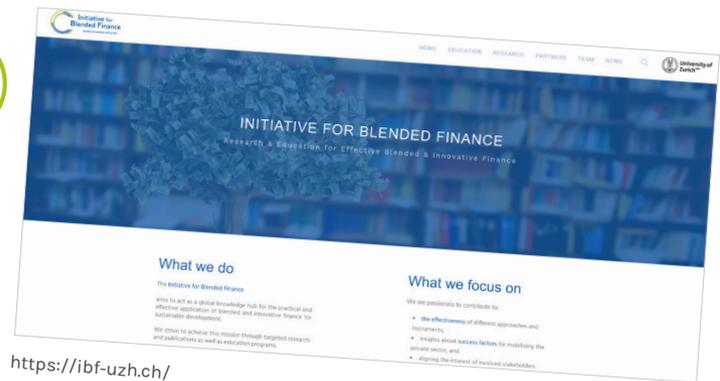
<http://sie-b.org/>



2017-20+

AND MORE EDUCATION,  
RESEARCH & ADVICE  
FOR IMPACT ACTORS

Launching the  
**Initiative for Blended Finance at  
the University of Zurich,**  
bringing together leading academic,  
knowledge, and practice partners<sup>10</sup>



Launch of the first-ever  
**Executive Program on Impact  
Investment and Blended Finance**  
specifically targeted at development  
agencies and foundations<sup>11</sup>

**26 in-house trainings  
and workshops**  
to a variety of public funders and  
catalytic investors

<sup>10</sup> The Initiative for Blended Finance, initiated by Roots of Impact in 2019 and led by Björn Struwer, became the host for the successfully established Executive Program on Impact Investment and Blended Finance for Development Agencies and Foundations

<sup>11</sup> Launch in 2018 in collaboration with the Center for Sustainable Finance and Private Wealth (CSP) at the University of Zurich and Convergence.



Biniyog Briddhi -  
Scaling Impact Enterprises  
of Bangladesh

“

I believe that the early support that entrepreneurs and incubators are receiving through B-Briddhi is very important and I hope that eventually, this becomes an independent product line for all partner organisations. What we have been able to achieve together will be written in the history of start-up ecosystem building in Bangladesh and we are very proud to be part of this journey.

”

**Minhaz Anwar, Founder and Chief  
StoryTeller, BetterStories**

**BETTER  
STORIES**





# 2

## EFFECTIVE. IMPACT. FINANCE.

KEY FINDINGS & LESSONS LEARNED





## WHAT IMPACT ENTREPRENEURS NEED TO GROW AND SCALE – KEY FINDINGS

Our entire work circles around one question: how can we make finance work for positive impact on people and planet? High-impact enterprises around the world are the true value creators on the ground. They have come up with innovative solutions to social and environmental challenges and care deeply for vulnerable communities and their marginalized customers. But they constantly run into a major challenge: How to attract the right kind of capital to scale their unique solutions?

To address the strong mismatch between impact finance supply and demand, we had to dive deeply into the worlds of impact investing and social entrepreneurship, development, blended and results-based finance. Our goal: to find out what works and what doesn't and why.

Our answers: We pioneered the practice of Impact-Linked Finance and came up with entire market and capacity building programs for emerging impact ecosystems and their actors – from investors to enterprises to support organisations to public and philanthropic funders to infrastructure enablers. **What we learned: That we have to focus on areas where we can add significant value. That we should carefully listen to the entrepreneurs before we come up with solutions. That it is key to have partners who are fully aligned with how we define success when implementing our programs and solutions.**

But there are many more insights from the past 6 years of creating impact in multiple projects with impact-driven, thought-leading and like-minded partners, peers and entrepreneurs:

### EFFECTIVE FINANCE SOLUTIONS - LEARNINGS

---

- ① To prepare enterprises for Impact-Linked Finance, a good impact measurement and management practice is THE key.
- ① Co-creating incentive schemes together with entrepreneurs is a very powerful approach, for both, the enterprises AND the outcome funders.
- ① Technology will play a big role in enabling better impact measurement and management: It will accelerate the practice of linking finance to impact.
- ① Our first solution, SIINC, is only one tool of the vast Impact-Linked Finance toolbox: Impact rewards can be integrated in any financial instrument.
- ① It is key in any Impact-Linked Finance transaction to understand exactly where additionality lies - it can take different forms, depending on the enterprise's concrete context and needs.
- ① Sector-specific programs allow to better compare individual Impact-Linked Finance transactions and to create substantial efficiencies in the structuring process.
- ① A gender-smart approach to Impact-Linked Finance is the new frontier: It allows to laser focus on gender transformative outcomes and enables capital to be deployed for financial inclusion beyond outputs.



## EDUCATION, RESEARCH & ADVICE - LEARNINGS

---

- 
- ④ Providing targeted education offers for catalytic capital providers is an important enabler towards more effective blended finance.
  - ④ There is a huge gap between academic research and effective practice in the catalytic and blended finance space.
  - ④ The entire field of impact finance will benefit strongly from more academic rigor.
  - ④ The systems and processes to gather relevant impact data points need a major technological upgrade to inform more effective approaches to capital allocation.
  - ④ Procurement and regulations in the development sector are often too complicated and inflexible: This hinders innovative projects to take off and harness their potential.
  - ④ Developing a gender-smart strategy plus related programs and advisory opens up new doors to creating opportunities and partner up.

## ACCESS TO FINANCE FOR IMPACT ENTERPRISES - LEARNINGS

---

Impact measurement and management remains an essential and yet sorely underdeveloped capacity among impact entrepreneurs across the different regions we work in. ④

You can't think investment readiness for impact entrepreneurs without the appropriate impact measurement and management skills. ④

Every ecosystem is different: Hearing the voices from all stakeholders and merging international know-how with local context is the secret sauce to capacity building. ④

Our early experiences show that comprehensive programs with capacity building and catalytic finance pillars are more effective than standalone projects. ④

Blended learning with well-structured online content AND targeted onsite training does the trick. ④

## OUR TEAM

*Our multicultural team combines passion for impact with expertise in venture capital, corporate finance, development and innovative finance, public policy, social entrepreneurship and impact management.*



*Bjoern Struwer  
Founder & CEO*



*Dr. Rory Tews  
Lead Research &  
Development*



*Maxime Cheng  
Lead Market & Capacity  
Building Programs*



*Patrizia Baffioni  
Lead Impact-Linked  
Finance Programs*



*Sana Kapadia  
Lead Gender-related  
Programs & Advisory*



*Christina Moehrle  
Lead Communications,  
Advisor Market & Capacity  
Building Programs*



*Ramona Liberoff  
Lead Strategic Initiatives*



*Ben West  
Senior Associate Market &  
Capacity Building Programs*



*Leonessa Crisci  
Senior Associate Impact-Linked  
Finance Programs*



*Melanie Siow  
Senior Associate Market &  
Capacity Building Programs*



*Eren Foerster  
Office Manager*



*Annelene Tonn  
Operations Manager*



*Vilma Manjani  
Analyst*



*Wiktor Gralewski  
Analyst*



*Nadia Schneider  
Associate Gender-Related  
Programs & Advisory*





For more, visit us here:

[www.roots-of-impact.org](http://www.roots-of-impact.org)

2020

