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

HIGHLIGHTS FROM OUR JOURNEY OVER THE PAST 5+ YEARS
Development of the first Social Impact Incentives (SIINC) program for high-impact enterprises raising investment

Pilot SIINC transaction with Clínicas del Azúcar offers evidence for significant additional impact and investment

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
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 Launches its First Pay-For-Impact Partnership

CAMBRIDGE, Massachusetts, February 20, 2019 — Filling a critical gap in its portfolio of impact, DB Lab—the innovation arm of the Inter-American Development Bank and the World Bank Group—has launched an innovative “pay-for-impact” funding mechanism targeted specifically at early-stage agricultural enterprises in Latin America.

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)
Establishment of SIINC as an effective blended finance solution:
6 SIINC transactions closed,
13 SIINC in preparation,
37 SIINC in pipeline

Increasing adoption of the SIINC model by the market

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

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

Further establishment of SIINC: 14% of outcomes-based funding programs globally in preparation are SIINC programs.


SIINC GETS BROAD & GLOBAL

2019-20
SIINC gaining traction in media & expert publications

“Social impact incentives: A new tool for supporting impact

A German innovation I hope we don’t overlook.

Rodney Schwartz, ClearlySo, in Third Sector

Early data signals success of Social Impact Incentives
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
Launch of the first Impact-Linked Loan program for impact enterprises in Latin America.

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

ES2 Latam, December 8, 2020

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.
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.

Katia Cerwin, Co-Founder

www.programavalentina.com
II. CAPACITY-BUILDING: BRINGING IMPACT ENTREPRENEURS ON EYE LEVEL WITH INVESTORS

HIGHLIGHTS FROM INVESTMENT READINESS, IMPACT MANAGEMENT & BLENDED FINANCE EDUCATION
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.

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

Online course available in Spanish.

7 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.
8 The Social Finance Academy was launched in 2017 with support from the Swiss Agency for Development and Cooperation (SDC).
9 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.
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/
Launching the Initiative for Blended Finance at the University of Zurich, bringing together leading academic, knowledge, and practice partners.\(^\text{10}\)

Launch of the first-ever Executive Program on Impact Investment and Blended Finance specifically targeted at development agencies and foundations.\(^\text{11}\)

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

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

11 Launch in 2018 in collaboration with the Center for Sustainable Finance and Private Wealth (CSP) at the University of Zurich and Convergence.
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
2

EFFECTIVE. IMPACT. FINANCE.

KEY FINDINGS & LESSONS LEARNED
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.

To prepare enterprises for Impact-Linked Finance, a good impact measurement and management practice is THE key.

Co-creating incentive schemes together with entrepreneurs is a very powerful approach, for both, the enterprises AND the outcome funders.

Technology will play a big role in enabling better impact measurement and management: It will accelerate the practice of linking finance to impact.

Our first solution, SIINC, is only one tool of the vast Impact-Linked Finance toolbox: Impact rewards can be integrated in any financial instrument.

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.

Sector-specific programs allow to better compare individual Impact-Linked Finance transactions and to create substantial efficiencies in the structuring process.

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.

WHAT IMPACT ENTREPRENEURS NEED TO GROW AND SCALE – KEY FINDINGS

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
Impact measurement and management remains an essential and yet sorely underdeveloped capacity among impact entrepreneurs across the different regions we work in. You can’t think investment readiness for impact entrepreneurs without the appropriate impact measurement and management skills.

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. Our early experiences show that comprehensive programs with capacity building and catalytic finance pillars are more effective than standalone projects. Blended learning with well-structured online content AND targeted onsite training does the trick.

Providing targeted education offers for catalytic capital providers is an important enabler towards more effective blended finance.

There is a huge gap between academic research and effective practice in the catalytic and blended finance space.

The entire field of impact finance will benefit strongly from more academic rigor.

The systems and processes to gather relevant impact data points need a major technological upgrade to inform more effective approaches to capital allocation.

Procurement and regulations in the development sector are often too complicated and inflexible: This hinders innovative projects to take off and harness their potential.

Developing a gender-smart strategy plus related programs and advisory opens up new doors to creating opportunities and partner up.

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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.