Initiative for Blended Finance at the University of Zurich

University of Zurich UZH

Blended Finance: When to use which approach

Decision-making tool and framework

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Roots of Impact

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Introduction

Why blending

The OECD recently identified that the SDG (sustainable development goals) financing gap has widened even further due to the COVID-19 crisis, amounting to a total of USD 4.2 trillion. It is clear that public capital is not enough to bridge the widening gap, and we require a blend of public and private capital to finance the SDGs.

Why entrepreneurship

With less than a decade left to achieve the set SDGs, there is a sense of urgency that requires transformational change. Entrepreneurship creates disruptive innovations that can cause a level of change and impact that cannot be achieved through the currently available solutions.

Why this decision-making tool

We put our research findings into a tool that guides a practitioner step by step in selecting a suitable blended finance approach and designing a transaction. It is interactive and can easily be tested or integrated into existing decision-making processes.

Why this framework

This framework forms the basis of the decision-making tool and showcases the underlying logic and explanation of why the tool is set up as it is. The framework can serve as a template to educate, a thinking process to bring more discipline and intentionality to decision-making, and a guide that offers new perspectives. We sought to structure the framework so that it balances a blend of isolated best practices and innovation in the field and behavioural preferences or established methods amongst practitioners. In so doing, our intent is to create a structured and intuitive decision-making process.

Why you

The most important part of the tool and framework is you, the decision-maker. We imagine our audience to be someone in the position of designing a transaction or having an influence on the design by being a (catalytic) capital provider, such as development agencies and foundations or an intermediary such as a consultancy or fund manager.

Introduction

How

The slide deck is a guiding document for the tool that can also be used independently, but it is meant to be used in conjunction with the workbook. The workbook can be found on the website for the Initiative for Blended Finance.

This research project by the Initiative for Blended Finance at the University of Zurich was conducted by project partners at the Centre for Sustainable Finance & Private Wealth (CSP) at the University of Zurich, the Bertha Centre for Social Innovation & Entrepreneurship at the UCT Graduate School of Business, and Roots of Impact. We would like to thank all the practitioners who provided us with their valuable feedback and input, as well as the UBS Optimus Foundation for financially supporting the study.

Blending Approaches

Based on multiple expert interviews and case studies of 33 best practices, we identified several blending approaches and how practitioners commonly cluster them. For further details, you can refer to our first report. The below approaches are meant to be viewed through a blending lens, and its enabling properties to mobilize capital, rather than as standalone approaches.

Approach	Explanation	Approach	Explanation
Grants	Grant capital is provided to support programmatic activities, design funding needs, map out investment opportunities or for development of the pipeline. Grant capital is important to make deals more investable and often serves as a building block for different blending approaches.	Debt	Debt provides capital to the company without diluting ownership. Those receiving debt capital are obligated to repay that capital according to the agreed-upon terms. Debt can be blended with other approaches, such as grants or TA, for different purposes and to mobilise further capital.
Technical Assistance	Technical assistance (TA) is a form of grant capital, but it focuses on training local partners and providing operational expertise. TA decreases the risk of project execution, enabling the use of other blending approaches. For more details, you can refer to appendix 5.	Subordinated Debt	Subordinated debt, also called mezzanine finance, has many of the characteristics of both debt and equity. A subordinated creditor agrees to rank after senior creditors but before ordinary shareholders in the event of liquidation.
Outcomes funding not involving investors	Outcomes funding not involving investors describes approaches such as outcomes-based grants, outcomes funds, or other pay-for-result/success schemes that do not involve a private sector investor as a source of working capital.	Concessional Debt	Concessional debt is debt capital that is provided at below market rate or with favourable repayment terms.
Outcomes funding involving investors	Outcomes funding involving investors describes approaches such as impact-linked finance (ILF) or impact bonds.	Equity	Equity is capital that is provided in return for partial ownership of a company and all its associated assets and liabilities. Equity can be blended with other approaches, such as grants or TA for different purposes and to mobilize further capital.
First-loss	A risk-mitigation instrument in which a donor or other entity agrees to be the first to take losses if a business is unable to pay back investors.	Subordinated Equity	Subordinated equity, mostly called junior equity, takes on higher risk, which usually comes with a higher return expectation.
Guarantee	A risk mitigation instrument that promises to repay all or some of the invested amount to the lender or investor in the case of default.	Concessional Equity	Concessional equity refers to accepting a lower return and/or longer time horizons. It is also referred to as patient capital.

Fundamental Design Principles

A blended finance transaction is a multi-stakeholder partnership with the ultimate goal of achieving development impact. While the sector accepts and needs diversity in terms of innovation and practice, there are a few key principles to keep in mind.

Instruments / Structuring	• Financial instruments are not static; boundaries between equity, debt, and grants can be altered to form hybrid instruments • Consider innovating with a combination of instruments, blending approaches, and terms that suit the fund or entrepreneur • The structuring and the terms can be more important than the selection of financial instrument; subordination and concessionality, repayment terms (fixed, variable, or revenue-based), and rewards for impact can make significant differences You will encounter more insight on selecting suitable blending approaches in **Step 2: Select Problem** and **Step 3: Select Solution** You will learn more about structuring a transaction for impact in **Step 4: Tune for Impact**
Risk / Return	• Blending often addresses the macro risk aspects of a transaction, but it can also be used to enhance the return side • De-risking macro risks is well suited for covering political, macroeconomic, or currency risks, but it may introduce unwelcome disincentives (e.g., low performance, moral hazard) • Return-enhancing approaches, such as market incentives or impact incentives, can mitigate implementation risks and enable impact and financial performance • When providing grants or **technical assistance**, the capital can be well combined with incentives for achieving specific outcomes Further considerations related to the motivation for blending are outlined in **Step 1: Framing**
Additionality	• Financial additionality (or leverage) should not be the only focus; capital mobilisation is a means to an end to achieve additional impact • Development additionality should be of equal importance: how much faster, larger, more inclusive, or wider the scope of the investee develops due to the transaction
Concessionality	• Follow the principle of minimum concessionality; determine the level of subsidy (de-risking or return enhancement) to avoid market distortion while providing sufficient support to correct market failures • Ensure that the fund or entrepreneur has "skin in the game" instead of providing the full amount of capital

Decision-Making Tool

Decision-Making Tool Overview [1/2]

The decision-making tool guides practitioners in their thinking before setting up, joining, or designing a blended transaction. It follows four steps laid out below, with an input and expected output for each step.

Step	Goal	Input	Output
Step 1: Framing	Review your own and the investee's context, focusing on factors which may influence the most suitable approach	• Own organisational setup • Own motivation • Risk capacity	• Considerations based on contextual elements
Step 2: Select Problem	Understand the market condition of the problem you are addressing	• Desk research • Identify elements related to the market condition of the problem	• Problem archetype • Heatmap of suitable blending approach based on problem
Step 3: Select Solution	Understand the solution you are aiming to finance	• Complete decision-making tree • Identify business model category and stage of solution	• Heatmap of suitable blending approach based on problem and solution
Step 4: Tune for Impact	Gain clarity on your intended final impact, the risks inherent to realising it, and the potential mitigations	• Identify the intended impact type and intensity • Identify impact delivery readiness within sector or business model	• Key impact risks to consider • Structural enhancements to mitigate relevant impact risks based on your impact profile

Decision-Making Tool Overview [2/2]

Depending on your situation, the tool can be used either on the project level or on the portfolio level. We provide more guidance below.

Entity Level

If there is a specific entity you are looking into for financing and want to identify a suitable blending approach:

- Identify the problem area and its market conditions, which can be derived from a market analysis
- Identify the solution the entity is offering, which can be derived from a business analysis
- Information related to the problem and solution will feed into the tool, which recommends suitable blending approaches in a heatmap form
- Follow the remaining steps on impact and checklist review

Portfolio Level

If you intend to have a **cross-sector portfolio** with multiple problems:

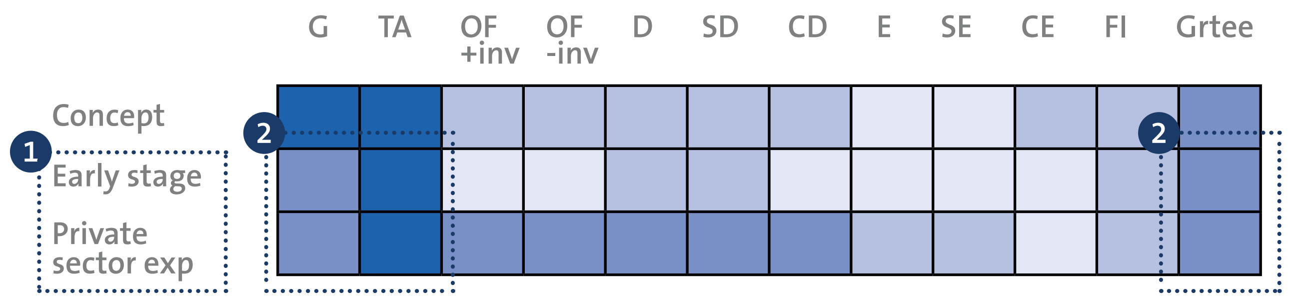
- Identify the individual problem areas and provide input for each market condition
- Follow the steps and look for overlapping blending approaches

Be aware that while some approaches are more versatile, the suitability and effectiveness of the approach will benefit from the clarity and consciousness of the decision making.

If there is a **specific problem** you are looking into, but **no specific solution**:

- Identify the individual problem area and its market conditions

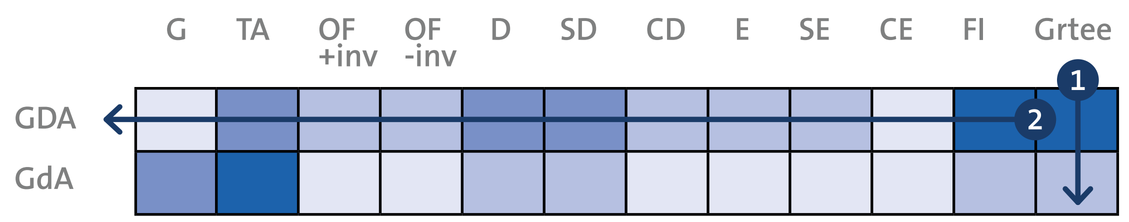
1. Navigate the heatmap in the appendix or workbook (Master sheet (back end) +Filtered section) by row
2. Look for overlapping blending approaches for solutions you were considering



If there is a **specific blending approach** you wish to use, without a specific problem and/or solution yet:

1. Navigate the different heatmaps in the appendix or workbook (Master sheet (back end) + Filtered section) by column*
2. Look for problem and solution areas that are most suitable and develop your investment thesis

- Follow the remaining steps when relevant



*The workbook shows all solutions for each problem area, so you need to change input for the problem to see the heatmap also across problems. A simpler way, whilst less exact, would be using the appendix.

Step 1 | Framing - Input

What? Your own (and your investee's) context can influence the prioritisation of blending approaches. Elements such as the organizational setup, motivation for the transaction, and risk capacity can be reviewed to ensure blending approaches are aligned with your organization and the broader macro environment. If you are investing in a specific region, the regional environment may also play an important role and can be reviewed in the appendix.

	Organizational Setup	Motivation	Risk Capacity
Description	Organizational setup relates to the user's organizational type, mission, and operational structure. We consider these influences from the perspective of project initiators.	Motivation describes the user's purpose and goals behind the financial transaction. The purpose and goals of the transaction will influence the appropriateness of different financial approaches.	An important part of instrument selection is understanding your capacity to take on additional risk to achieve impact.
Selections	□ Financial intermediaries □ Philanthropic organizations □ Development agencies □ Development banks	□ Crowding in and de-risking □ Demonstration □ Market building	□ Low - keeping the risk low for the transaction is more important than achieving impact □ Medium - impact and risk considerations are both important □ High - impact is more important than risk, allowing additional risk to be absorbed

Why?
- Understanding the context of your organization and your investee provides a frame in which to navigate and anchor your decisions.
- The organizational setup, motivation, or capacity to take additional risk allows for emphasis on some instruments more than others.

Step 1 | Framing - Output [1/2]

Based on your organizational setup, there are additional elements that can be considered and reviewed*. The list is not exhaustive, but rather highlights key considerations. Not all need to be checked (or any) if you feel they are not applicable to you.

Philanthropic Organizations

Description

Philanthropic organizations are extremely flexible in their choice of blending approaches, driving innovation within the sector.

- Make sure to also consider new and innovative blending approaches.
- Do your homework on repayable investments, such as equity and debt. Some jurisdictions limit the use of equity and debt but this can be circumvented:
  - SPVs: ApexHi and the Early Childhood Development Impact Bond Innovation Fund
  - Fund: Cordaid and the West Africa Bright Future Fund
- For guarantees, consider the size of your balance sheet. Guarantees typically require a larger size.
- Factor in the investment side of the transaction, not only the programmatic aspects.

Development Agencies

Description

Development agencies have a mandate to create impact and are well resourced.

- Make sure to consider blending approaches that are not typical or preferred, such as repayable investments or de-risking mechanisms like first-loss and guarantees.
  - (Subordinated) Equity: Dutch Ministry of Foreign Affairs and the Dutch Fund for Climate and Development
  - (Subordinated) Debt: DFC and the Sunfunder Beyond the Grid Solar Fund
  - First-loss: USAID and CrossBoundary Energy
  - Guarantee: USAID and the Tropical Landscapes Finance Facility (TLFF)

Development Bank

Description

Development banks operate like a normal bank, but have an additional development mandate.

- Consider blending approaches such as concessional debt/equity as well as outcomes funding.
  - Concessional equity: KfW and the EcoBusiness Fund
  - Concessional debt: British International Investment (formerly CDC) and the Medical Credit Fund
  - Outcomes funding: OPIC and the Cameroon Cataract Bond

* We do not include DFIs and intermediaries such as fund managers or consultancies due to their flexibility when choosing blending approaches.

Step 1 | Framing - Output [2/2]

Based on your motivation, there are additional elements that can be considered and reviewed. The list is not exhaustive, but rather highlights key considerations. Not all need to be checked (or any) if you feel they are not applicable to you.

Crowding In & De-Risking

- Consider investments with a financial track record for de-risking, such as first-loss and guarantees. Crowding in institutional investors is more effective when investments already meet the prerequisite investment requirements.
- Assess who you are crowding in, especially when using outcomes funding for crowding in. Ideally, you want to attract new sources of capital at scale, which can be challenging for outcomes funding.
  - Impact bond: US Water and the Environmental Impact Bond
  - Social Impact Incentive (SIINC): Clinicas del Azucar SIINC for diabetes

Demonstration

- Define what you want to demonstrate:
  - Blending approach such as a SIINC or impact linked convertible note
  - Transaction such as a first time fund
  - Business model such as new and innovative models for the market
- Be intentional about your motivation when using first-loss or guarantees. Often, the absence of a financial track record will make attracting additional capital less effective, but the motivation might still justify the use of such blending approaches.
- Consider the stage of the investee when using market-rate debt or even equity when demonstrating a business model. Often, concept or early-stage business models require (concessional) risk capital for demonstration.
- Assess the scalability and replicability of what you are demonstrating.

Market Building

- Define what kind of market you want to build up:
  - (Underserved) Region (e.g., Sub-Saharan Africa, rural area)
  - Market segment (e.g., bottom of the pyramid, women)
  - Sector (e.g., access to healthcare, education)
- Evaluate the maturity of the market.
  - For early-stage markets, grants and TA are critical
  - For intermediate-stage markets, outcomes funding can be suitable to foster the market
  - For more mature markets, first-loss and guarantees are effective to attract further capital that helps to grow the market

Step 2 | Select Problem - Input

What? The kind of problem that is being addressed can be identified based on three key elements: a) what is the government's role in the problem, b) does the client want to pay, and c) can the client pay? The results will provide a problem archetype, which will guide the first step of selecting a blending approach

Government Role

The role of the government in terms of the problem being addressed can influence the blending approach. It is not about whether the government should be active, but whether it actually is. Ask yourself questions such as:

- Are there policies in place to guide and stabilize the sector?
- Is the sector highly regulated and controlled by the government?
- Is the government the biggest actor, and are there no private players?

Desire to Pay

The desire of the client to pay shapes the market condition and the most suitable blending approach. Clients are the direct consumers of the solution, but they might not be the end beneficiaries. Ask yourself questions such as:

- Are there many substitutes available, and how much do they cost?
- How high is the willingness to pay?
- How important is the problem to the stakeholder?

Ability to Pay

The ability of the client to pay shapes the market condition and the most suitable blending approach. Ask yourself questions such as:

- How high is the income per capita of the target client?
- How big is the potential target group? Is it big enough to compensate for a low-income group?

Selections

Government Role

- **G** The government plays an active role as regulator, facilitator, and/or buyer
- **g** The government plays a limited role; there are many private players addressing the problem

Desire to Pay

- **D** The clients have a high desire to pay to address the problem due to high needs and priority
- **d** The stakeholders have a low desire to pay due to having many (mostly inferior) substitutes available and a lack of priority for the problem

Ability to Pay

- **A** The clients have the ability to pay to address the problem due to medium or high income
- **a** The clients are unable to pay due to low or no income + additional element: target group size
  - **M** the potential target group is big.
  - **m** the potential target group is small.

Why?

- Understanding key elements of the problem being addressed helps to identify an archetype and a set of suitable blending approaches.
- It also provides an opportunity to more clearly define the problem, and it can also result in multiple problem archetypes within a larger impact theme.

Workbook: Dashboard/Step 2- Problem

Step 2 | Select Problem - Output [1/2]

- The input on the government role (G/g), desire to pay (D/d), and ability to pay (A/a) results in a problem archetype.
- Below are eight archetypes and a brief explanation with a corresponding example to provide more color to the results.

Archetype	Description	Example
GDA	The government plays a big role as regulator and/or service provider in a favourable market, where clients have both the ability and willingness to pay.	ICT infrastructure: top policy and regulation priority for governments as it is a key enabler of economic growth.
GdA	The government plays a big role as regulator, service provider, and/or client in a market that has the ability but not the desire to pay due to high availability of (inferior) alternatives and/or a low level of education on the benefits of the solution.	Urban water infrastructure: general low willingness to pay for water is a big obstacle to the WASH sector.
GDa	The government plays a big role as regulator and/or service provider in a market that has the need and willingness to pay for the solution but does not have the ability to pay.	Rural health care: most patients have limited savings/income and cannot afford medical insurance.
gDA	The market is not very regulated, and the government plays a limited role (sometimes as a service buyer). Clients have both the ability and willingness to pay.	Private health care: in countries without statutory provision of health services, the gap is, at times, filled by private initiatives that do not depend on government funding and social insurance.
gdA	The market has limited regulation and enforcement, and the government is not an active player. Clients have the ability to pay, but not the willingness due to a low level of education or materiality.	Sustainable supply chain: in sectors lacking government regulation, many corporations will have the ability to make their supply chains more sustainable, but they do not see it as an attractive business case.
gDa+M	The market is not very regulated, and the government plays a limited role (sometimes as a service buyer). Clients do not have the ability to pay, but the need and willingness to pay as well as the number of potential clients are high.	Renewable energy: demand for accessible energy sources is growing each year in emerging markets with limited regulation for new, innovative products.
gDa-m	The market is not very regulated, and the government plays a limited role (sometimes as a service buyer). Clients do not have the ability to pay, but the need and willingness to pay are high. Yet, the number of potential clients is low due to limited scalability or replicability of the solution.	Private education in rural areas: highly fragmented market with fees varying across regions and school enrolment driven by local communities.
gda	Clients are unable and unwilling to pay due to the public nature of the goods. The government has limited regulation and enforcement, and it does not play an active role due to the low priority of the problem.	Rainforest conservation: rural communities view rainforests as a freely available good to sustain their livelihood, and the government lacks the willingness to enforce regulation.

Step 2 | Select Problem - Output [2/2]

- The heatmap below shows more suitable blending approaches from darker (more suitable) to lighter (less suitable) shades, as well as a short explanation for each archetype.
- For more detailed explanations of the reasoning, please refer to appendix 2.

Archetype	1		2		3						4		Details
	G	TA	OF +inv	OF -inv	Debt	S. Debt	C. Debt	Equity	S. Equity	C. Equity	F. Loss	Guarant.	
GDA													First-loss and guarantees are effective in a favourable market environment
GdA													TA on consumer change is important for when there is the ability but no desire to pay
GDa													TA can be used to strengthen government involvement, and concessional debt is suitable when government acts as a buyer
gDA													First-loss and guarantees are effective in a favourable market environment
gdA													TA on consumer change is important for when there is the ability but no desire to pay
gDa+M													Concessional debt can be suitable for solutions that require concessionality due to a low-income target group
gDa-m													
gda													Flexible forms of capital, such as grants, are required for unfavorable markets and can have structural enhancements (e.g., repayable grant)

G: Grant / TA: Technical assistance / OF+inv: Outcomes funding involving investors (e.g., impact bonds, SIINC) / OF-inv: Outcomes funding not involving investors (e.g., outcomes based contracts) / S.Debt: Subordinated (junior) debt / C.Debt: Concessional debt / S.Equity: Subordinated (junior) equity / C.Equity: Concessional equity / F.loss: First-loss / Guarant.: Guarantee

Less suitable — More suitable

Step 3 | Select Solution - Input [1/2]

What? The type of solution the investor intends to finance is closely related to the investment strategy and can be identified based on two key elements: a) the business model, and b) the stage of the solution. The identification of a business model category and stage will guide the second step of selecting a blending approach.

Business Model

The business model refers to the operational model of an entity and whether it plans to generate profits or not. The financial sustainability of the solution is an important consideration for choosing a suitable blending approach. Ask questions such as:

- Is the entity revenue generating?
- Is there an existing, strong market for the products or services?
- Is there potential to create a market for these products or services in the future?

Selections

Category	Details	Example
Non-revenue generating	The entity does not generate significant revenue from its operations and does not intend on doing so for the foreseeable future.	A non-profit organization that provides assistance to refugees.
Partially cost-covering	There is some revenue generated by the enterprise, which covers part of their costs, but not enough to be consistently profitable.	Social enterprise that designs children's books and sells them below cost.
Future financially sustainable	The entity does not currently generate enough revenue, but it might be financially sustainable in the future.	Clean energy startup with large R&D and with five-year horizon to profitability.
Financially sustainable	There is enough revenue generated by the entity to cover operating and financing costs, and to potentially produce a return.	An established microfinance institution with a track record.

Stage

The stage of an entity refers to its current point of development and is related to risk. Earlier stage entities are more risky than mature ones, and they require different blending approaches. Ask yourself questions such as:

- Is the entity at a concept stage, or does it have a product?
- Does the entity have an unfinished impact model or operational structure?
- Is the entity looking to grow? Is this growth going to be through the private or public sector?

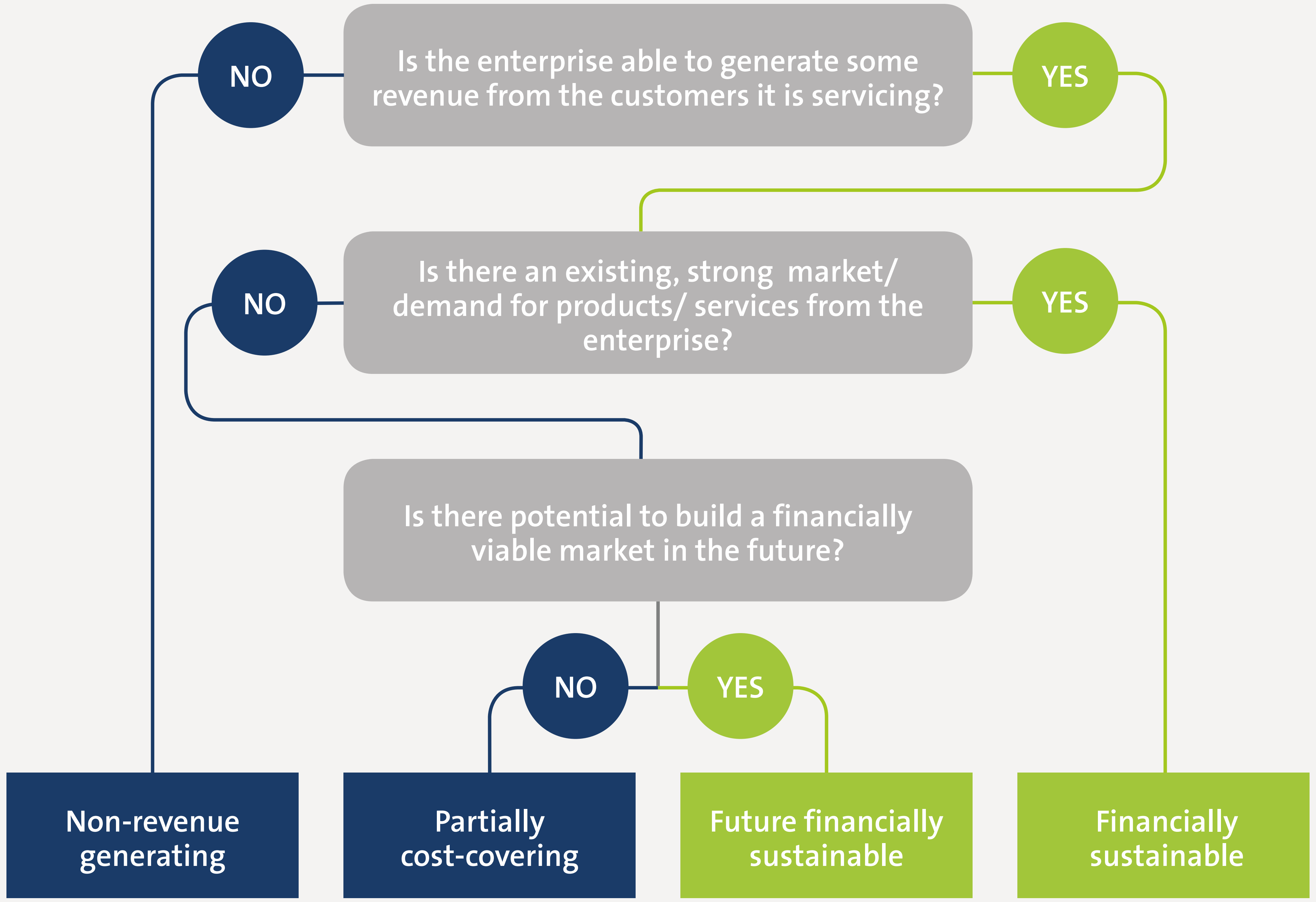
Selections

Category		Details
Concept		Entities at pre-seed or seed round are still developing their product or impact model and have not begun to generate significant revenue.
Early stage		Entities have begun to generate revenue and are solidifying their models, including building their operations to prepare for growth or sustainably maturity.
Growth Stage	Public sector	The entity is in a process of expansion through public sector actors after solidifying their model.
Growth Stage	Private sector	The entity is in a process of expansion after solidifying their model through capital raised in the private sector.
Mature stage		The entity is developed and is not expected to expand in the near future.

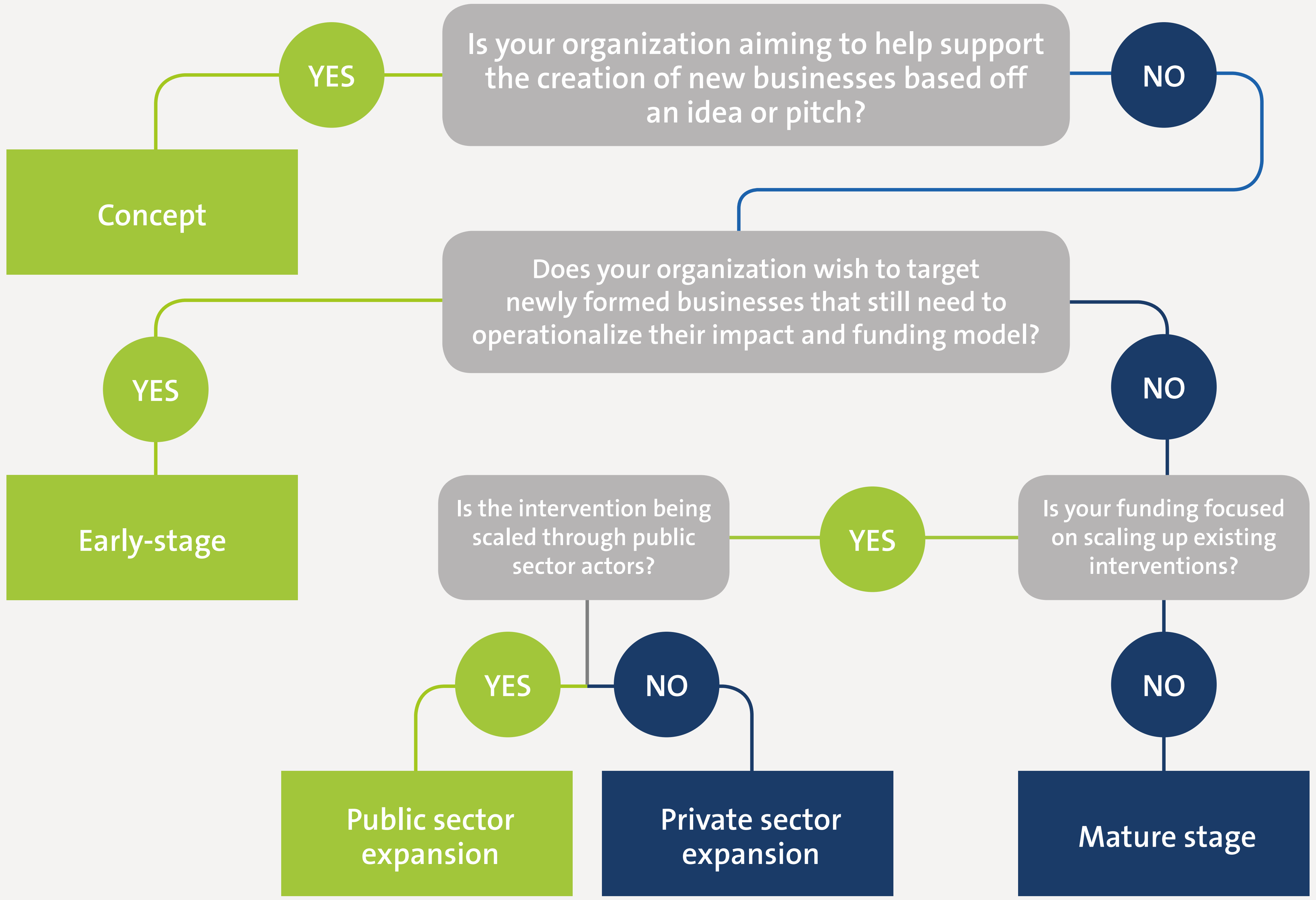
Step 3 | Select Solution - Input [2/2]

- The decision-making trees below help identify the business model category and stage of an entity
- If you are undecided on either of the elements, appendix 4 provides an overview and allows you to consider multiple options
- The workbook also lets you select different options easily to see the influence on blending approaches

Business Model



Stage



Step 3 | Select Solution - Output

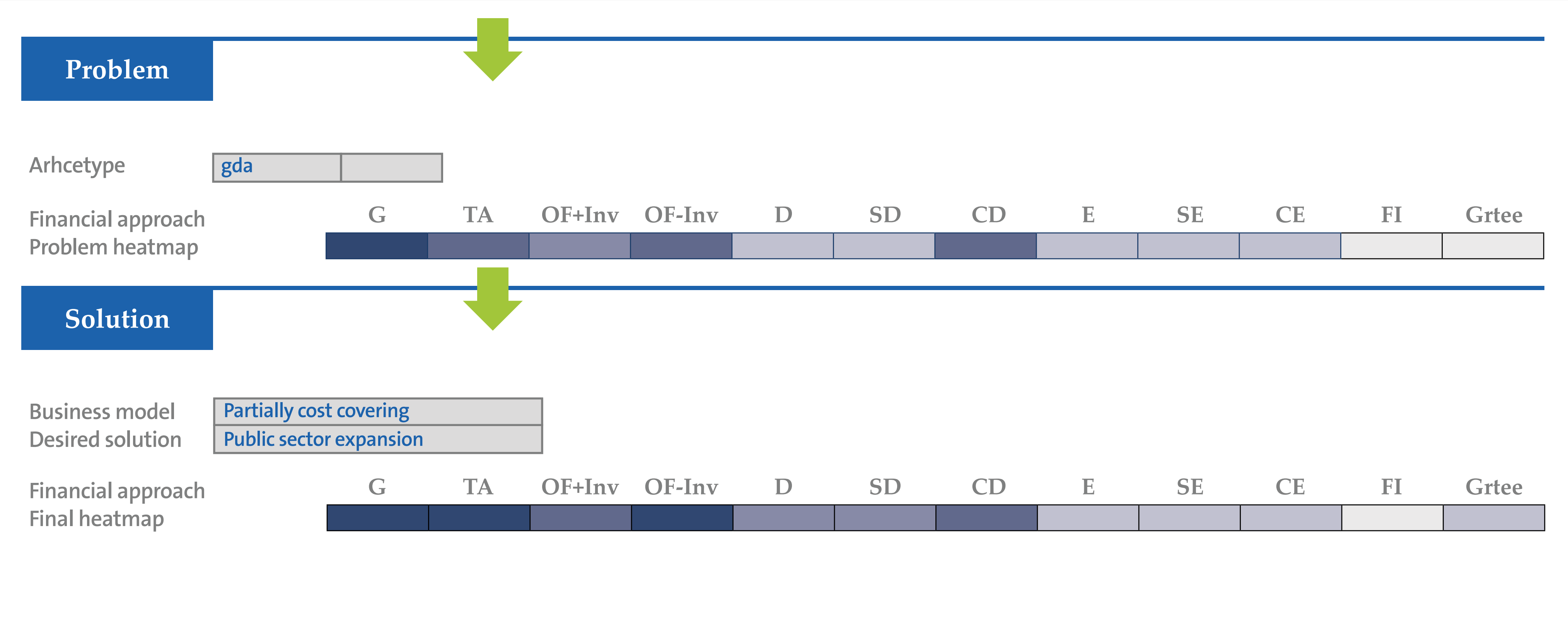
The resulting heatmaps of the problem archetype and solution can be overlapped into a single heatmap to identify more suitable blending approaches. We recommend either reviewing the appendix for a static outline or using the linked tool to explore options interactively.

Static

- Go to the corresponding slide of the identified problem archetype.
- Select the corresponding row of the identified solution.
- The heatmap will show you the more suitable blending approaches.

GDA .... slide 28
GdA .... slide 29
GDa .... slide 30
gDA .... slide 31
gdA .... slide 32
gDa+M .... slide 33
gDa-m .... slide 34
gda .... slide 35

Interactive



- Go to the “Dashboard” tab.
- In the results section, go to the “Solution” section.
- The heatmap of the “Solution” section will show you the most suitable blending approaches based on the overlap between the problem and solution.

Step 4 | Tune for Impact - Input [1/2]

What? Your theory of change, such as the type of impact sought, planned impact intensity, and delivery partner readiness. This helps identify the key challenges you are likely to face in achieving the desired impact. These challenges, or impact risks, can be addressed by including mitigating features in the design of the transaction.

	Impact Type	Impact Intensity	Sector Readiness
Description	The fundamental nature of development impacts, or societal goods, to be created by the project	The scale, depth, and longevity of sustainable development effects sought	Extent to which existing business models and practices of prospective capital users and other critical partners create a conducive environment for meeting impact objectives
Selections	□ Product – provide goods or services with positive development effects □ Place - for a particular place (or benefiting a specific group of people) □ Process – promote positive business practices □ Planet – generate environmental benefits □ Paradigm - attempt to change an entire system for the better	□ High – measures and engages in robust, adaptive management of projects to optimize development outcomes for priority beneficiaries or areas □ Low – seeks to monitor and progressively grow the reach of activities to priority beneficiaries or areas	□ High readiness – existing implementation environment or sector facilitates achievement and measurement of impact objectives □ Low readiness - existing implementation environment or sector impedes achievement and measurement of impact objectives

* Source: adapted from Trelstad (2016), Making sense of the Many Kinds of Impact Investing

Why?

- Impact motives and objectives will often vary between blended initiatives, even within the same sector (e.g., mini-grid expansion for renewable energy, primary healthcare provision) based on contextual elements such as strategic partners, regional differences, or other influences
- Articulating the deal's impact objectives is important and ensures the final design is suitably calibrated to fulfil its intended outcomes
- Defining the transaction's impact purpose along the three dimensions (type, intensity, and sector readiness) approximates part of the theory of change and enables the identification of the key impact risks of the transaction

Step 4 | Tune for Impact - Input [2/2]

- Materiality of impact risks will vary depending on the desired impact intensity and expected sector readiness
- Each unique combination of impact intensity and readiness features different degrees of exposure to common impact risks affecting the theory of change

Impact Risk

Risk		Alignment	Stakeholder Participation	Execution	Efficiency	Evidence	Endurance	Drop-Off
Risk Definition		Impact is not locked into the model	Expectations and/or experiences of stakeholders are not incorporated	Activities are not delivered as planned and do not result in the desired outcomes	Impact could have been achieved with fewer resources at a lower cost	Insufficient high-quality data exists to know what impact is occurring	Required activities are not delivered for a long enough period	Positive impact does not endure and/or negative impact is no longer mitigated
Intensity	Readiness							
High	High	●					●	
High	Low	●	●	●	●	●	●	●
Low	High			●		●		●
Low	Low	●	●		●	●	●	●

* Source: based on IMP (n.d), Risk

- In addition to facilitating an understanding of the theory of change, the impact type(s) will elevate or reduce the exposure to some impact risks. See appendix for examples and overview of the influence of impact type on base risks.

Workbook/Impact Details

Step 4 | Tune for Impact - Output

- Process enhancements – including effective approaches to stakeholder prioritisation and engagement; can reduce risk without introducing more complex terms into agreements
- Structural enhancements – including realignment of incentives, contractual terms, and other measures can be applied to further mitigate identified impact risks if desired
- Most structural enhancements are overlays to blending approaches, and some may pair more readily with certain approaches (e.g., restrictive covenants with debt) than others

Risk	Alignment	Stakeholder Participation	Execution	Efficiency	Evidence	Endurance	Drop-Off
Goals	• Conclude robust, inclusive design processes • Embed critical impact criteria into deal contracts		• Strengthen project monitoring and governance • More closely align financial and impact benefits		• Bolster measurement and management	• Establish long-term sector/impact partnerships • Embed long-term incentives/supports	
Process Enhancements	• Set and monitor beneficiary inclusion objectives in design process • Include beneficiary/ funder representatives on design steering committees • Develop a robust theory of change and validate it with knowledgeable third parties	• Simplify measurement frameworks and contractual terms • Mitigate power asymmetries amongst design stakeholders, e.g., beneficiary representatives vs. large investors • Identify and prioritize deal terms that are simpler or more familiar to prospective collaborators	• Establish diverse and inclusive implementation governance structure • Improve managerial discretion to enable adaptive management • Promote embedding of impact objectives in personnel KPIs	• Perform or commission comparative research to test efficiency hypotheses, e.g., making proximate comparisons to impact expected from sector business-as-usual or unit impact costs from other countries • Monitor unit impact costs and target slight year-on-year improvements	• Plan and resource for improved impact measurement and management personnel and/or systems • Increase, incentivize, and publicize avenues for end-user feedback and engagement, e.g., email, social media, telephone, survey, web form, catered town halls, etc.	• Promote skills transfer, new enterprise formation and local ownership of initiatives over project lifecycle • Prioritize relationships with patient capital investors, donors with long-term sector mandates, etc.	• Prioritize and incentivize strategic exits to impact-aligned stakeholders • Commit to performance review and renewal cycles for long-term projects, e.g., perform contribution analysis and revise both theory of change and operational model every three to five years
Structural Enhancements	• Use social purpose corporate forms or evergreen fund vehicles • Apply affirmative or restrictive covenants • Consider mandatory redemption/put option clauses	-	• Apply implementer or manager incentives, e.g., impact-linked carry • Require service provider/funding recipient co-investment	• Establish return caps and floors (effectively calibrated in consultation with would-be investors) • Use staged funding disbursement, e.g., lifecycle grants • Contract clauses requiring audited financial disclosures from implementers	• Bundle impact evaluations into deals • Incorporate base-, mid-, end-line assessments • Mandate minimum impact data collection and retention requirements	• Incorporate extension clauses • Incorporate intellectual property assignment or sub-licensing clauses, e.g., in case implementer is liquidated	• Use social purpose corporate forms or evergreen fund vehicles • Use restrictive covenants • Tie future funding/ collaboration decisions to retrospective impact performance (and signal intent well in advance)

Appendix

Appendix 1. Step 1 | Framing - Regional Factors

Based on your target investment region*, there are additional elements that can be considered and reviewed. The list is not exhaustive, but rather highlights key considerations. Not all need to be checked (or any) if you feel they are not applicable to you.

Type A

Characteristic

- Upper-middle income, relatively large and stable economies
- Relatively strong local banking sector and high level of sophistication

List for Consideration

- ☐ Review whether the investee (or region) requires more risk capital, such as equity or working capital like debt.

Type B

Characteristic

- Upper-middle income
- Growing enabling environment and sector-specific investment opportunities

List for Consideration

- ☐ Review whether the investee (or region) requires more risk capital, such as equity or working capital like debt.
- ☐ Evaluate the appetite from private capital at an early stage when considering first-loss and guarantee in this context.

Type C

Characteristic

- Lower-middle income
- Low enforceability of regulation and large local banks focusing on mature companies
- Requires capital for building financial infrastructure and increasing sophistication

List for Consideration

- ☐ Assess law enforceability when using repayable investments, such as equity and debt.
- ☐ Consider your motivation and capability to take risk. Depending on these, use of repayable investments can be justified, despite the context.
- ☐ Evaluate the appetite from private capital at an early stage when considering first-loss and guarantee in this context.

Type D

Characteristic

- Low-income
- Low enforceability of regulation and weak local banking sector
- Requires capital for basic needs, such as infrastructure, ICT, job creation, local banking

List for Consideration

- ☐ Identify whether the investee would be the government or a non-government entity
  - ☐ For governments, first-loss and guarantees can be effective, while it would exclude equity.
  - ☐ For local entities, blending approaches involving additional investors can be challenging and require careful consideration.

* Source: adapted from USAID (2017), PCM: Catalyzing Investment for Development Impact

Appendix 2. Step 2 | Problem - Output Details [1/4]

The heatmap below shows more detailed scores for suitable approaches to each problem archetype. The scores are based on the most extreme ratings for each question in the tool, and they are meaningful in relative order. We deemed approaches with a score below 50 as not suitable.

Archetype	1		2		3						4		Details
	G	TA	OF +inv	OF -inv	Debt	S. Debt	C. Debt	Equity	S. Equity	C. Equity	F. Loss	Guarant.	
GDA													• First-loss and guarantees are effective de-risking approaches in a favourable market environment • TA can be used to lower operational risk • (Subordinated) Debt is more appropriate to use than equity, given that the government is the most likely capital recipient
GdA													• TA focusing on consumer education and behavior change is important when there is the ability but no desire to pay to address the problem • Grants can be further used to support market building activities, such as seed grants for small or emerging enterprises • Otherwise, similar blending approaches to the archetype above are suitable, for similar reasons
GDa													• TA can be used to strengthen government involvement, support project preparation, or develop proof of concepts • In case of a functioning government acting as a buyer of the solution, (long-term) concessional debt is suitable • Outcomes funding not involving investors can provide performance based incentives to bridge the commercialization gap and encourage new investments in the area/sector.

G: Grant / TA: Technical assistance / OF+inv: Outcomes funding involving investors (e.g., impact bonds, SIINC) / OF-inv: Outcomes funding not involving investors (e.g., outcomes based contracts) / S.Debt: Subordinated (junior) debt / C.Debt: Concessional debt / S.Equity: Subordinated (junior) equity / C.Equity: Concessional equity / F.loss: First-loss / Guarant.: Guarantee

Less suitable — More suitable

Appendix 2. Step 2 | Problem - Output Details [2/4]

The heatmap below shows more detailed scores for suitable approaches to each problem archetype. The scores are based on the most extreme ratings for each question in the tool, and they are meaningful in relative order. We deemed approaches with a score below 50 as not suitable.

Archetype	1		2		3						4		Details
	G	TA	OF +inv	OF -inv	Debt	S. Debt	C. Debt	Equity	S. Equity	C. Equity	F. Loss	Guarant.	
gDA													• First-loss and guarantees are effective de-risking approaches in a favourable market environment. • TA can be used to lower operational risk. • If the government is absent as a regulator and facilitator, (subordinated) debt is less risky than equity, which requires a more long-term perspective. However, this can be overridden depending on motivation and other elements. For details, see slide 11.
gdA													• TA focusing on consumer education and behavior change is important when there is the ability but no desire to pay to address the problem. • (Subordinated) Debt is less risky than equity, which requires a more long-term perspective. However, this can be overridden depending on motivation and other elements. For details, see slide 11. • Grants can be used for market-building activities, such as partial cost-covering grants or strengthening impact. This can be done through additional structural enhancements depending on the impact risk. For details, see slide 20.

G: Grant / TA: Technical assistance / OF+inv: Outcomes funding involving investors (e.g., impact bonds, SIINC) / OF-inv: Outcomes funding not involving investors (e.g., outcomes based contracts) / S.Debt: Subordinated (junior) debt / C.Debt: Concessional debt / S.Equity: Subordinated (junior) equity / C.Equity: Concessional equity / F.loss: First-loss / Guarant.: Guarantee

Less suitable — More suitable

Appendix 2. Step 2 | Problem - Output Details [3/4]

The heatmap below shows more detailed scores for suitable approaches to each problem archetype. The scores are based on the most extreme ratings for each question in the tool, and they are meaningful in relative order. We deemed approaches with a score below 50 as not suitable.

Archetype	1		2		3						4		Details
	G	TA	OF +inv	OF -inv	Debt	S. Debt	C. Debt	Equity	S. Equity	C. Equity	F. Loss	Guarant.	
gDa + M													• TA can be used for multiple purposes, such as addressing the policy environment, strengthening market-building or fostering entrepreneurial solutions. • Concessional (both below market rate and long-term) debt can be suitable for solutions that have the potential to reach profitability due to the market demand and scale but require concessionality due to a low-income target group. • Outcomes funding can be used to top up the gap left by the inability of stakeholders to pay.
gDa - M													• TA can be used for multiple purposes, such as addressing the policy environment, strengthening market-building or fostering entrepreneurial solutions. • Concessional (both below market rate and long-term) debt can be suitable for solutions that have the potential to reach profitability but require concessionality due to a small and low-income target group. • Grants can be used for market-building activities or strengthening impact. This can be done through additional structural enhancements depending on the impact risk. For details, see slide 20. • Depending on the solution, outcomes funding can be used to subsidize profits or (concessional, subordinated) debt can be more fitting for less scalable solutions.

G: Grant / TA: Technical assistance / OF+inv: Outcomes funding involving investors (e.g., impact bonds, SIINC) / OF-inv: Outcomes funding not involving investors (e.g., outcomes based contracts) / S.Debt: Subordinated (junior) debt / C.Debt: Concessional debt / S.Equity: Subordinated (junior) equity / C.Equity: Concessional equity / F.loss: First-loss / Guarant.: Guarantee

Less suitable — More suitable

Appendix 2. Step 2 | Problem - Output Details [4/4]

The heatmap below shows more detailed scores for suitable approaches to each problem archetype. The scores are based on the most extreme ratings for each question in the tool, and they are meaningful in relative order. We deemed approaches with a score below 50 as unsuitable.

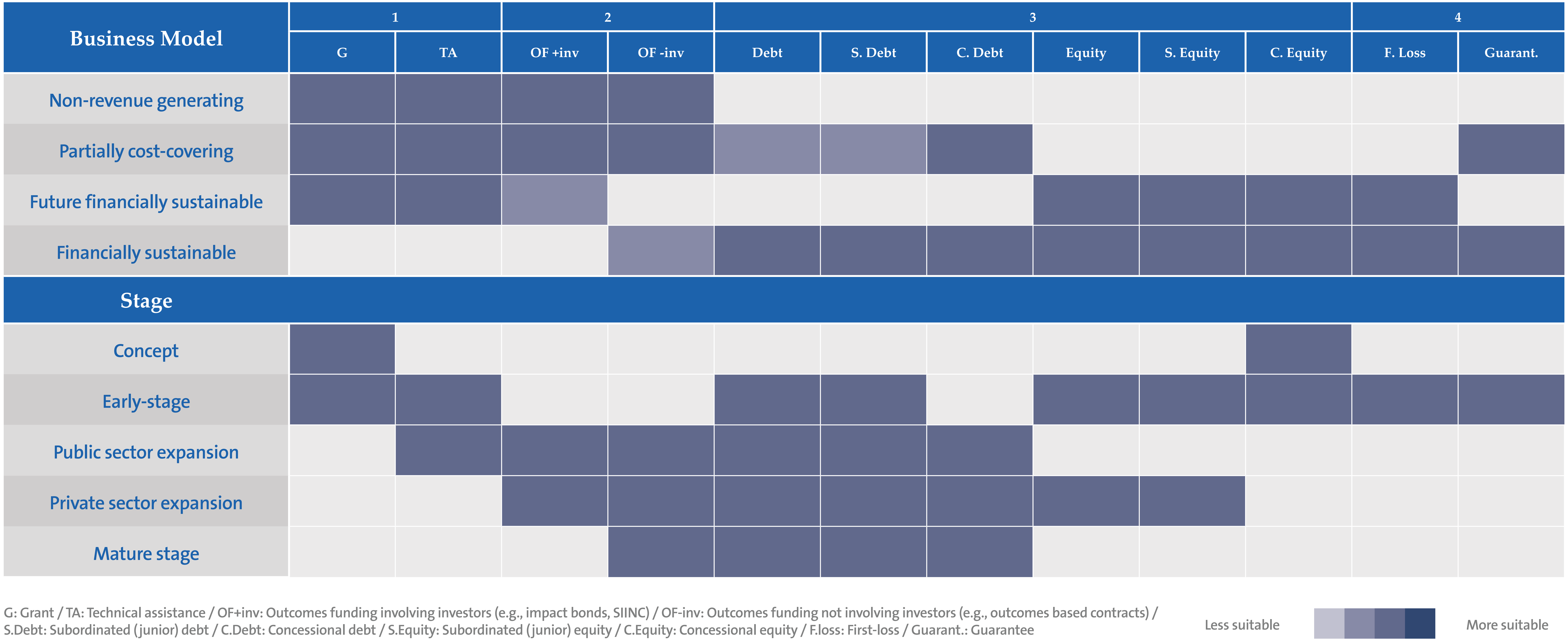
Archetype	1		2		3						4		Details
	G	TA	OF +inv	OF -inv	Debt	S. Debt	C. Debt	Equity	S. Equity	C. Equity	F. Loss	Guarant.	
gda													• Flexible forms of capital, such as grants, are required for markets with unfavorable conditions. They can be structured in different ways (e.g., repayable grant) with enhancements, depending on the impact risk. For details, see slide 20. • TA can be used for multiple purposes, such as addressing the policy environment, strengthening market-building, fostering entrepreneurial solutions, consumer education and behavior change. • Concessional (both below market rate and long-term) debt can be suitable for solutions that require concessionality due to limited profitability or scalability. • Outcomes funding can be used to incentivize impact that stakeholders are unable and less willing to pay for.

G: Grant / TA: Technical assistance / OF+inv: Outcomes funding involving investors (e.g., impact bonds, SIINC) / OF-inv: Outcomes funding not involving investors (e.g., outcomes based contracts) / S.Debt: Subordinated (junior) debt / C.Debt: Concessional debt / S.Equity: Subordinated (junior) equity / C.Equity: Concessional equity / F.loss: First-loss / Guarant.: Guarantee

Less suitable — More suitable

Appendix 3. Step 3 | Solution - Underlying Logic

Based on the business model category and stage of the solution, the heatmap below shows blending approaches deemed to be suitable, ranging from darker (more suitable) to lighter (less suitable) shades. This serves as the underlying logic that feeds into the tool as an overlay.



G: Grant / TA: Technical assistance / OF+inv: Outcomes funding involving investors (e.g., impact bonds, SIINC) / OF-inv: Outcomes funding not involving investors (e.g., outcomes based contracts) / S.Debt: Subordinated (junior) debt / C.Debt: Concessional debt / S.Equity: Subordinated (junior) equity / C.Equity: Concessional equity / F.loss: First-loss / Guarant.: Guarantee

Appendix 4. Step 3 | Solution & Problem Overlay - GDA

The heatmaps below show more detailed scores for suitable approaches to all solutions per problem archetype. This allows: a) multiple types of solutions to be considered (as is common on a portfolio level), and b) fitting solutions to finance to be identified when a set blending approach is already in place. We deemed approaches with a score below 50 to be unsuitable.

Archetypes	Business Model	Stage	1		2		3						4	
			G	TA	OF +inv	OF -inv	Debt	S. Debt	C. Debt	Equity	S. Equity	C. Equity	F. Loss	Guarant.
GDA	-	-												
	Non-revenue generating	Early-stage												
		Public sector expansion												
		Mature stage												
	Future financially sustainable	Concept												
		Early-stage												
		Public sector expansion												
		Private sector expansion												
	Financially sustainable	Concept												
		Early-stage												
		Private sector expansion												
		Mature stage												

G: Grant / TA: Technical assistance / OF+inv: Outcomes funding involving investors (e.g., impact bonds, SIINC) / OF-inv: Outcomes funding not involving investors (e.g., outcomes based contracts) / S.Debt: Subordinated (junior) debt / C.Debt: Concessional debt / S.Equity: Subordinated (junior) equity / C.Equity: Concessional equity / F.loss: First-loss / Guarant.: Guarantee

Less suitable — More suitable

Less suitable — More suitable

Appendix 4. Step 3 | Solution & Problem Overlay - GdA

The heatmaps below show more detailed scores for suitable approaches to all solutions per problem archetype. This allows: a) multiple types of solutions to be considered (as is common on a portfolio level), and b) fitting solutions to finance to be identified when a set blending approach is already in place. We deemed approaches with a score below 50 to be unsuitable.

Arche-types	Business Model	Stage	1		2		3						4	
			G	TA	OF +inv	OF -inv	Debt	S. Debt	C. Debt	Equity	S. Equity	C. Equity	F. Loss	Guarant.
GdA	-	-												
	Non-revenue generating	Early-stage												
		Public sector expansion												
		Mature stage												
	Partially cost-covering	Concept												
		Early-stage												
		Public sector expansion												
		Private sector expansion												
		Mature stage												
	Future financially sustainable	Concept												
		Early-stage												
		Private sector expansion												
		Mature stage												
	Financially sustainable	Early-stage												

G: Grant / TA: Technical assistance / OF+inv: Outcomes funding involving investors (e.g., impact bonds, SIINC) / OF-inv: Outcomes funding not involving investors (e.g., outcomes based contracts) / S.Debt: Subordinated (junior) debt / C.Debt: Concessional debt / S.Equity: Subordinated (junior) equity / C.Equity: Concessional equity / F.loss: First-loss / Guarant.: Guarantee

Less suitable — More suitable

Less suitable — More suitable

Appendix 4. Step 3 | Solution & Problem Overlay - GDa

The heatmaps below show more detailed scores for suitable approaches to all solutions per problem archetype. This allows: a) multiple types of solutions to be considered (as is common on a portfolio level), and b) fitting solutions to finance to be identified when a set blending approach is already in place. We deemed approaches with a score below 50 to be unsuitable.

Arche-types	Business Model	Stage	1		2		3						4	
			G	TA	OF +inv	OF -inv	Debt	S. Debt	C. Debt	Equity	S. Equity	C. Equity	F. Loss	Guarant.
GDa	-	-												
	Non-revenue generating	Early-stage												
		Public sector expansion												
		Mature stage												
	Partially cost-covering	Concept												
		Early-stage												
		Public sector expansion												
		Private sector expansion												
		Mature stage												
	Future financially sustainable	Concept												
		Early-stage												
		Private sector expansion												
		Mature stage												
	Financially sustainable	Concept												
		Early-stage												
		Private sector expansion												
		Mature stage												

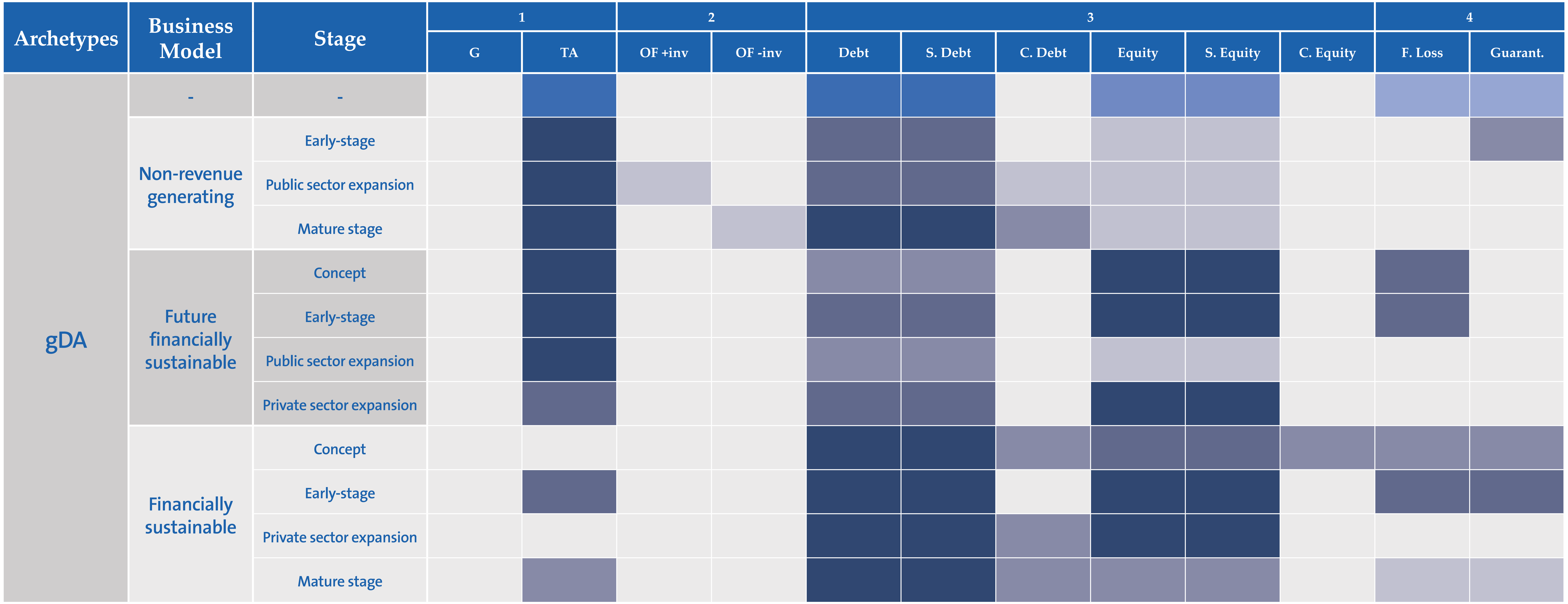
G: Grant / TA: Technical assistance / OF+inv: Outcomes funding involving investors (e.g., impact bonds, SIINC) / OF-inv: Outcomes funding not involving investors (e.g., outcomes based contracts) / S.Debt: Subordinated (junior) debt / C.Debt: Concessional debt / S.Equity: Subordinated (junior) equity / C.Equity: Concessional equity / F.loss: First-loss / Guarant.: Guarantee

Less suitable — More suitable

Less suitable — More suitable

Appendix 4. Step 3 | Solution & Problem Overlay - gDA

The heatmaps below show more detailed scores for suitable approaches to all solutions per problem archetype. This allows: a) multiple types of solutions to be considered (as is common on a portfolio level), and b) fitting solutions to finance to be identified when a set blending approach is already in place. We deemed approaches with a score below 50 to be unsuitable.



G: Grant / TA: Technical assistance / OF+inv: Outcomes funding involving investors (e.g., impact bonds, SIINC) / OF-inv: Outcomes funding not involving investors (e.g., outcomes based contracts) / S.Debt: Subordinated (junior) debt / C.Debt: Concessional debt / S.Equity: Subordinated (junior) equity / C.Equity: Concessional equity / F.loss: First-loss / Guarant.: Guarantee

Less suitable — More suitable

Less suitable — More suitable

Appendix 4. Step 3 | Solution & Problem Overlay - gdA

The heatmaps below show more detailed scores for suitable approaches to all solutions per problem archetype. This allows: a) multiple types of solutions to be considered (as is common on a portfolio level), and b) fitting solutions to finance to be identified when a set blending approach is already in place. We deemed approaches with a score below 50 to be unsuitable.

Archetypes	Business Model	Stage	1		2		3						4	
			G	TA	OF +inv	OF -inv	Debt	S. Debt	C. Debt	Equity	S. Equity	C. Equity	F. Loss	Guarant.
gdA	-	-												
	Non-revenue generating	Early-stage												
		Public sector expansion												
		Mature stage												
	Future financially sustainable	Concept												
		Early-stage												
		Public sector expansion												
		Private sector expansion												
	Financially sustainable	Early-stage												

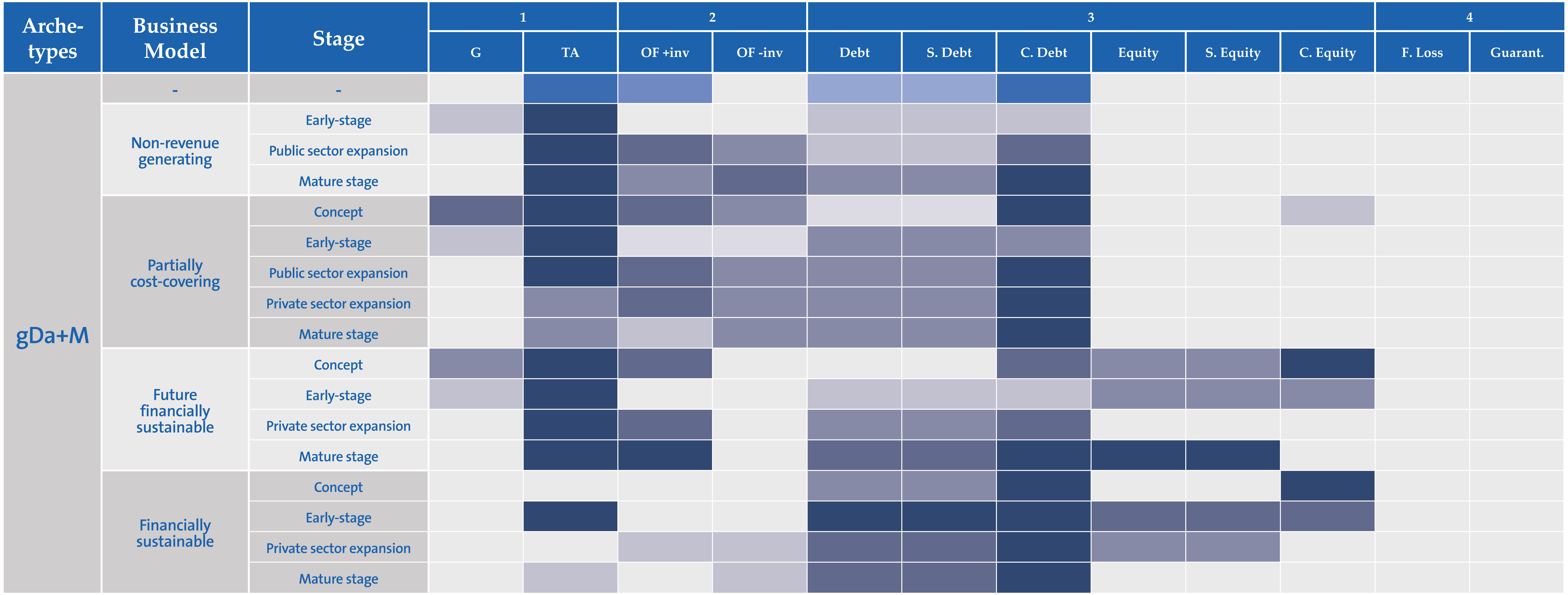
G: Grant / TA: Technical assistance / OF+inv: Outcomes funding involving investors (e.g., impact bonds, SIINC) / OF-inv: Outcomes funding not involving investors (e.g., outcomes based contracts) / S.Debt: Subordinated (junior) debt / C.Debt: Concessional debt / S.Equity: Subordinated (junior) equity / C.Equity: Concessional equity / F.loss: First-loss / Guarant.: Guarantee

Less suitable — More suitable

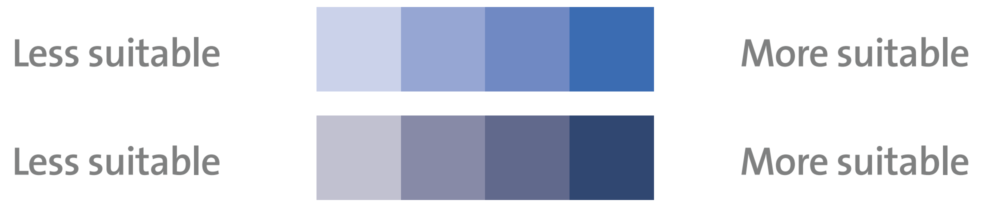
Less suitable — More suitable

Appendix 4. Step 3 | Solution & Problem Overlay - gDa+M

The heatmaps below show more detailed scores for suitable approaches to all solutions per problem archetype. This allows: a) multiple types of solutions to be considered (as is common on a portfolio level) and b) fitting solutions to finance to be identified when a set blending approach is already in place. We deemed approaches with a score below 50 to be unsuitable.



G: Grant / TA: Technical assistance / OF+inv: Outcomes funding involving investors (e.g., impact bonds, SIINC) / OF-inv: Outcomes funding not involving investors (e.g., outcomes based contracts) / S.Debt: Subordinated (junior) debt / C.Debt: Concessional debt / S.Equity: Subordinated (junior) equity / C.Equity: Concessional equity / F.loss: First-loss / Guarant.: Guarantee



Appendix 4. Step 3 | Solution & Problem Overlay - gDa-m

The heatmaps below show more detailed scores for suitable approaches to all solutions per problem archetype. This allows: a) multiple types of solutions to be considered (as is common on a portfolio level), and b) fitting solutions to finance to be identified when a set blending approach is already in place. We deemed approaches with a score below 50 to be unsuitable.

Archetypes	Business Model	Stage	1		2		3						4	
			G	TA	OF +inv	OF -inv	Debt	S. Debt	C. Debt	Equity	S. Equity	C. Equity	F. Loss	Guarant.
gDa-m	-	-												
	Non-revenue generating	Early-stage												
		Public sector expansion												
		Mature stage												
	Partially cost-covering	Concept												
		Early-stage												
		Public sector expansion												
		Private sector expansion												
		Mature stage												

G: Grant / TA: Technical assistance / OF+inv: Outcomes funding involving investors (e.g., impact bonds, SIINC) / OF-inv: Outcomes funding not involving investors (e.g., outcomes based contracts) / S.Debt: Subordinated (junior) debt / C.Debt: Concessional debt / S.Equity: Subordinated (junior) equity / C.Equity: Concessional equity / F.loss: First-loss / Guarant.: Guarantee

Less suitable — More suitable

Less suitable — More suitable

Appendix 4. Step 3 | Solution & Problem Overlay - gda

The heatmaps below show more detailed scores for suitable approaches to all solutions per problem archetype. This allows: a) multiple types of solutions to be considered (as is common on a portfolio level), and b) fitting solutions to finance to be identified when a set blending approach is already in place. We deemed approaches with a score below 50 to be unsuitable.

Archetypes	Business Model	Stage	1		2		3						4	
			G	TA	OF +inv	OF -inv	Debt	S. Debt	C. Debt	Equity	S. Equity	C. Equity	F. Loss	Guarant.
gda	-	-												
	Non-revenue generating	Early-stage												
		Public sector expansion												
		Mature stage												
	Partially cost-covering	Concept												
		Early-stage												
		Public sector expansion												
		Private sector expansion												
		Mature stage												
	Financially sustainable	Early-stage												

G: Grant / TA: Technical assistance / OF+inv: Outcomes funding involving investors (e.g., impact bonds, SIINC) / OF-inv: Outcomes funding not involving investors (e.g., outcomes based contracts) / S.Debt: Subordinated (junior) debt / C.Debt: Concessional debt / S.Equity: Subordinated (junior) equity / C.Equity: Concessional equity / F.loss: First-loss / Guarant.: Guarantee

Less suitable — More suitable

Less suitable — More suitable

Appendix 5. Blending Approaches - Technical Assistance (TA)

In the tool, TA is often included as a recommended blending approach across problems and solutions. This is not to say that TA is the best approach to all situations, but rather that TA can be complementary to many blending approaches. Below are key challenges and recent developments related to designing and providing effective technical assistance.

Key Challenges & Design Principles

- Country ownership
  - Countries need to have set their development priorities
  - Donors should align their support while using country systems; this requires overcoming risk aversion within donor organizations
- Focus on results
  - Actions and goals should be determined and measured
  - Results need to focus not only on short- and medium-term but also long-term capacity building; often there is a lack of distinction between capacity building and substituting capacity for short-term
  - Monitoring and evaluation systems should be based on country-led frameworks
- Transparency and accountability
  - Accountability structures within donor countries and organizations can be misaligned with reaching TA effectiveness
  - Reporting and incentive structures often lead to risk aversion and alignment with activities (e.g., business development) rather than development impact
- Inclusive partnership
  - Collaborative design and "weak ties" coalitions are key to development
  - Building on-the-ground coalitions requires flexibility in the theories of change and actions of TA programs
- Harmonization
  - TA should be coordinated, simplified in procedure, and shared to avoid duplication
  - Procurement and reporting processes should be harmonized to relieve the burden on local actors

Recent Developments

- Pooled or cooperative TA
  - The flexible TA facility model where a dedicated facility provides TA alongside investment funds is used by a number of donors
  - TA facilities can be divided into: a) core business development support (e.g., strategy, finance, marketing), and b) inclusive business support (e.g. catalyzing BoP opportunities, gender-lens practices, etc.)
  - There is increasing South-South cooperation or triangular cooperation that involves multilateral agencies
- Problem driven, iterative adaptation (PDIA)
  - There is a shift away from solution-focused programs and toward a problem-driven approach
  - "Wicked problems" have non-linear reform pathways and require adaptive and flexible workways; they require a clear definition of the destination and flexibility about the entry points
  - This approach focuses on small bets to learn lessons, iterate, and scale up
- Improved evidence base
  - More effort is put into building evidence of the effectiveness of what works in international development
  - A few actors:
    - The World Bank's Global Delivery Initiative
    - J-PAL
    - 3ie
    - GO LAB
    - Initiative for Blended Finance

* Source: Nastase et al. (2021); Ismail (2019)

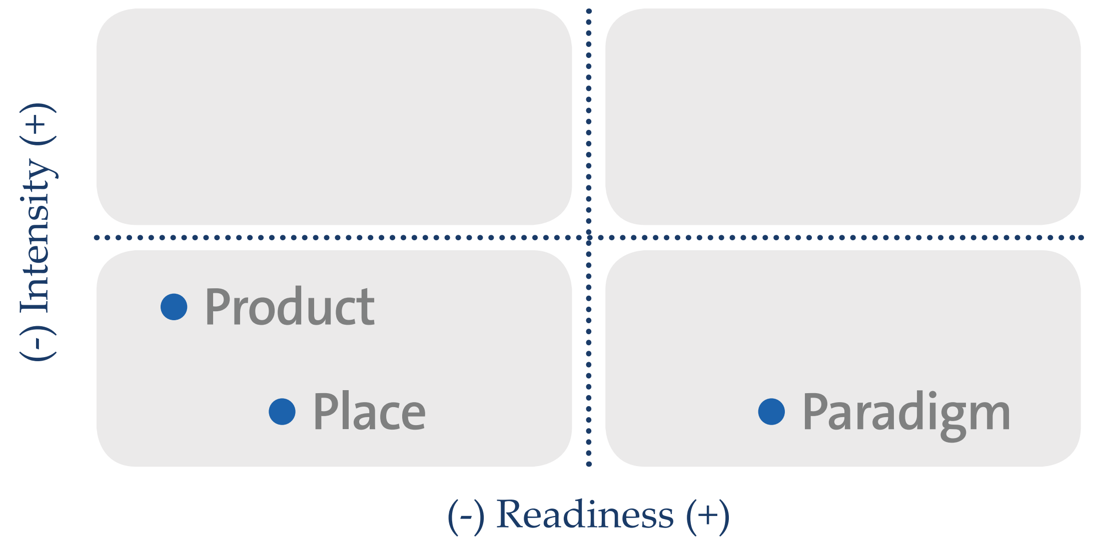
Appendix 6. Step 4 | Impact - Examples

Example Case Details	Impact Profile	Discussion

Example Case Details

Developing market social enterprise providing emerging farmers with low-cost access to sustainable biogas technology and financing in order to improve farm sustainability and efficiency.

Impact Profile



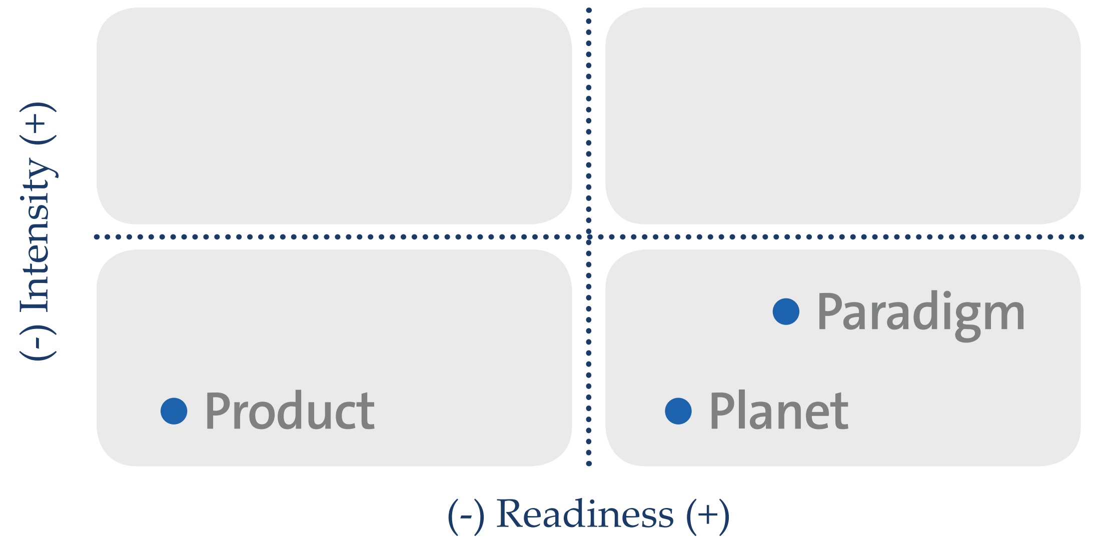
Discussion

- The enterprise has a product emphasis (selling a biodigester product). Also has a secondary paradigm and place relevance due to focus on improving emerging farmer access to sustainable energy and a focus on low-income countries
- Sector readiness is low, as potential farmer clients and local asset financing partners are insufficiently informed about the product or unable to finance it. This, paired with management's emphasis on measuring impact by monitoring how many of its customers are smallholders, means the impact intensity is medium to low.
- Alignment risk is reduced as funders perceive the impact to be adequately baked into the act of providing the biodigester product to farmers

Example Case Details

Medium-scale utility provider that designs and provides end-to-end renewable energy solutions by installing mini-power plants. Operates mini- and micro-grids that deliver electricity as a pay-for-use service to villages.

Impact Profile



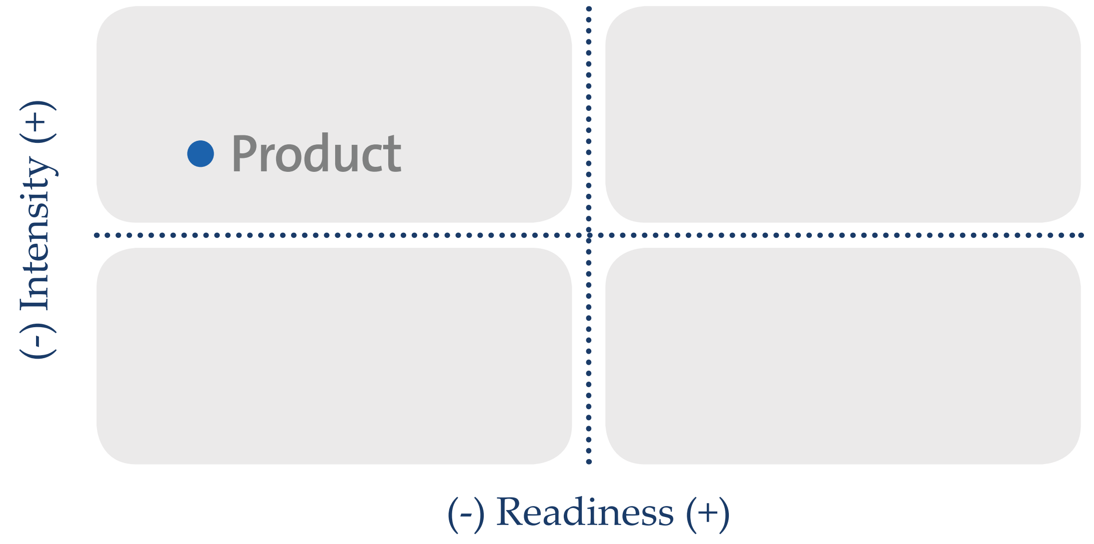
Discussion

- The organization has a product emphasis (centered on providing metered energy) with a secondary paradigm (promoting health and safety with safer energy sources for households) and planet (reducing emissions effects of paraffin) emphases
- Sector readiness is low, as potential implementers/lenders have limited impact measurement capacity. Additionally, the enterprise is focused on monitoring the broad socio-economic status of the area it works in, making the impact intensity medium to low
- Its energy focus has reduced its stakeholder participation risks by encouraging investment from funders with strong, existing energy sector ties

Example Case Details

Enterprise operating a multichannel marketplace of affordable products targeted at local artisans. Offers products including affordable medical insurance and access to discounted third-party products through demand aggregation.

Impact Profile



Discussion

- The enterprise has a product emphasis, along with a partial gender lens focused on women's empowerment
- The enterprise is seeking relatively high impact intensity, seeking to measure and optimize effects such as improvement in household disposable income, savings and health coverage for its clients. It also monitors the proportion of female customers served
- The organization is pursuing high impact intensity. However, its potential sector readiness is low; it can be difficult to reliably and cost-effectively assess the economic effects of its services on artisans' households

Appendix 7. Step 4 | Impact - Impact type and risks

- Emphasis on some impact types may affect the magnitude of impact risks faced by the transaction
- Some impact risks may be reduced where certain impact types are in focus (or vice versa)
- The general circumstance leading to each aggravating (↑) or mitigating (↓) effect are related in the tables that follow
- Moderate effects are denoted with a single arrow; stronger effects are denoted with two arrows

Impact Type

Risk	Alignment	Stakeholder Participation	Execution	Efficiency	Evidence	Endurance	Drop-Off
Product	↓↓ Providing goods or services well correlated with long-term impact goals	↓ Able to target partners experienced with the product or service	↓ Offering highly standardized or replicable goods/services	↓↓ Deepening cost efficiencies on standardized offerings	↑↑ Failing to interrogate continuing links t long-term impact	-	↑↑ Failing to interrogate continuing links to long-term impact
Place	↓ Undertaking activities with well-localized impact	↓ Target partners experienced with or with a mandate to support the locality	↓ Focusing on strengthening delivery for specific area(s)	↓ Able to deepen cost efficiencies by improved focus	-	↑↑ Historic place-based impact potential may dilute over time	↑ Historic place-based impact potential may dilute over time
Process	-	↓↓ Potential to approach broader number of stakeholders to support process effects	↑ External factors may negate improvements	↑ More complex theories of change may apply	↑↑ Process orientation may not yield final impacts	-	-
Planet	↑↑ Difficult to ensure efforts are sufficient for impact	↓↓ Potential to approach broader number of stakeholders to support environmental effects	↑ Regulatory or other external risks may impair impact execution	-	↑↑ Measurement may be complex/costly	↑ Effects confounded by environmental changes	-
Paradigm	↑ Undertaking larger scale, more complex projects	↑ Fewer potential partners with the necessary systems lens or resources	↑↑ Increased difficulty of coordinating complex work	-	↑↑ Measurement may be complex/costly	↑ External risks may affect impact in multiple ways	-

Thank You!