



## QUARTERLY REPORT #3

Report Period: April 1 – June 30, 2013

### SCALING HIGH-IMPACT INNOVATIONS OF SOCIAL ENTREPRENEURS

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## List of Acronyms and Abbreviations

AOR	Agreement Officer's Representative
AMP	Award Monitoring Plan
DIV	Development Innovations Ventures
IEE	Initial Environmental Examination
IIA	Innovation Investment Alliance
ION	Investment Opportunity Note
IRM	Investment Recommendation Memo
MC	Mercy Corps
MM	Mission Measurement
PMP	Performance Monitoring Plan
Skoll	Skoll Foundation
Snapshot	Also known as VHLPS, or Very High Level Program Snapshot, has very basic information about the proposed organization
USAID	United States Agency for International Development

## I. Executive Summary

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Mercy Corps funded the first recipient organization under the Innovation Investment Alliance this quarter. Granting BRL 6,859,675 (\$3,047,000) to Imazon, a Brazilian non-profit focused on deforestation, the organization will use the funds to scale an approach to control, manage and reduce deforestation by 80% in 50 municipalities in the state of Para, Brazil.

Once this first funding round was complete, the IIA partners reviewed the selection and application process and made revisions for the second round. Round 2 began in May and continues into the next quarter.

The IIA also had the opportunity to showcase this investment at the Skoll World Forum in Oxford in April, the Aspen Network of Development Entrepreneurs (ANDE) metrics conference and in various publications, including the *Christian Science Monitor*.

## II. Program Overview

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### A. Program Summary

The Scaling High-Impact Innovations of Social Entrepreneurs is an alliance between the Skoll Foundation (Skoll) and USAID, to co-invest \$40 million in cutting-edge, rigorously-evaluated innovations that are ready to scale, have sustainable models and can produce systems-level change. As an implementing partner, Mercy Corps screens, investigates, evaluates and proposes high-potential candidates; provides selected subrecipients with funding; and manages implementation on behalf of USAID for their portion of this program. Mercy Corps works closely with Skoll to ensure alignment between the parties.

Mercy Corps contracted with Mission Measurement (MM) to perform much of the work related to monitoring and evaluation (M&E) as part of the program. Mission Measurement developed an aggregate results framework for measuring progress and activities across the portfolio of investments and creating evaluation rubrics for the monitoring and evaluation components of the program, including the adaptation of their scale tool. As we source and evaluate organizations, MM is analyzing their prior evaluations and cost-effectiveness, provide support to the organizations to develop M&E plans, and track progress and report out on monitoring and evaluation during the implementation stage.

The goal of the overall alliance is that *high-impact, sustainable innovations proven to produce systems-level change in the developing world are showcased and brought to scale, in conjunction with the alliance partners.*

Two strategic objectives have been proposed for Mercy Corps' work under the alliance:

1. Alliance effectively leverages partners' resources and expertise to more powerfully support organizations at critical points for scale and transformational impact.
2. Social innovations provide and share meaningful data that demonstrate the impact of their approach as well as measure the value and impact of the investment alliance as a whole.

### **B. Program Environment**

Our first subgrant agreement was signed with Imazon during this quarter and Mercy Corps initiated new program roll out with the organization. Mercy Corps worked with Imazon to complete the Branding and Marking plan, the workplan and the year one budget. All were submitted to Mercy Corps on time.

After completing the first round of selection, all partners agreed that the process that had been used should be clarified and improved before moving on to the next round of investments. The partners agreed to meet in person for a two-day meeting to review the Round 1 experience and put forward recommendations. The partners gathered staff from USAID, Mercy Corps and Skoll to review the process as it was applied in Imazon's application; identify roadblocks, informational goals and needs; and map out a way forward with future investments. The meeting, along with a Steering Committee meeting, was held in Washington DC on May 9-10 and resulted in a revised process and timeline that is being used in Round 2. More information about the new process is in the Management of the Partnership section.

Round 2 started immediately after, with the first Gate call scheduled for May 30, and two conversations - Gate 1 and an improvised Gate "1.5" - took place before the end of this program period.

### **III. Performance Summary**

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Based on goals laid out in the cooperative agreement, success under this program will be measured on three levels:

1. Mercy Corps' management of the partnership activities and USAID's funds distributed to recipient organizations as described in the Award Monitoring Plan (AMP).
2. Aggregate program results across all recipient organizations, which will be measured using the Results Framework. This information will be collected and reported semi-annually.
3. Individual recipient organizations will report against their own Performance Monitoring Plan (PMP), reported quarterly.

## 1. Management of the Partnership

### A. Selection of Recipient Organizations this Quarter

In this quarter, one subgrant agreement was signed. The agreement is with Imazon for BRL 6,859,675 (\$3,047,000) and is effective for a three year period from May 1, 2013 to April 30, 2016. The program focuses on deforestation reduction in the Amazon, with the goal of scaling across the state of Para a methodology to enable municipalities to better control, manage, and reduce deforestation.

At the end of Quarter 3, after a series of conversations to determine appropriate fit, interest, and prioritization, the Innovation Investment Alliance (IIA) partners have identified 7 organizations that we are considering for funding in Round 2: Pratham, VisionSpring, IDE-I, Entrepreneurial Finance Lab, Water for People/Everyone Forever, Evidence Action/Innovations for Poverty Action and Instiglio. A Gate 2 call is scheduled for late July to narrow this list down to 2-3 organizations. MC will then proceed to investigate these organizations and write Investment Opportunity Notes to submit to USAID in early September.

#### Round 1: December 2012 – March 2013

7 considered: <i>Imazon, Root Capital, Mothers2Mothers, Ceres, Forest Trends, Amazon corridors/ Avina, and Building Markets</i>	2 IONs started, 1 completed: <i>Imazon and Forest Trends; Imazon completed</i>	1 application submitted: <i>Imazon</i>	1 funded: <i>Imazon</i>
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#### Round 2: May 2013 – November 2013 (to date)

Preparation Period	Gate 1	Gate 1.5	Gate 2.0 (in Q4)
Skoll Pipeline = 9 USAID Pipeline = 11	9 shortlisted: <i>Water for People, Evidence Action, Instiglio, VisionSpring, Entrepreneurial Finance Lab, Pratham, Riders for Health, IDE-I, SIRT-Kenya and Georgetown U.</i>	7 shortlisted: <i>Water for People, Evidence Action, Instiglio, VisionSpring, Entrepreneurial Finance Lab, Pratham, IDE-I</i>	4 selected to go to ION: <i>VisionSpring, Pratham, Water for People/Everyone Forever, Evidence Action</i>

**Total Number of Organizations in IIA process at the end of Q3**

Total Considered	27
Total Shortlisted	11
Total Snapshots completed	in Q4
Total IONs	1
Total Applications submitted	1
Total Funded	1

**B. Process of Selection of Prospective Organizations**

As part of our two-day meeting in Washington, DC Mercy Corps and partners identified and documented a revised process for investment selection. Under the new process, senior leadership from both Skoll and USAID are more involved in putting forward candidates for funding consideration and reviewing and prioritizing of potential investments. There are a series of decision-making “Gates” set up for the group to prioritize investment opportunities and Mercy Corps’ time in investigating potential deals. At each Gate, Mercy Corps completes a deliverable that outlines the information gathered to date and a recommendation for moving forward. See Attachment 1 for the documentation of the process.

Gate 1 took place May 30. The partners put forward priority initiatives from their respective pipelines that met Alliance criteria, reviewed potential investments, asked questions and narrowed the list down to nine organizations. Because the intent was to have a list of the top six opportunities, they decided that they needed to hold an unplanned “Gate 1.5” to collect additional information to make this decision. Gate 1.5 on June 25 resulted in a prioritized list of seven organizations. The partners will convene again prior to Gate 2 at which point Mercy Corps will present program snapshots and the partners will select 2-3 organizations to prioritize for funding.

As part of the process review, USAID committed to clarifying information needs and targets at each Gate. USAID provided feedback on information they would look for in the Snapshot, a document prepared for USAID for decision-making at Gate 2. In each case, USAID is balancing their information needs against levels of effort for Mercy Corps and potential grantees, as well whether expertise provided by Mission Measurement is required and available.

**C. Mission Measurement**

In Q3, Mission Measurement was tasked with the next stage of work, helping Imazon to develop their indicator plan and advising them on data collection. In the process, MM also created templates and tools that will be useful for work with additional grantees, including a guide on measuring cost effectiveness and a template for the indicator plan. Mission Measurement also consulted with MC on developing the scope of work for an external evaluator for Imazon.

When reviewing the selection and application process used with Imazon, there were a number of ways that the actual work required in the due diligence stage did not match

expectations and required that Mission Measurement provide a greater level of effort than had been estimated. At the completion of this stage, MC and MM agreed to review the contract and see how it should be adjusted to better match the actual work required. Mercy Corps has been in discussion with USAID to get clarification on the what information is required at each of the stages and what USAID's expectations are for portfolio level data collection and reporting and will use this information to redefine and renegotiate the contract with MM.

#### **D. External Communications**

In the last quarter, the primary newsworthy activity was the Imazon investment. To capture this story, Mercy Corps drove the development of three stories:

- A [press release](#) that announced the Imazon Investment, which was displayed on the websites of all of the partners;
- A [blog post](#) about the Alliance's use of data, the Skoll World Forum, and Imazon;
- A [profile of Imazon](#) in Global Envision, which was displayed on *Next Billion*, the *Christian Science Monitor*, and is slated to be picked up in CSM's upcoming print addition. The article was also shared on partner websites.

In the last quarter, the Imazon investment was also announced at various conferences, including the Skoll World Forum. Valerie Dao of Mission Measurement made a presentation at the ANDE metrics conference about the partnership, where she discussed their work around ecosystem uptake, focusing on the scaling and adoption of an innovation.

Number of unique stories	3
Number of outlets posting the stories	11
Unique page views*	400+
Number of conference presentations	3

\*Note: this reflects numbers from Mercy Corps, Skoll and Global Envision. We do not have precise data from USAID or Christian Science Monitor, but CSM receives over 4 million unique visitors per month

Finally, Mercy Corps also developed and published a factsheet on the Alliance, in coordination with Alliance partners, which is displayed on Mercy Corps' website.

#### **E. Next Quarter Activities**

In Quarter 4, Mercy Corps will continue to work with the partners to prioritize investments and move them toward funding. The Gate 2 call is scheduled for early Q4, and partners will identify 2-3 organizations for further investigation, and Mercy Corps will develop IONs. In early September a Steering Committee will take place to review the IONs and give approval to continue to the next stage of Due Diligence and proposal development. The parallel Skoll process is on a slightly different timeline, with their staff preparing Develop Memos in August and September in preparation for their board in

early October. It is possible that funding for organizations will occur at different times for USAID/Mercy Corps funding and Skoll funding.

For those organizations that have been identified as interesting by the partners but which are not quite ready for funding, we expect that MC and Skoll will continue to check in with them and/or revisit them at a later date.

## **2. Aggregate Program Results**

To date MC has funded only one organization and aggregate metrics are not yet available. We will report on them on a semi-annual basis, in October and April.

## **3. Subaward Recipient Organizations**

### **A. Imazon**

Imazon was prioritized as an investment in Quarter 1, review and due diligence occurred in Quarter 2 and the organization was funded at the beginning of Q3. Within 30 days Imazon submitted a Branding and Marking Plan, and within 90 days they submitted a workplan, monitoring plan and budget for the first phase as required.

The BRL 6,859,675 (\$3,047,000) investment will support Imazon over a three-year period to scale a methodology to 50 municipalities in the state of Para. The approach works with municipal governments better enable them to control and manage deforestation, and support Para's secretariat to manage these activities over the long run. This complements Skoll's earlier investment of \$2.6 million to support state level activities aimed at reducing deforestation. As a result of this investment, Imazon hopes to reduce deforestation in the 50 municipalities by at least 80%. This investment was officially approved by USAID on April 4, 2013 and also received support from USAID's internal deforestation team, USAID's Brazilian mission, and Skoll.

The Imazon grant officially started on June 1, 2013. So far, Imazon has performed early research and documentation related to decentralization of management and control from the state to municipal level, and has been in planning discussions with municipal governments and the Green Municipalities Secretariat. All of these activities are on track according to their workplan, and meet our expectations for the first month of implementation.

## **IV. Administration**

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### **A. Committees and Communications**

1. Communications Committee: The communications convened on a monthly basis in the lead up to the Imazon investment and in advance of the Skoll World Forum. Once that launch occurred, the committee has been updated on programmatic progress via email on a monthly basis. We expect live monthly

- committee meetings to continue once programs pass the ION phase (and therefore have a higher likelihood of being funded).
2. Weekly Tracker: The weekly tracker was suspended once the Imazon investment was complete. We anticipate that the Tracker will be reinstated as we move into the ION stage.
  3. Monitoring and Evaluation Committee: The committee was suspended once the investment in Imazon was made. We anticipate the committee to resume later in the ION phase, once program opportunities are detailed enough to merit discussion about M&E.
  4. Management Committee: Although fairly regular conversations took place, including Gate calls, formal management meetings between USAID and Mercy Corps did not take place in Q3. They are expected to start up in the next quarter.
  5. Steering Committee: A Steering Committee was held on May 10. The committee approved the outcomes of the working group meeting and revised process. Maura O'Neill shared her plans to leave her position at USAID and the implications for the Alliance.
  6. USAID and Skoll Check-ins: Were convened around specific opportunities and were frequent.
  7. Mission Measurement: Mercy Corps conducted a weekly check in with Mission Measurement to discuss developments and ensure progress toward goals.

#### **B. List of Tools and Documents Developed**

1. Cost-Effectiveness toolkit. This tool was developed by Mission Measurement to enable grantee organizations to understand cost effectiveness and report on it.
2. Factsheet. This document was developed by Mercy Corps, with input from partner organizations, to outline the Alliance and investment priorities. It is publically displayed on the Mercy Corps website.
3. Templates. Mercy Corps and Mission measurement developed management templates for grantee organizations, including an indicator table and reporting framework, a workplan, and quarterly report.
4. Snapshot. With strong input and guidance from USAID, Mercy Corps finalized the snapshot document to be used at Gate 2.

#### **V. Challenges and Lessons Learned**

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- *The updated process has significantly improved relationships and investment success.* The revised process that was established in April includes more opportunities for USAID and Skoll to compare information on potential recipient organizations and brings more transparency to the selection and prioritization process. It also facilitates more direct conversations with both organizations, including at the leadership level. This has led to a much more collaborative and open process, and has improved partner understanding and investment selection. While this process has taken more time by staff and leadership of both partners in the initial stages, and pushes back the funding schedule, we anticipate that the funded programs will be designed to better reflect the goals of both partners and require less effort to get buy-in at later stages.

- *It takes time to define program opportunities and requires multiple discussions.* When the process was designed by the working group in May for Round 2, it outlined a minimal level of effort for Mercy Corps and Skoll prior to Gate 2. Skoll and MC were expected to collect available information on the potential recipient organization and contact the organization only once or twice to collect additional information. Mercy Corps largely adhered to this level of effort, but two organizations received substantially more attention and a greater level of effort. VisionSpring and Water for People/Everyone Forever, had been identified as strong contenders for funding earlier at the Steering Committee in May and more time was spent on their development. As a result we produced much stronger program opportunities with VS and Water for People and better provided the information that USAID has requested as opposed to organizations that were selected after that time. In short: the Round 2 process was good at identifying organizations of interest to both partners, but not necessarily good for identifying specific programs to fund, information which is important to USAID at this early stage. We may need to adjust the process to take more time to gather necessary information at the earlier stage.
- *There is still progress to be made around defining USAID expectations.* During the two-day meeting in May, several procedures were not finalized, but USAID agreed to develop guidance and report back to MC in June. These topics included expectations around how evaluation would be structured, sourced, and specific guidance on information expectations at each stage – Snapshot, ION and Application. MC has received guidance on the snapshot, but has not received specific guidance on the remaining items. USAID has remained in communication with MC about this, and they are committed to getting this information to MC on a rolling basis. We expect more detail before Gate 2 occurs.
- *Determining the role of external evaluation for each subgrant has not been solved, but we have a new approach.* While one of the major challenges identified in our last report, the role of external evaluation, has not been clarified, Avery Ouellette has been identified as the point person to support the development of the role of external evaluation. It is expected that this should reduce frustrations and opacity related to this issue.
- *The partners are already developing a strong pipeline for Round 3.* After conversations with many of the organizations investigated in the early stages of Round 2, the partners remain interested in several organizations which were not shortlisted. These organizations generally needed more time to develop their ideas or complete assessments or gather more data on existing programs. Although these decisions narrowed our current pool of applicants, this will set us up well for subsequent funding rounds.
- *Role of funders in program design.* As we go through the process of identifying interesting ideas to support, we are all aware that there is a delicate balance between encouraging organizations to move forward on potential projects or approaches and being perceived as forcing organizations to work on projects that may not be a priority for them or asking them to do it in a specific way. All of us are cognizant of this issue, but it continues to be mentioned in meetings as

- something all partners need to continue to manage in conversations with potential recipient organizations.
- *Difficulties with hiring the Imazon external evaluator.* Hiring the external evaluator for the Imazon subgrant has been difficult not only because the proposed methodology is fairly unusual but also because it has been difficult to provide enough information to candidates to get bids. For future subgrants it would be better to have the entire design done by the same entity and at the same stage.
  - *Good working relationship between MC and Skoll.* Close sharing of information between Skoll and Mercy Corps has been very useful in the gathering of information on prospective subgrantees. Imazon came to MC as a relatively clear opportunity (Skoll had already performed due diligence, program design, and funded the organization). For all investments going forward, Mercy Corps and Skoll will perform investigations concurrently. This joint discovery and due diligence process has greatly increased our intimacy with program opportunities and increased opportunities to find priority programs for USAID, and engendered partner trust.
  - *LOE revisions needed to be made, and will be instituted.* Analysis from Q2, which was presented at the two-day meeting in May, showed that Mercy Corps and Mission Measurement would not be able to continue with the same level of effort going forward. Between funding multiple investments and managing the Imazon relationship, the organizations would quickly exceed budgeted time. In addition, analysis showed that a disproportional amount of time was focused on cost effectiveness as opposed to other criteria. USAID took this feedback very seriously, and in addition to promising to develop clear target information at each gate, has taken LOE into account when clarifying documents at each Gate.

## **VI. Conclusions and Expectations for Next Quarter**

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With some experience gained from the first round of applicant selection and some hard work by the partners to review the successes and challenges of the partnership, the Alliance has moved to a new working model that is more participatory. While this model requires a greater lift up front, we believe that this will smooth out investigation in later stages and prioritize investments that are a good match for both USAID and Skoll. It is a learning process, however, and we anticipate more changes will need to take place. We will do another review at the end of Round 2 to see what needs to be modified before launching into Round 3.

### **Attachments**

#### **Attachment 1: Revised Process and Schedule**