



## QUARTERLY REPORT #4

Report Period: July 1 – September 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
EF	Everyone Forever
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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The Innovations Investment Alliance focused on selecting the top candidates from the USAID and Skoll pipelines and further analyzing the proposed opportunities this quarter. Representatives from USAID and Skoll Foundation were highly engaged in choosing which investments would be advanced to the due diligence stage. Mercy Corps and our corresponding counterparts at Skoll Foundation conducted research on the organizations proposed for funding and Mercy Corps developed Investment Opportunity Notes to guide decision-making by USAID senior management.

Monitoring of the existing subgrant to Imazon continued and early results of their work indicate that they are on schedule.

## 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.

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

Because one of Mercy Corps' primary roles is to screen, select, and analyze program opportunities, the process to release funding can take a significant amount of time. During quarter 4, Mercy Corps continued to focus on advancing its second cohort of funding opportunities.

### **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, no subgrant agreements were signed, but work was continued to identify appropriate organizations. The list of potential investments in Round 2 was reduced down from seven.

A Gate 2 meeting took place early in the quarter, with the goal of reducing the list of potential organizations for funding down to 2-3 organizations. During the call on July 26, 2013 the partners agreed to move forward with investigation of:

- Pratham: Read India and Vocational Training;
- Vision Spring: Scaling Bangladesh, Central America, and Rwanda;
- Everyone Forever (EF): including Water For People, IRC Water and Sanitation Centre, and Water and Sanitation for the Urban Poor: Water and Sanitation as a service in Honduras, Ghana, Uganda, and Rwanda;
- Evidence Action/Innovations for Poverty Alleviation: scaling chlorine dispensers in Uganda.

Everyone Forever and Evidence Action are programs that fall under the WASH sector, and it is expected that they will be combined into one "umbrella" investment opportunity.

Three additional opportunities had been considered for funding but were subsequently deprioritized for the funding round. Instiglio and Entrepreneurial Finance Lab (EFL) were interesting concepts, but were not appropriate for funding at this point in time. Instiglio did not meet funding parameters of advancing systems change, but will continue to be considered as an interesting financial tool to be bundled into a program that receives government funding at a later point in time. EFL were considered a bit too early, but Mercy Corps will continue to receive updates from them as they develop their product. IDE-I was an interesting opportunity, but the IIA management team decided to hold off until the next round to consider this opportunity, during which point IDE-I would move forward with a pilot to test their innovation in Central Africa and it would allow the Alliance greater insight into their approach in a new market. In addition, it was decided

that the Alliance would not investigate the Pratham Read India opportunity until elections take place in May 2014.

The Gate 3 call was originally scheduled for September 6-9, but Mercy Corps and Skoll management decided that additional time was needed to prepare and postponed the meeting for two weeks. An informal check-in call occurred on September 5 and the Gate 3 call was held on September 23.

For the Gate 3 call, MC submitted full Investment Opportunity Notes for Everyone Forever, Evidence Action, and Vision Spring. MC and Skoll staff were continuing discussions with Pratham at the time to determine if there was an opportunity for vocational training and MC did not complete an ION. The Pratham program opportunity, while promising, lacked sufficient evidence and MC was researching the possibility of a smaller investment focused on obtaining evidence that could be used to design a larger program.

### Round 1: December 2012 – March 2013

Pool	IONs	Application	Funded
7	1	1	1
Imazon	Imazon	Imazon	Imazon
Root Capital			
Mothers2Mothers			
Ceres			
Forest Trends	Forest Trends*		
Amazon Corridors/Avina			
Building Markets			

\* Not completed

### Round 2: May 2013 – November 2013

#### Pool

Skoll pipeline = 9

USAID pipeline = 11

Gate 1	Gate 1.5	Gate 2/Snapshots	Gate 3/ IONs
9 Shortlisted	7 shortlisted	4 Selected	4 Selected
Water for People/EF	Water for People/EF	Water for People/EF	Everyone Forever
Evidence Action	Evidence Action	Evidence Action	Evidence Action
Instiglio	Instiglio		
Vision Spring	Vision Spring	Vision Spring	Vision Spring

Entrepreneurial Finance Lab	Entrepreneurial Finance Lab		
Pratham	Pratham	Pratham	(Pratham)*
Riders for Health			
IDE-I	IDE-I		
SIRT-Kenya & Georgetown			

\* selected for potential smaller program with reduced due diligence. No ION written

#### Total Number of Organizations in IIA process at the end of Q4

Total Considered	27
Total Shortlisted	11
Total Snapshots completed	4
Total IONs	4
Total Applications submitted	1
Total Funded	1

#### Selection of Research Evaluation Contractor: TerraCarbon

Mercy Corps conducted a competitive process to select an organization to conduct the evaluation of Imazon's work under Phase 1 of their project. After many weeks of advertising the position and sending notices to contacts through Mercy Corps, USAID, Skoll and our M&E networks, we received two high quality bids for this work. The evaluation that was proposed in our contract uses some very new methodologies and required experience in issues around forest management and deforestation. These two areas of specialization are very specific, and it is not surprising that there were not a lot of bids for this work. The applicants were scored and TerraCarbon won on the strength of their experience in the sector and the strong team that they fielded.

The contract with TerraCarbon is structured such that TerraCarbon will initially assess the available data and do a deeper analysis of the suggested methods to evaluate the impact of Imazon's initiative. They will then propose a detailed workplan and budget for Phase 2, which will be approved separately. An initial scoping trip is scheduled for two researchers in late October. The draft Phase 1 report is due on or before February 13, 2014 and will be shared with USAID.

#### B. Mission Measurement

Mercy Corps and Mission Measurement reviewed the existing contract and re-examined the work that was required in the next stages of the award. It was agreed by both parties that a portion of the work, preparations for semi-annual reporting, would require MM's expertise, but that the ongoing work with the subgrantee organizations was less suitable for an outside contractor. Timing was unpredictable and the amount of work was

variable, making it very difficult to schedule with MM staff. Both parties agreed, with USAID support, that MM would complete the remaining activities around preparation for semi-annual reporting, help to train the incoming Mercy Corps M&E staff, and then the contract would terminate.

To capture data from semi-annual reporting, Mission Measurement created an “Active Excel” spreadsheet. This tool collects data from each of the subgrantees and aligns it with the IIA Results Framework. By using this tool, at the conclusion of the cooperative agreement we will have data that will demonstrate the impact of the partnership.

Mercy Corps will hire an internal M&E specialist to take over the responsibilities managed by Mission Measurement. Progress on this hire is outlined further in “Staffing”.

### C. External Communications

This quarter IIA was featured both for the partnership as a whole and for Imazon’s innovative work.

In an article in the Federal Times, “The age of public-private collaboration” by William Eggers and Paul MacMillan, September 15, 2013, the authors stated,

“Jointly funding projects with impact investors, foundations and businesses offers government a compelling alternative to reducing services in the face of budgetary constraints. Moreover, joint action supplies more innovative, customized offerings to citizens. Consider USAID and Skoll Foundation’s \$44.5 million alliance that brings a venture-capital-inspired approach to fueling innovation in health, energy, governance and food security.”

Imazon was prominently featured in a special report on biodiversity entitled “All Creatures Great and Small” in the Economist, September 14, 2013. In the section entitled “Trees of Knowledge”, The Economist calls out Imazon for their use of data obtained by state-of-the-art mapping and how the publication of this information swayed public opinion and pressured the government to act. USAID is specifically mentioned for their support to Imazon.

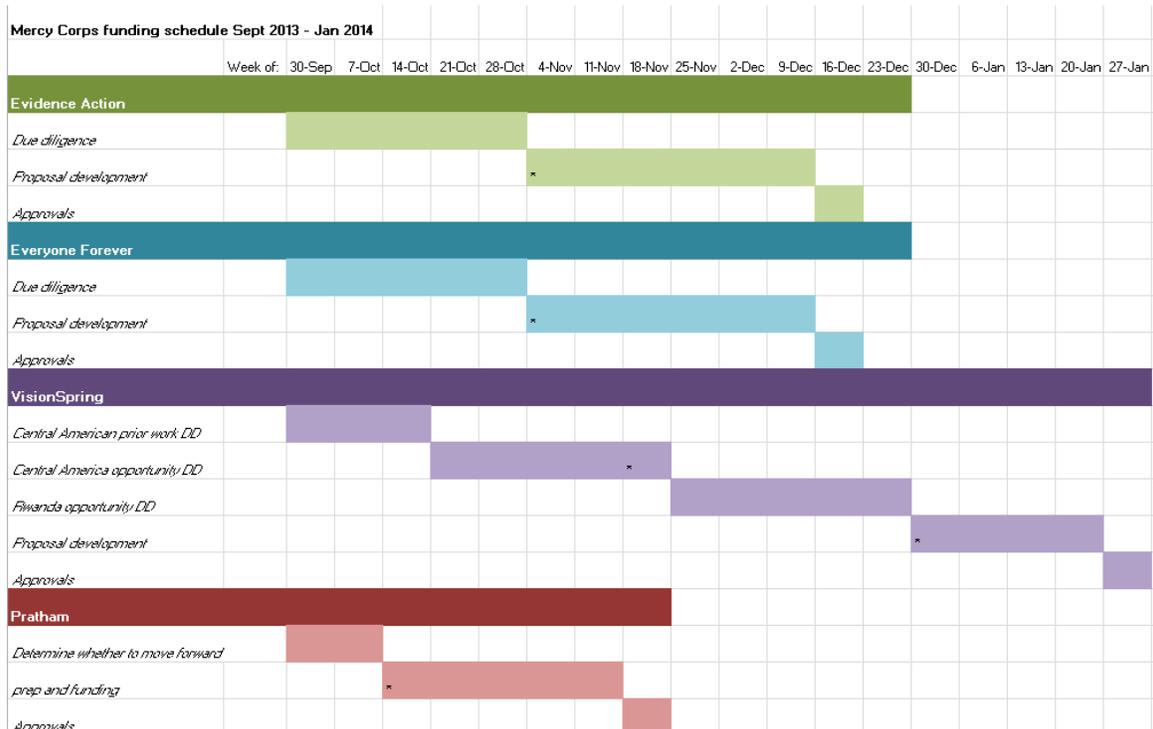
Beyond these unique articles, previous stories developed by Mercy Corps continued to receive site visits. In addition, *How better-trained farmers slow Brazil’s deforestation*, a story developed by Mercy Corps and displayed on Mercy Corps and Skoll websites and USAID, was picked up by the Christian Science Monitor July 3, 2013.

Number of unique stories	5
Number of outlets posting the stories	7
Unique page views*	1231
Number of conference presentations	2

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

### D. Next Quarter Activities

In Quarter 5, Mercy Corps aims to progress the four potential investments according to the schedule in Figure 1, Mercy Corps Funding Schedule September 2013 – January 2014.



The schedule is dependent on several factors, including the responsiveness of the potential recipient organizations, the support by USAID to continue with each of the organizations and advancement/ setbacks in the parallel Skoll process. It is likely that these factors will cause the schedule to be adjusted. With this schedule, although much of the work on these proposed investments will be completed this quarter, it is probable that the actual agreements will be signed early next quarter.

The Skoll process is on a slightly different timeline, as their approval process is closely aligned with their board meetings. Mercy Corps will remain in close communication with them to ensure our investments are aligned and we do not fund an organization that is also not supported by Skoll.

## 2. Aggregate Program Results

The *Active Excel* tool created by Mission Measurement is designed to aggregate the data from all subgrantees which will be reported on a semi-annual basis. To date only one organization has been funded, Imazon, and Mercy Corps has entered their data into the Active Excel tool. The tool is attached as an annex to this report.

The Active Excel demonstrates aggregate metrics for each organization and also rolls up the results to report against the standard indicators created in the Results Framework for the partnership. In addition to a table form, the information is visually displayed in dashboards for each organization and for the portfolio as a whole.

## 3. Subaward Recipient Organizations

### A. Imazon

The program has three major objectives. The first objective is to create a basis to decentralize environmental management and control at the municipal level. Second, the program will test the municipal decentralization process in ten pilot municipalities. Finally, the program aims to support GMP to expand the decentralization process in up to 50 municipalities in the State of Pará. To reach these objectives Imazon collaborates with the municipalities, the GMP, and other organizations to create conditions to control deforestation and environmental assets at municipality-level. Through this alliance, Imazon is working to enable municipal-level governance of environmental licensing, monitoring, and control of rural activities. This involves capacity building at the municipal level, and the creation of standards to equip the municipalities to manage, license, and control economic activities in the rural sector.

The roll-out of Phase 1 is well underway, with Imazon working in 10 municipalities to decentralize environmental management and control. They have established terms of technical cooperation with 10 municipalities and signed agreements with 7, with the remainder under consideration. In each of the ten municipalities, Imazon has assessed the existing capacity, basic infrastructure, quality of equipment, availability of resources and potential barriers to implementation. They are now drafting the environmental management guide, working on a legal framework and collecting information on the costs and benefits of decentralization. Preparations are underway for the training in the pilot municipalities. Imazon is also making contact with institutions outside of the 10 pilot municipalities to become potential partners in the capacity building activities.

Mapping has begun and is at various stages in different municipalities and work has begun on detecting deforestation and reporting it. All is done in the context of working with the government and legal entities to integrate systems and collect and report on information according to the legal and policy framework.

In May of 2013, the GMP launched its first statewide campaign to combat deforestation. Imazon advised the GMP during the design of the campaign and contributed to the content and strategies for dissemination.

In a recent communication from David Rothschild of Skoll Foundation, he mentioned that “USAID support to building municipal level capacity to enact the GMP on the ground is critical and a significant boost.” USAID’s work at the municipal level complements and supports Skoll Foundation’s work at the state and national level.

Amy Sproston, Mercy Corps Finance and Compliance Officer, plans to conduct a field visit to Imazon in Brazil next quarter to review Imazon’s finance and compliance systems and to ensure compliance with USAID’s requirements.

## **IV. Administration**

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

1. **Communications Committee:** The communications committee met during the quarter and has developed a schedule for engagement, leading up to anticipated release of funds. Skoll recently hired a new communications director, so this meeting allowed the new director and USAID to engage for the first time.
2. **Weekly Tracker:** The weekly tracker was suspended once the Imazon investment was complete but has been resumed now that we are working with a specific list of potential investments.
3. **Monitoring and Evaluation Committee:** The committee was suspended once the investment in Imazon was made but reconvened in Q5 to guide monitoring and evaluation of Round 2 prospects. This will be led by the new MC hire (see below).
4. **Management Committee:** Although fairly regular conversations took place, including Gate calls, formal management meetings between USAID and Mercy Corps did not take place on a regular schedule in Q4.
5. **Steering Committee:** no Steering Committee was scheduled. We anticipate a Steering Committee meeting in December or January.
6. **USAID and Skoll Check-ins:** Meetings were convened around specific opportunities and were frequent.
7. **Mission Measurement:** Mercy Corps and Mission Measurement re-negotiated the existing contract. It was mutually agreed that the work would be better accomplished with a different structure. Two final activities were identified to be completed by Mission Measurement and then the contract would be terminated. This work will be completed in the next quarter, and the contract will be terminated.

### **B. Staffing**

As outlined in our last report, Mercy Corps has recognized the need to hire an M&E specialist to replace Mission Measurement, as well as an Assistant Program Officer to

manage many of the contractual duties associated with the program. These positions were realized based on cost savings from the annulment of the Mission Measurement contract and by reducing the time of the Senior Program Officer on this grant.

In Q4, we made progress with hiring both positions. The positions remained open for a number of weeks, and both received 100+ applicants. After a series of interviews, MC identified a strong list of finalists. The final hires will be made early in the next quarter. Once the new M&E specialist is identified, they will be submitted to the AO for approval as key personnel.

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

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*Mercy Corps and Skoll are attempting to co-design investments.* Round 2 has been our first opportunity to co-design investments together with Skoll. Skoll and Mercy Corps have readily shared information with each other and jointly conducted interviews. The economies of time and effort are clear and we expect continued integration of our investigations. The differences in the processes, timelines and information requirements for each organization, however, has meant that our activities are not completely aligned. Working with several different organizations in Round 2 is giving us the opportunity to learn how best to do this.

*There is continued work that must be done on the revised process.* The restructuring of the selection and approval process that occurred after the first round of funding has continued to guide us. As mentioned in the previous report, the revised process has significantly improved relationships and aligned prospect development more closely with both organizations' requirements. We have not completed the round, however, and are still refining the revised process. There are some parts of the process that still require USAID's input, and we are receiving that guidance as we go through the process.

*Pipeline readiness has been an issue.* When we approached organizations in the USAID and Skoll pipelines for this round of funding, many of them had program ideas without a full track record or that were not fully articulated. This has meant that for most funding opportunities, we have had to spend additional time articulating the programs and waiting for assessments to be finalized. We anticipate that the funding opportunities that were delayed in the last round (such as IDE-I and Pratham Read India) will be strong contenders for round 3, as we have already been able to provide input into current program design and can anticipate clear pilot results in the coming months. Keeping our funding pipeline "live" and regularly looking for upcoming opportunities will be important to continue to do as we move forward.

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

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In the coming quarter, we need to make significant progress on due diligence and program design, with a goal to fund or be very close to funding this current cohort of opportunities. We expect to proceed at a relatively rapid pace, and need to be cognizant of how we engage with Skoll teams and ensuring that both organizations are moving forward with relatively equal levels of confidence. We also want to begin to cultivate our third round of funding opportunities.

### **Attachments**

#### **Attachment 1: Active Excel**