Scaling Pathways
Insights from the field on unlocking impact at scale

Excerpt from
Financing for Scaled Impact

IMPLICATIONS FOR FUNDERS

How Can Funders Support the Key Financing Strategies that Accelerate Impact?

Discussions with successful social enterprises from the Skoll, IIA, and DIV portfolios have pointed to six key financing strategies they draw upon to accelerate their scale of impact. So, how can funders support social enterprises in using those strategies to achieve greater and more cost-effective impact? Here we provide insights gleaned from the social enterprises:

Provide Access to **Flexible Funding**

- **Fund organizational outcomes, not activities.** Organizations need room to pivot, adapt, and innovate around the ways in which they deliver impact in order to end up stronger with more robust strategies. Funders should shift away from project-based modes of financing—where activities are often prescribed and it is difficult for the enterprise to adjust course—to funding the enterprise's vision, whole business plan, or a set of target outcomes. *See WSUP and Living Goods examples (page 8).*
- **Measure with milestones.** Measure organizations' progress and results against a few key milestones as opposed to a more granular list of specific activities. *See the Mulago Foundation's suggestions on specific and quantitative milestones across the areas of delivery, organizational capacity, and impact.*
- **Fund for multiple years.** Provide multi-year funding (with smooth outflows) where possible, to allow for long-term strategic planning and smoother expenditures. *See WSUP example (page 8).*
- **Fund pilots and testing at all stages.** Successful scaling organizations continue to pilot-test efficiencies and new ways of achieving impact, but require funding to do so. Encourage and support their testing and risk-taking. *See One Acre Fund example (page 14).*
- **Encourage and reward transparency.** Encourage learning and transparency through your own sharing of lessons learned and incentivizing ventures to reflect on failure and pivots. Build trust by providing timely help, feedback, and questions during non-crisis times. When a problem emerges, help your grantees/investees generate excellent solution options, which will help ensure that they can make the best decisions. *See Root Capital example (pages 5-6).*

> **It's important to have flexibility to do things that funders typically won't fund. Most funders want to know about direct number of beneficiaries. But if you change a system to benefit everyone, you can't directly say it is x number of heads.**
>
> Yaver Abidi,
> Managing Director,
> WSUP Advisory

Support Efforts to **Diversify Funder Base**

- **Make diversification possible.** Decrease the management burden attached to spending your capital, so that the venture maintains capacity to bring in (and manage) additional funders. Collaborate with other funders on diligence, negotiation of terms/outcomes, and reporting/measurement requirements where there is alignment.
- **Help amplify key moments.** Use key moments of success to act as an advocate and connector on behalf of the venture, to help them bring in new funders. *See Living Goods example (page 9).*
- **Be a signal to other funders.** Support the hand-off process if an organization is graduating from your type of funding. Help make connections and leverage your brand to act as a signal to other funders, even ones with very different capital. *See Living Goods and WaterEquity examples (page 9-10).*

Participate in **Results-Based Financing**

- **Fund RBF design costs.** The design, administrative, contracting, convening, and legal costs of an RBF are often not fully accounted for in government tenders that are based on a dollar value per outcome. Provide grant funding to facilitate RBF planning and execution: this can include baseline studies, legal counsel, and new hiring costs for both service providers and intermediaries.
- **Support outcomes-focused pilots and upgrades to enterprise performance management systems.** Help ventures to understand if RBF is right for them and to put themselves in a strong position before entering an RBF contract by funding outcomes-focused pilots. Once the RBF is in place, help organizations upgrade their performance management systems to more efficiently and effectively troubleshoot and pivot as the RBF project progresses. *See Educate Girls example (page 12).*
- **Commit to learning together.** The field is still learning how to best design, structure, and implement RBF contracts. Before engaging, commit to learning with the other RBF stakeholders and to continuously adapting the process.

One Acre Fund invests staff, time, and resources into testing and piloting innovations. Their 2014 technology innovation resulted in an 85% reduction in payment leakages and 46% savings in field officer time spent on collections.

Support Efforts to **Reduce Costs**

- **Spend money to save money.** Support (financially and with other resources) processes to identify, test, and implement efficiencies. *See One Acre Fund example (page 14).*
- **Buying vs. building: encourage growth through partnerships.** Beyond capital, explore providing technical support and network connections to help enterprises build value-chain partnerships. Be patient, as partnerships often take significant time to develop. *See VisionSpring example (page 14).*

Support Efficient Impact Through **Earned Revenue**

- **100% self-sufficiency on earned income is often infeasible.** Recognize that full operational self-sustainability is not always the right target for ventures seeking to change systems. Encourage ventures to identify and define a metric for sustainability or value of impact per dollar that allows them to drive toward best value impact instead. Help enterprises understand the information you need to trust their metric. *See VisionSpring, Root Capital, and One Acre Fund examples (page 16-17).*
- **Be the insulation from earned revenue fluctuations.** Even ventures with strong earned income streams are likely to suffer shocks to this revenue given the inherently riskier and less predictable environments in which they work—particularly when they test new markets or approaches to achieve more efficient impact. Provide insulation for these fluctuations by providing patient, risk-tolerant capital and encouraging learning and innovation around the "shocks." *See One Acre Fund example (page 16).*

VisionSpring created the Philanthropic Investment per Pair (PIPP) metric to drive efficient impact.

"By focusing on PIPP, we can make decisions that allow us to reach the most people with a sustainable level of donated revenue that we can raise year after year."

Ella Gudwin,
President,
VisionSpring

Support Use of **Hybrid Models**

- **Support hybrid structuring processes.** Many organizations use hybrid forms to unlock new types of capital, but require additional resources for the accounting and legal advice necessary to do so. Funders can provide support for that behind-the-scenes process.
- **Bring different capital to the table.** As ventures adopt hybrid forms, there may be opportunities to fund their work with new types of capital. Know where the tools and resources you are able to provide fit in the capital stack and seek additionality—filling in the gaps where your offering adds value. Existing funders can either bring new capital themselves or act as a connector with other funders. *See WSUP and B Lab examples (pages 18-19).*