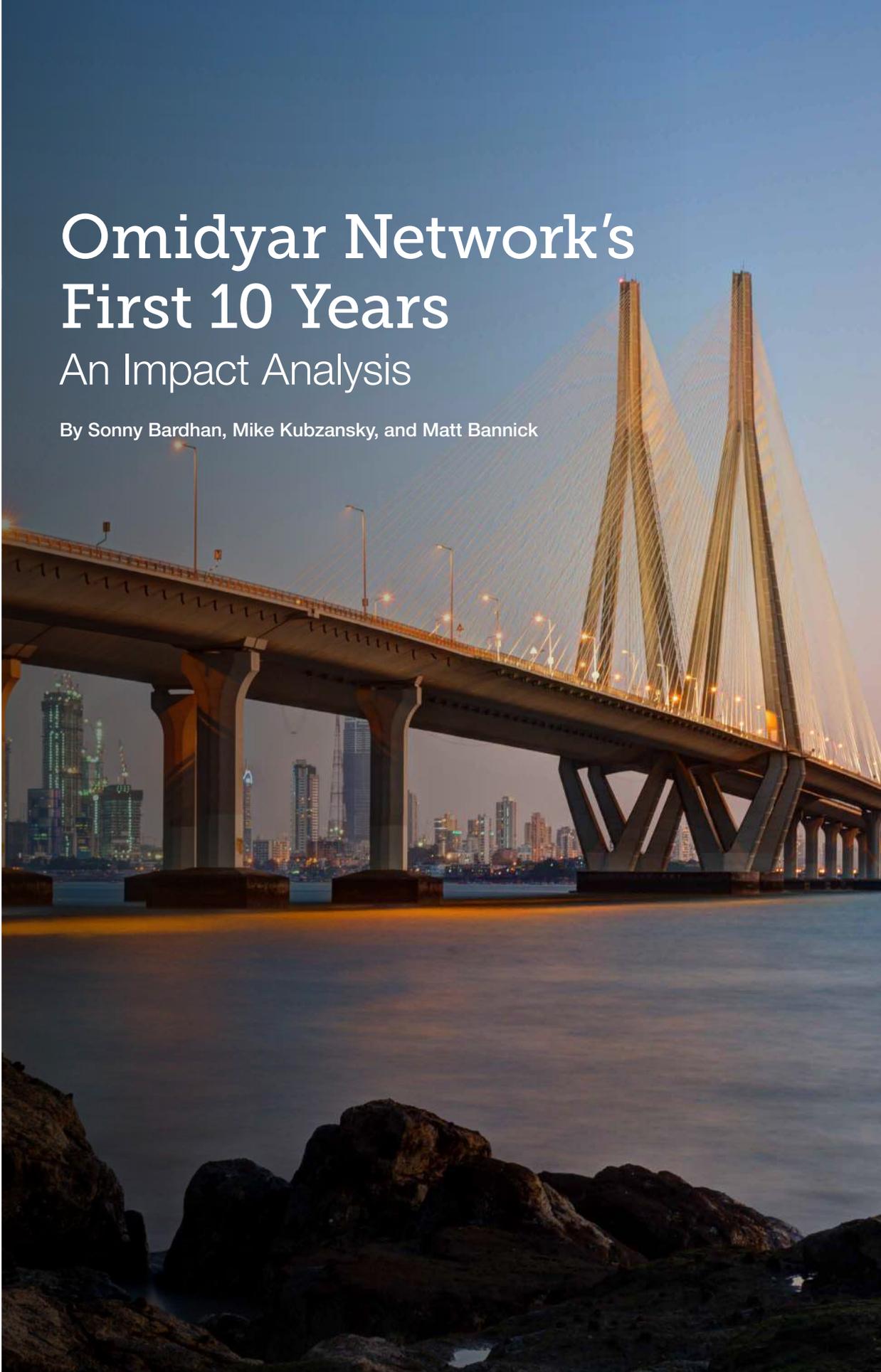




# Omidyar Network's First 10 Years

## An Impact Analysis

By Sonny Bardhan, Mike Kubzansky, and Matt Bannick





# Summarizing Our Learnings: Seven Key Findings

Omidyar Network is a philanthropic investment firm with a mission to catalyze social impact at scale. We do this by making investments in entrepreneurs and organizations that empower individuals to improve their lives and communities. Over the past 14 years we have invested more than a billion dollars in pursuit of that mission, supporting more than 600 companies and organizations, and attempting to drive change in several sectors more broadly.

This analysis highlights our best estimates of the impact of the investments made during our first 10 years (to the end of 2014), representing investments into 380 organizations and the deployment of \$750 million across more than seven sectors and 40 countries. We made most of our investments during that period in early-stage organizations, with our capital split roughly 50-50 between for-profit and nonprofit organizations.

This volume, diversity, and early-stage nature of our investments in the first 10 years, combined with limitations on data available, meant that we could not readily apply existing external approaches for assessing impact. Therefore, we chose to develop our own analytical and pragmatic methodology.

We readily acknowledge that the methodology has its limitations. We nevertheless believe the task was important, both to hold ourselves to account and to learn for the future. Indeed, several key findings emerged as a result of our assessment; they are summarized below and are discussed in greater detail in the sections that follow. They not only help to put our first decade of results in context and inform our roadmap for the future, but may also offer valuable insights for others.

*This analysis highlights our best estimates of the impact of the investments made during our first 10 years (to the end of 2014), representing investments into 380 organizations and the deployment of \$750 million across more than seven sectors and 40 countries.*

# 1 The organizations in which we invested during our first decade have touched the lives of more than 1.2 billion individuals around the world; seen in context of the total funding of these organizations, we estimate that our contribution was roughly equivalent to reaching 150 million of those individuals

The services and products provided by our investees touch lives in a variety of ways. The degree or depth to which they might affect someone's life varies substantially and is an important consideration in estimating impact. When the outcome offers an individual a decent job and reliable income, or when it provides lifesaving health care, that they otherwise would not have had, it could represent a *deep* change in someone's life. An outcome that instead offers someone a small savings in cost or time, or easier access to general information resources, may by comparison have a relatively *light* impact. Still others lie between those extremes and may be described as *moderate* – for example, how one's life might change when given the ability to access certain mainstream financial services. When we categorized our investments in this way, over half of the individuals reached by our investees (>700 million) have potentially experienced *moderate* or *deep* impacts on their lives.

# 2 There is a roughly inverse relationship between the number of individuals reached and the depth of impact per person

As might be expected, products or services with the potential to create a deeper impact on individual lives often require a more labor- or capital-intensive business model. Consequently, it is typically more expensive to deliver those outcomes at scale. Our *light* depth investees each reached 24 million people on average, while our *deep* investees reached 600,000 each on average, at a cost 20-30x more per person reached.

# 3 Taking all aspects of impact into account, about 20% of the investees in our portfolio earned the designation of "Impact Star"

An Impact Star is an investee that, in our assessment, demonstrated the greatest potential to have had significant *direct* impact on customers or beneficiaries, as well as significant influence in the *broader development of its sector*. Our determination relates directly to topics raised in [Priming the Pump](#) and elaborated upon in [Across the Returns Continuum](#) and [On Innovators and Pinballs](#). More details on what determines an Impact Star designation along with examples are in the sections that follow. The 20% figure aligns, in our view, with reasonable expectations for early-stage, high risk investors in the mold of venture capitalists in the for-profit arena, and for venture philanthropists in the nonprofit world. Our Impact Stars span geographies, nonprofit and for-profit organizations, and employ a range of business models. They are in general quite mature, with an average age of over 10 years of operation at the time we assessed them.

# 4 Our Impact Stars accounted for 33% of our total capital invested

We invested a larger proportion of our funds into our Impact Stars (33%) than the proportion of investees they represent in our portfolio (20%). This is consistent with a sound impact-oriented investment approach. First, we are more likely to make larger initial commitments to those investees that are better able to demonstrate their impact. Second, given that our approach is to make a series of increasing, staged bets, we often provide funding to investees over multiple rounds. We are more likely to make additional and larger commitments to those investees that show the best progress in generating impact.

## 5 | There is a positive correlation between being an Impact Star and receiving Omidyar Network’s non-monetary support

Omidyar Network provides a variety of non-monetary services that we feel are important assets for early-stage investees. We have provided human capital support such as executive recruitment, coaching, and board development, while also taking roles on boards themselves. While we can’t conclude that these resources led directly to greater success, we observed a correlation between the level of non-monetary contribution we made and the chances an investee would emerge as an Impact Star. Anecdotally, several individual investees have described to us a clear link between this support and their ability to have impact at scale. We also noted, however, that a sizeable portion of these scarce resources had also been allocated to organizations that had achieved lower levels of impact, reminding us to more rigorously review our resource allocation.

## 6 | For-profit investee companies often had a better chance of serving a greater number of low-income people if they also served the middle-income population

We found that companies in our portfolio that served lower-income populations often had a better chance of increasing their reach quickly and profitably if they employed a mass-market strategy that also served middle-income individuals. By attracting middle-income consumers, investees can build a stronger business foundation that supports them in their efforts to reach lower-income communities. This can allow them to serve greater numbers of lower-income consumers over time versus strategies focused exclusively on lower-income segments. As a consequence, they tended to achieve more overall impact in our assessment. For a more detailed explanation of this “mixed-income” phenomenon, see our [Frontier Capital](#) publication, or our recent [Constituent Voices](#) publication.

## 7 | We find a slight positive correlation between impact results and financial returns in our portfolio of for-profit organizations

Greater overall impact is loosely associated with higher returns for our particular for-profit portfolio. This is not definitive: Some of our highest financial returns were generated by investees that have not (at least yet) reached the level of “Impact Star.” Moreover, for-profit investees need not have generated particularly high financial returns to have produced high levels of social impact.

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The rest of this document explores our impact analysis and these findings more deeply. We start with an introduction that provides brief context, before moving on to describe how we sought to assess impact and what we found. We wrap up with some thoughts on where we go from here, with an eye to the future. Methodology is covered at a high level in the main body of the text, with more detail in the footnotes and further thoughts captured in the dedicated section toward the end for those interested (pages 26-28).



# Introduction

As an early pioneer in impact investing, dating back to 2004, we at Omidyar Network have committed over \$1 billion in the service of social impact; 47% of that went to for-profit entities and the rest to nonprofits. Our earliest work largely involved *individual* investments or grants, generally in early-stage organizations that we felt had the greatest potential for disruptive innovation.

After a few years, we recognized these individual firms or organizations would not, by themselves, bring about the level of social change we sought. Around 2008-9, we changed our model accordingly, to increase our [focus on the entire sector](#) in which our investees operated. This often meant investing in the infrastructure and public policy affecting that sector. Over time, that approach led us to focus more intensely on a smaller set of well-defined sectors (we refer to them as [initiatives](#)), and develop our systems thinking. We wanted successful investments to act as catalysts spurring sector-level change. As a consequence, we evolved our organizational structure over 2012-13 to match this new approach.

As we looked to the future, it also was important for us to assess the impact of our initial portfolio. It was a significant undertaking, for a variety of reasons. We have employed an evolving range of strategies, objectives, sectors, and tools since our founding. This complexity, combined with the size and diversity of our portfolio, and limitations on the data available, meant we could not readily apply existing external methodologies or benchmarks to assess impact. As a result, it was necessary for us to develop our own analytical and pragmatic framework for the task. We did this with external design input and review after execution.<sup>1</sup> Our methodology is covered at a high level on subsequent pages; more detail is provided in the footnotes and further thoughts captured in the dedicated section toward the end for those interested (pages 26-28).

Since many of our historic investments in the first decade were made before we had developed a sector-oriented focus, we also chose to limit this analysis primarily to the impact of *individual* investments, rather than the impact multi-investment portfolios and other activities had on a larger sector.<sup>2</sup> Assessing the contribution of a *portfolio* of investments

*Around 2008-9, we changed our model accordingly, to increase our focus on the entire sector in which our investees operated. This often meant investing in the infrastructure and public policy affecting that sector.*

<sup>1</sup> The approach was designed with input from Caroline Ashley of Ashley Insight, drawing on her experience of mapping social and commercial results across other diverse portfolios. Ashley Insight also conducted an external review after the analysis was complete to provide an overall quality check on how the methodology was applied in practice, and on the data and findings to help further identify strengths and weaknesses and areas to work on in the future.

<sup>2</sup> We also note that while the majority (80%+) of capital provided by Omidyar Network was *directly* to early-stage organizations, we have also supported *funds* that finance early-stage organizations. Funds are generally not covered in this analysis.

to the development of a sector also is more difficult than looking at the impact of individual investments, but it will be an important aspect of assessing our more recent sector strategies, and we hope to report on their impact in the future. Meanwhile, we have conducted some preliminary analysis on two of our sector efforts, which we sketch out at the end of this document (pages 23-24).

Despite the challenges of developing this methodology and its limitations, we believe we can draw meaningful lessons from our work, both for ourselves and to share with others in the field who might find them useful. This is our first time publishing on our social impact, at least in a way that extends beyond news about individual organizations into which we invested. Our analysis only covers investments made in Omidyar Network's first 10 years, so those made through the end of 2014. More recent investments were not included, in part because (as we discuss later) significant impact generally takes several years, particularly for early-stage organizations. Furthermore, this also meant we could check patterns observed in the first decade portfolio at different points in time after 2014 to see if the patterns observed held. They generally did, and those are the ones we discuss.

*Despite the challenges of developing this methodology and its limitations, we believe we can draw meaningful lessons from our work, both for ourselves and to share with others in the field who might find them useful.*



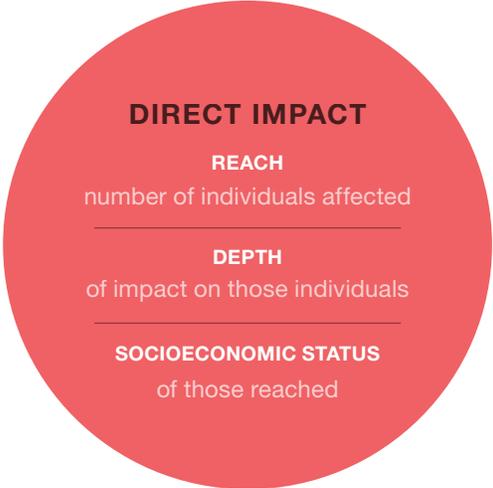


# Assessing Impact

## Direct Impact

Our first consideration was to evaluate the direct impact of each of our investments. By that, we mean how the products or services offered by an investee affected their own customers or beneficiaries. Our measure of direct impact takes into consideration a combination of three factors:

- 1 **Reach**, which represents the overall number of individuals affected
- 2 The significance or **depth** of the potential impact on those individuals
- 3 The **socioeconomic status** of those reached



### REACH

**KEY FINDING** From inception through 2017, Omidyar Network’s investees<sup>3</sup> have reached more than 1.2 billion people. Seen in context of the total funding of these organizations, we estimate that our contribution was roughly equivalent to reaching 150 million of those individuals.

We developed this estimate of 1.2 billion by summing the number of people reached by each of our investees – more than 2.5 billion – and then reducing that total aggressively to remove “double counting,” where the same individual was potentially reached by two or more investees.

We must emphasize that the number represents the reach of *our investees*, not a result we claim for ourselves. Our investees – along with the people they serve – are the heroes here, not Omidyar Network. Indeed, Omidyar Network is typically only one of several entities providing financing to a given enterprise. On average we account for about 13% of either the equity ownership of our for-profit investees, or the general grant revenue of our nonprofit investees. Applying this percentage to the 1.2 billion total reach, 150 million is a rough measure of the firm’s contribution to the overall reach of our investees.<sup>4</sup>

<sup>3</sup> This analysis was restricted to organizations we invested in over our first decade (until the end of 2014), which represents 380 organizations out of a total of more than 600. Furthermore, within the 380, we assessed reach only for investees for whom we could easily count the number of end customers or beneficiaries, which meant only those organizations that directly serve these individuals or that are at most one step away. Thus, reach was counted for 187 organizations. We exclude from the reach the potential effect on individuals from the many investments made in research, policy, advocacy, events, multi-stakeholder initiatives, talent development, and ecosystem (approximately 50% of investments by number and 25% by capital deployed).

<sup>4</sup> 13% is likely a conservative estimate of contribution, as it represents only the financial aspects. As discussed later, we also provide a variety of non-monetary services at levels above what other investors might offer.

## DEPTH

An aggregate reach number may, at first, appear to be a compelling metric to assess social impact. It is both tangible and easy to understand, and so is often highlighted by many of our impact investing peers. We include it here, but with the caution that over-reliance on simple reach figures to measure impact can be misleading. It is unreasonable to assume, particularly for a portfolio as diverse as ours, that all interactions provide equivalent value to an individual.

Some of our investees provide meaningful yet relatively light improvements to the life of a typical user (e.g., Wikipedia, an organization we supported through a grant to the Wikimedia Foundation in 2009, which provides easy and free access to a dynamic collection of reference information). Others affect a person much more deeply (e.g., Living Goods, an organization we supported through a grant in 2010, which has demonstrated a [documented 27% reduction](#) in child mortality).

To address this diversity of investment types, while trying to avoid false precision, we combined external data,<sup>5</sup> internal data from our investees,<sup>6</sup> and our own judgment to categorize each of our investments as having the potential to *lightly*, *moderately*, or *deeply* impact those reached.<sup>7</sup> Using this shorthand, while imperfect, allowed us to make some simplifying assumptions in order to develop lessons and insights.

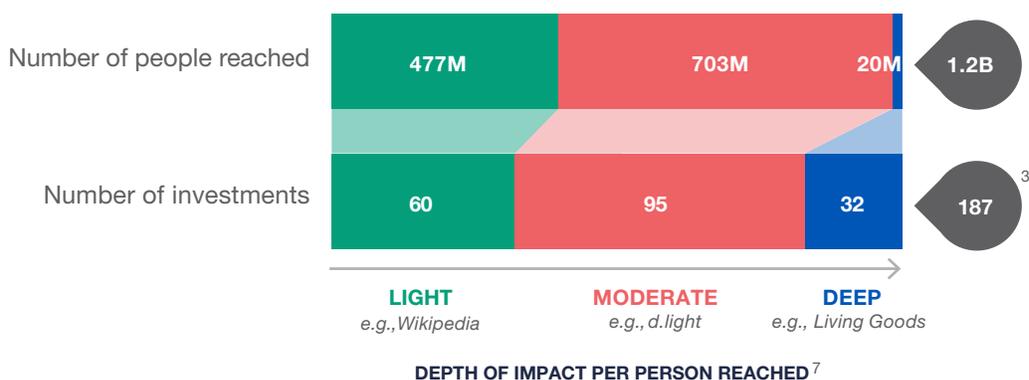
This distinction is important given that modern hyper-connectivity and cell phone penetration make it relatively easy to reach hundreds of millions of people with, for instance, some kind of access to information. We generally assessed such investments as having a lighter impact on those reached, unless the information in question had especially high value.

We also considered these differences in depth *within* sectors, rather than scoring all efforts in one sector similarly. For example, in education we would consider a full-service, multi-year, high-quality school model as having the potential to more deeply impact an individual than an ed-tech product that addressed a single subject and focused on a narrow age or grade range.

### KEY FINDING

**Across the first decade of our portfolio, over half of the individuals reached by our investees (more than 700 million) have potentially experienced moderate or deep impacts on their lives as a result of the work of our investees.**

Chart 1: Our investees have reached more than 1.2 billion individuals,<sup>8</sup> touching their lives to different degrees



<sup>5</sup> For example: Copenhagen Consensus, systematic reviews, meta-analyses, relevant randomized controlled trials conducted on other entities, and well-controlled regressions in various sectors. We note that given the innovative type of investments we have, directly applicable and externally valid information was relatively sparse.

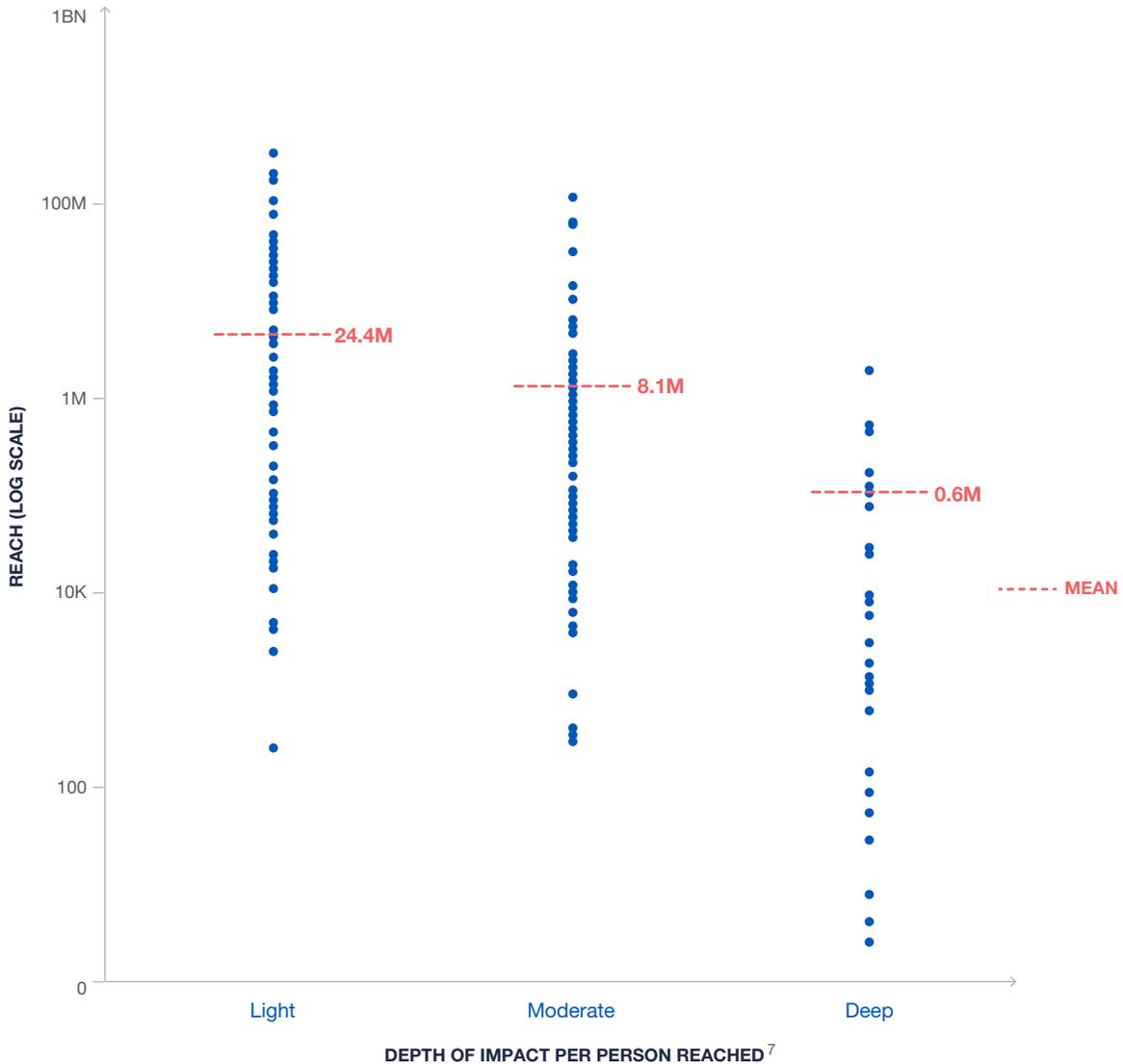
<sup>6</sup> Investee data includes any impact analysis that may have been conducted, and for which we would develop a view on the level of robustness. We are also increasingly supplementing our perspectives using rapid survey tools which provide a customer or end beneficiary perspective on quality of life changes (also discussed later in document).

<sup>7</sup> These "depth" ratings should be viewed as the hypothesized change in the life of the typical individual reached relative to what would otherwise have happened. These assessments of depth are based on our best current view of the *potential* impact created to date (i.e., if the investment works in the originally hypothesized fashion and updated based on relevant internal or external data since investment), rather than *proven* impact for the specific investee on its specific target population. We separately consider how confident we are in this assessment – and have found the Nesta Standards of Evidence helpful in this regard. Living Goods, whose impact was demonstrated using a robust independent evaluation that deployed a randomized controlled trial methodology, represents a high standard (Level 4 out of 5 on the Nesta scale), which is beyond where most of the rest of our portfolio currently sits in terms of evidence of impact.

<sup>8</sup> This chart totals to 1.2 billion individuals reached, reflecting the total after removing double counting. In cases where an individual was reached by investments of differing depths, the greater depth was retained for this individual.

As one can see in the chart below, we found that our investments with lighter depth on average reached more than 20 million people per investee. Moderate depth investments reached 8 million. Our deep engagement investments each reached, on average, about 600,000 people (although as readers can see above, the spread within the categories is very large and overlapping).<sup>9</sup>

Chart 2: Investees who more deeply affect individuals tend to reach fewer of them<sup>10</sup>  
(Each dot represents an individual organization)



This pattern is not surprising, as offerings with the potential for the deepest impact often feature more labor- and capital-intensive models, frequently with higher levels of individual engagement. This leads to both higher costs and slower scaling. By contrast, our lighter depth investments tend to cluster in areas like access to information, where offerings are distributed via large-scale pre-existing platforms such as the web and mobile phones, which enable scalability at minimal incremental cost. In our *Frontier Capital* publication, we outlined some of these factors of how tech-enabled models tend to scale faster compared to brick-and-mortar, asset-heavy ones (see particularly our description of the Frontier Plus segment).

<sup>9</sup> Despite the clear pattern on the averages, there are several orders of magnitude variance in the number of people reached within a depth category and significant overlap across depth categories. This reflects the variety of types of organizations within a depth category, the differing maturity of the organizations, their varied level of success, and the crudeness of having only three levels of depth.

<sup>10</sup> The reach numbers here represent the full count of individuals per organization; this differs from the aggregated portfolio numbers in chart 1 where we have accounted for potential duplication of reach.

## KEY FINDING

**Our depth versus reach intuition was borne out when we looked at the financing data – the average investment cost<sup>11</sup> to impact a person deeply was 12 times higher than the cost of having moderate impact, which in turn was 2-3 times costlier than impacting an individual lightly.<sup>12</sup>**

## SOCIOECONOMIC STATUS

Given our perspectives and beliefs, which include the desire to empower the people who are most in need, we assigned higher weights to impacts on the lives of those who have fewer opportunities relative to those with the greater opportunities we associate with higher socioeconomic status.

This is easier conceptually than in practice and required us to make some judgment calls to account, for example, for the significant socioeconomic variation that exists within and across nations. Furthermore, developing a view on socioeconomic status of the population served by a particular investment is complicated by the fact that the envisaged customer type for a particular product or service may be quite different in reality. As discussed in more detail later, we are now deploying rapid-assessment tools that can help our investees to better know their customers, including factors such as income levels.

By combining together *reach*, *depth*, and *socioeconomic status* we developed a view of the overall *direct* impact of each of our investments, rating each organization as having *low*, *medium*, or *high* direct impact.<sup>13</sup> We note that judging an investment to have only relatively *lightly* impacted those it reaches does not preclude it from generating high levels of direct impact. It depends on how many people it has reached (and their socioeconomic status). Turning back to our earlier examples, we may consider the depth of impact of Wikipedia as relatively light per typical person reached, but it has reached hundreds of millions of people. Living Goods, which we consider a deeper impact per person reached given the significant reduction in child mortality, has reached hundreds of thousands – a lot, but orders of magnitude less than Wikipedia. According to our framework, we consider *both* of these investments as having high levels of direct impact.<sup>14</sup>

## KEY FINDING

**For-profit investee companies often had a better chance of serving a greater number of low-income people if they *also* served middle-income populations.**

When we subsequently compared the direct impact of organizations with the *socioeconomic status* of the population they served, we found an interesting pattern in the portfolio of for-profit organizations. Those businesses pursuing “a mixed-income” strategy – a mass market strategy serving both middle- and lower-income populations – tended to achieve greater direct impact in our assessment than those serving only a low-income population. This might be surprising, particularly given that we applied higher weights in our impact assessment when a lower-income population was reached. However, the explanation appears to be a phenomenon we had seen before.

We found that companies in our portfolio that served lower-income populations often had a better chance of increasing their reach quickly and profitably if they employed a mixed-income strategy. By attracting middle-income consumers, investees can build a stronger business foundation that supports them in their efforts to reach lower-income communities. This in turn can allow them to serve greater numbers of lower-income consumers over time versus strategies focused exclusively on lower-income segments. As a consequence, they tended to achieve more overall impact in our assessment. For a more detailed explanation of this “mixed-income” phenomenon, see our [Frontier Capital](#) publication, or our recent [Constituent Voices](#) publication.

<sup>11</sup> The investment cost used here is an estimate of all funds invested into an organization from all external investors/funders. For a nonprofit this represents all revenue from grants. For all for-profit enterprises and for some nonprofits there will also be revenue coming in from customers, and income can be reinvested, meaning the investment cost is an underestimate of total cost per customer, particularly for for-profits. However, the investment cost per person reached may go down over time for a profitable organization if able to retain earnings and deploy on growth.

<sup>12</sup> \$55 vs \$4.5 vs \$1.8 per person reached at deep, moderate, and light depths respectively; with approximately 13% of the financing provided by Omidyar Network on average.

<sup>13</sup> See methodology section at end for more on how these factors were combined and on alternative considered (e.g., dollarization of impact).

<sup>14</sup> If the two investments had reached the same number of people, then we would undoubtedly consider Living Goods to be greater impact given the deeper impact it has per person reached as well as reaching further down the socioeconomic spectrum. If a Wikipedia-like, light depth, investment reached, say, only 1 million people we would consider it as being low overall direct impact according to the thresholds we have chosen in our current framework.

## Sector Impact

Because we care deeply about [catalyzing positive change at the sector level](#), we further evaluated our investees on how their work may have had an effect *beyond their own customers or beneficiaries*.

Sector impact is a term that few define at all, and for which there is even less consensus than the factors we discussed on direct impact. In our methodology, we chose to assess sector impact by considering factors such as whether the investee pioneered a new model that spurred imitators, or a competitive response from incumbents; provided industry infrastructure; or prompted governments to introduce or change policies that would affect the broader marketplace. We discuss this more in two earlier publications – as “indirect” pathways to impact in [On Innovators and Pinballs](#) and as “market-level impact” in [Across the Returns Continuum](#).<sup>15</sup>

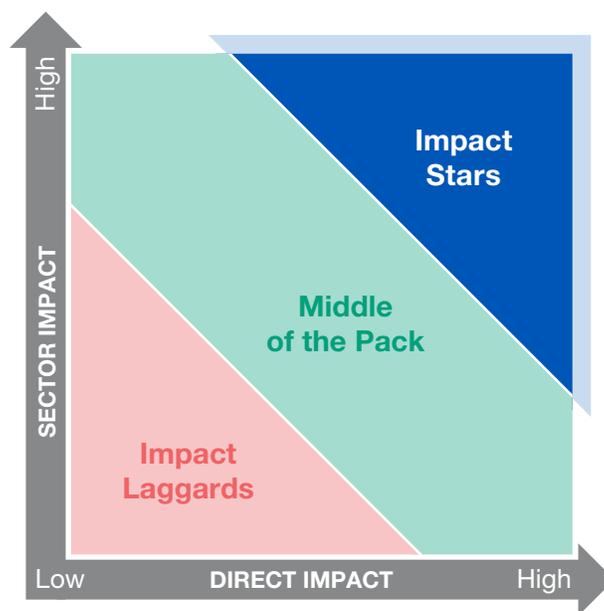
Not surprisingly, we found sector impact hard to quantify, especially without rigorous counterfactuals or prior baselines at the sector level. However, by considering the extent and evidence of the types of externalities mentioned, we rated each investee as having *limited*, *moderate*, or *significant* sector impact. We provide specific case studies on pages 13-15.



## Our Impact Stars

When we combined all the findings we've discussed so far, we could establish a view of the impact of each of our investees as illustrated in the chart below. We were then able to identify a select group of investees who demonstrated superior impact, both direct and on their sectors.<sup>16</sup> These are our Impact Stars.

Chart 3 – Impact stars are those organizations that perform well on both direct and sector impact



<sup>15</sup> In other publications covering our for-profit investments, we have referred to this as “market-level” impact, but given that some sectors in which we are operating are not markets per se (e.g., property rights, open data), we use the broader “sector-level” impact term here.

<sup>16</sup> While ultimately the broader impact on the sector is perhaps the most important aspect, sector impact is more subjective, and we would therefore not want to judge organizations that serve customers or beneficiaries on only that dimension. Moreover, in most cases organizations need to have successful, scaled models before they can realistically affect the broader sector, so by looking at both direct and sector impact combined, we seek to balance greater objectivity (direct impact) with potentially larger-scale impact (sector impact).

**KEY FINDING**

**Impact Stars account for 20% of our investees and are very diverse. They are in general quite mature, with an average age of over 10 years of operation at the time we assessed them.**

*Given the inherent high risk of early-stage investments, we have the same expectations for a certain level of failure among investees as would any other early-stage investor.*

Our Impact Stars comprise both for-profits and nonprofits, and exist across all our initiatives and geographies.

This level of estimated success – i.e., 20% of our investments – aligns in our view with reasonable expectations for early-stage, high risk investors in the mold of venture capitalists in the for-profit arena and venture philanthropists in the nonprofit world.

We believe this is a more appropriate comparison than success frameworks such as those from, say, the World Bank.<sup>17</sup> We see ourselves in a different role from such institutions or other bilateral aid donors. Given the inherent high risk of early-stage investments, we have the same expectations for a certain level of failure among investees as would any other early-stage investor.

For example, Correlation Ventures, based on analyzing 21,000 US venture investments from 2004-13, found [65% of investments returned less than 1x capital invested](#) (25% returned 1-5x; and 10% returned more than 5x). Although these expectations are based on the VC's goal of *financial* results, we have parallel expectations with respect to the *impact* achieved across a portfolio of early-stage investments.

We also expect this number to rise somewhat for any given cohort of investees, as direct and sector impact levels correlate strongly with time. Nearly all of our Impact Stars had been in operation for more than three years, with an average age of more than 10 years. This is not surprising given that few investees can go from founding to scale to meaningful sector influence in just one or two years, regardless of the value of what they offer. Most require a great deal more patience before they generate the high levels of impact we would eventually hope to see. Even Facebook took four years to displace MySpace and become the dominant platform in its sector.

On the following pages, we provide three examples of organizations we believe are Impact Stars, briefly describe what they do, and outline how we arrived at our assessment.



<sup>17</sup> According to the World Bank in 2015, average project success rates for the World Bank's Asia portfolio are around 78%, and for Asian Development Bank (for the same set of countries) about 65%.



[MicroEnsure](#) is a for-profit organization that provides microinsurance for low- and middle-income consumers in emerging markets, individuals who often lack access to traditional insurance products. Featuring small premiums, simple features, few to no exceptions, benefits relevant to those consumers, and distribution via mobile operators' airtime top-up sales, MicroEnsure has overcome the barriers of cost and accessibility of traditional insurance. This approach allows low- and middle-income individuals to have protection against risks, offering a safety net that reduces their vulnerability to poverty.

For example, it can help save a small business after a fire, as it did for Mary Mburu when a blaze swept through the Kenyan market where she sells shoes. Tens of thousands of dollars in merchandise belonging to Mary and her fellow vendors was destroyed, and more than 300 people lost their livelihoods. Mary's microinsurance, however, not only paid off the microloan she had obtained to finance her business, but also provided her with short-term income.

MicroEnsure has now reached over 56 million people such as Mary with insurance products across 20 countries, most of whom would not have had prior affordable access. We currently view the potential impact on the typical person reached as moderate (based on both the hypothesized effect, as well as available data from systematic reviews), and combined with the high reach and the socioeconomic status of the population affected, this would rate in our framework as having the potential to have created *high* levels of direct impact to date.

We also believe that MicroEnsure was a pioneer in a nascent market and inspired new entrants into the market, such as Bima and Inclusivity Solutions. By proving the scalability and unit economics of serving mass market customers, MicroEnsure's greatest impact may probably be regarded as attracting global insurance companies to focus on this underserved market segment. This combination of high direct and sector impact is why we rate MicroEnsure as an Impact Star. We note, as well, that this is also an example of a for-profit organization in which we invested with expectations of positive absolute financial returns, though not on a risk-adjusted basis, given the company's pioneering nature and the need to overcome barriers and establish business model viability.



Gikomba Market business owners in Nairobi received compensation from MicroEnsure after they lost their businesses in a fire in October 2017. Photo: MicroEnsure Archive

For the past 10 years, [d.light](#) has been providing affordable, solar-powered lighting and power products for households and small businesses without access to reliable electricity. There are 2 billion individuals around the world who live “off the grid” – with unreliable or no power access – many of them in sub-Saharan Africa and India. Products from d.light provide light that children can use to study or that businesses can use to remain open after dark.

An example is Bala Suleman, who owns a chicken farm in Mataisia Town near Kano, Nigeria. Normally each of his chickens produced 10-15 eggs a month. With his d.light he was able to feed the chickens at night. This has resulted in 2-3x increase in productivity with each chicken now producing 30 eggs a month.

The company has now reached over 80 million people such as Bala. Its impact spans four areas of well-being: financial freedom, productivity gains, human health, and environmental health. Based on the evidence we have seen to date<sup>18</sup> we currently view the potential impact on the typical person reached as moderate. Taking this depth, the very high reach, and the socioeconomic status of the customer base into account, this would rate in our framework as having the potential to have created high levels of direct impact to date.

We also believe d.light pioneered a new model and has had a significant impact on the sector, paving the way for other solar lantern providers and accelerating the development of the low-cost home solar system market (see [Across the Returns Continuum](#) for more on this). In addition, d.light has supported the development of important sector infrastructure. For example, it is an anchor partner in Lighting Africa, an ecosystem initiative by the World Bank and the IFC, and the Global Off-Grid Lighting Association (GOGLA). It also has inspired the sector regarding its theory of change and metrics tracking leading to standardized impact metrics for the off-grid energy sector.

This combination of high direct and sector impact is why we rate d.light as an Impact Star.



*The light provided from d.light allows children to read and do their homework after dark.*

Photo: d.light

<sup>18</sup> d.light & IDinsight: “d.light Solar Home System Impact Evaluation” (2015), Institute of Developing Economies: “Impacts of Solar Lanterns in Geographically Challenged Locations: Experimental Evidence from Bangladesh.” (2015), International Rescue Committee: “Lighting the way: The role of handheld solar lamps in improving women’s and girl’s perceptions of safety in two camps for internally displaced people in Haiti.” (2014) (PDF), William Davidson Institute: “Access to Clean Lighting and its Impact on Children.” (2013) (PDF)

The [Akshara Foundation](#) provides a range of child-centric education programs in India, with particular focus on interventions that address the lack of foundational reading and math skills in primary schools and the low quality of preschool education.

For example, Akshara Ganitha is a math support program that helps students and teachers in government primary schools and aims to bring proficiency to children in grades 1-5. It focuses on improving math skills by making learning fun and relevant to everyday life and is taught through activity-based learning principles. It has been successful. For example, since the program was originally introduced at Government Kannada Lower Primary School in rural Bangalore, student performance has improved significantly. While the formal program has ended, teacher Shyam Shankar continues to employ the method and materials in his math class for grades 4 and 5. “I use it every day. Absolutely,” he says.

The government of Karnataka announced in 2014 that it wished to scale the math program in a phased manner across all 44,000 primary schools. This effort is referred to as Ganitha Kalika Andolana, and is now an Akshara flagship program, combining a strong pedagogical framework with technology-based assessment and monitoring.

Akshara runs a variety of programs that have each reached different numbers of children and likely would rate differently on our depth measure (from light to deep). However, if we just take their flagship math program as a single subject endeavor, we would rate the potential impact per typical child reached as moderate. Early assessments seem in line with this, though more rigorous randomized controlled trials (RCTs) are needed (and are currently being planned). This program has reached over a million children and combining this reach, the depth, and the socioeconomic status of those reached, we would view this effort alone as high direct impact, with other programs’ impact only adding to this high base.

We believe Akshara also has had significant sector impact evidenced by the government of the state of Karnataka, and more recently that of the state of Odisha, seeking to roll out their math program (and Karnataka had previously scaled Akshara’s Oduva Nanu reading programs to all primary schools in state). This combination of high direct and sector impact is why we rate Akshara as an Impact Star, and an example from the nonprofit part of our portfolio.



*Primary school students use a classroom kit to reinforce the school’s math curriculum through activity-based learning.*

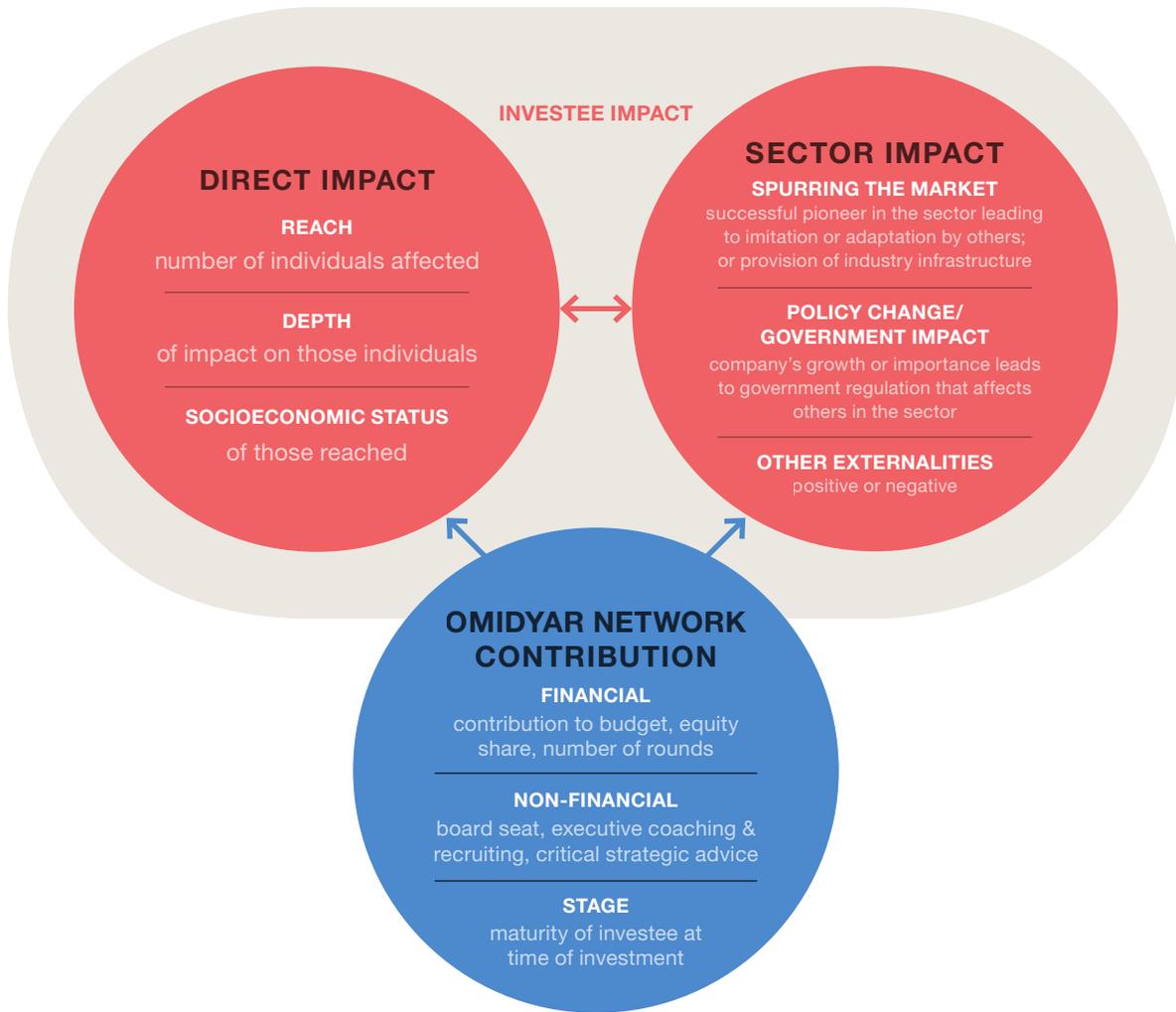
Photo: Akshara Foundation

# Assessing Omidyar Network’s Contribution to Investee Impact

Direct impact and sector impact represent two of the three dimensions we examined for each of our investments. The final factor was Omidyar Network’s level of contribution to the investee, where we looked to assess the significance of our involvement in the subsequent impact.

The chart below summarizes the three dimensions of our analysis.

Chart 4 – Our assessment was based on analysis of several variables across three categories<sup>19</sup>



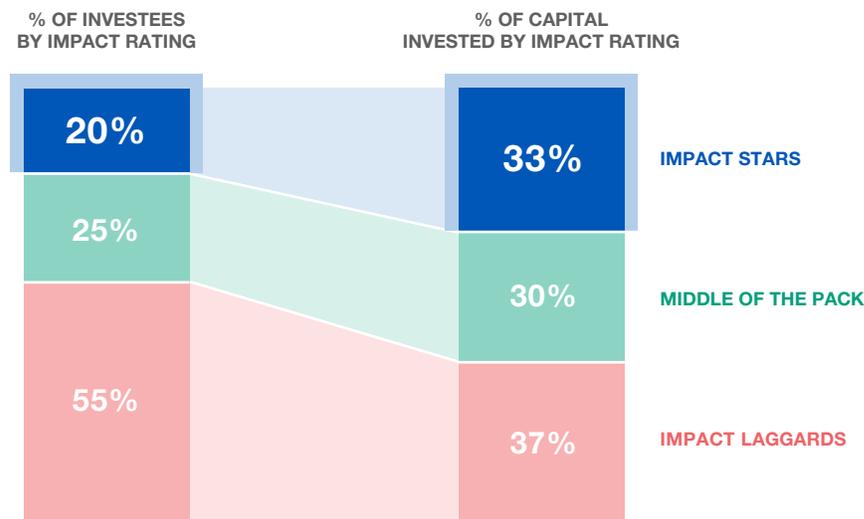
We looked at a range of monetary factors, such as what proportion of the overall funding we represented, as well as several non-monetary factors, as we do not operate solely as a financial capital provider. As we looked at these factors relative to the subsequent impact, two key findings emerged.

<sup>19</sup> Measuring the impact of an investee on a user of its product or service is really about gauging the difference a particular product or service made in people’s lives. To do this properly, one needs to determine the impact an investee has compared to what would have happened without them. Similarly, when we think of our investment, we ideally want to understand what difference our investment made to the investee itself, by comparison to what would have happened without our funding and support. In most cases, we faced a lack of true counterfactual data that made such comparisons difficult, if not impossible, to directly measure, and so instead we chose a set of variables that would help us build a picture of the portfolio.

**KEY FINDING****Impact Stars accounted for 33% of our total capital invested, but represent only 20% of the total number of organizations in which we invested.**

We invested relatively more money into our Impact Stars than we did into investees with lesser impact, a pattern as consistent with a well-functioning, impact-oriented investment approach. There are two main reasons for this. First, even though we tend to invest in early-stage firms, like many other investors we are more likely to make larger initial commitments to those investees who are further along in demonstrating their impact. Second, given that our approach is to make a series of increasing, staged bets, we also often provide funding to well-performing investees over multiple rounds. We are more likely to make additional and larger commitments to those investees who showed the best progress on generating impact.

Chart 5 –20% of our investees earned Impact Star designation, and they represent 33% of capital invested

**KEY FINDING****We found a positive correlation between the level of non-monetary contribution we make and the chances an investee would be an Impact Star.**

One difference in our approach compared to other investors, is that we have provided a suite of services beyond financing to select investees. As an example, about a quarter of our investees in our analysis received intensive human capital support from our teams. This can include many hours of executive coaching, board development, or recruiting support for key positions. We also provide more typical non-monetary services, such as serving as active board members, which we have done for about a quarter of our investees. We believe these services offer significant potential value above financing alone and can help our investees be more successful.

Investees with whom we had a clear governance role (e.g., a board seat) were three times more likely to be Impact Stars, and those that received human capital support were also associated with a higher chance of being an Impact Star. As this is a correlation, we cannot conclude the non-monetary services caused the success. That said, in periodic surveys of our investees we have found they value our non-monetary services on average nearly as much as, and in some cases more than, our financial support.

*We can also point to specific instances to provide a flavor of where we and our investees believe these services have been instrumental.*

We can also point to specific instances to provide a flavor of where we and our investees believe these services have been instrumental. Consider Ruma (now [Mapan](#)), which provides financial and information services to low-income communities in Indonesia through a trained agent network, and into which Omidyar Network invested over three rounds starting in 2012. Our investment lead provided regular strategic support through calls, introductions, and a position on the board, but recognized that more targeted support on talent management might be needed by the young founder, particularly as the company is built on a vast network of thousands of agents. An Omidyar Network human capital lead was assigned who built a strong partnership with the founder and the two focused on recruitment, retention, and engagement of employees; the work ultimately led to an organization talent review.

Our human capital lead had regular calls each month over the course of a year with the founder, and held on-site training focused on interview techniques, management, core values, and performance reviews. We subsequently also brought in another member of the Omidyar Network human capital team to focus on marketing strategy and the customer experience, as well as other aspects of executive coaching. Ruma successfully and profitably scaled, recruiting and training over 10,000 low-income entrepreneurs (85% of them women) who themselves have served millions of customers. [Ruma was acquired in late 2017 by Go-JEK](#), at which point Omidyar Network successfully exited.

Turning back to our portfolio, our analysis also showed that a sizeable portion of our scarce non-monetary resources had been allocated to organizations that had achieved lower levels of impact. At least two factors contribute to this. First, as noted earlier, impact takes time; some of our currently lower-impact investees are still quite new, and so still have high potential, and our non-monetary resources might support them in realizing that potential. Second, some of the organizations with greater levels of impact have less need for, or might benefit less from, these additional services. However, overall it was a useful reminder for us to review and refine how we allocate these scarce resources, to ensure we deploy to organizations of highest potential and those that most stand to benefit.

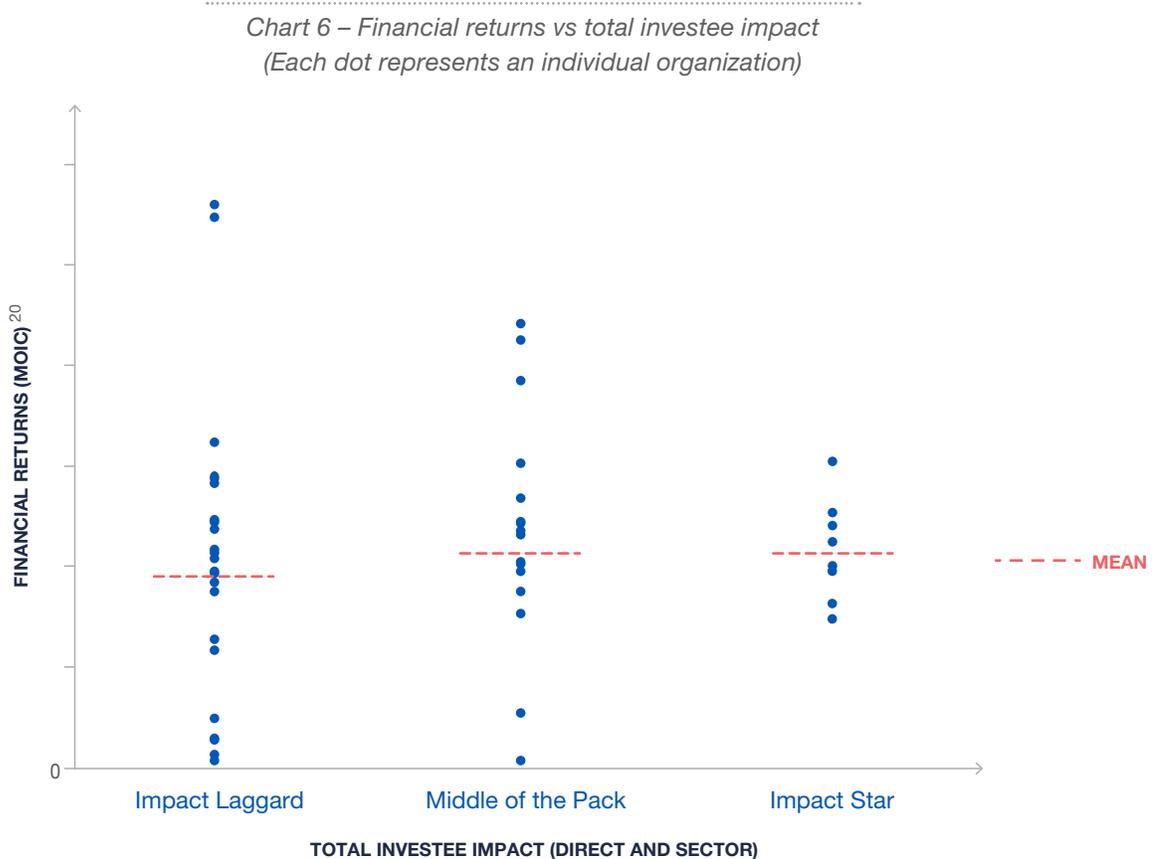


# Financial Returns and Social Impact

Just under half of our capital deployed has been to for-profit enterprises. The chart below plots each for-profit investment on a graph of financial returns against impact.<sup>20</sup> It represents a snapshot of the portfolio at a single point in time. We expect the picture to evolve as this cohort of investments matures, and with the inclusion of new investments made since this analysis was conducted.

**KEY FINDING** We find in our for-profit portfolio a slight positive correlation between financial returns and social impact.

Our analysis showed that our for-profit Impact Stars outperformed our Impact Laggards<sup>21</sup> in financial returns (and, by definition, in impact). We also found that those investments that generated the least financial return – including write-offs – also tended to have the lowest levels of social impact. This is intuitive – write-offs are unlikely to have generated much impact, and for-profit companies that reach high levels of impact as per our methodology (“Impact Stars”) generally need to have generated sufficient profit to organically scale or to attract continued growth capital from investors.



We note that while a for-profit investee generally needs to be at least profitable to be an Impact Star, it doesn’t need to have blockbuster financial returns to have created a significant impact. Indeed, to accomplish the type of *sector* impact we seek, we often need and choose to make sub-commercial investments (that we describe as Category B investments in [Across the Returns Continuum](#)) where significant sector impact may *not* be accompanied by strong financial returns. Routes to creating that kind of sector impact include pioneering models in new markets, building out market infrastructure, and influencing policy, all of which are circumstances where it can be challenging to generate commercial

<sup>20</sup> Financial returns shown are Multiple on Invested Capital (MOIC). Realized returns used where available, the rest are based on most recent valuation.  
<sup>21</sup> “Impact laggard” refers to investments which have at this point generated neither significant direct nor sector impacts.

returns. In this impact analysis, we find that the majority of our for-profit Impact Stars are Category B investments,<sup>22</sup> and would thus be expected *ex-ante* to generate sub-commercial returns. (MicroEnsure, discussed earlier, is an example of a Category B investment that we rate as an Impact Star.) The high prevalence of Category B investments with both lower return expectations at entry, and the need to be at least profitable to grow, sheds some light on the clustering effect seen in the Impact Stars or as one scans from left to right on the chart.

We want to emphasize that the picture here is not meant to offer a normative perspective on the broader impact investing field, but instead is a reflection of our choices of investment areas and specific investments, our practice of investing across the returns continuum, and most importantly our practice of assessing sector impact in addition to direct impact in determining impact performance. For example, if we focused only on direct impact, the pattern seen above would be somewhat different (we would expect greater correlation). Furthermore, some of our highest return investments were made without a sector-change requirement,<sup>23</sup> so while they can score highly on direct impact, their lower likelihood of having significant sector impact would handicap their chances of meeting the criteria for Impact Star classification.

*The picture here is meant as a reflection of our investment choices, our practice of investing across the returns continuum, and, most importantly, our practice of assessing sector impact in addition to direct impact in determining impact performance.*



<sup>22</sup> We find that the “middle of the pack” and “impact laggard” impact groupings contain higher proportions of category A investments, where returns expectations are higher. We indeed find investments with higher rates of financial returns in these groupings.

<sup>23</sup> For example, 1) investments made prior to Omidyar Network’s sector change focus, or 2) investments in EmTech, which does not have a sector change mandate and instead invests in high-return potential companies within a variety of impactful sectors.



## Where Do We Go From Here?

As [Omidyar Network continues to evolve](#) and each of our initiatives develops a more distinct identity and approach, we expect the firm's approach to measuring impact to evolve as well as incorporate more sector-specific views. More broadly, this structure will allow our initiative teams to exercise greater control and decision-making authority over their work, including strategy, budgets, investments, staffing, and performance metrics.

This means that each initiative will increasingly make its own investment decisions, identify the geographies in which it will operate, and determine the right balance of human resources to support its strategies and theories of change. The net effect is that decision-making will be made closer to the work of each initiative, which promises to accelerate innovation and impact. As part of this, in the future each Omidyar Network initiative will be developing its own method for impact measurement, tailored to its sector. Nonetheless, we can see several themes emerging as we look ahead:

- **Strengthening learning and impact practices**

Since we first performed the analysis presented in this paper, we have taken steps to strengthen our internal learning and impact measurement and management practices. Initially, this work has focused on strengthening learning practices along our investment and initiative cycles. For example, clarifying and documenting theories of change (and related assumptions) ex ante, strengthening annual reporting and portfolio reviews around social impact, and developing learning agendas.

- **Amplifying constituent voices**

We have also worked to better examine impact from the point of view of the end customer or beneficiary. With advances in data collection dropping the cost to collect such input from end users and the marketplace (e.g., [Acumen's Lean Data](#), [Viamo](#), [RIWI](#), [Feedback Labs](#), [Premise](#)), we can now better understand the performance of programs from the point of view of the consumer. This is an important direction for our initiatives.

To that end, we asked Acumen's Lean Data team last year to engage end users at 36 of our portfolio organizations. Across these investees, we interviewed over 11,500 consumers across 18 countries to get a detailed picture of income levels (based on the [Poverty Probability Index](#)), satisfaction with the services provided, and Net Promoter Scores (NPS) for the investees. Tools like these give us more accurate pictures of income levels and insights into the depth of impact

*As Omidyar Network continues to evolve and each of our initiatives develops a more distinct identity and approach, we expect the firm's approach to measuring impact to evolve as well as incorporate more sector-specific views.*

since the consumers directly describe the magnitude of improvement in their lives that they believe a given service had for them. They can also promote learning and reflection with investees, enabling them to further hone their products and services. (To see the findings, please look at our most recent issue of [Constituent Voices](#).)

- **Improving sector impact assessment**

We have begun to test ways in which we can better work with our investees, and the sectors in which we work, to strengthen learning and to more accurately assess and report on impact. As part of this, we also want to improve our assessment of organizations whose operations don't reach individuals directly (e.g., organizations that work in policy, advocacy, research, multi-stakeholder initiatives, etc.). We look forward to and would welcome external suggestions on approaches to such assessments and encourage those who wish to contribute to reach out to us.

We have developed some preliminary measures to track the broader sector-level impact toward which our investments as an initiative portfolio contribute. However, assessing the degree of contribution of our investees, and by extension the role of our investment, is not straightforward, and we are learning our way forward. We present two brief narratives in this area on pages 23-24. While these preceded the sector measures we now have in place, we felt they may still offer an interesting perspective to readers, who are likely to see our individual initiatives publish more on their sector-level progress in the future.

As we think of external resources available that may be helpful to others considering assessment of their portfolio, we have already mentioned and recommend Acumen Lean Data and Nesta's Standards of Evidence. Another resource to consider is the [Impact Management Project](#), which was facilitated by [Bridges Impact+](#), which we were pleased to support with a grant. Our original analysis predated the project's inception but we see several areas of alignment and we would recommend those embarking on this journey to consider this emerging approach, [including their five dimensions of impact](#).





## Microcredit

Omidyar Network strategically invested over \$100 million into various organizations and funds – both commercial and nonprofit – in the microcredit space between 2004-10. Our contribution was mainly in the later phase of the modern movement that had been pioneered in the 1970s in Bangladesh and elsewhere (i.e., we joined at the commercialization stage, just as private capital was beginning to enter). Omidyar Network’s involvement was grounded in our belief in and willingness to test market-based approaches to development.

Given that background and objective, our work in microfinance, we believe, was generally appropriate and helpful, and contributed moderately (along with many others, e.g., Accion, Opportunity International, and several development finance institutions) to the goal of moving the sector from a more grant-based one to a more commercial-based sector. Our theses at that time were that (a) some level of commercialization was necessary for the sector to be able to scale beyond its original nonprofit roots and to have the growth capital it needed (credit is capital intensive), and (b) private capital could help encourage the competition that would keep prices low for borrowers.<sup>24</sup> Since then, our [financial inclusion strategy](#) evolved in 2009-10 to be more focused on digital financial inclusion, and services well beyond credit, and is now increasingly focused on financial health.

While our microcredit work may not in itself have accelerated the sector substantially, our investees reached over 50 million people, kept costs low for consumers, and helped to eventually attract foreign capital into a range of markets. Omidyar Network contributed especially in helping to put in place key infrastructure like MFX, MIX, and supporting groups like CGAP that helped the sector navigate the Andhra Pradesh crisis and keep financial inclusion on the global agenda, while also evolving the approach based on lessons from Andhra Pradesh and elsewhere. Many of these core sector institutions continue playing helpful roles in financial services more broadly to this day.

In the end, the microcredit market in isolation did not grow as large as many, including Omidyar Network, may have expected, nor did it deliver the full poverty alleviation benefits that some had associated with it or claimed for it. However, it did nevertheless deliver meaningful benefits to many of its over 200 million customers and remains important in their lives for credit, income smoothing, and other purposes. The field – and we – have since recognized that much more than credit is required; other approaches (e.g., the [“graduation program”](#)) are required to reach the poorest, and scalable digital channels offer even greater promise.

Nonetheless, at the sector level overall, we believe that Omidyar Network learned from its efforts in the microcredit commercialization space, and developed credibility, legitimacy, and knowledge that positioned us well to both reflect on the approach, and participate in broadening the aperture in 2009-10 (toward financial inclusion and digital finance). When that shift occurred, we began playing much earlier in the development of the next wave of the movement, and we had an opportunity to participate as sector builders overall, rather than only individual investment players, due to our work and lessons learned in microfinance.

We acknowledge fully that we also suffered from blind spots, and limits in our capacity and toolkits in this period (especially around policy, politics, and impact measurement) – which meant we were less able to forecast, prevent, or mitigate issues, or actively lead discussions on sustainability and the model.

But the “proof” that the poor are bankable, in terms of commercially viable micro-finance institutions, helped to lay important groundwork for evolution of the field into other financial services for these consumers, such as savings, insurance, mortgages, etc. Furthermore, demonstrating commercial viability in microcredit also set the template for investors to consider extending impact investing to other sectors.

<sup>24</sup> We recognize that not everyone shares, or shared, our point of view about the need for commercial capital in microcredit, or even of the benefits of microfinance vs. the risks of indebtedness and other potential negative effects. Indeed, it’s fair to say that this was both a controversial goal at the time, and has been blamed for some of the crises that affected the microcredit sector in Andhra Pradesh in 2009-10.



## Impact Investing

In 2004, the [Omidyars pioneered](#) a new [hybrid structure](#) to harness the power of the market for good. This innovative structure made it possible to deploy for-profit investments as well as grants toward our mission, allowing us to take a “[problem first, tool second](#)” approach. At the time, there wasn’t even a name for the movement, but today everyone from [Goldman Sachs](#) to [the pope](#) have embraced impact investing, leading to what conservative estimates identify as \$228 billion in impact investing assets under management, a number that has doubled in just the last year. We believe our role as a pioneer and practitioner – investing more than \$600 million into over two hundred early-stage, entrepreneurs since 2004 – influenced the rise of impact investing and [has served as a demonstration model for philanthropists from Laurene Powell Jobs to Mark Zuckerberg](#).

In 2012, Omidyar Network established a dedicated team to amplify the firm’s influence and share lessons on the way wealth is deployed for social change, which has helped build the market in three key ways:

- First, we’ve drawn on Pam and Pierre Omidyar’s impact investing journey to speed the way for high net worth families who are just getting started. Toward that end, we’ve directly advised nearly 150 families with a collective net worth of more than \$460 billion; invested in high-trust, peer-to-peer networks such as [The ImPact](#), [PYMWYMIC](#), and [Toniic](#); and co-founded the largest and most active [Giving Pledge](#) affinity group, focused on impact investing. Members of the Toniic 100% Impact Network alone are [are actively moving \\$6 billion](#) into impact investments. And, with tremendous flexibility, the high net worth segment is uniquely positioned to deploy catalytic capital with outsized impact.
- Second, we focused on policy to open doors for new capital. Through a joint industry letter in the Financial Times, we helped spark the G7 Social Impact Investment Taskforce in 2014. Our former managing partner Matt Bannick was selected to co-chair the US National Advisory Board (now the [US Impact Investing Alliance](#)), which launched [Private Capital, Public Good](#) at the White House in 2014 – the industry’s first-ever unified policy agenda. The [three strongest policy recommendations have since been enacted](#): paving the way for greater impact investments by [pension funds](#) and [foundation endowments](#), as well as infusing new capital into Pay for Success approaches.
- Finally, we looked to build market infrastructure and thought leadership in the space. On the market infrastructure side, we were key early funders of the [Global Impact Investing Network](#) and [Social Finance in the UK and the US](#) and co-founded the [Global Innovation Fund](#). Our publication of [Priming the Pump](#), [Frontier Capital](#), and [Across the Returns Continuum](#) drew upon lessons learned from our own portfolio to elevate important challenges for the impact investing field, including the [urgent need for market segmentation](#) – a challenge we also tackled by building the evidence base for financial returns, while sharing ways to understand and talk about impact (e.g., anchor funder of the [Impact Management Project](#)).

Through our experience in impact investing field building, we learned several lessons that we believe will help us to improve our social impact in other areas. First, while our investments are key, the use of our direct voice, experience, and brand can be powerful complementary tools and we expect to deploy them increasingly in the future. Second, early stages of movement building have a longer time horizon than we might expect, but exponential growth can follow. Finally, few funders invest in the infrastructure needed to accelerate a nascent market, but doing so can have a significant impact. We are proud of our contributions to this industry necessity.

Looking back, we see the way philanthropic investments in the impact investing market’s core infrastructure have underpinned the growth we see today, ushering in a wave of institutional investors, from the [TPG’s \\$2 billion Rise Fund](#) to the [Dutch pension fund PGGM](#). Yet, there is still a long way to go: Impact investments are still but a fraction of the broader capital markets. And, as the market continues to scale, so too will the need for an ever-broader coalition of philanthropists to back the public goods that will keep impact at the center of the impact investing market.



## Conclusion

We take pride in Omidyar Network's contribution that, combined with the power of the entire community and a broad tapestry of investees and other actors, has touched the lives of more than a billion people. We believe our work in creating a methodology for assessing that impact, despite its limitations, makes it possible to demonstrate the importance and promise of the first 10 years of our work. This retrospective review of our potential impact has offered substantial learning for us, so that we can get better at delivering on our mission.

But we can't rest here – there is so much more to do. While what we have done to date has been a good start, [our organization and approach continue to evolve](#). And that's good. We aim to continue to add in more consumer points of view, better figure out what it means to create impact at the sector level, and figure out how to do it all when we tend to invest quite early in the game. We also recognize that the ability to evaluate this impact going forward with data requires that we approach it as a continuous task from the beginning of our involvement with an investee, and we continue to build on our ability to do that.

Finally, we hope that by sharing our approach and findings, it will not only inform our own future work but also stimulate conversation among our peers – both impact investors and foundations. We know that what we have come up with is imperfect, but by sharing our learnings we hope to contribute something to help peers who may be wrestling with the same set of issues. As noted above, our approach continues to evolve, so, to that end, we gladly welcome the perspectives of others on everything from reach, depth, and sector impact measures to how to inject more of the end-users' voice and perspective into our consideration of impact.

*We take pride in Omidyar Network's contribution that, combined with the power of the entire community and a broad tapestry of investees and other actors, has touched the lives of more than a billion people.*

## ADDITIONAL NOTES ON METHODOLOGY

This analysis requires us to develop our own analytical and pragmatic framework for the task. The methodology is covered at a high level in the main body of the text, with more detail in the footnotes. In this section, we highlight and discuss five methodological considerations that we felt were particularly important in this exercise.



### 1 Working with limited counterfactuals

Measuring the impact of an investee’s product or service on a customer or beneficiary is ultimately about gauging the difference a particular product or service made to someone’s life. To do this properly, one needs to determine the effect compared to what would have otherwise have happened. For example, if a competitor would simply have supplied the same person with a similar quality product, then the incremental benefit or impact of the investee on that person is zero. The opposite would be the case if there are no other accessible, affordable alternative suppliers – any benefit to the person would be attributable to the investee.

Similarly, when we think of Omidyar Network’s investment into an organization, we ideally want to understand what difference our investment made to the investee itself, by comparison to what would have happened without our funding and support. For example, if we are filling a clear funding gap, then the organization would not have had a similar level of funding available at that time without our support. On the other hand, if several other funders were competing to fund an investee, then it’s likely the organization would have met its funding target with or without us, though in such cases there are often non-financial benefits or terms we can bring to an investee that others may not be able to offer.

In most cases we faced a lack of a true counterfactual at the investee or Omidyar Network level, so much of what we have used is our attempt to extract meaningful insights using a set of proxy variables that help us to at least build a picture of the portfolio.



### 2 Depth

Our depth ratings are the *hypothesized change* in the life of the *typical individual relative to* what would otherwise have happened.

These assessments of depth are based on our best current view of the *potential* impact created to date (i.e., if the investment works in the *hypothesized* fashion, with the hypothesis updated to reflect any new internal or external information since investment), rather than robust counterfactually *proven* impact for the *specific investee* on its specific target population. To generate these views we use three sources:

- External data such as the Copenhagen Consensus, systematic reviews, meta-analyses, relevant randomized controlled trials conducted on other entities, and well-controlled regressions in various sectors (though worth noting that due to the innovative type of investments we have, directly applicable and externally valid information was relatively sparse).
- Internal data from our investee (e.g., any impact analysis that may have been conducted). Also, with advances in data collection dropping the cost to collect such input from end users and the marketplace (e.g., Acumen’s Lean Data), we can now better understand the performance of programs from the point of view of the consumer, which is useful additional data to consider.
- Our own judgment.

We separately consider how confident we are in our assessment – and have found the [Nesta Standards of Evidence](#) helpful in this regard. In a future iteration we could develop probability-weighted or “*impact risk-*” weighted measures to give a perspective of how confident or not we are in our depth rating for each investment (based, for example, on the weight of internal/external evidence to date), and “multiply” our depth by this measure to give a confidence-adjusted perspective.

We think about the *change* in the life of those affected, and this speaks to the counterfactual point mentioned earlier. So for example, the fact that a school operator investee provides an education is not *in and of itself* a deep change (unless the child would not otherwise have received any education). Rather, what is of interest is the *improvement* over the education that would otherwise have been received in the currently available schools.

*Typical* individuals indicate that we are not looking for extreme cases, as these are less representative. On a platform reaching hundreds of millions, there may be amazing stories of massive change for a specific individual, but unless that is reflective of the typical benefit to the user we would not use them to define the depth rating to be applied to the full reach. We would rather look at a “median” case.



### 3 | Calculating direct impact

To combine reach, depth, and socioeconomic status, we needed to set thresholds (e.g., the number of people who must be reached by a light depth investment targeting a lower-middle income population, in order to be considered high overall direct impact). We applied some logic to the selection of thresholds using certain benchmarks, but in the end, it was more of a judgment call. We found, however, that the conclusions we drew were relatively robust against changes in the thresholds. We also considered, and ultimately decided against, expressing our impact in financial terms which would avoid the need to create these types of thresholds.

In theory, estimating a dollar figure for the social impact of each investment would have other significant benefits, including making them all readily comparable and easy to sum. In practice, there are several variables to consider in each investment, and these variables differ markedly by investment. The diversity in our portfolio is so pronounced that we felt it would have required a unique model for nearly all of our several hundred historic investments. Each model would be built atop many layers of assumptions that themselves would be subject to significant margins of error, particularly given the early-stage in which to tend to invest in an organization and in a sector. While we recognize the significant advantages that dollarization can introduce, and applaud efforts in this space, exemplified by [TPG's Rise Fund](#), we recognize such an approach is better suited when dealing with more mature sectors, more mature companies, larger investments, and stronger evidence bases.

Some readers may also wonder why we did not make more direct usage of key performance indicators (KPIs) in this analysis. To be clear, all our investments are regularly tracked against KPIs. However, we tailor KPIs for each investee to focus on what is most important and appropriate for that particular organization at the time of investment. This means they are generally not directly comparable across the portfolio, nor are they easily summable. More importantly, they tend to be operational in nature and can be focused on inputs, processes, and outputs, rather than impact. Finally, while measuring performance against KPI targets is important in how we manage our portfolios, it's a function of how aggressively or conservatively targets were set and says little about success in impact terms.



### 4 | Cost-effectiveness

While we did look at cost per person reached and the correlation of impact with level of financing, the overall focus for this analysis was on absolute impact, rather than *cost-effectiveness* of the dollars used versus benchmarks or alternative uses of philanthropic funding (e.g., what peers have achieved or a baseline of giving the funds away through unconditional cash transfers). Greater focus on this may enable us to establish which investments within the portfolio represent better value (helpful for resource allocation) or whether our selected investments are best-in-class (helpful for assessing investment selection process). The fact that we invest in for-profit entities would likely affect both sides of the cost-effectiveness equation as sustainable for-profits can continue to generate impact without further external investment, and the money invested from Omidyar Network in successful for-profits will be returned in due course and can be recycled for future use.



## 5 Ecosystem and infrastructure investments

In our first decade, approximately 50% of our investments by number, and 25% by capital deployed, have been in organizations that don't reach end-customers or beneficiaries directly (e.g., organizations that cover policy, advocacy, research, convenings, multi-stakeholder initiatives, or other ecosystem or infrastructure). For these investments we could not meaningfully measure reach and therefore could not assess direct impact. However, we could still assess their sector impact and found that that approximately 20% of these investments had high levels of sector impact, so a 20% success rate seems broadly applicable across our full first decade portfolio using these criteria.

However, more generally we want to improve our ability to assess the impact of these types of organizations as they are harder to assess in our view than those who directly serve end customers or beneficiaries (and for whom we can try to assess both their direct and their sector impact). More broadly we seek to improve our ability to measure contributions of an individual investment or a portfolio to sector change. We look forward to and would welcome external input on approaches to such assessments and encourage those who wish to contribute to reach out to us.

