



Using Most Significant Change Stories in Social Finance System Change Initiatives

Welcome

- Introduction and context – Jane Reisman



- Learning and evaluation overview – John Sherman



- Most Significant Change story approach – Jasmine Johnson



Why this workshop

- 5-year evaluation
 - Developmental approach
 - adaptive, iterative
 - Emergent learning
 - Equity focused
- Long-term social change goals

Challenges

- Finance side of philanthropy has different norms and expectations of impacts
- Impact data not the norm for financial transactions
- No access to ultimate beneficiaries
- Funders required stories of impact, but with no guidelines

Community Investment Guarantee Pool (CIGP)

What is CIGP?

- Unfunded guarantee pool of 16 guarantors
- Issues guarantees to community- focused lenders in affordable housing, small business, and climate
- 11 lenders have received guarantees, mostly CDFIs
- Intentionally focused on BIPOC- and women-led community-focused lenders and businesses

What is a guarantee?

- a legal agreement that guarantees a debt will be repaid to a lender by another party if the borrower defaults.
- acts like an insurance policy,
- helps reduce the real or perceived riskiness of a loan

Community Investment Guarantee Pool (CIGP)

Why this guarantee pool?

- Help reduce access-to-affordable-capital barriers to low-income communities and businesses
- Test ways lenders may improve access to affordable capital for higher risk businesses
- Develop better understanding of what risks are real and which are perceived
- Build understanding, comfort, and skill set in foundations to use guarantees or other balance sheet strategies to fulfill mission

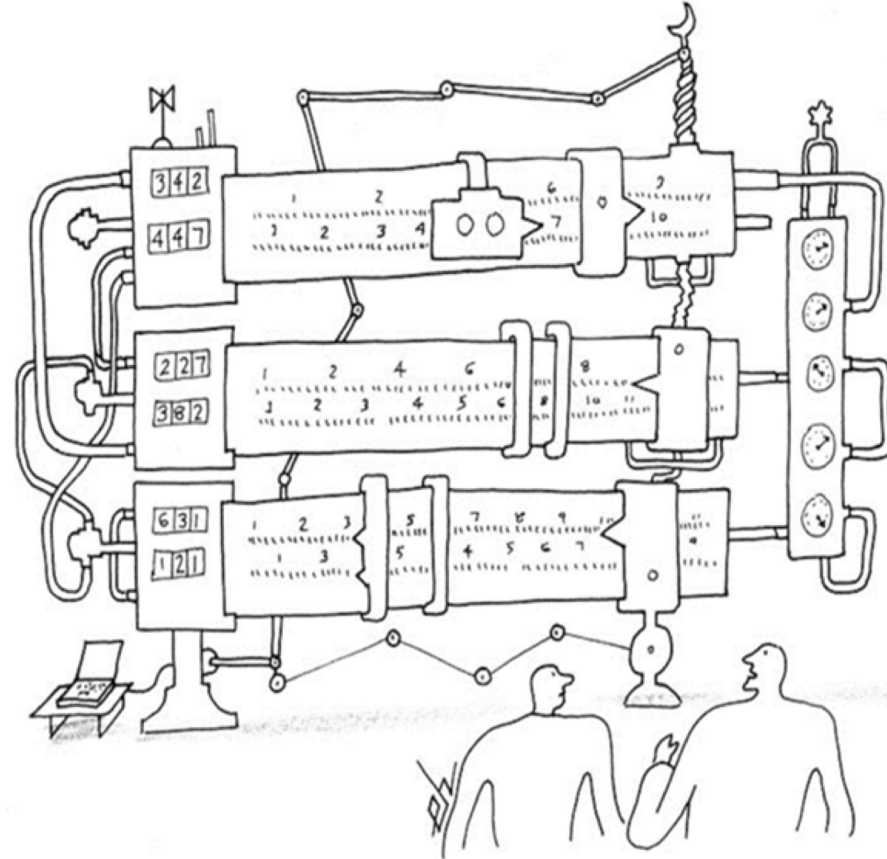


CIGP aggregates and deploys guarantees that support innovation and racial equity in community finance

How does it work?



CIGP Learning and Evaluation Approach



“Well, it’s as we suspected—twelve inches equals a foot.”

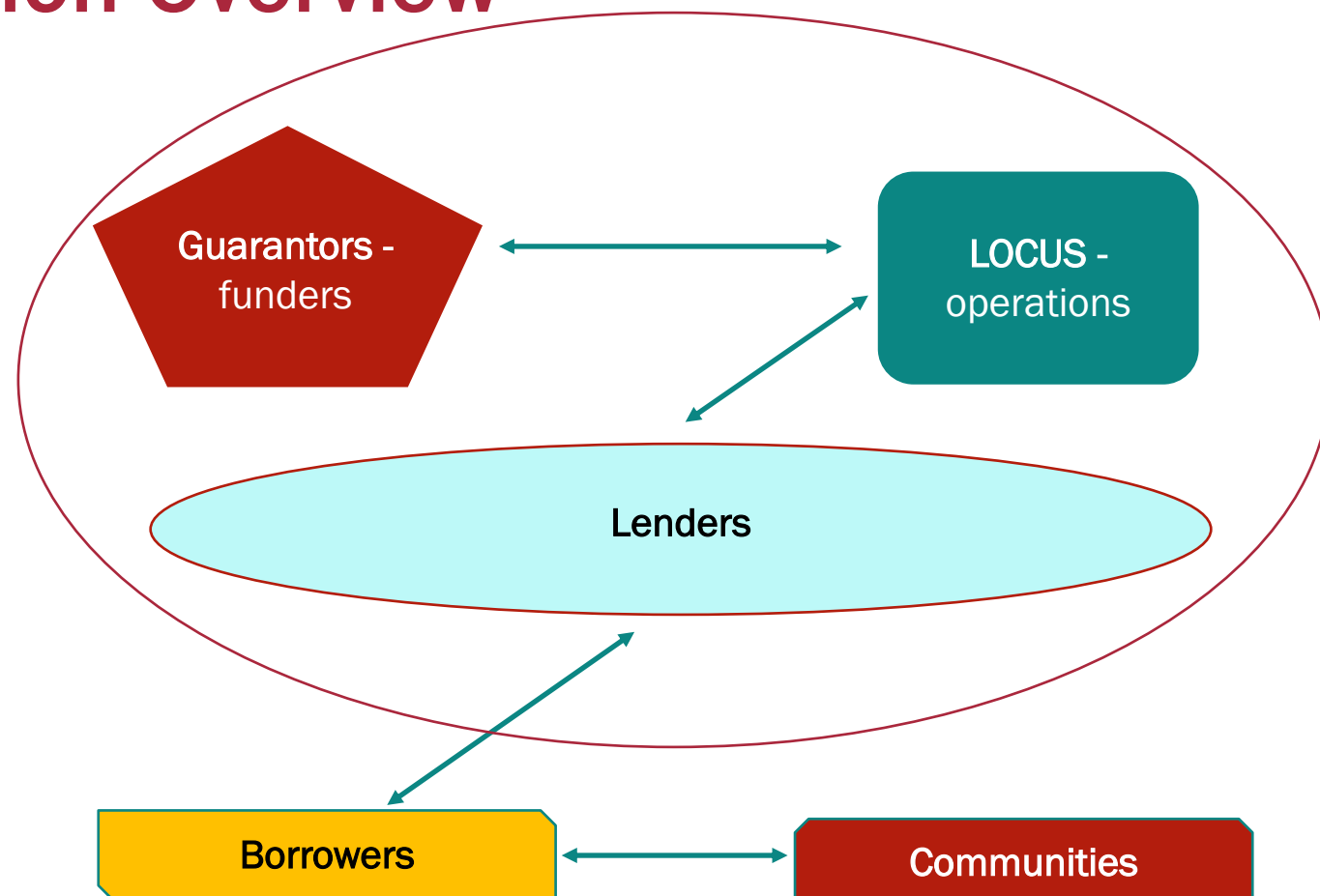
CIGP Learning & Evaluation Overview

Theory of Change -- hypotheses, strategies, outcomes and impacts for key actors

- Guarantors
- LOCUS
- Lenders
- Borrowers
- Communities serve with loans

Challenges

- Access to three actors, but not borrowers or communities
- Lenders – no norms, resources and internal processes for evaluation
- Lenders - don't ask for “impact” information from their borrowers



Most Significant Change Stories

- work with lenders to gather impact stories from borrowers
- a participatory process that allows the lenders and their borrowers to tell their outcome and impact stories
- shines a light on what is happening on the ground for funders and the field as a result of the CIGP guarantee-backed programs
- reduces the burden of cumbersome data collection for QB

How We Use MSC

The Process: How We Apply MSC



Define Domains of Change

- Traditional MSC Approach – evaluators identify anticipated domains or outcomes of change with stakeholders
- BUT we have no direct access to the stakeholders, i.e., borrowers and communities
- THUS, identified the domains of change from stories via thematic analysis (more detail on slide 14)

Collect Stories

- Lay the groundwork
 - peer learning sessions
 - 1:1 conversations with lenders
- Provide lenders a story template
 - What's the story
 - Why significant
 - How, if at all, related to the guarantee
- Ask lenders to identify stories from 2 or 3 of their borrowers

Instructions

Think about the loan/investments you have made over the past year and consider two or three you feel exemplify the reasons why you wanted a guarantee. Please fill out the information in the table below and answer the subsequent questions for each borrower/investee. You should create and save one document per borrower/investee story that you share. The CIGP Evaluation and Learning team will review all the stories you submit and select two stories for more in-depth development of the stories through interviews with you (the qualified beneficiaries) and the borrower/investees. If you have questions on how to complete this form, please reach out to Jasmine Johnson: jasmine.johnson.consulting@gmail.com.

Most Significant Change Story Collection Form

Name of storyteller (representative from qualified beneficiary)	
Position of storyteller in organizations	
Date story selected	

Questions

Note: Bullet point responses are acceptable for each question.

1. Please share a narrative description story about how the borrower/investee has used the loan/investment. Use your discretion if you want to share any identifying information of the borrower. Please be sure to only use names if you have permission from the borrower. Pseudonyms are acceptable. (350 words max)
2. In your opinion, what is the most significant change that took place for the selected enterprise/business/organization since receiving a guarantee from CIGP? (250 words max)
3. Why do you consider this to be the most significant change? (250 words max)
4. What lesson(s) can we learn from this story about a change that has resulted from the borrower/investees participation in CIGP's guarantee? (250 words max)

Analyze, Verify, & Summarize Stories

- Conduct a thematic analysis of stories to identify key domains of change/outcomes, summarize findings, and share interpretation for lenders to review.
- Domains of change:
 - Enhance Credit
 - Reduced BIPOC Income/Wealth Disparities
 - Stimulated Economy in Communities
 - Reduced Perceptions of Risk
- Spotlight two stories through interviews with borrowers
 - select two stories aligned with three of CIGP's focus areas: small business, affordable housing, and climate.
 - interviews provide ground-level view as to what is happening for borrowers who otherwise would not qualify for financing.

Spotlight on Two MSC Stories

BINW: BIPOC, Veteran Small Business Owner

- **Lender:** Business Impact NW (BINW), assets of \$12.4 million, is a nonprofit Community Development Financial Institution (CDFI) serving underbanked small entrepreneurs
- **BINW Program:** provide unsecured loans to small business BIPOC owners across WA and OR, especially immigrants and refugees (including undocumented) using a streamlined “checkbox” process
- **Story:** Latino, low-income, veteran owner of a construction company in need of additional capital to mitigate against high debt rate and working capital during pandemic
- **Outcomes:**
 - **Credit enhancement:** Loan enhanced credit to help business owner strengthen balance sheet
 - **Closed racial wealth gap:** Without the loan, business owner unable to maintain his business
 - **Job retainment for community members:** Business owner reported being able to retain and create jobs for his minority workforce.

LISC + Affordable Housing BIPOC, Woman Owned Developer

- **Lender:** LISC, assets of \$968.3 million, is a non-profit intermediary that focuses on creating resilient and inclusive communities of opportunity across America
- **LISC Program:** LISC's 10x Mission Fund focuses on minority-owned and/or minority-led real estate developers.
- **Story:** DVM Consulting Corp., a BIPOC, woman-owned firm selected to develop vacant, city-owned parcels to support economic development for historically underrepresented residents and businesses. LISC provided DVM with a pre-construction loan,
- **Outcomes**
 - **Credit enhancement:** Loan enhanced credit to help business owner strengthen balance sheet.
 - **Closed racial wealth gap:** Allowed developer to cover pre-construction costs; opened the door for her to operate her first ever development firm.
 - **Projected economic development for community:** Mixed-use development will create affordable homeownership, rental housing, and commercial space for local BIPOC families and businesses.

What Have We Learned?

Key Learnings

- Voice of borrowers supported the intent of CIGP to put under-resourced borrowers – often BIPOC and women-led – on the pathway to building stronger, sustainable businesses
- Helped bridge the gaps between outputs and outcomes
- MSCs embraced by guarantors and lenders
- Process systemized story-telling

MSC Value to Learning Journey

- MSC stories triangulated with other data
 - Guarantor Surveys
 - Interviews with LOCUS, Guarantors and Lenders
 - Lender Peer Learning Meetings.



MSC Value to Learning Journey

- Learning journey for 2024 will focus on:
 - Equity – How are CIGP guarantee back programs advancing racial, gender and economic equity?
 - Scale – What will it take to scale a guarantee pool in a regional context?
 - Risk – What more can we learn regarding perceived vs actual risk?
 - Systems – What would it take to move the norms of conventional finance standard setters?



Insights
to Actions



Questions, Observations