

SCOTT TURNER

Great, thanks everyone, good afternoon, I'm Scott Turner, I oversee the community development department at the San Francisco Fed, I also want to thank everyone for coming and also offer my own special gratitude to all of the presenters today for bringing their knowledge and their insights. I have the pleasure of introducing our lunch keynote, Sonal Shah, for the past two years Sonal's been director of the new Office of Social Innovation and Civic Participation, the office is housed in the domestic policy council at the White House and it was newly created a couple of years ago in order to coordinate governmental efforts to aid innovative non-profits as well as social entrepreneurs who are addressing pressing social needs. You can find Sonal's bio in the packet, she's an economist and she brings a wealth of experience to this new office starting with about six years at the US treasury department, followed by subsequent positions at the center for global development, the center for American progress and Goldman Sachs, and most recently Sonal was at google.org where one of our initiatives, and one that is really most relevant to today, was focused on supporting small and medium sized enterprises by creating an investment fund and also by developing new innovative models for gathering credit information, so we're extremely pleased that Sonal's taken the time to be with us here today, so please join me in welcoming Sonal Shah.

SONAL SHAH

Thank you all and what an exciting time to be able to talk about data and measurement, and have everybody excited by it. You couldn't have said that ten years ago and everybody wouldn't have been excited about data measurement, but also impressive that the San Francisco Fed and the Washington Fed have taken interest in impact investing and the data and measurement behind that, which has been great and it's great to see the energy around that, so Scott thank you so much. A real thanks to John Moon for also taking the time to pull this together and really being kind of the catalyst and making us all come here as well as David Erickson for his work and for really pushing us to pull this conference together, so thank you very much for that. As many of you know, the Obama administration is committed to promoting economic growth and job creation as well as social benefit, and that's why the administration's excited around all the work around impact investing and the energy that exists around impact investing. As you've heard in the panels and especially the earlier panel, you've seen the importance of data and releasing of data and how important that is, and we've made that an administration initiative to make sure that happens across agencies, but that we can actually do more of it and really think about the rule of government and releasing data. Not necessarily doing all the analysis behind it but really thinking about how data can be a part of that, but to Deborah's point, I think

## **Advancing Social Impact Investments through Measurement**

Federal Reserve Board | Washington, DC

Scott Turner and Sonal Shah | Keynote Address

3

we also recognized that the importance of policy and capacity building are just as critical. While data's important we also know that making sure that the policy environment and the capacity to be able to use that data is also just as important to get there. The momentum is certainly growing for impact investing, or as others have called it, double bottom line or triple bottom line, but the ideas are growing and the concept is becoming even more important, as we look around what's going around in the world around us, we see why this is critical, really thinking about how business can operate differently and how business can incorporate social benefit into that, it's not just about the non-profit or the for profit worlds, we're really thinking about where the merging of those two are coming together and where there's opportunity and how do we think about impact investing as a space between the two worlds, how do we bring those two together to get there. It's great to see investors interested, aside from you know, the pension fund investors are interested, the foundation investment arms are interested, as well as those like JP Morgan Chase and others are also interested, and to see that momentum growing is also just as exciting, and then the academic interest as many of you heard from Ben Thornely [?] earlier this morning as well as David Wood and their paper and just the academic interest around impact investing is also adding to that. As we think about impact investing from the government, we also think about it in addressing some of the administration's priorities, whether it's increasing

## **Advancing Social Impact Investments through Measurement**

Federal Reserve Board | Washington, DC

Scott Turner and Sonal Shah | Keynote Address

4

employment opportunities and low income and – low and moderate income communities, addressing administration priorities in childhood obesity as well as making access to affordable, convenient, nutritious food available, spurring innovation in the education sector, increasing energy efficiency, housing and urban development, really thinking about community – I mean... But public housing and how we make public housing better and how do we think about the private sector's role in that, but to create this market and as we've been talking about today, it really requires – it requires metrics and measurement, and how do you measure social impact, and we're going to get down to the crux of the issues, which is, what is social impact versus financial impact and how do you measure that, and that is I think why this conference is so critical, and how do we get there. Widely adopted metric systems can help us create a market which currently is largely disaggregated to become more disciplined, and really thinking about – when we think about the growth of the – you know, moodies [?] and SMP, how do we think about moodies and SMP in the social impact space and what does that look like and how do we get there, what's the data that's required, what's the analysis that's required, how do we create that momentum to get there and this is actually a very good place. And given the importance of it, I think the outcomes of today's discussions are very critical for us as we think about impact investing across the board and the administration, and I'll go – you know, certainly go through some of it but also

## **Advancing Social Impact Investments through Measurement**

Federal Reserve Board | Washington, DC  
Scott Turner and Sonal Shah | Keynote Address

5

would be interested in your thoughts and ideas on that. We've heard from many of our colleagues that the government has a role in impact investing, uh we know that the government can play multiple roles, so we are an investor, we can be a convener, we can also release data as you've heard from our colleagues. We are currently in conversations with all the agencies within the government who have existing programs that are similar that have some sort of impact investing to think about how they might be able to release their data and make that more publicly available and what is it going to take to get there. There's a great deal of data that we collect, as you've heard, from our colleagues and certainly on the health side, and there's a lot we can make publicly available, I know Mitchell [?] they suggested that Opic [?] probably has data that can also be released, but I think when we think about all of the agencies across the government, everything from department of agriculture, development housing, urban development, the SPA, there's a lot of data that the government owns and really to think about how we could release that data is actually fairly important, but I do want to put a caveat out here; in releasing the data and making data publicly available, it's also a cost, it doesn't come cheap and it requires cleaning up our own systems within government to make that happen, it's easy to say, much harder to do, and as we are going through it and in the data.gov information, when we did it for the recovery act, because it was put into the recovery act it was automatically mandated and it was part

of the money that was given – it's part of the recovery act for the old data systems that currently exist, it requires new money to actually change that, and in current budget environments we have to think about how to make that happen, and that is an important challenge for us to keep in mind because while I think we can say data's just going to be made available, I think we have to think through how to make it available, how do you clean it up because sometimes we get data in multiple formats, sometimes it's released to the government in PDF format, sometimes it's given to us in e-mail format, sometimes it's given to us in paper formats, and all of those require people, time and money to make that happen. So that I think is an important part of the data release part that as we work with the agencies, just trying to figure out what's the low hanging fruit that we can do, but also how do we make it worthwhile that the data that's released is also useful data, not just a bunch of data that we can put out there that may not have use and we actually have to think through that too. The second thing we have to work through from the government perspective is we have to think about privacy data, and while many of you in companies it's a lot easier when you think about privacy you have access to information, you can use it, the government when they have access to the data, people don't like it, we're willing to give Google, Facebook, and every other private company probably more data about ourselves and our social security numbers than anybody else, but the moment the government has it,

it's a very different conversation. People don't want the government to have that information about them, people don't trust the government and what they might do with that data, but they surely trust Google and Facebook. Right, and I say that partially as a joke but partially to think about the role of privacy and what the government's role in privacy is and how do you manage the constituencies that come from a privacy perspective and how to think about that, but that's actually very important aspect of how we look at data and making sure that the health data that we make available doesn't inadvertently effect the insurance that somebody might be able to get because their health data is actually made available online, that's actually an important part of government's role to make sure that we do that, and that's something that we have to – those trade offs are things that we are constantly having to think through, so while it might seem odd that it takes time to get through and the processes to get through and what type of data to release, those are the trade offs that we're constantly working through, which consistencies gonna come to the president and say, you know, why did you release this data and it's having an impact on whether low income communities or whether certain communities are able to get access to health insurance, those are important pieces to keep in mind and that's something that I know HHS, when they release their data actually had to normalize a lot of that and make sure it was generalize-able data but it couldn't be specified and they couldn't find specifics

## **Advancing Social Impact Investments through Measurement**

Federal Reserve Board | Washington, DC

Scott Turner and Sonal Shah | Keynote Address

8

about which community, which town, which, you know, which families, because you can imagine in small towns it's fairly easy to isolate people and figure out who probably got sick and who didn't and what types of illnesses they had, so that's an important – that's just important to recognize from our perspective, that we have – the government has an extra burden of how data is used. But as this conference goes on, I actually look forward to hearing the ideas that you all have in terms of – what data is also being collected that might not be useful that we might want to say, Not – don't collect that but collect this other information because that data will actually be more valuable in terms of how it can be analyzed and what can be done with it. So this needs to be an exchange, it's not just about the government releasing data, it's also thinking about how do we clean up our own data systems, what do we collect today that's just too much information and what is it that we should reduce the amount of that burden because the other burden that we faced is the people – every time the government asked for more data, people are like, Why is the government burdening us with more junk, and we have to think about how do we make it simpler yet at the same time useable, so we can do some trade offs in that. So look forward to many of you who actually use the data telling us kind of what's useful and what's not useful, and one of the burdens that we might be able to reduce in the process of that. Second, the government has the ability to leverage its own buying power, so we procure significant amount of

## **Advancing Social Impact Investments through Measurement**

Federal Reserve Board | Washington, DC

Scott Turner and Sonal Shah | Keynote Address

9

stuff, you know, I think the government in terms of hybrid vehicles purchases 30 percent of all the hybrid vehicles in the country, that's huge market buying power, and when you think about the buying power and market making potential of the government, when we think about impact investing, the government has a role in impact investing in the sense of our own buying power, what types of companies do we ask do we want to buy from, what are impact investors that we might want to buy from, what are the rules by which, you know, we pick which investors are called impact investors and which aren't, but that is a market power that the government has and that is a market power that we hope to use, but we need to figure out – what this conference is doing is figuring out the metrics that can be used that also helps our colleagues in GSA and in the procurement across agencies to think about how they might use those definitions more effectively, but that's a market power that we have and that's a market power that we would like to figure out how most effectively to use, especially with the metrics. And then third, we recognize we have convening capacity, you know, it's easy when you're at the White House to be able to call people and people want to show up at the White House for a meeting, which is great, but what we want to do is we want to leverage this convening capacity effectively to bring the right folks in to have these conversations, including those that might not agree with us to make sure we're getting the input in from all sides and making sure that as we move

## **Advancing Social Impact Investments through Measurement**

Federal Reserve Board | Washington, DC  
Scott Turner and Sonal Shah | Keynote Address

10

forward with the initiative as we're thinking about it, to make sure we're convening on metrics, from the investor side, from those that might be making investments, from the fiduciary responsibility side, especially those that look at fiduciary responsibility and how they might come at it, but really trying to bring that convening power together and saying, How can the government use this data, how can we use the metrics that are being developed, and then how do we apply it and how do we convene the authorities to get there, we're not looking to become the standards and rating of impact investing, what we're hoping to do is convene that so the community can come up with it because really I don't think this is where the government's best role is to mandate on how it's done, but what we can do is convene the conversations to make sure it does get done and that would be a very valuable role that we can play. You know as we've gotten some clarity internally on our own we are moving forward with a concept on impact investing, we're looking at all the government programs across the board, all of the agencies, looking at where do we do sort of impact investing and how do we help create definitions for ourselves, but also thinking about what are the investment portfolios and are there some alignments that we can make, and I know some of the conversations earlier were looking at how do you bring different sectors together to create common – to be able to see savings from health into housing and urban development, or visa versa, this is some of the work that we're beginning to do by bringing

## **Advancing Social Impact Investments through Measurement**

Federal Reserve Board | Washington, DC

Scott Turner and Sonal Shah | Keynote Address

11

many of the agencies together, second we are looking at our convening and our procurement powers, and third we're looking at administrative and regulatory changes that we can make to make it simpler and easier but we need to run through all the administrative regulatory issues, and here again we could use your input on what are some of the things that need to be cleaned up so we can look at how to make it simpler to make investments in impact investing, especially from a foundation perspective, and I know many of you have a ruling concern and we're also looking into that. And then finally I'd like to say, you know, there's a lot of work that still has to be done from our perspective, like I think this is great that – I think it's fantastic that we have so much momentum because this momentum is going to propel us to actually getting a policy, which will be huge, we need to work through all the skeptics out there, as many my own colleagues and government come back to me and is like, Well if the private sector really thinks it's a great idea, why aren't the investing in it in the first place, and I know many of you have heard those same things, and if this was such a great idea, is it the business idea that's bad or is it that they're not really trying to do a business but they only care about the social so why doesn't it remain a non-profit, these are many of the questions even within the government that still exists today so we have to work through them and make sure that we can make a clear case to them. Fiduciaries consistently complain that, how do you measure whether something is business or social and where

## **Advancing Social Impact Investments through Measurement**

Federal Reserve Board | Washington, DC

Scott Turner and Sonal Shah | Keynote Address

12

is that in between and what's the right business versus social, and those fiduciaries are also, especially from the investment side and foundation investors are certainly – not foundations themselves but the folks that manage foundation money are asking a lot of those questions and we have to work through some of those questions, which I think is actually fairly important for us to get there, and for us, when we think about making procurement rules and procurement changes, what are the details that we need in there because if somebody says we're going to procure from these types of businesses, do we define an education, do we define healthcare, do we make it generalize-able, what does it mean and how do you write that in a detailed enough format but not so detailed that you can't leave some room for some flexibility, and so those are some of the questions that we're going to work through, but I think those are important for us to think through as we think about the metrics and measurement because that aspect of it will help not only the government but it'll certainly help other investors make smarter choices for themselves, and that's actually a fairly important part of that. So what I'll do, I'd like to take your questions because I think it will be the easiest way to go, but I'm excited that you all are here, I'm excited that we're actually talking about data and measurement and not just saying that it's a problem and to see that we're actually able to do something about that and certainly what I hope we take away from the last panel is there's a way to look at data and measurement not

## **Advancing Social Impact Investments through Measurement**

Federal Reserve Board | Washington, DC  
Scott Turner and Sonal Shah | Keynote Address

13

in the way that we've always looked at it, which is how do we take it all, how do we analyze it all, but making some of the data available also makes it available to communities to use and let others see what they might do with that data because it's not always clear that we know what to do with the data because we have a sense of our own programs and how we might use that data, but to really think about how – how do we break open that field a little bit and think through more effectively. The challenge I will put to all of you is, we can make data available but getting it to low income communities, not that simple, and what we need to do is how do we make south by southwest cool for low income community applications, how do we make it so communities who don't use the internet – we know 80 percent of low income communities do not use the internet, how do we make it cool enough for them that those apps developers or those technology developers are really thinking about those communities, that we don't always necessarily get to but make those applications available to them but don't stop at the development of the application, stop at how many communities that we actually get to, you know, why businesses work is we look at whether we got to 20 million people, 30 million people, 40 million people. In government it's very simple to say we developed the application, clap our hands and move on and say on to the next thing. What we need to know is can we get to 50 million people or the 100 million people that are beginning to use that information to make smarter decisions, it's about systems change, and it's

**Advancing Social Impact Investments through Measurement**

Federal Reserve Board | Washington, DC  
Scott Turner and Sonal Shah | Keynote Address

14

about behavior change, and how do we get to systems change and behavior change, and how do we measure ourselves to that and not just the number of people that accessed it, and that I think is going to be an important aspect for us to think about as we think about how we make this cool, how do we make data cool, but how do we make it cool for everybody to use and especially in the communities that many of us are looking at and how do we get there. So thank you for the invitation, thank you for this conversation and I really look forward to what comes out of this because we really look forward to using much of what you come out with. Thank you.

[Unidentified]: So if there are any questions, if you could just raise your hand?

[Question]: So this is our answer to core innovation capital, we invest in financial services for low, moderate income. What are some of the examples that you would sight that are the coolest ways to engage people and data along the lines that you are thinking.

Sonal: Can you expand on that, sorry?

[Q]: You were proposing the challenge to expand these data and expand

access, I'm sure you've seen stuff in your travels, what would be some examples that excite you that you think are good examples.

Sonal: So great question and I think Todd talked a little bit about this, we're starting to use challenges and prizes as a way to kind of get to communities that get to applications, and when they release their data, especially their CMS data for community based applications, what they had was a lot of community based groups that came there to think about how they might develop new applications for community based – and they're using it mostly as a mass, not via the internet, and not via what you can see online but really how can SMS get access to information via SMS. Largely this is being done in the international space and not in the domestic space, whether it's AIDS information, whether it is getting access to medicine, a lot of this is being done internationally more than it is domestically, so the question I think we have to ask ourselves and I haven't seen that many great applications at the community level that are SMS based, but I'd love to see more of that happening, and to see how we can inspire more of that happening, where people can get access to specified information that they need.

[Q]: Hello, I'm Ellen Lazar with the FDIC, and I was also at one point in my life at the Venture Philanthropy Partners. I thought maybe you could

comment a little bit about what you're seeing with the social innovation fund and the type of tools that are being developed to capture some of this information.

Sonal: That's a great question. On the social innovation fund, which for those of you that don't know about it, it was a fund that was created in the – as part of the – our recovery dollar – our recovery efforts, and what we did is we put in 50 million dollars in the corporation for national community service to scale the best non-profits, largely goes to intermediaries very similar to the CDFI fund where it goes to intermediaries, and the interesting thing, there's three actually very interesting things about the social innovation fund, it has a three to one match in there, so in order to get access to federal dollars there has to be – there's a three to one match that's leveraged as a part of that. What was very interesting is when the fund was announced we had over 250 groups that were interested in applying to the fund, when the application process actually got started and final applications came in, there were 57 applications but of which the 250 had come together to create a collaborative model in order to scale in order to think about how to do scale effectively, and that actually is a very interesting way to think about how the government might actually, as a funder [sic], might think about collaborative models. Second what we're doing with the social innovation fund is creating a learning community, a learning

## Advancing Social Impact Investments through Measurement

Federal Reserve Board | Washington, DC

Scott Turner and Sonal Shah | Keynote Address

17

community that exists within the government but also outside the government through a group called Geo, which is a group of collaborative funders to think about how to take the lessons learned on scale and being able to make it a platform for everyone to have access to, so it's not just about what the federal government knows about this but also what the federal government can work with other foundations and other philanthropy to think about how to make that information public, and then the metrics and evaluation that is a part of that requirement is also going to be made public, so that information shouldn't be just existing within us on how to – what's good metric of evaluation, but really making it more publicly available so we can think about how to share that information more effectively.

[Q]: This is [unintelligible] from the National Community Investment fund in Chicago, an investor in [unintelligible] banks in the country, the question that I struggle with a lot is the discussion about a [unintelligible] addition of investors, you know, the courtly investor [?] as it's often called was the long term nature of impact or changing the lives of people that we are thinking about, a bunch of us are thinking about here, how do you reconcile the fact that all of us have attention deficit disorders and are not really thinking beyond the next quarter, and change the perspective of the investor community as well as the governments perspective from a long term objective

of changing the lives of people.

Sonal: Well that's an important question and I think that's something that we will always struggle with and it's something that we should continue to struggle with, but I do think that part of the nature of impact investing is really to think about how do you invest for the long term, the profit social metric ratio will probably change over time, but we have to – I think that's why the social metric is actually – the social impact is actually fairly important to define, and also clear, I think making clear upfront what it is the social metric we're trying to get to, one example that I can give you that we're also – while not part of the impact investing is social impact bonds or pay for performance bonds as the US government is calling them, and really thinking about defining the outcome we want to get to and then who are the partners we work with the intermediaries that we work with that can raise private capital to achieve that outcome and then the government can give a return on that investment. Now that requires a ten year time frame and an ability to think in the ten year time frame, and what we're doing and what we have in the 2012 budget is 100 million dollars worth of budget authority to allow five different agencies across seven different budgets to test this idea, and whether it can be done, it's much easier if it can be done at state and local levels because that's where the impact is really on the ground, but thinking about that is actually very important, and

## **Advancing Social Impact Investments through Measurement**

Federal Reserve Board | Washington, DC

Scott Turner and Sonal Shah | Keynote Address

19

it's something that we are very cognizant of when we think about impact investing that we can't look in two year, five year, six year return models, we have to look at – we have to be willing to expand out to ten years, and recognize that we're going to learn that, but this I think is why it's critical also to release data and make data publicly available so we can see where the progress is and where it's not being made. Sometimes we don't make that information available and what we tend to want to do is pave her over and say, This was a great idea and it worked really well when there are mistakes that we make, and frankly the government makes a lot of them and we need to figure out in those mistakes how do we make changes to them as opposed to just building upon those mistakes and making it more burdensome rather than simplifying it and allowing for change to happen. So I do think that that's going to be a tough challenge, I don't think it's going to be easy, I think for government to think in ten year timeframes is really hard because we live in four year political cycles, but it's important to think through how do we inherently put that into the system so the system goes on its own whether politics changes or not, but that should be an important part of that, and I certainly hope you all will keep pushing us on that because that's important that we keep recognizing that sometimes these long-term returns are long term. Education has a 25 year return, it's not a one year return or two year return, we have to be willing to think about in that 25 year return, what are the benchmarks that we can use.

[Q]: I'd like to probe this point you made a little bit further, I mean it seems to me that on the business side it's not even for your timeframes, it's 18 month time frames, I mean when they come they can go from inception to a billion dollar IPO in a matter of 18 months, investors who are seeking impact have a tough time accepting that impact may come over four, five, ten years. Is there something that government can do to create the types of partnerships with business to get investors comfortable with the idea that it's going to take a bit longer for impact to be realized in an impact investment.

Sonal: Yeah I – Jon I only will push on this since I think this is going to be a two way street, I think there's parts that we are going to do as government to say, We need to think in long term and the impact bonds are great because they're six to ten year timeframes that we're looking at, we're not looking for returns in a quarter, we're not looking for returns in two quarters, we're really looking at a six to ten year timeframe on whether we can achieve impact on that and how do we calculate that information. On impact investing, the programs that we're looking at across government are not short term programs or really looking at long-term, but we do need to think about, as government, we need to think about partnerships differently, and I think the social innovation fund helped us think about how do we be a partner with the private

sector as opposed to just running the fund ourselves, we're 50 million dollars, but the three parts of it are coming from the private sector, so it kind of pushes us to think outside of that, and I think that's one of the pieces on impact investing that we have to figure out how to leverage private dollars more effectively, but also how that leverage helps us work with the private sector to think long term, and that's something that we have to keep in mind, I don't have a great answer for it right now, I think it's a great point that we have to keep pushing.

[Q]: I'm Michael Cox from the Calvert Foundation, I'm curious to hear you say more about procurement, the government buys billions and billions of dollars of products and services every year, and usually those are from very large firms who can meet that kind of volume and supply, and so I'm interested in your ideas about how to drive product innovation within those firms by putting in certain standards of what kind of products you want to buy, and then also how if there's a focus on like driving, ESG factors in those big companies through getting government contracts.

Sonal: It's a great point, we've been talking to our colleagues at GSA and the government services administration, which is really where most of the procurement takes place, and we're working with them to figure out what those

## **Advancing Social Impact Investments through Measurement**

Federal Reserve Board | Washington, DC

Scott Turner and Sonal Shah | Keynote Address

22

definitions are and how we might be able to do procurement more effectively, and the other piece of that is, they've done it in some places already, so when you think of lead standards, while we don't use leads specifically, we use lead-like much across the way, and that has already changed an industry by the way we procure for green buildings, whether it is the materials that get used and the types of FSG certified wood, whether it is the type of glass we use, whether it's the type of desks we use, all of that has already started in the government and they're already doing it across the board, and agencies across the board including the largest of them, which is defense, they do quite a bit of it. So we have an ability to actually make a market in that. So I think as we think about ESG factors, we need to think about what environmental social governance criteria do we want to use, I will put out there that it's easier to use environmental and governance criteria, their social criteria needs much more clarity. And when you talk to all of the agencies and when you talk to all of the investors, that aspect of the social criteria that needs to be clarified is actually fairly important, which aspect of the governance is fairly common, we know what the governance criteria are, and there's a lot of work that's already been done on it, there's a lot of work through GRI and others on the environmental criteria, they've done a great job of kind of pulling an industry around that, I think on the social criteria we need to figure out what specifically in the social criteria we want to use, so an industry can develop around that data, but in

the absence of that, there's a lot of un-clarity [sic], s a human rights violation in one place considered a human rights violation in another place, because you know, if you think about the politics of how we define it, we don't actually define it that clearly, and is it because we have the data or because we don't have data, and how do we – those conversations are not always so clear and we have to actually think about what it is that we want to hold a company accountable to, so on the social piece of it I think I've heard investors talk about this quite a bit, we need some clarity about definition and some conclusion as to how everybody's thinking about the social criteria.

[Q]: On that note, I'm curious, I've seen in India recently there's been a big push by government to do social entrepreneurship, which I hear from some companies the government will plan to scale up significantly in the next three or four years, and in Europe obviously there's been quite a lot of innovation around the question of measuring social impact. In both of those cases the solution to this thorny problem of how to measure social impact is to not actually pick one metric, but rather to cultivate the capacity of practitioners to go out and think through what are the important impacts in this particular setting using a methodology called social return on investment analysis which could be also social accounting. I'm curious what your thoughts are on that methodology and how it relates to the work you're doing, and particularly I ask

as I've just co-founded with Cynthia Gare [?] from REDF, one of your [unintelligible] sort of exploratory committee to look into a USA SROI network.

Sonal: Well I think to say that there's only one way of doing social return on investment I think would be saying – that's just not right, I think we have to look at the spectrum of what that information is, different investors need different types of criteria so the ESG investors, especially like the big companies need to know kind of what do they need to measure too, and there's that piece of it, but the social return on investment I think to the point where you're talking about where government's going to scale programs, we do need a lot more information as to what that – and some experimentation around what those metrics are, because I don't know that we know it, and frankly we collect a lot of government data right now and we don't do a lot of analysis around it, so we actually need to figure out how to use some of that data and to figure out what's working and what's not working, and defining – most interesting thing, at least from the government perspective is like what are we defining as what's working, because we have a lot of big definitions of, well if it meets the health criteria and the education pieces and the other special pieces, and it's like, we don't really have a clarity around what do we want to happen with that, and what we end up doing is if it meets one of the eight things that we measured out there, we say success. So I think the bigger question for ourselves is

## Advancing Social Impact Investments through Measurement

Federal Reserve Board | Washington, DC  
Scott Turner and Sonal Shah | Keynote Address

25

actually are we getting to an outcome, and is the outcome – can we define the outcome that we want to get to, is it healthier population, is it a smarter population, is it a population that’s using less energy, I don’t know what the outcome is that we’re trying to measure, and in that dis-clarity [sic] of what the outcome is, we can drive a truck through it because we can scale up a lot of things, and we have by the way in government. I don’t know, 25 percent – I mean 25 percent of high school drop out rate, we’re still talking 25 years later we have a high school drop out rate of 25 percent, it’s a problem, yet we’ve invested in a lot of great programs who individually, let’s just take a city like Milwaukee, there’s at least 30 programs in Milwaukee that do education related stuff, high school drop out rate is still 25 percent. So if as a society we don’t measure what we want, we can create all the great metrics in the world that we want but we’ve got to get to the outcome that we want to achieve.

[Q]: I’m Rosalie Kates [?] I’m working for a lot of the CDFI’s in the room around increasing social investment, I’m curious if you’re working at all, one of the hugest barriers that we’re finding is the actual investment vehicles that social investors have to put money into these CDFI’s in particular that I work for. We’re essentially micro-local, and it’s kind of an irony that we’re looking for an investor across town through this like veil of SEC [?] regulations in the whole financial services industry. So we need a lot of innovation around

vehicles, and you run right into the wall of SEC and securities, can you say anything about innovation in that area?

Sonal: The only thing I would tell you Rosalie is right now we're in the process of accessing all of that and trying to figure out where, between all the new regulations that are coming down with the SEC and what we want to do here, where we can help with some of the administrative changes around that and how do we get there, so I don't have a great answer for that, I think we're just digging in deep now and we just got approval to go do that last Tuesday so we're in the process of working with the CDFI – with our colleagues in the CDFI fund as well as across various different programs, new markets, tax credits and other places to think about how we might make that happen.

[Q]: Hi, I'm Vicky Stein with Mission Markets, and I just wanted to follow up on Rosalie's question and some of the other questions around the social innovation fund; just trying to understand how the fund that you've created and organizations like the CDFI fund which had been around for many years, it's exciting, but I'm finding myself sometimes wondering, I don't even know how to phrase the question, how is the CDFI fund interacting with you, are you taking lessons from the experience of creating the CDFI fund and scaling up. We're here talking about impact investing, and the article that the San

## **Advancing Social Impact Investments through Measurement**

Federal Reserve Board | Washington, DC  
Scott Turner and Sonal Shah | Keynote Address

27

Francisco fed publication points out, CDFI's have been in the space for a long time, and yet in some cases it seems to me there's a disconnect between not only the metrics but the vehicles that we're talking about and you're talking about collaborating, I'm not hearing a lot, at least through the information I get from the fund, how we're collaborating with you and how you're using us as a model and how challenges that we're having you can learn from and expand it across the government.

Sonal: Don't ask the easy questions, please. I think we are just beginning that process, so just to recognize first of all at the White House we don't actually run anything, like we don't have any money, we don't spend any money, we don't give away any money, our job is actually to do the coordination amongst agencies, and what we have started is an impact investing is social kind of innovation group across agencies that is just beginning to look at those questions, it includes everyone from department of agriculture, department of veteran's affairs to department of housing and urban development, SBIC, all of the programs are finally sitting at the table to talk about how we can align these programs to put it simply, it's not that simple, it's hard to get people to think outside of their silos, it's hard to get people to think, well I have to get – and I don't – it's not a criticism of anyone, it's just that when we just look at our budgeting cycle, we don't yet have a

## **Advancing Social Impact Investments through Measurement**

Federal Reserve Board | Washington, DC

Scott Turner and Sonal Shah | Keynote Address

28

budget for 2011, if and when that budget comes out, maybe in April, we have to spend that money by September. So Agencies are really just programmed to getting their money out the door at that moment than they are to thinking about how do we do things innovatively and differently, so when we talk about making changes we're really talking the 2012, maybe 2013 budgets right now because that's how long it's going to take for us to think about how to break down these silos, where I do think there's real opportunity however is in the place based strategies where we are working on place based strategies we are bringing a lot of agencies together think about how different agencies can apply their skills in different places including the CDFI fund is at the table on that as well as other parts of treasury through new markets tax credit, through the empowerment zones, all of them are coming together to really think about how to bring those together, and we think – that's why we think the place based strategy from a government perspective has actually been critical. What we're talking about is one initiative that fits within – impact investing is one tool of many that we're using, do not think that impact – I don't think that impact investing in itself is enough, I think impact investing with what we're doing in the place based work with what we're doing on energy, with what we're doing on education is actually critical to bring together and say, how do we help this community improve its outcome, and bringing those pieces together, but as part of that, my job is to do a coordination across agencies on impact investing

**Advancing Social Impact Investments through Measurement**

Federal Reserve Board | Washington, DC

Scott Turner and Sonal Shah | Keynote Address

29

and social impact bonds and social innovation fund to make sure that we're taking learning's from various other programs and trying to bring them in, in fact our colleagues, and I think Samir was here earlier from the treasury department, have been at the table in those conversations and helping s think through it, and we're still going to learn from the work of what the CDFI's have done in terms of what are some of the lessons learned on intermediaries, and then second I think we're trying to figure out how these place based strategies can incorporate all this information in more effectively.

[End of recording]