Measuring Impact: Social Impact Investing Through Program- and Mission-Related Investments

We are witnessing rapid growth in the social impact investing market as investors seek investments that drive financial growth and improve social outcomes. The Global Impact Investing Network (GIIN) estimates the size of the global impact investing market to be $1.57 trillion USD with a CAGR of 21% since 2019.[1]

As social impact investing continues to gain momentum, donor-advised funds (DAFs) and foundations have emerged as key players in channeling capital toward social and environmental causes. However, the full potential of impact investing is realized only when robust monitoring and evaluation frameworks are in place. Without clear benchmarks and rigorous impact measurement, investments run the risk of failing to deliver on their intended purpose. Unlike traditional philanthropy, social impact investing leverages financial instruments with reliable metrics frameworks that seek financial returns and measurable social outcomes.

Among these instruments, Program-Related Investments (PRIs) and Mission-Related Investments (MRIs) stand out as important tools to drive sustainable change while providing financial returns. PRIs are investments made by funds and foundations through programmatic funding to advance their charitable missions, characterized by below-market financial returns and counting toward a foundation's annual distribution requirement. They are often structured as low-interest loans, loan guarantees, or equity investments, and must be primarily charitable in purpose. MRIs are typically made from endowment funds and typically integrate social or environmental considerations into investment strategies without compromising fiduciary responsibilities and maintaining a focus on financial returns aligned with the organization's mission. Characterized by market-rate returns, MRIs provide a broader path of investment and can include a larger percentage of an organization's assets than a PRI. MRIs do not count toward a foundation's IRS-mandated distribution requirements.

The table below provides a summary of the key differences between PRIs and MRIs:

	PRIs	MRIs
Primary Goal	Charitable impact	Financial return + impact
Return Expectations	Below-market	Market-rate
Source of Funding	Program spending	Endowment assets
Counts Toward 5% Distribution Requirement?	Yes	No
IRS Scrutiny	Must primarily serve charitable purpose	Subject to fiduciary duty

In today's investment landscape, it can be challenging to maintain focus on the outcomes that matter most. However, impact investing through PRIs and MRIs offers distinct advantages, as these instruments incorporate robust monitoring and evaluation mechanisms, ensuring a more focused and measurable impact for the investments—financially and socially.

The Power of Program-Related Investments (PRIs)

PRIs allow charitable funds to support meaningful causes and generate sustainable impact through reinvestment. Typically structured as deposits, loans, or equity investments, PRIs enable foundations to align their financial resources with mission-driven objectives. To qualify as a PRI, an investment must meet three criteria: (1) advancing the foundation's charitable goals must be the primary purpose, (2) the generation of income or appreciation of property cannot be a significant objective, and (3) funds cannot be used for lobbying or political activities.

$1.57T Estimated market: **global impact investing**

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In contrast with traditional grants, PRIs may offer a more sustainable funding model by providing low-interest loans or equity positions that empower nonprofits and mission-driven for-profit organizations to scale their initiatives. This approach supports their growth and reduces reliance on recurring grant funding, thereby enhancing long-term impact and financial sustainability.

The Power of Mission-Related Investments (MRIs)

MRIs encompass a broad spectrum of investment types, including equity investments, debt instruments, real estate, and public equities, all aligned with an organization's mission. They differ from PRIs, which must meet specific IRS criteria, in that they seek financial and social returns without the same tax implications. MRIs generally seek market-rate returns, resulting in substantial financial performance alongside mission-oriented outcomes. Implementing an MRI requires careful planning and alignment with philanthropic and financial objectives — this process typically involves senior leadership and/or board approval within the organization. The strategic approach to utilizing MRIs involves aligning investment opportunities with impact goals, balancing financial performance with social outcomes, assessing risk, and determining portfolio allocation. This structured approach ensures that investments do not merely fund initiatives but actively contribute to sustainable, measurable change.

Measurements of Impact: Financial and Social

The full potential of PRIs and MRIs is realized when their results are measured. A variety of measurement approaches exist for PRIs and MRIs, including the Global Impact Investment Rating System (GIIRS), Environmental, Social, and Governance (ESG) measures, the Global Reporting Initiative, and Impact Reporting and Investment Standards (IRIS). The IRIS framework, for example, includes over 100 metrics across sectors that organizations can use to monitor outcomes. Examples of IRIS metrics include beneficiaries reached, improvements in income or savings for low-income populations, reduction in greenhouse gas emissions, and the area of buildings reused. These metrics can prove valuable in demonstrating progress and maximizing investments' social and financial returns while ensuring that outcomes align with investors' goals.

The Closed Loop Fund (CLF) offers an example of monitoring and evaluating PRIs that ensure positive outcomes. The CLF is a low-cost debt fund from which municipalities can borrow to upgrade their recycling infrastructure. Firms including Walmart, Coca-Cola, Johnson & Johnson, Keurig, Goldman Sachs, Procter & Gamble, Unilever, and PepsiCo have invested in the CLF through PRIs. The CLF "captures each investment's progress towards expected positive impact on a quarterly basis through investee reporting, grounded in impact indicators that capture investor outcomes. All impact indicators are aligned with the IRIS+ metrics outlined by the Global Impact Investing Network, which allows for monitoring impact performance across the portfolio, as well as comparing variation across investments."[2] Some of the IRIS indicators used in measurement include tons of material kept in circulation and greenhouse gas emissions.

Several foundations have successfully implemented MRI strategies, demonstrating their impact. In 2017, the Ford Foundation committed $1 billion to MRIs, targeting affordable housing and greater diversity in financial management. While generating strong returns, these investments also drive financial inclusion by ensuring 80% of fund managers come from diverse-owned firms.[3] The Sorenson Impact Foundation invested 100% of its endowment into MRIs in 2017. It achieved a 10%-plus annualized return during the first three years, substantially increasing the foundation's impact while maintaining fiscal strength.[4] These case studies underscore the potential for MRIs to drive meaningful impact and financial sustainability.

Conclusion

Compared to standard "pay-for-service" models, which typically focus on short-term funding for specific projects, PRIs and MRIs provide a scalable and sustainable alternative for social impact investing. They allow foundations to leverage a greater portion of their assets for mission-aligned impact while maintaining their financial health. Utilizing robust metrics that focus on impact and financial growth, PRIs and MRIs stand out as innovative tools to drive measurable change.

As demand for social impact investing grows, PRIs and MRIs present compelling alternatives to traditional philanthropic funding models. By combining financial acumen with mission-driven strategies, these investments offer a powerful, data-backed approach to driving long-term social change. Foundations and investors seeking to make a difference should consider PRIs and MRIs as an opportunity and evolution in impact investing. With robust metrics, diverse asset opportunities, and scalable potential, PRIs and MRIs demonstrate how capital can drive positive, lasting change.

Sources:

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