



Social Impact Measurement: Experience and Tools from the Impact Investing Industry

Impact Investing: Building the Field, Measuring Success

Karim Harji

An Executive Workshop, April 13-14, 2016

Alisa Hotel, Accra

Why Impact Measurement Matters

“A hallmark of impact investing is the commitment of the investor to measure and report the social and environmental performance and progress of underlying investments.

Impact measurement helps ensure transparency and accountability, and is essential to informing the practice of impact investing and building the field.”

Global Impact Investing Network

“ Effective impact measurement generates value for all impact investment stakeholders, mobilizes greater capital, and increases the transparency and accountability for the impact delivered.”

Impact Measurement Working Group (G8)

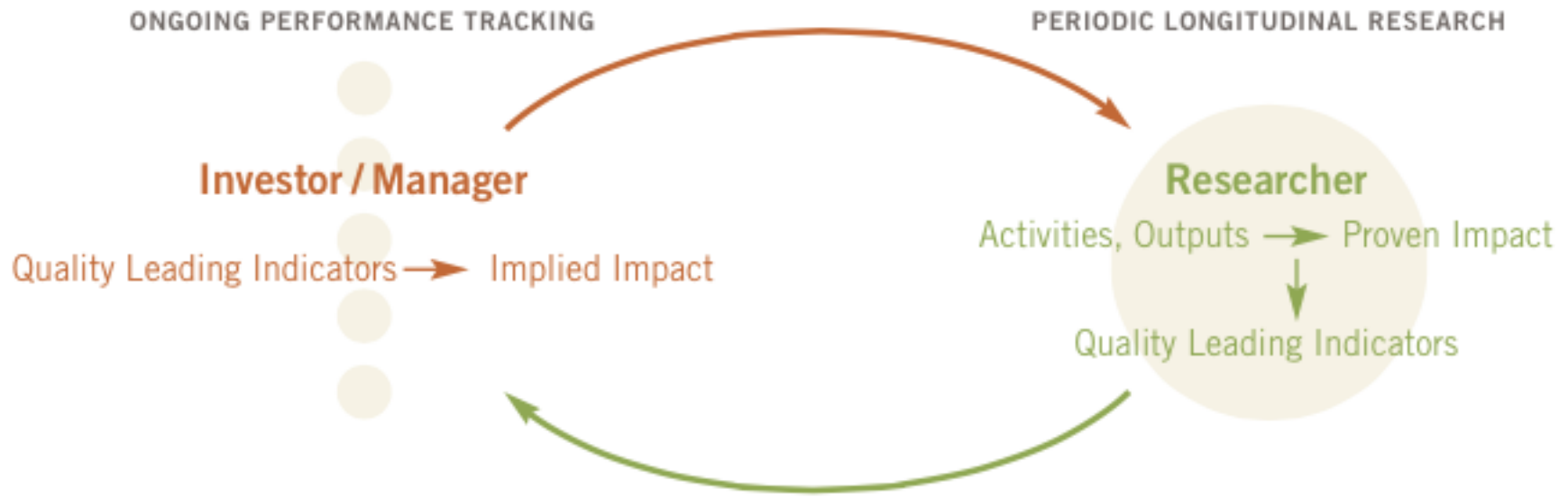
Units of Analysis

- Firm/Enterprise
- Fund/Intermediary
- Individual (as customer)
- Individual (as beneficiary)
- Household (direct/indirect)
- Community (direct/indirect)
- Field-level (overall/sector)

Brest and Born (2013):

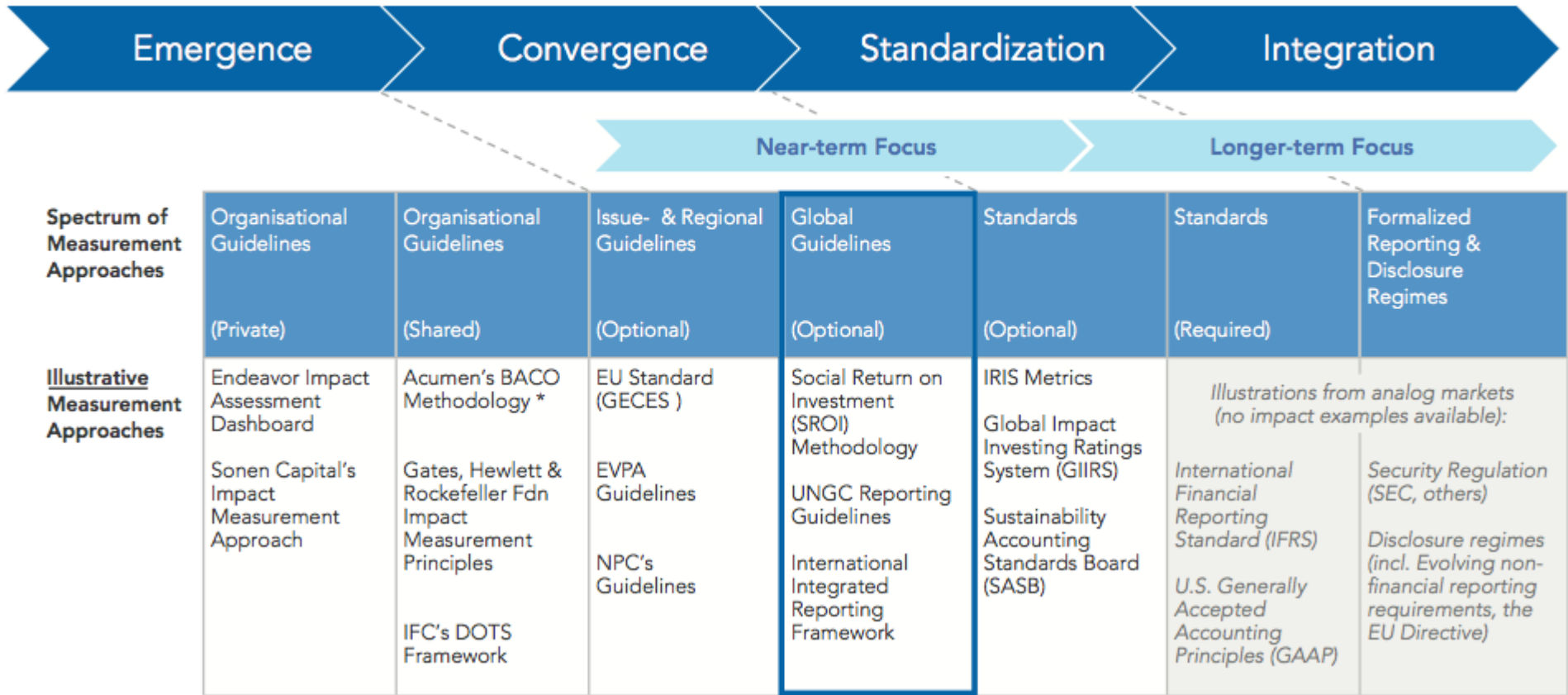
- Enterprise impact
 - Product impact (customers)
 - Operational impact (employees, community, supply chain)
 - Collective impact
 - Sector impact
- Investment Impact
 - Concessionary
 - Non-concessionary
- Nonmonetary impact

Unpacking “Impact”



“Implied Impact”	“Proven Impact”	“Optimized Impact”
STORYTELLING + INTERNAL DATA ANALYSIS	EXTERNAL DATA ANALYSIS + EXPERIMENTAL ANALYSIS	PROVEN IMPACT + INTERRELATIONSHIP WITH FINANCIAL PERFORMANCE

Industry Evolution



Common Approaches

METHOD	PROCESS	IMPACT	MONETIZATION	NONPROFIT	FOR-PROFIT
Theories of Change	•			•	
Balanced Scorecard (BSc)	•	•		•	
Acumen Scorecard	•			•	•
Social Return Assessment	•				•



Lean Data

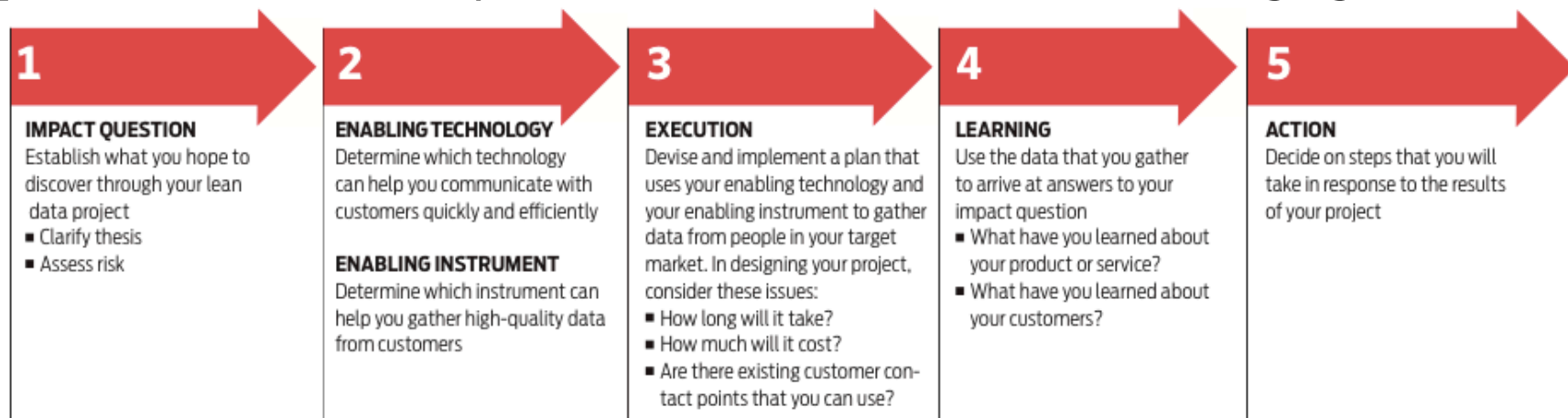
Bottom-up. It nurtures the habit of listening to customers in order to provide actionable insight on their needs and interests.

Useful. It yields data of sufficient quality to support decision-making.

Iterative. It allows for learning, adaptation, and replication.

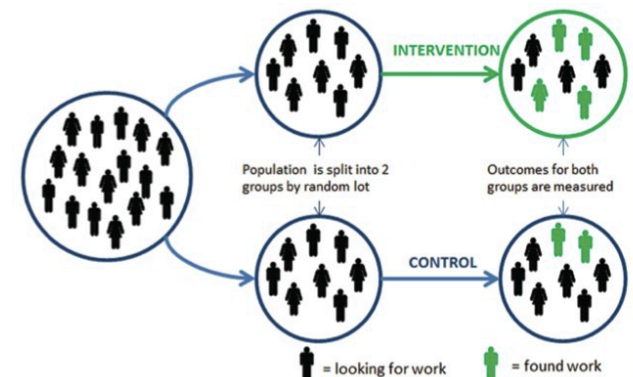
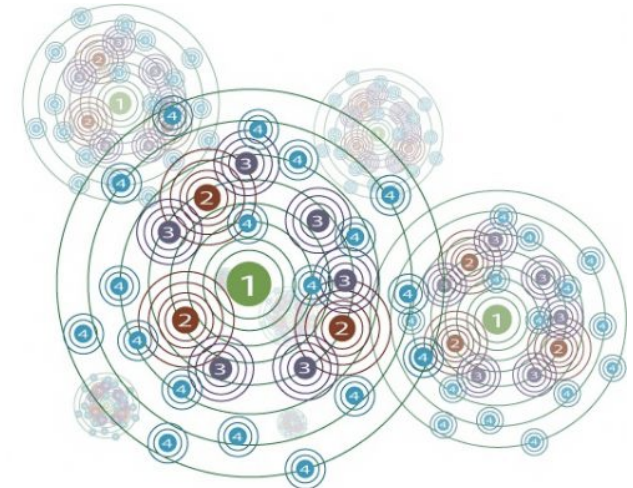
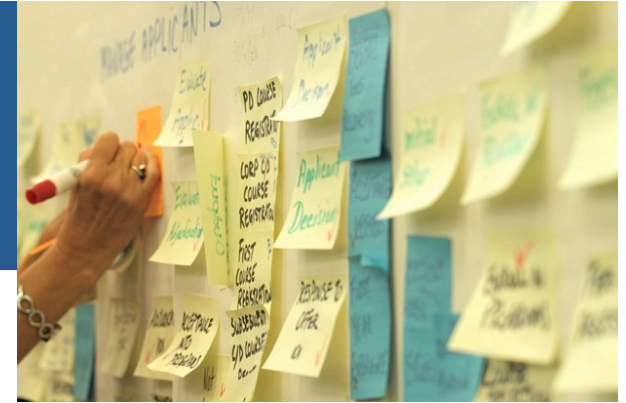
Light-touch. It uses low-cost tools and technologies that require a minimal investment of time and money.

Dynamic. It enables rapid data collection within a fast-changing environment.

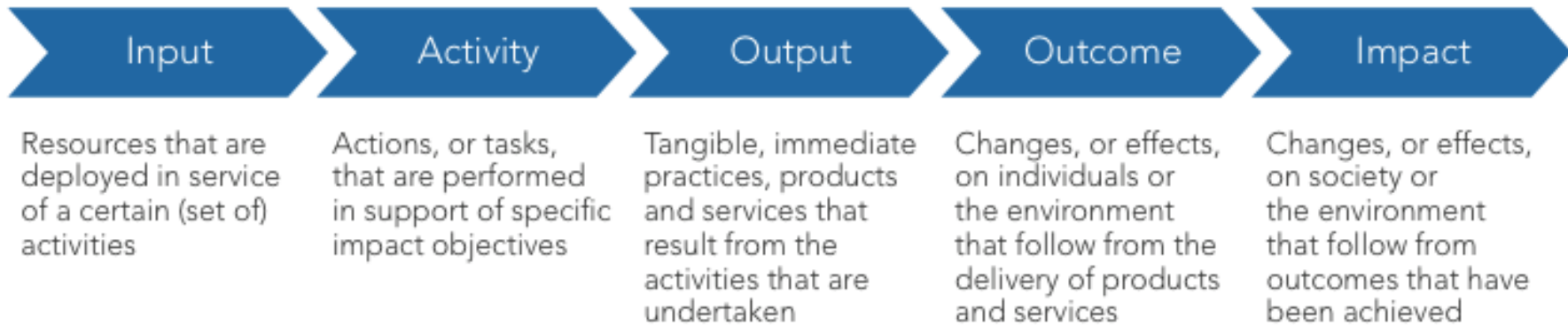


Innovations in M&E

- Crowdsourcing
- Real-Time, Simple Reporting
- Participatory Statistics
- Mobile Data Collection
- The Micro-Narrative
- Data Exhaust
- Intelligent Infrastructure
- Data Visualization
- Multi-level Mixed Evaluation Method
- Outcome Harvesting



Investor Perspectives



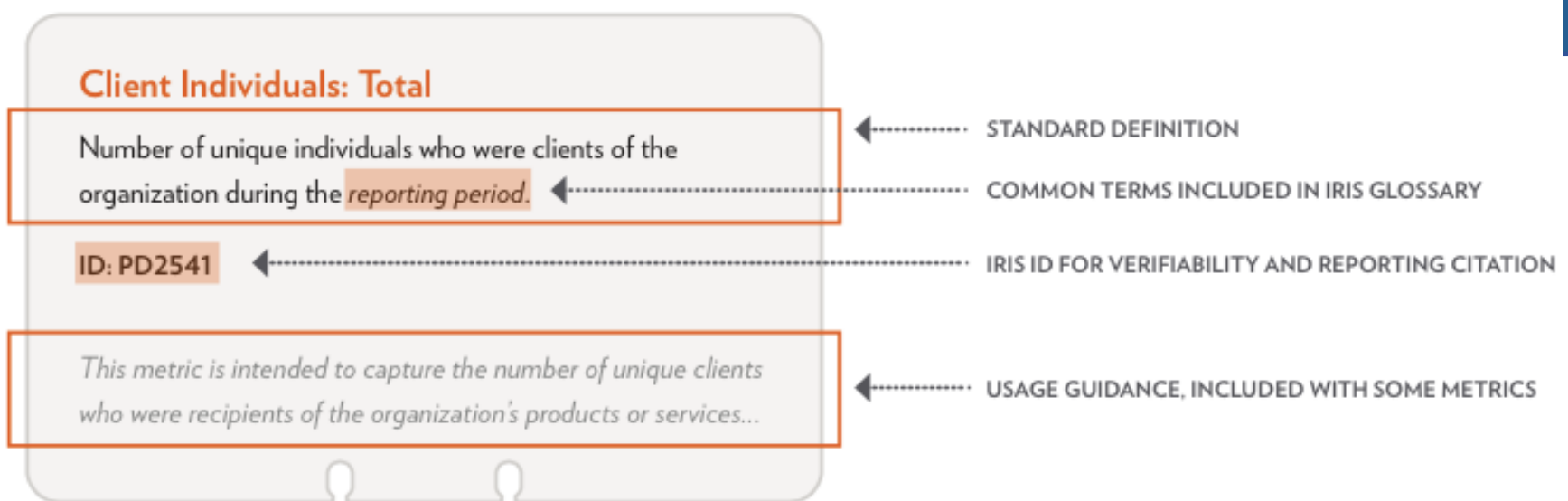
Investment Lifecycle



Investor Guidelines

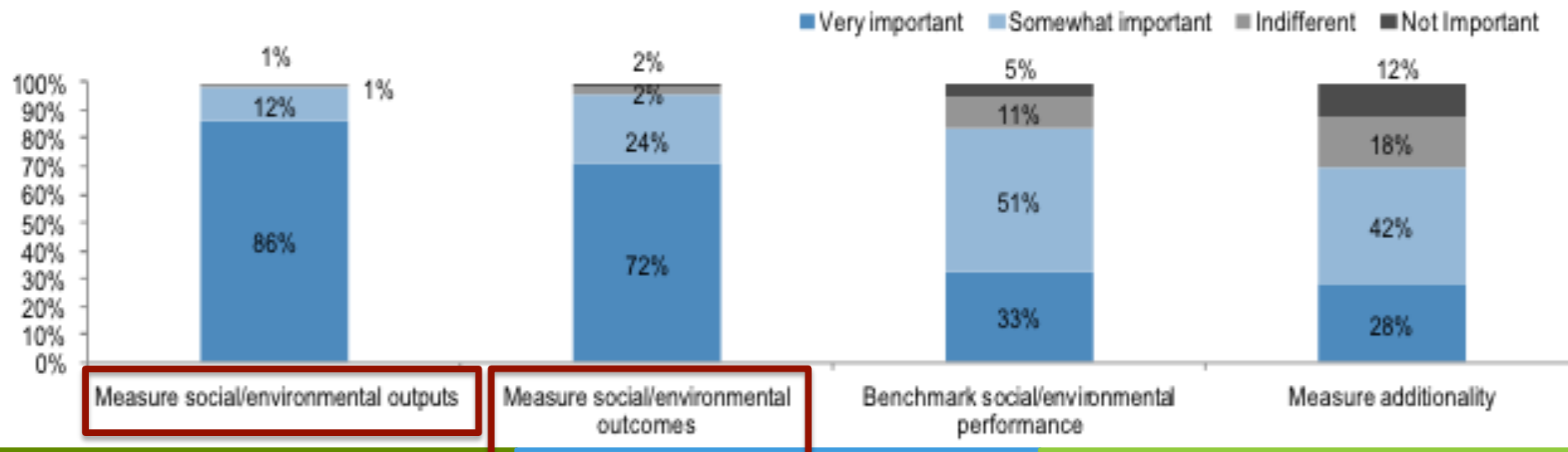
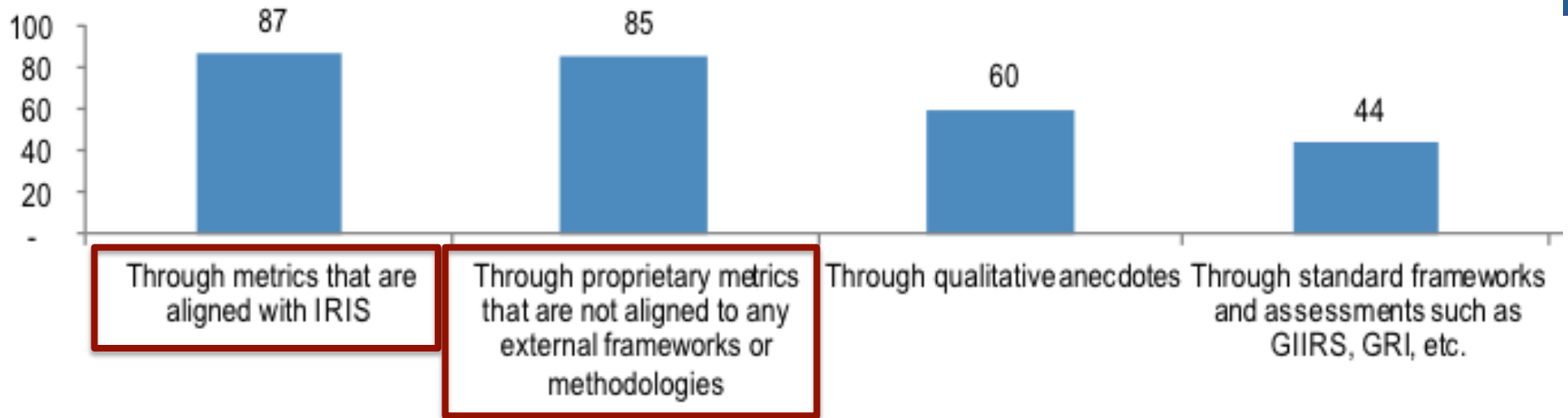
Plan	Set goals	Articulate the desired impact of the investments
	Develop Framework & Select Metrics	Determine metrics to be used for assessing the performance of the investments
Do	Collect & Store Data	Capture and store data in a timely and organized fashion
	Validate Data	Validate data to ensure sufficient quality
Assess	Analyse Data	Distill insights from the data collected
Review	Report Data	Share progress with key stakeholders
	Make Data-Driven Investment Management Decisions	Identify and implement mechanisms to strengthen the rigor of investment process and outcomes

Common Language



- **IRIS is not an evaluation tool.** It doesn't offer a "certification" or "seal of approval" and it does not rate users as having high or low impact.
- **IRIS is not a data management platform.** It does not provide a system to help you collect and store your performance data.
- **IRIS is not a reporting framework.** It does not provide reporting guidelines nor require reporting of a specific set of information.

Investor Trends: Indicators



Fund/Enterprise Ratings

FUND PROFILE

Fund Type:	Venture Capital
Investment Type:	Equity
Target Financial Return:	15%
Fund Size:	\$5,000,000
Fund Stage:	Growth
Vintage Year:	2008

INVESTMENT TARGETS

Sector Focus:	SGB
Industry:	Healthcare Services
Investment Region:	East Africa
Target Investment Size:	\$200,000 – \$999,000
Other Investment Screens:	Negative screens for Alcohol and Tobacco companies

INVESTMENT MANAGER PROFILE

Investment Manager:	Health First Investors, LLC
GIIRS Rating For Investment Manager:	★★★★

FUND RATING DETAILS

	% Points Available
Accountability ★★★★★	81%
Governance/Accountability	88%
Transparency/Reporting	60%
Employees ★★★★★	69%
Compensation & Benefits	81%
Employee Ownership	78%
Work Environment	53%
Consumers ★★★★★	96%
Beneficial Products/Services	95%
Beneficial Method of Production/Impact	95%
Serving Those in Need	100%
Community	28%
Local	45%
Diversity	27%
Charity/Direct Service	19%
Environment	34%
Corporate Offices	34%
Transportation/Distribution	n/a
Manufacturing Facilities	n/a
Overall Rating	61%

Certified



Corporation

bcorporation.net

GIIRS
IMPACT RATED

Source: B Analytics

Portfolio Aggregation (Sector)

790k

HECTARES OF LAND UNDER SUSTAINABLE MANAGEMENT/CULTIVATION^[3]

405

AGRICULTURAL BUSINESSES DIRECTLY SUPPORTED THROUGH LOANS, GRANTS, INVESTMENT AND SERVICE PROVISION^[3]

\$236m

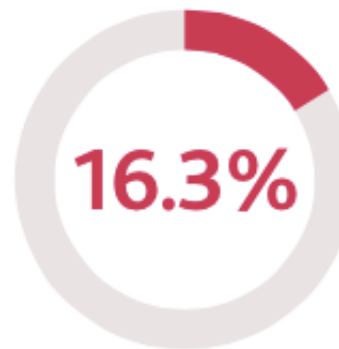
DISBURSED TO AGRICULTURAL BUSINESSES^[4]

6 INVESTEEES

\$556,010

2014 MARKET VALUE

Investees	Asset class
FAIM	Private equity
MA'O Organic Farms	Fixed income
Triodos Sustainable Trade Fund	Cash
Acumen Capital Markets*	Fixed income
Root Capital*	Fixed income
RSF Social Finance*	Cash

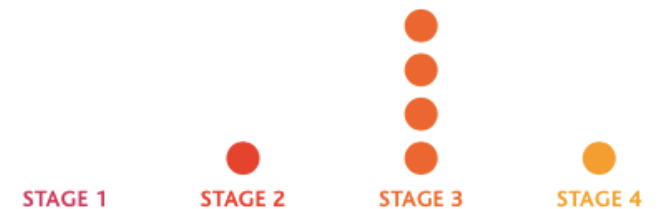


of KLF's Impact First & Thematic investments

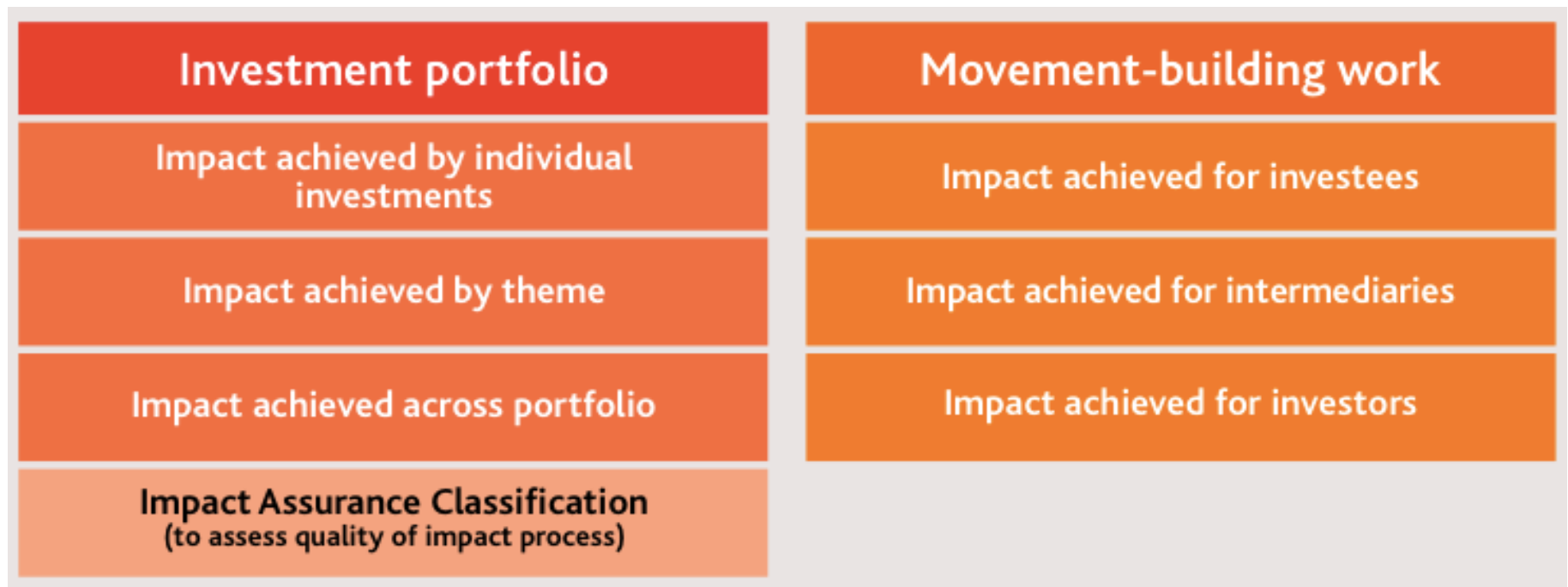
Average impact practice score



No of investees per classification



Total Portfolio Impact



Example: Root Capital



ISSUE BRIEF NO. 1

Social & Environmental Due Diligence From the Impact Case to the Business Case



Social and Environmental Due Diligence Detailed Methodology Guide and Initial Results

November 2013



Performance Dashboard

Financial Performance

- Loan Disbursements: \$946M
- Household Members Reached: 5.3M
- Number of Loans: 1982

Strengthening Small and Growing Businesses

- Enterprise Revenue: \$1.5B
- Small & Growing Businesses Trained: 800

Promoting Sustainable Livelihoods

- Payments to producers: \$1.2B
- Producers reached directly: 988K
- Producers reached indirectly: 209K

Gender Inclusion and Environment

- Female farmers: 249K
- Hectares under sustainable cultivation: 1.6M

Outputs to Outcomes



Sustainable Agriculture Metrics

<u>Land Directly Controlled: Sustainably Managed (OI6912)</u>	Percentage of land using sustainable cultivation techniques (such as drip irrigation, intercropping, machinery, etc.)
<u>Sales Revenue (PI1775)</u>	Ratio of total value of payments to farmers of target crop sold/Total revenue of target crop sold
<u>Payments to Supplier Organizations: Total (PI5478)</u>	Value of payments made to enterprises that sold goods or services to the organization during reporting period.
<u>Supplier Individuals: Female (PI1728)</u>	Number of female individuals who sold goods or services to the organization during the reporting period.
<u>Product/Service Certifications (PD2756)</u>	% of total production sold as certified (volume) per crop and per type of certification
<u>Units/Volume Sold: Certified (PI7289)</u>	Percentage of production that has received a price premium and amount of price premium

Indicator Selection

SAME SET

Applied to entire portfolio



CORE METRICS SET

Sample Metrics

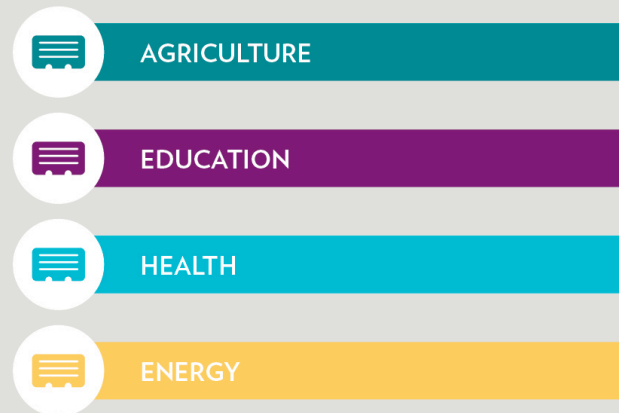
O18869 Permanent Employees: Total

PI4060 Client Individuals: Total

PI8330 Client Individuals: Female

DIFFERENT SETS

Applied to Specific Sectors Within Portfolio



Firm

Fund

Household

Market

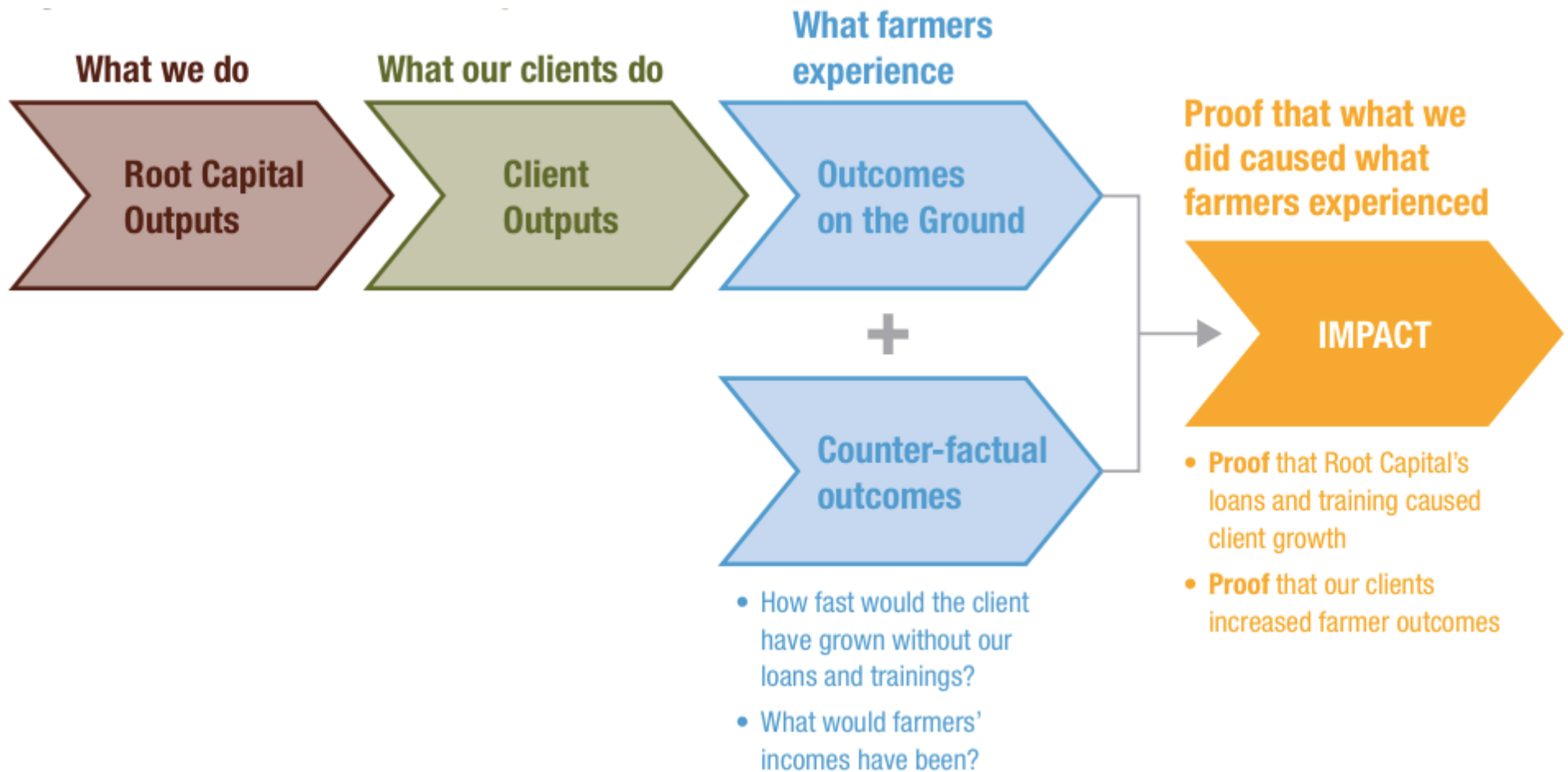


Source: Global Impact Investment Network.

Progress out of Poverty Index (Ghana)

1. How many members does the household have?
2. Are all household members ages 5 to 17 currently in school?
3. Can the male head/spouse read a phrase/sentence in English?
4. What is the main construction material used for the outer wall?
5. What type of toilet facility is usually used by the household?
6. What is the main fuel used by the household for cooking?
7. Does any household member own a working box iron or electric iron?
8. Does any household member own a working television, video player, VCD/DVD/MP3/MP4 player/iPod, or satellite dish?
9. How many working mobile phones are owned by members of the household?
10. Does any household member own a working bicycle, motor cycle, or car?

Outcomes to Impact



Review: Trends & Priorities

1. Measurement still seen to be too expensive, onerous, disconnected and undervalued
2. Investor activity typically focused on due diligence and reporting on outputs (at fund- or enterprise-level)
3. Global standards have driven adoption and coordination, but pose some limitations
4. New approaches, tools and platforms are being tested
5. Sector-specific approaches are providing efficiencies and shared learning
6. Emerging appreciation of investee needs and capacity, and inherent value of impact data