

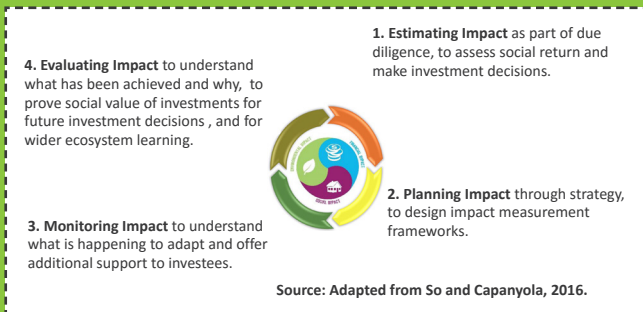


Measuring the Impact of Impact Investing

One of the most creative and promising areas of innovative financing for development intended to benefit the poor and marginalised is the growing industry that has come to be known as ‘impact investing’, in other words, the ‘investments made into companies, organizations and funds with the intention to generate measurable social and environmental impact alongside a financial return’.¹

Why measure impact?

Social impact measurement serves a number of different objectives at each stage of the investment cycle:



Thorough measurement of impact enables fund managers to ensure that their investees are delivering against their impact claims, and understand how and for whom (customers, suppliers, employees) the social impact has been delivered.

Impact measurement also offers benefits to the investee social enterprises themselves, enabling them to better understand their targeted client base, and thereby help improve delivery and scale up of the goods and services they produce.²

How to measure impact

In the last ten years more than 150 impact assessment methods³ and approximately 1,200 metrics⁴ have been developed to measure impact.

1 Global Impact Investment Network’s website, available at thegiin.org/impact-investing/need-to-know/#s1

2 Dichter, S., Adams, T, and Ebrahim, A. (2016) “The Power of Lean Data”, Stanford Social Innovation Review, Vol. 14(1), available at ssir.org/articles/entry/the_power_of_lean_data#comments

3 Foundation Center, (2015) “Tools and Resources for Assessing Social Impact”, available at trasi.foundationcenter.org/

4 List available at cceg.org.uk

Initially, assessment methodologies aimed to measure ‘accountability’, usually at output level, answering the primary question: ‘did the investee business deliver as per its business plan?’ Increasingly, frameworks now aim to measure the social, environmental and economic outcomes of investee business goods and services and operations⁵, intended and unintended.

Underpinning any impact assessment framework is the knowledge that there is no one-size-fits-all framework or methodology for every portfolio, sector and context. Different methods serve specific objectives in the investment cycle, and can also be applied to the various phases of impact measurement: Output >>Outcome>>Impact⁶:

Map of Measurement Methodologies				
	1. Estimating Impact	2. Planning Impact	3. Monitoring Impact	4. Evaluating Impact
Expected Return				
• Social Return on Investment (SROI)	🌳		🌳	🌳
Theory of Change				
• Logic Model	🌳	🌳		
Mission Aligned Methods				
• Social Value Criteria		🌳	🌳	
• Scorecards		🌳	🌳	
Quasi-Experimental & Experimental Methods				
• Randomized control trials (RCT)	🌳			🌳
• Historical baseline	🌳			🌳
• Pre/post test	🌳			🌳
• Regression Discontinuity Design (RDD)	🌳			🌳
• Difference in differences (DiD)	🌳			🌳
Investment Process Alignment	Due Diligence	Pre-Approval	Post-Investment	

Source: So, I. and Capanyola, 2016.

Itad’s value proposition

Itad is an industry-leading consulting firm specialising in Monitoring, Evaluation, Research and Learning (MERL). We give organisations the information and insight they need to make development assistance work smarter and produce better results, and have done for over 30 years. Our MERL services include Monitoring and Results Measurement (MRM), knowledge brokering and knowledge platforms, and a wide range of evaluations, including process and baseline-endline oriented towards accountability, and policy, formative, real-time evaluations oriented towards learning.

5 Grieco, C. (2015) “Assessing Social Impact of Social Enterprises: Does One Size Really Fit All?” Springer Briefs in Business, Springer International Publishing

6 So, I. and Capanyola, A. (2016) “How Impact Investors actually measure impact”, Stanford Social Innovation Review, available at ssir.org/articles/entry/how_impact_investors_actually_measure_impact

Our clients include major bilateral donors, foundations, multilaterals and development finance institutions, including the UK Department of International Development, the European Commission, the World Bank, a wide range of UN agencies, The Rockefeller Foundation, and The William and Flora Hewlett Foundation. We work across the globe, on projects of up to \$5million, over a range of sectors including climate change, governance, and health. Visit itad.com for more information.

Key areas of value and experience that Itad brings to the measurement of impact of impact investing are:

- **Local knowledge and networks:** our extensive experience working in developing countries gives us an understanding of local cultures and politics, and we have the ability to work at the local level, in many global regions.
- **Sector expertise:** our technical skills have been applied to wide range of sectors in international development, in governance, agriculture, livelihoods and rural development, private sector development, trade, health, climate change, and social protection in developing contexts as well as in fragile and conflict-affected states.
- **Impact Measurement and Learning:** to specifically promote learning and innovation in the field of impact evaluation, through the use of appropriate, mixed method, and robust evaluation designs, Itad has partnered with the Institute of Development Studies and the University of East Anglia to form the joint initiative Centre for Development Impact (CDImpact.org). We have well-developed and tested methodologies and systems for measuring, learning and reporting multi-year impact.

Our **Private Sector Development, Markets and Trade theme** is setting the pace for our work in measuring the impact of impact investing, as well as in a variety of MRM, knowledge brokering and learning partner initiatives which are summarised on our website: itad.com/projects. A selection of relevant initiatives are:

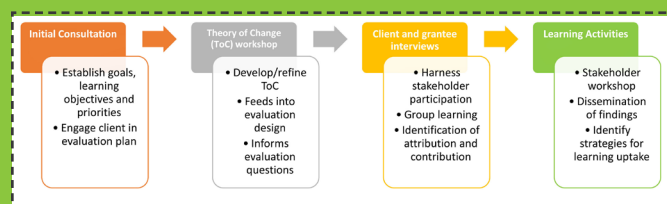
- Impact evaluation of the Dutch Ministry of Foreign Affairs' Dutch Good Growth Fund, a fund of fund to impact investors
- Three Regional and single-country Evaluation Management Units for DFID's Private Sector

Development Portfolio

- Designing of a Learning Partner function for the MasterCard Foundation's Savings Group Portfolio
- Monitoring and Learning Partner to Rockefeller Foundation's Digital Jobs Africa Initiative
- MRM partner to two of DFID's Market Systems Approach programmes⁷
- Monitoring and Evaluation Partner to the BEAM Exchange, a learning platform for the market systems⁸ approach to development

Our Approach

Itad designs tailored MERL strategies that capture the full breadth of large, diverse, investment portfolios without compromising on the understanding of unique investments and the depth of analysis required to understand complex change processes. We customise a range of methodologies to each task, and work adaptively to deliver results that satisfy our own high standards and those of our partners. We design for our clients a number of engagement points enabling engagement for them and other key portfolio or ecosystem stakeholders in the MERL process, as illustrated:



We synthesise, articulate, and present our findings in a variety of formats (from full reports and briefing notes, to infographics) to best inform investors and fund managers on the social impact of their investment and help determine future funding decisions.

If you would like to explore **possible partnership arrangements**, please do not hesitate to contact Charley Clarke (charley.clarke@itad.com), Principal Consultant, Itad who is leading Itad's Impact Investing strategy, or Sam McPherson (sam.mcpherson@itad.com), Itad's Director of Partnerships.

⁷ Market systems approaches address the underlying causes of poor performance in specific markets that matter to people living in poverty, in order to create lasting changes that have a large-scale impact. The approach is increasingly supported by different donors including: DFID, SDC, DFAT, Sida and others. For more information, see beamexchange.org/market-systems/

⁸ beamexchange.org/market-systems/