



Impact Measurement Workshop for Institutional Donors

25 May 2022

Workshop Objectives

- Introduce participants to the basics of impact measurement
- Gain a deeper understanding of impact strategy and impact metrics
- Understand how to use impact measurement tools
- Understand best practices in impact measurement
- Understand how to undertake impact measurement in a challenging context through a case study

Agenda

1. About Innovest
2. Introduction to Impact Measurement
3. Impact Strategy
4. Group Exercise

Coffee Break

5. Selecting Grantees
6. Impact Measurement
7. Case Studies
8. Questions

Innovest Advisory

We are an impact investment advisory firm which helps our clients to become more intentional about impact and embed impact into their processes.

We bring our extensive knowledge and expertise in socio-economic development, climate change and environmental sustainability to provide effective impact measurement Impact Strategies and Impact Measurement solutions for our clients.

Services

Impact advisor to private asset owners

We provide a full spectrum of impact services to private capital to drive more active measurement and creation of impact, enhancing credibility and mitigating risk



Impact Strategy

Theory of Change, Impact Measurement Frameworks and impact metrics.



Impact Due Diligence / Execution

Integrating of impact considerations into funding decision making processes.



Impact Measurement and Reporting

Data collection, monitoring, analytics and reporting on impact outcomes.



Impact Verification

Third party verification of impact reports or disclosures against global standards.

We work with

Private Asset Owners

Support private asset owners (including foundations, corporates, charities and families) who wish to commit philanthropic and returnable capital to solve global challenges

Impact Funds

Support impact funds to drive more disciplined measurement and active creation of impact, enhancing credibility and preventing exposure to reputational risk.

Impact Enterprises

Support enterprises from SMEs to multinationals on strategy, impact measurement and networks to enhance companies' impact credentials.

Our team



Justin Sykes
Founder & CEO



Michelle McMahon
Partner



Jo McDonnell
Impact Lead



Nele Bhebhe
Non-Executive Director



Morgan Mandeville
Impact Associate



Ben Jones
Impact Analyst



Dominique Wells
Impact Analyst



Wandile Mlisa
Impact Analyst

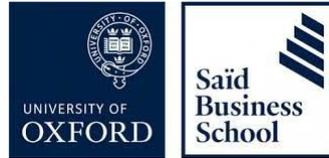


Imogen Box
Impact Associate



Sindi Nyoni
Operations Manager

Impact Ecosystem Partners



Introduction to Impact Measurement

- What
- Who
- Why
- How

What is Impact

Financial Inclusion

1.7 billion people lack access to the formal financial system through savings, credit, pension and insurance services, with financial exclusion being the greatest amongst poor people in emerging and developing countries, including the rural households that account for 70% of global poverty

Affordable Housing

As of 2021, the number of urban residents is estimated at nearly 4.4 billion, that is, 56% of the global population with projections for 2030 estimating a further increase in the number of people occupying crowded and unsafe housing to 1.2 billion

Energy Access

The number of people without access to electricity declined from 1.2 billion in 2010 to 759 million in 2019 yet under current and planned policies, further affected by the COVID-19 crisis, an estimated 660 million people will still lack access in 2030, most of them in Sub-Saharan Africa.

Food & Agriculture

In 2020, 768 million people (9.9 percent of the global population) faced hunger, with a projected marginal decrease to 660 million (7.7 percent) in 2030, a majority of whom are subsistence farmers

Healthcare

1 billion lack access to healthcare, clean water and sanitation

Education

263 million children and adolescents without access to quality, affordable education

SME Growth / Job Creation

SMEs, the engine of employment contribute 40% of GDP in developing economies, yet have an unmet financing need of USD\$5.2 trillion every year

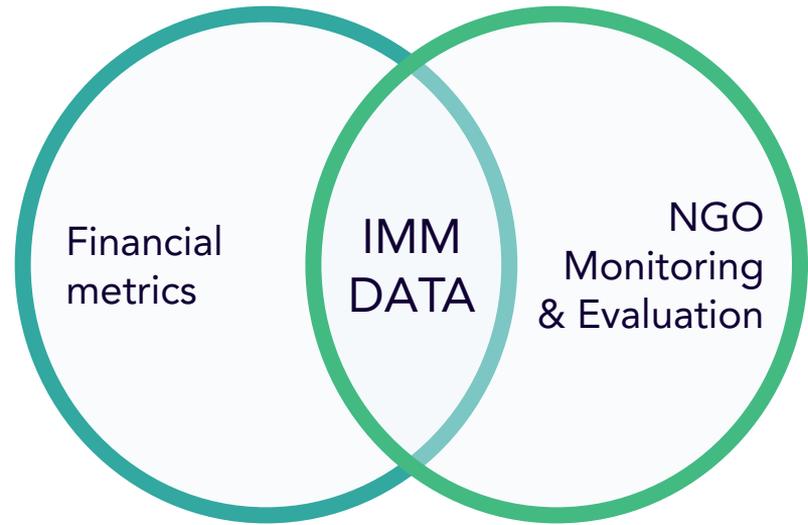
Climate Change, Environment & Biodiversity

13 million hectares of forests are being lost every year and more than 60% of the planet's coral reefs are under threat due to overfishing, destructive practices, ocean acidification and development



M&E versus IMM

- IMM is blend of two 'worlds' of data
- NGO Monitoring and Evaluation rigorous but inflexible and expensive (10-15% of budgets)
- Comparable metrics to portfolio management, accounting, BI also not possible - measuring impact is more bespoke



Impact Spectrum



DEEP IMPACT SOLUTIONS

IMPACT INVESTING

ESG OPPORTUNITES

ESG RISK MANAGEMENT

COMPETITIVE RETURNS

● Traditional

● Responsible

● Sustainable

● Thematic

● Impact-First

● Philanthropy

FINANCE ONLY

IMPACT ONLY

MOTIVATION

Financial considerations only

MOTIVATION

To take ESG risk factors into account

MOTIVATION

To align with long term sustainable growth drivers

MOTIVATION

Targeted themes and financial returns drive investment selection. Commitment to measure impact.

MOTIVATION

Impact led-investment decision making, that seeks competitive market returns where possible

MOTIVATION

Provision of funding with no expectation of return to catalyse innovative development outcomes

INTENDED EFFECTS ON PEOPLE & PLANET

No consideration, may have negative outcomes

INTENDED EFFECTS ON PEOPLE & PLANET

Mitigate or reduce negative exposure

INTENDED EFFECTS ON PEOPLE & PLANET

Considers carbon footprint, resource use, reduce waste, compensation product safety, gender equality

INTENDED EFFECTS ON PEOPLE & PLANET

Seeks solutions to SDG aligned thematic challenges such as climate change, health, education, and poverty alleviation

INTENDED EFFECTS ON PEOPLE & PLANET

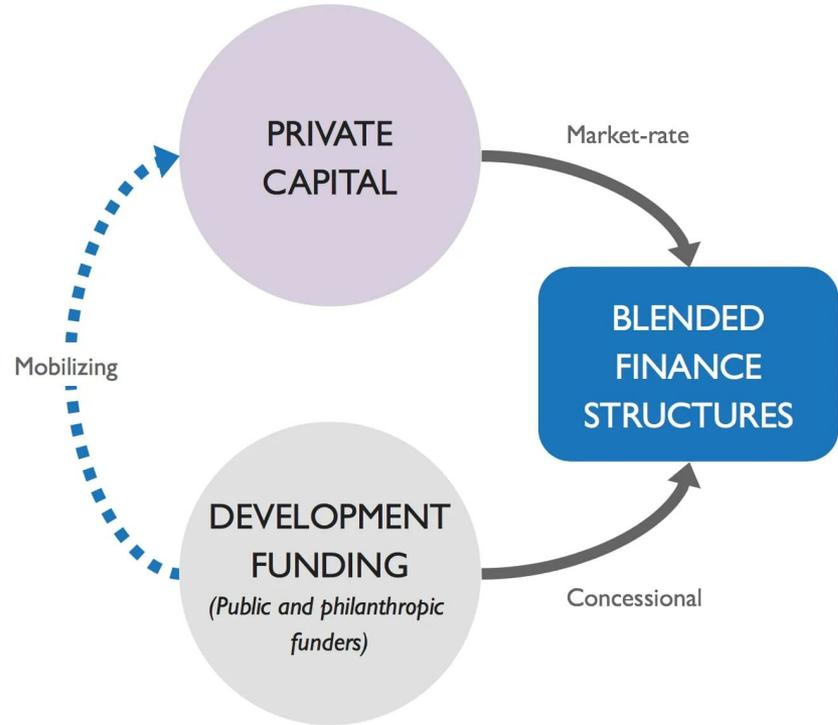
Seeks to create intentional and measurable positive outcomes for beneficiaries

INTENDED EFFECTS ON PEOPLE & PLANET

Generate substantial positive impact at scale through systems change

Blended Finance

- The use of catalytic finance from **public or private** philanthropic sources to increase private sector investment in sustainable development.
- Blended finance is a structuring approach, whereby funders with different capital types are able to **invest alongside** one another, to achieve a set of common social and environmental impact objectives.



Three levels of impact measurement

Output Measurement

Measuring the **immediate effects** of the organisation's activities. They are the tangible products which come about as a result of the activities and can often be quantified easily. They are the building blocks off of which the outcomes and impacts can occur.

Outcome Measurement

Measuring **medium term changes** which are achieved through outputs. These can be more difficult to measure and can often be influenced by external factors.

Impact Measurement

Measurement of **long term changes** which come about as the result of the accumulation of the outcomes. These take into account social, environmental and economic goals and are aligned to why organisations do what they do.

Output vs Outcome vs Impact - an example

Output Measurement

Sample metrics: # of clients first time access to finance, # repeat clients, # communities served
Data collected from: Microfinance Institutions

Outcome Measurement

Sample outcomes: Increased household income, Business growth of microentrepreneurs, Improved financial resilience
Data collected from: Microentrepreneurs

Impact Measurement

Impact Measurement Survey: A comprehensive survey of a MFI's clients to understand the impact of loans on their lives
Data collected from: A sample of clients in the relevant regions

Who is making impact

Funder Typology



Corporate

Drivers: Reputation, CSR

Activities: employee engagement, Sponsorship

Funding approach: Grant, Investment



Private Foundation

Drivers: Legacy, Mission

Activities: geographic and thematic programming

Funding approach; grant making, impact investing



Family

Drivers: Legacy, Mission

Activities: geographic and thematic programming

Funding approach: Venture Philanthropy, impact investing



Charity

Drivers: Transparent use of public funding

Activities: geographic and thematic programming

Funding approach: grantmaking, emerging social enterprise models

Pathways to Impact

Structuring approaches for private asset owners seeking to create impact



Portfolio Approach

Funding of portfolio of projects to achieve agreed stated impact goals via a range of funding approaches

E.g. Dubai Cares



Venture Philanthropy

Creation or purchase of a business which is achieving impact via a commercially viable social enterprise model

E.g. Al Fanar



Impact Investor

Providing seed capital to design and anchor an impact investment fund

E.g. SEAF Jordan Growth & Impact Fund

Why we measure impact

Funders require it

IMM strategies demonstrate that organisations' activities produce positive change

Market demands it

Donors are looking for greater accountability and impact measurement provides credibility

Impact risk

Need to articulate and measure impact to avoid reputational risk

Proving mission alignment

Use of measurable outcomes and data collection to confirm progress toward mission

Improving and managing Impact

Review and redesign approaches to more effectively achieve outcomes

Communicating impact to stakeholders

Quantifying social impact in understandable terms creates stakeholder engagement that grows supportive partnerships

Accountability to funders

Robust impact measurement framework ensures expected impact is accurately compared to the cost of delivering a given project

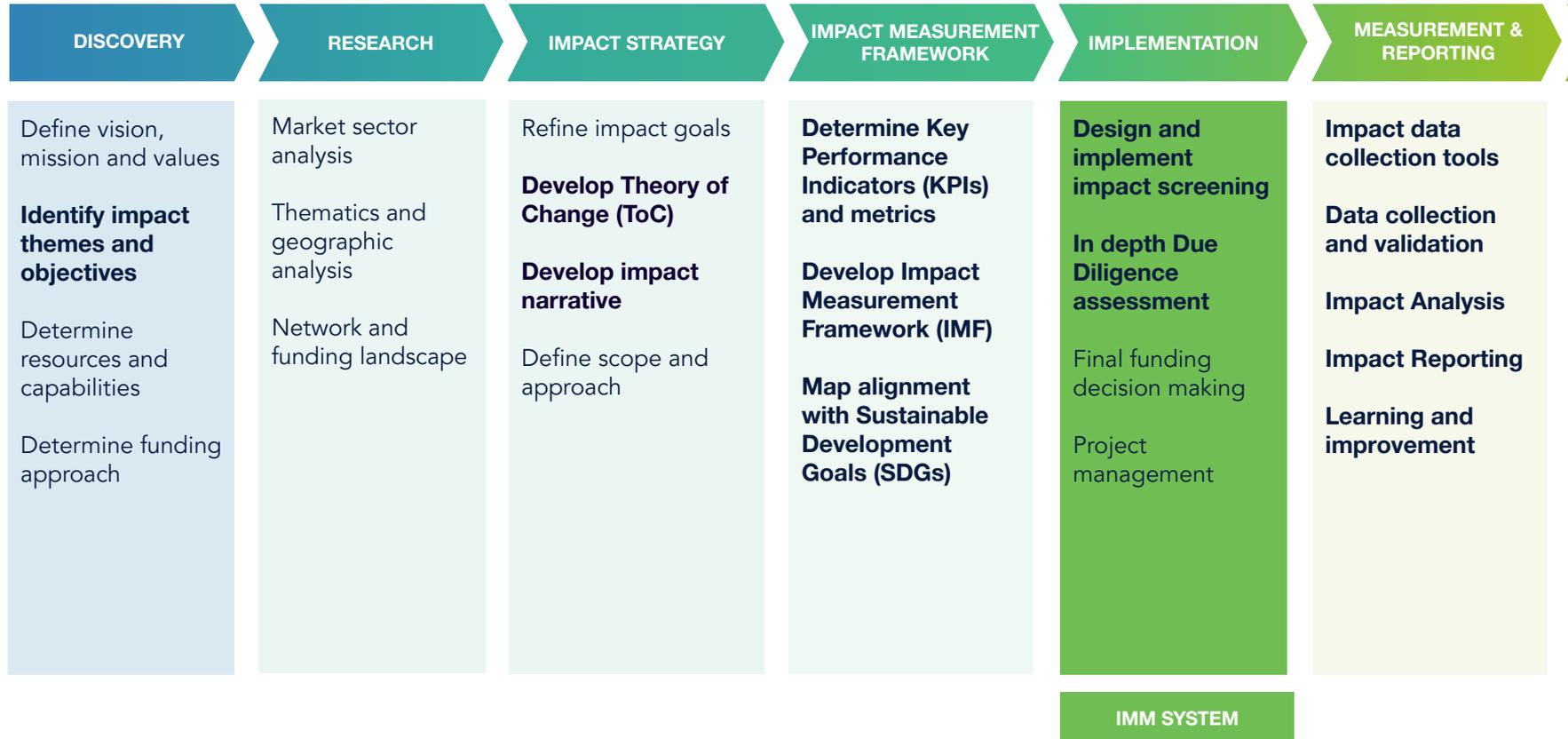
How impact is measured

- No consensus on methodology for measuring impact yet - nascent industry
- Significant progress in recent years on harmonisation - IRIS+, IMP, IFC's Operating Principles, SDG alignment

Guiding Frameworks



Integrating Impact into Funding Strategies



Developing an Impact Strategy

- Setting Impact Goals
- Theory of Change
- Impact Measurement Framework

Setting Impact Goals

- More complex than setting organisational goals
- May be influenced by people, place or institution
- Can be SDG thematic or more specific challenges
- Using Impact Management Project's 5 dimensions of impact
- Target setting?
- Using goals to inform and improve theory of change and due diligence process

**IMPACT
MANAGEMENT
PROJECT**



WHAT

What outcomes does the effect relate to, and how important are they to people (or the planet experiencing it)?



WHO

Who experiences the effect and how underserved are they in relation to the outcome?



HOW

Consider the various ways/channels in which an organisation delivers impact.



CONTRIBUTION

How much does the effect compare and contribute to what is likely to occur anyway?

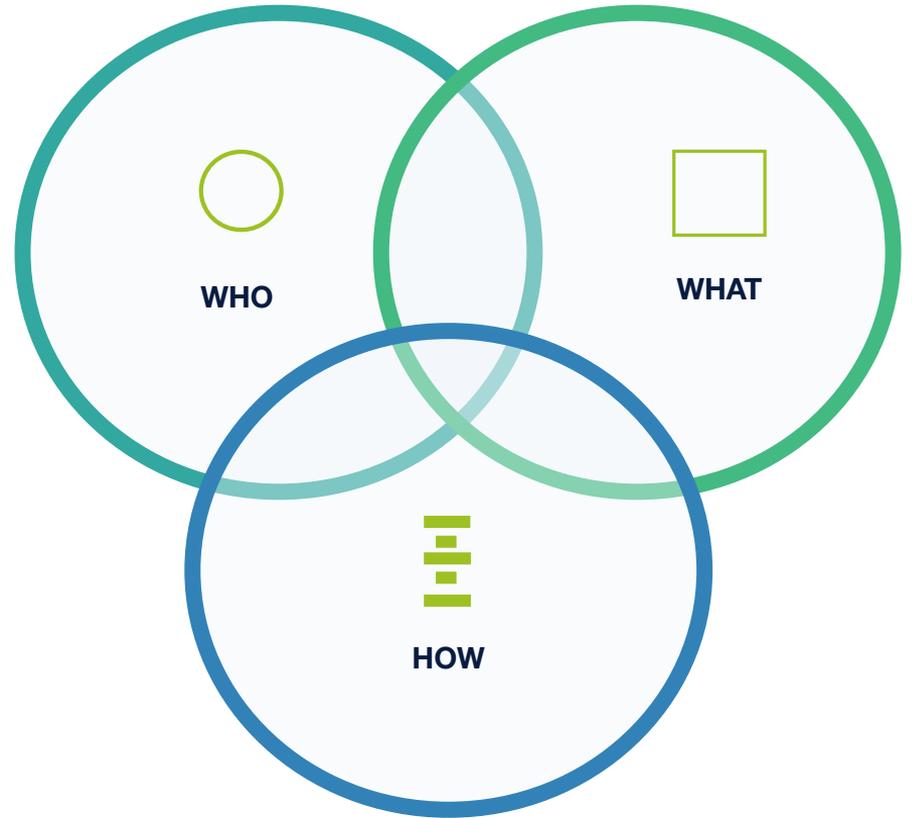


RISK

Which risk factors are material, and how likely is the effect different from the expectation?

Setting Impact Goals

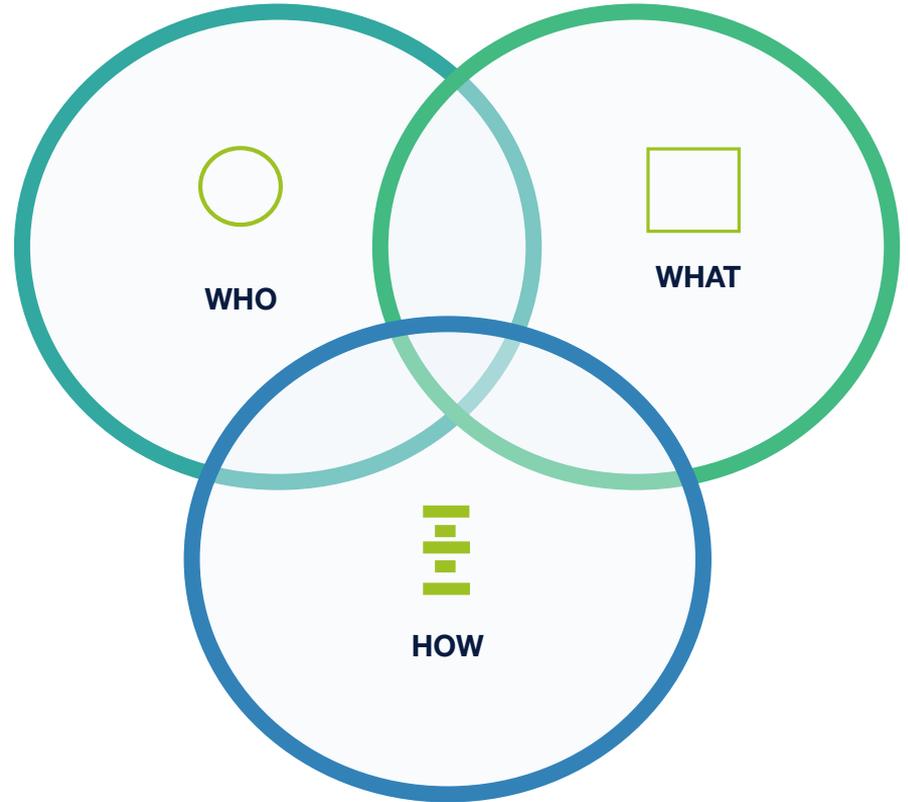
- WHO - Target Beneficiaries
- WHAT - Depth of Impact
- HOW - Nature of Impact



Setting Impact Goals

Example: Climate Fund

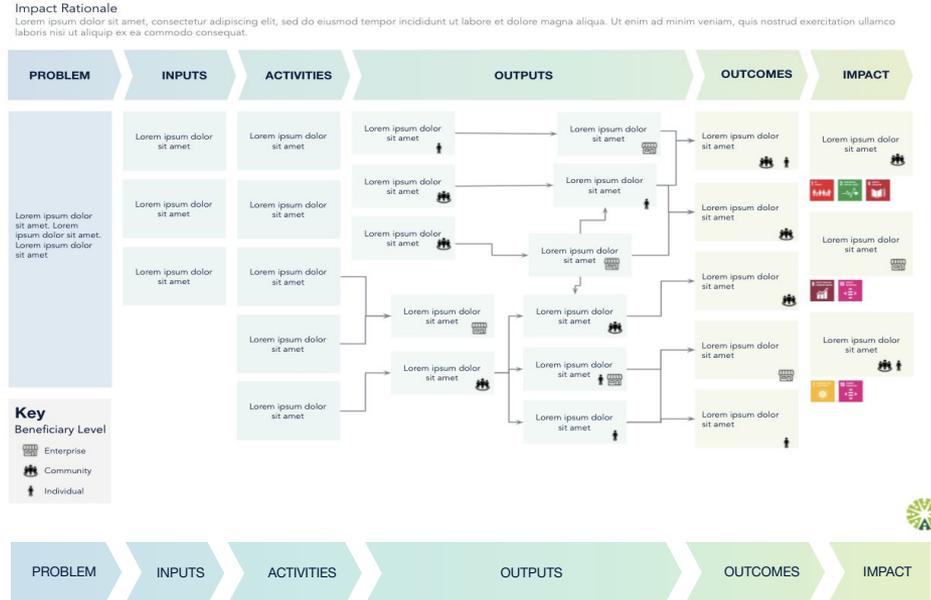
- **WHO** - Businesses seeking low carbon pathways
- **WHAT** - Climate change mitigation, sustainable use of water, just transition to economic growth
- **HOW** - Investing in proven and scalable equipment and digital solutions that improve the carbon, operational, capital and production efficiency



Theory of Change

What is the Theory of Change (ToC)?

- A visual representation of the impact pathway
- Presents the logical flow of the organisation's impact creation
- Shows how inputs and activities create outputs, positive outcomes and the ultimate impact of the organisation
- Easily and robustly communicates the intended impact of the organisation and SDG alignment
- Is expected by impact-focused investors
- Used as an internal impact compass and an external visual representation of the Fund's impact goals.



Theory of Change - Logical Model



Impact Measurement Framework

- A measurement framework to demonstrate the impact of the grant or investment
- Evidences the Theory of Change in practice
- Outlines the KPIs and Metrics to be collected - a combination of IRIS+ and bespoke
- Demonstrates SDGs alignment

KPIs are measurable values that provide objective evidence of progress towards intended targets.

They track change over time

Example: YoY increase in employees (%)

Metrics are a standard of measurement to track progress of change in your organisation and to calculate KPIs.

They measure changes at a specific point in time.

Example: Number of employees: Male, Female, Total (#)

IMFs - GIIN'S IRIS +

A free and widely recognized impact accounting system that is used to measure, manage, and optimize impact

- Provides core metrics sets which are backed by evidence and based on best practices across the industry.
- Provides guidance and resources to support IMM implementation
- Uses thematic taxonomy based on generally accepted Impact Categories and Impact Themes
- It is aligned with the UN's SDGs and other major frameworks and conventions

Metric	Source	Client	Source No.	Definition	Theme	Population	Priority	Level	FIN INCL	CLIMATE	AGRI
Client Individuals: Smallholder	IRIS		PI6372	Number of unique smallholder farmer individuals who were clients during the reporting period.	Agriculture			Output			x
Supplier Individuals: Smallholder	IRIS		PI9991	Number of smallholder farmers who sold to the organization during the reporting period.	Agriculture			Output			x
Payments to Supplier Individuals: Smallholder	IRIS		PI7852	Value of payments made to smallholder farmers who sold to the organization during the reporting pe	Agriculture			Output			x
Percent Smallholder Sourcing Payments	IRIS		PI8632	Percentage of payments made to smallholder farmer suppliers compared to total payments made to	Agriculture			Output			x
Crop Type	IRIS		PD1620	Type of crop(s) produced by the organization during the reporting period. Select from the options in t	Agriculture			Output			x
Livestock/Fish Type	IRIS		PD4686	Type of livestock product(s) produced by the organization during the reporting period. Select from th	Agriculture			Output			x
Land Directly Controlled: Total	IRIS		OI5408	Area of land directly controlled by the organization during the reporting period.	Agriculture			Output			x
Land Directly Controlled: Cultivated	IRIS		OI1674	Area of land directly controlled by the organization and under cultivation. Report directly controlled li	Agriculture			Output			x

Your Turn...

- Setting Impact Goals
- Theory of Change

Task

Discuss and decide on a sample group impact goal, working from that goal build out a theory of change and some sample metrics/ Key performance indicators

1. Impact Goals - Resource Template A
 - a. Group Impact Goal: thinking about what, who, how

2. Theory of Change - Resource Template B
 - a. Decide on up to 3 outcomes that can achieve that impact
 - b. Inputs and outputs that could cause these outcomes

3. KPIs and Metrics - Resource Template C
 - a. Discuss and decide upon 2 metrics/key performance indicators to measure each outcome/impact

Examples will be given to you. Spend about 20-30 mins - we will be dropping into your various break out groups (in person and virtual)

Scribe and Presenter - decide on someone to write down the groups thoughts and someone to present your key findings

Selecting Grantees or Investees

- Screening
- Due Diligence

Impact Screening

Impact screening to ensure alignment

- Impact screening criteria
- Alignment to fund impact goals
- Questionnaires, surveys, checklists

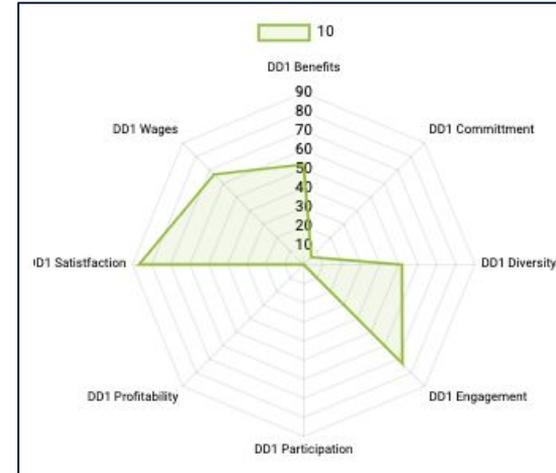
	Impact Goal	Maintains Policy	Procedure to Access & Manage	Trains Staff & Clients	Reporting Framework	Board / Committee Oversight
Client Benefit & Welfare	Lorem ipsum dolor sit amet, consectetur adipiscing elit sed do					
	Lorem ipsum dolor sit amet, consectetur adipiscing elit sed do					
	Lorem ipsum dolor sit amet, consectetur adipiscing elit sed do					
	Lorem ipsum dolor sit amet, consectetur adipiscing elit sed do					
Outreach	Lorem ipsum dolor sit amet, consectetur adipiscing elit sed do					
	Lorem ipsum dolor sit amet, consectetur adipiscing elit sed do					
Employees	Lorem ipsum dolor sit amet, consectetur adipiscing elit sed do					
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Due Diligence Assessment

Integrating impact into due diligence

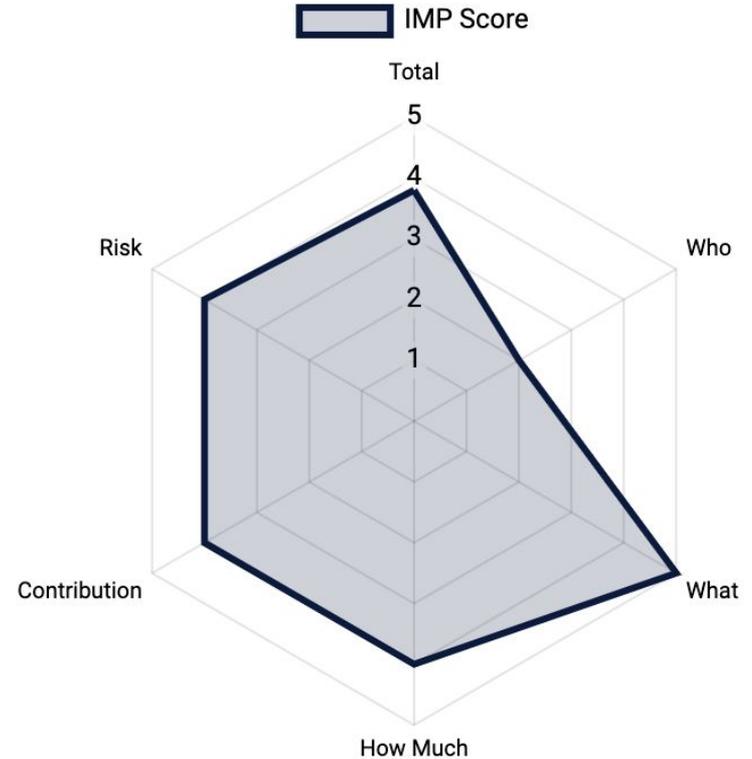
- Deeper impact assessment
- IMP 5 framework
- Baselineing
- Gap identification
- Impact target setting
- Assessment of non-financial needs
- Decision making

Impact Assessment		
WHO Who experiences the effect?	Demographics: Geography:	3/5
WHAT What outcomes does the effect relate to and how are they important?	The challenge: The solution:	2/5
HOW MUCH How much of the effect occurs?	Depth: Scale: Duration:	4/5
CONTRIBUTION Would this change likely happen anyway?	More vs less likely to occur:	3/5
RISK How likely is it that the outcome differs from the expectation?	Operational readiness: Impact track record Mission drift: Negative externalities: [identify mitigants]	5/5
TOTAL RATING		3/5



IMP 5 Dimensions Scorecard

Impact Assessment		
WHO Who experiences the effect?	Demographics: Geography:	/5
WHAT What outcomes does the effect relate to and how are they important?	The challenge: The solution:	/5
HOW How the effect occurs?	Depth: Scale: Duration:	/5
CONTRIBUTION Would this change likely happen anyway?	More vs less likely to occur:	/5
RISK How likely is it that the outcome differs from the expectation?	Operational readiness: Impact track record: Mission drift: Negative externalities:	/5
TOTAL RATING		/5



Implementing an IMM System

Key Principles

Theory of Change driven

Using the outcomes, outputs and impacts identified in the ToC as a guideline for measurement

Data collection is key

Collecting robust data is important to communicating impact

Measure outcomes

Solutions should be designed with the intention of measuring outcomes of impact investment

Beneficiary focused

Surveys should be designed with the intention to tell the beneficiaries' stories

Low Cost

Low cost solutions enable organisations to gather large amounts of data making measurement more impactful

Link impact to finance

Ensure measurement solutions communicate the impact the funding has made - value for money, leverage etc

Technology Driven

Measurement solutions that are technology enabled are more efficient and have the ability to reach a wider audience

Flexibility

Measurement approach should be flexible in order to reach beneficiaries from different cultures, geographies and socioeconomic contexts



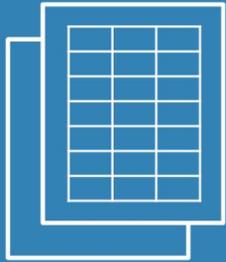
What makes a good Impact Measurement Solution?

A solution that helps define, measure and report the climate, environmental and socio-economic impacts of investments or grants

- Cloud based impact data collection and analysis system
- Aggregating multi-source data:
 - Philanthropic organisation, investee and beneficiary
 - Using different data collection tool
- Collects data at multiple levels: output, outcome, impact
- Tracking impact performance over time enabling active management
- Adapting to range of geographies, languages and connectivity levels
- Suitable for emerging economy context and bottom of the pyramid beneficiaries



Step 1: Plan



Impact Management Framework

Alignment to standards
Custom metrics
Measurement plan

Audience



Fund



Portfolio Company



Beneficiaries



Tools



Spreadsheet



Online forms



Web application



SMS



Voice



Whats App

Design

Questions, Flow, Translations



Data Collection Surveys

We work with you to select the most appropriate surveying tools for you; crafting the questions to the channel and audience.

Company X
Data Input Sheet

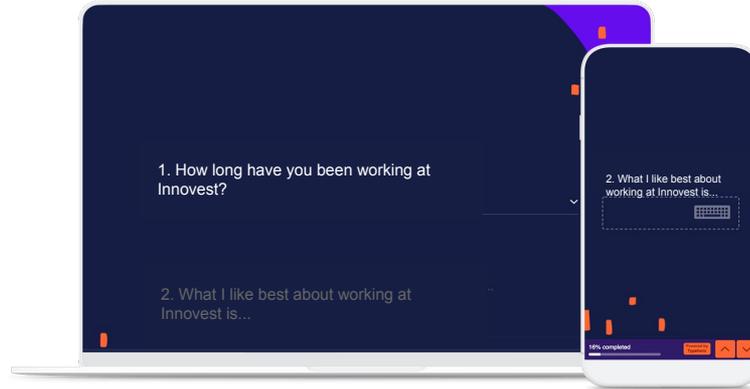
Date of Data Capture	Date
Completed by	Name
Role	Job role
Verified by	Name
Role	Job role

EGM Core Metrics	Value	Date	Data Source
Value of co-investment from other investors in the form of debt or equity	USD \$0	Jan-Dec	
Value of any additional shareholder investment	USD \$0	Jan-Dec	
Value of bank loans taken by EGM	USD \$0	Jan-Dec	
Annual revenue	USD \$0	Jan-Dec	
Units sold or installation numbers	# 0	Jan-Dec	
Total employees	# 0	As of 31 Dec	
Male employees	# 0	As of 31 Dec	
Female employees	# 0	As of 31 Dec	
Carbon savings per product	TCO2e 0		EGM Carbon Footprint

EGM Optional Metrics	Value	Date	Data Source
Relevant trainings provided to employees	# 0	Jan-Dec	

EGM Future/Aspirational Metrics	Value	Date	Data Source
Transmission efficiency of infrastructure	% 0%	Jan-Dec	
Energy use per product, process or service	kWh 0	Jan-Dec	

Spreadsheets



Mobile and web forms



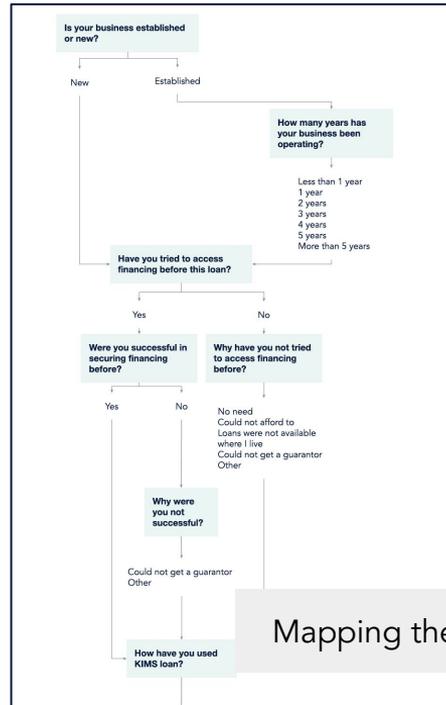
SMS, WhatsApp, Voice

Survey Design

Good survey design will enable you to ask the right people, the right questions, through the right medium to get the right data to evaluate multi-level impact.

Checklist:

- Type of data:
Quantitative and qualitative
- Capacity for measurement
- Where is the data?
How is it collected?
And by who?
- Methodology: tools,
frequency, questions



Mapping the flow

ID	English Introductions	Somali Introductions
A1	Thank you for being a customer of KIMS. We would like to ask you some questions about the impact of KIMS loans.	Waad ku mahadsan tahay inaad ahaato macmiil KIMS, waxa jecel nahay inaan kuweydiino su'aalo kusaabsan saamayntii maalgalinta.
A2	Your answers will be anonymous and confidential and will not affect your ability to use KIMS loans.	Jawaabahaagu waxay noqon doonaan qarsoodi, oo aan saamayn doonin macaamiilkaaga KIMS
A3	Please press 1 if you are happy to answer questions or 2 if you would like to stop now.	Fadlan taabo 1 hadaad ogoshahay inaad kajawaabto su'aalahan, ama taabo 2 hadaanaad ogolayn.
A4	We will ask about 15 questions. Please press the number on your phone for the answer you would like to choose.	Waxaan kuweydiin doonaa 15 su'aalood. Fadlan taabo lambarada telefoonkaga ku yaal si aad uga jawaabto su'aalahan.
A5	Thank you for completing this KIMS survey. Please ask KIMS staff if you have any questions about the surveys.	Waad kumahadsantahay inaad nagala qayb qaadato xog uruurintan. Fadlan waxii su'aala waydii shaqaalaha KIMS.

ID	English Question	Somali Questions
Q1	Is your business established or new?	Ganacsigaagu hore ma ujiray mise waa cusub yahay?
Q2	How many years has your business been operating?	Imisa sanno ayuu ganacsigaagu shaqeenayaa?

No	English Answers	Somali Answers
1	New	Cusub yahay
2	Established	Horay ujiray
1	Less than one year	Kayar hal sanno.
2	One year	1 sanno
3	Two years	2 sanno
4	Three years	3 sanno
5	Four years	4 sanno
6	Five years	5 sanno
7	More than five years	Kabadan 5 sanno
1	Yes	Haa
2	No	Maya
1	Yes	Haa
2	No	Maya

Question design and translation

Step 2: Collect

Questions

Qualitative and
Quantitative



Engagement with reporting entity

- Awareness raising
- Introduction
- Training
- Questions
- Troubleshooting

Web



Fund



Portfolio Company

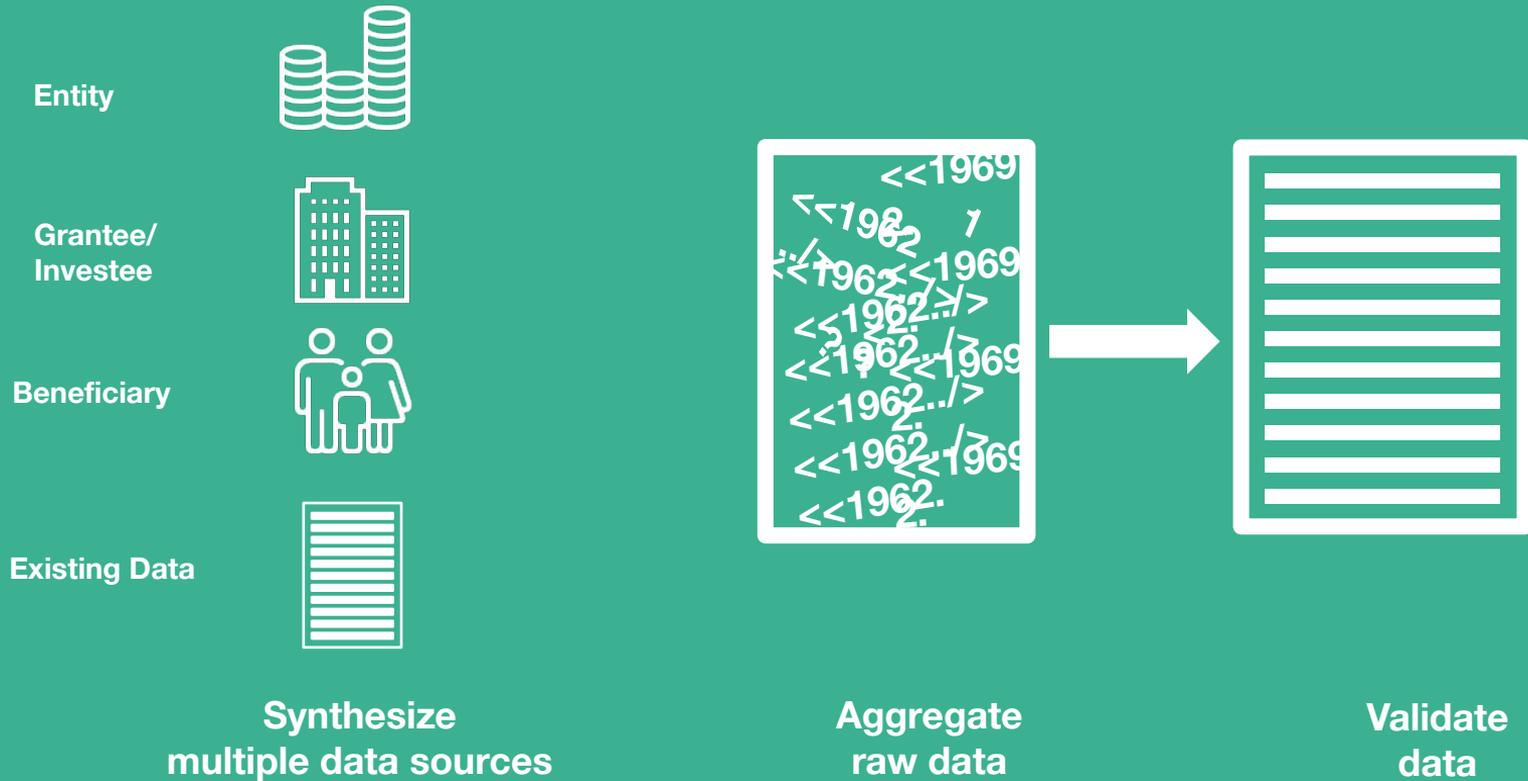
Mobile



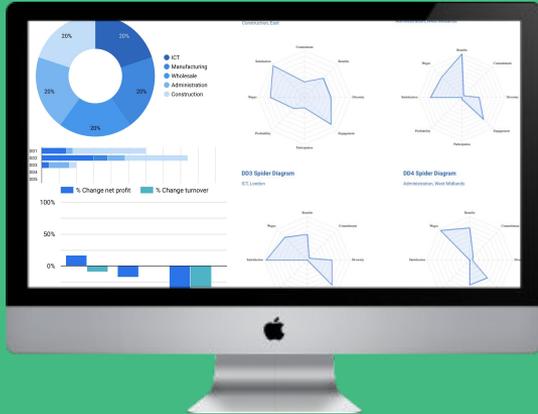
Beneficiaries

Blended data collection methods

Step 3: Aggregate



Step 4: Analyse



Managing Performance

Custom dashboards

Multiple levels: Output, Outcome and Impact

Track performance over time

Responsive Grantee management



Impact Analysis

Expert analysis of data to uncover key insights and trends to improve impact.

Analysis should be drawn from a team that has extensive knowledge in:

- **Socio-economic development**
incl. Job Creation, Gender
- **Climate change and environmental sustainability**

Step 5: Reporting



Data rich and expertised
internal reporting



Evidence based
external reporting

Leveraging Impact

- Manage grantee impact performance
- Evidence organisation's impact
- Demonstrate credibility
- Enhance organisation's profile
- Market engagement
- Attract additional funding
- Contribute to sector expertise

Impact Dashboards

We create customised dashboards at the Entity level, Grantee or Investee level and beneficiary level



Case Studies

Case study

KIMS Microfinance, Horn of Africa

Somalia's largest privately owned microfinance institution

Aims

Supporting local economic development in the Horn of Africa through a microfinance based social enterprise business model

How

Providing shariah compliant micro and small business loans to clients

Outcomes

- Over 30,000 low income clients financed with \$30 million.
- Over 20,000 jobs created and sustained
- 5,000 active clients with loan portfolio of \$3 million



Innovest's Role

- Long-term management strengthening support
- Fundraising support and strategic partnership development
- Impact Measurement and Management Support



Case study

KIMS Impact Strategy and Measurement

Example Metrics

- Loans disbursed (\$)
- New MSEs financed (#)
- First Time Access Clients (#)
- MSE Employees (#)
- KIMS Revenue (\$)

Example KPIs

- YoY increase in loans disbursed (%)
- YoY increase in new businesses being financed (%)
- YoY increase in new access clients (%)
- YoY increase in MSE employees (#)
- YoY increase in KIMS revenue (\$)

Impact Measurement

- Innovest supported a client impact survey with over 2,000 clients
- Survey implemented via web surveys delivered to client via WhatsApp making it an accurate, efficient and cost effective surveying solution.

Purpose

- Determine the impact of lending on clients' business and their families
- To have data available to management to help improve their service provision and help communicate KIMS impact to funders and donors

Case study

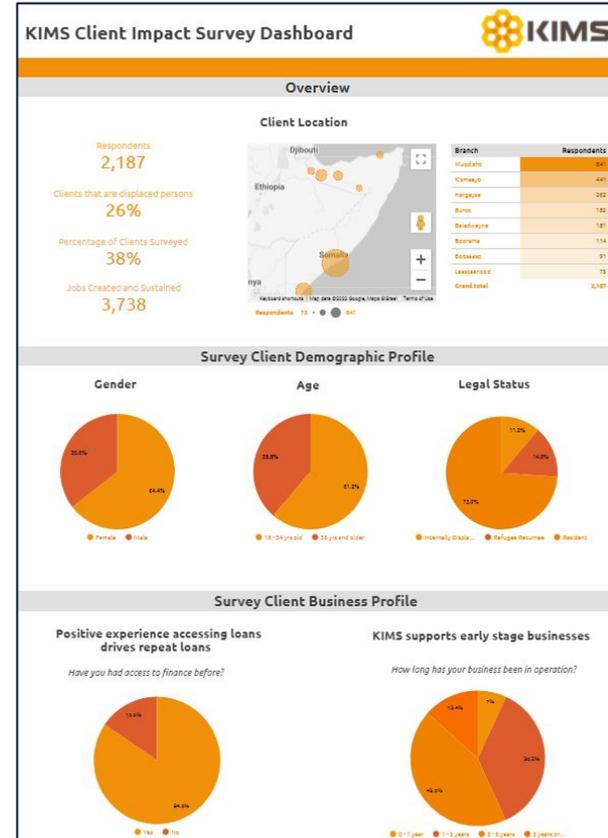
KIMS Client Impact Survey Results

Survey Results

- **94%** of respondents stated that financing from KIMS helped improve their businesses performance
- **1,551 new jobs** created as a result of being financed
- **93% of respondents** reported an increase in income

Increase in income resulted in:

- 38% of respondents **increasing education spend**
- 27% of respondents **paying for better quality food**
- 21% of respondents **covering healthcare costs**



Case study

The Near East Foundation, Middle East and Africa

International Non Profit

Aims

Build more sustainable, prosperous, and inclusive communities in the Middle East and Africa through education, community organising, and economic development.

How

Providing finance to micro and small enterprises

Outcomes

- Over \$500,000 provided to almost 750 micro and small enterprises
- Reach an additional 20,000 clients through new blended finance instrument



Innovest's Role

- Research and design of a blended finance instrument to enable expansion of existing credit facility
- Engagement with funder ecosystem to determine support for the product



IMM Resources

- [AECF's Theory of Change Practical Tool for Action, Results and Learning](#)
- [Impact Management Project: Resources and Examples](#)
- [IRIS+ IMM System](#)
- [The Aspen Institute's "Community Builder's Approach to Theory of Change](#)
- [The International Network on Strategic Philanthropy Theory of Change Tool Manual](#)
- [UNICEF Guide on Theory of Change](#)
- [Ventures at the Helm: IMM Guide](#)

Questions



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