

A SHORT GUIDE TO IMPACT MANAGEMENT & MEASUREMENT

Investisseurs & Partenaires Case Study



SET OBJECTIVES

First and central piece of any impact measurement exercise

1. Define the overarching social problem
2. Define scope and impact objectives
3. Select (and invest in) Social Purpose Organisations (SPOs) that can contribute to solving the social problem and meet the impact objectives



Tools and resources available:

Theory of Change, logic model, minimum questions to be answered plus causation, Theory of Value Creation



ANALYSE STAKEHOLDERS

Understand expectations of stakeholders, their contribution, potential impact on them, and the *co-operation* of main stakeholders in the Impact Management and Measurement (IMM) process

Phases:

- **Stakeholder identification:** mapping & selection, analysis of their expectations
- **Stakeholder engagement:** understand their expectations and then verify if these are met



MONITOR & REPORT

Iterative process

- **Monitoring:** collecting data and tracking progress against (deviation from) indicators & objectives (identify data sources for all measures, establish baseline status for beneficiaries, determine how data will be collected and by whom, and the human resources available for the evaluation)
- **Reporting:** transforming data into presentable formats, relevant for key stakeholders



Tools and resources available:

PULSE, Social Reporting Standard, Sinzer, Global Reporting Initiative



MEASURE RESULTS

- Transforming the objectives into measurable results
 - **Outputs:** tangible products and services that result from the SPO's activities (# of people reached)
 - **Outcomes:** changes, benefits and other effects on the beneficiaries that result from the SPO's activities
 - **Impact:** the attribution of an SPO's work to the broader long-term societal change
 - **Indicators:** set to measure outputs, outcomes and impact



Tools and resources available:

IRIS, Global Value Exchange

! Consider impact achieved by SPO and assess the impact of Venture Philanthropy Organisation or Social Investor (VPO/SI) on the SPO



VERIFY & VALUE IMPACT

- **Verifying impact** (desk research, competitive analysis, interviews / focus groups):
can we claim we are having a positive impact?
- **Valuing** (measuring value created)



Tools and resources available:

- **Qualitative methods:** storytelling, qualitative surveys, interviews, focus groups
- **Quantitative methods (monetisation):** quantitative surveys, revealed preference, perceived value and use of financial proxies

INVESTISSEURS & PARTENAIRES' (I&P) IMPACT MEASUREMENT JOURNEY

- **Background:** I&P manages three impact funds covering financing needs from €300,000 to €1.5 million
- **Target areas:** SMEs in 15 African countries, in agribusiness, microfinance, building materials & construction, health sector, equipment and various services
- www.ietp.com

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STEP 1: Set Objectives

WHAT IS I&P'S APPROACH?

- Define with the entire VPO/SI team the VPO/SI's Theory of Change.
- **Top-down** (portfolio-wide environmental and social measures)
- **Case-by-case** (impact objectives for each investee)

WHAT ARE I&P'S OBJECTIVES?

Four developmental challenges:

1. Develop sustainable entrepreneurship in local SMEs
2. Create decent jobs and training opportunities
3. Meet unsatisfied demand for goods and services
4. Create business for local suppliers and distributors

Solutions to achieve portfolio-wide Environmental and Social (ESG) impact objectives:

1. Reduce the portfolio carbon footprint
2. Promote universal health insurance for all employees in investee companies

STEP 2: Analyse Stakeholders

1. HOW DID I&P IDENTIFY STAKEHOLDERS?

Top-down approach, one developmental challenge and desired impact per stakeholder (Step 1):

	Stakeholders	Challenge	I&P's impact
Primary	SPO Staff	Unemployment & informality	Creation of decent paying jobs
Secondary	Clients	Unavailability of products/ services	Help meet basic needs
	Suppliers & distributors	Unstructured value chains	Structuring local sectors
	The Government (National Value Add)	Need for fiscal resources to finance public spending	Impact on state budget, generating taxes and allowing public investment

2. HOW ARE I&P'S STAKEHOLDERS ENGAGED?

- Primary stakeholders (SPO):
 - help test I&P's impact tool (Step 3)
 - contribute to identifying technical assistance & capacity building issues (Step 4)
 - receive yearly impact reports (Step 5), which increase their commitment & concrete actions
- Secondary stakeholders are engaged in Step 4, for I&P's in-depth case studies (focus groups, interviews)

STEP 3: Measure Results

I&P measures its investees' performance (impact + ESG practices) with an **in-house IM tool** based on IRIS metrics and a user-friendly Excel document:

Sheet 1: Basic data on the SPO

Sheet 2: I&P's commitment with the investee I&P measures its own impact on its investees

Sheet 3: Investee's organisational performance –e.g. accounting, HR management, etc.

Sheet 4: Impact Results based on table Step 2:

Stakeholders	Ex. of indicators
SPO Staff	Job creation, job patterns (e.g. gender), training
Clients	# of clients, # of borrowers
Suppliers & distributors	# & share of local suppliers/distributors
The Government (National Value Add)	Contribution to state revenues, GDP & exports

Sheet 5: ESG results

- CO₂ emission, renewable energies & waste management system
- "Decent work" agenda, welfare system, etc.

STEP 4: Verify & Value Impact

IN-DEPTH IMPACT CASE STUDIES

Annual detailed impact evaluation by an independent third party focused on 1 or 2 companies.

A team of independent evaluators goes to meet the local social entrepreneur & stakeholders.

VERIFYING



Develop a theoretical framework → interview stakeholders

VALUING



Assess what can be improved → develop Action Plan for the SPO → share results & recommendations with investee and local team

STEP 5: Monitor & Report

MONITORING

I&P monitors its own ESG action plan with the management team at least bi-annually and ensures that **ESG & impact considerations** are regularly raised and discussed.

Data for monitoring is **self-reported** by the investee, then checked by the investment officer and finally by I&P's IM team.

How does I&P monitor its impact on the investee?

Organisational performance is monitored through an internal rating, which helps decide on mentoring & technical assistance.

REPORTING

Different types depending on the stakeholders:

- **Broader public:** "ESG and Impact Reporting" published on website + videos
- **SPOs:** specific impact reports for each investee
- **Internal VPO/SI team:** the ESG & IM team report to all I&P staff
- **Funders:** I&P communicates results to each of the funders

KEY LEARNINGS

- **Developing objectives takes time, but pays off**
- **I&P tailors its IM system to the capabilities of each investee – but has general ESG goals**

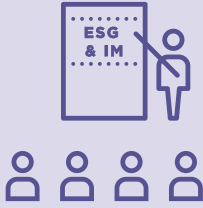
- **Involve investees in identifying and prioritising stakeholders**
- **The SPO's social impact on its stakeholders guides the VPO/SI in choosing whether to invest or not**

- **Use existing tools –e.g. IRIS metrics**
- **Adapt IM systems to each SPO**
- **Revise indicators periodically**

- **Close the learning cycle:** Step 4 allows the VPO/SI to revise indicators and to adapt them more to the investee
- **Would be useful to have an external evaluator**

- Monitoring:**
- **Data collection is a learning process**
- Reporting:**
- **Make reporting relevant for all the stakeholders**

MANAGING IMPACT AT INVESTISSEURS & PARTENAIRES

INVESTMENT PROCESS					
	Deal Screening	Due Diligence	Deal Structuring	Investment Management	Exit
GUIDELINES	Assess whether investment opportunity fits with VPO/SI strategy by asking questions detailed in setting objectives (Step 1)	Dig deeper in the questions asked in setting objectives (Step 1) Perform stakeholder analysis (Step 2) Verify and value expected results (Step 4)	Map outputs, outcomes and impacts and decide on key indicators (Step 3) Set up the monitoring and reporting system (Step 5)	Regularly assess impact results against indicators & revise indicators if necessary (Step 5) Verify and value results regularly to identify impacts with the highest social value (Step 4)	Perform thorough analysis of impact results against objectives – verifying and valuing reported results (Step 4)
AT I&P	I&P performs an in-depth analysis of the SPO to assess the potential social impact (and financial return) of its investment, looking for alignment of impact objectives. I&P also assesses the main ESG-related risks and opportunities of the investment.	I&P performs a more in-depth screening of the ESG practices of the SPO and assesses the potential social impact(s) of the SPO on its stakeholders. The ESG risk profile of the investee (obtained combining the gross ESG risk of the investee with the SPO's capability to manage such risk) is used as one of the selection criteria. Issue: due to budget constraints, technical assistance is often disregarded in favour of more detailed financial audits.	The ESG goals are included in the investment memorandum , and the whole team is trained on how to do so. Assessment of the status of the investee at the outset of the investment, to have the baseline on which to measure progress. Clear explanation of how to report data through the Excel scorecard used by I&P to monitor.	Seminars are organised on ESG & IM to train the investment team and the investees on IM.  Case studies are used to verify and value the impact.	Once the ESG and impact goals are met, I&P exits investments, either to the initial entrepreneur or to existing (co-)investors, or by selling to strategic players active in the same field. I&P always values impact alongside financial return. Structuring the deal to favour the exit to the entrepreneur sometimes means capping the expected financial return.

FOR MORE INFORMATION



Read the full publication "[Impact Measurement in Practice: In-Depth Case Studies](#)"



Register for our "[Fundamental Course on Venture Philanthropy and Impact Investing](#)" or "[Social Impact Measurement and Management Training](#)"



Contact us at knowledge.centre@evpa.eu.com

Disclaimer

As an evolving organisation, I&P is continuously working on impact measurement and its IM system is constantly improving and subject to changes.

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