According to a 2016 report by the Global Impact Investing Network (GIIN), Impact Measurement and Management can improve the financial performance of investments and inform investment decision making including reducing and mitigating risk.

WHAT IS IMPACT MEASUREMENT AND MANAGEMENT?

Impact Measurement and Management (IMM) is the process by which investors can understand the effects of their investments on people and the planet and set goals to adapt processes and improve outcomes (GIIN, 2019). There are several IMM frameworks, one of which is the Impact Management Project (IMP). The IMP uses five impact dimensions described below, all of which are important when determining the impact of a fund’s investment.

The IMP reached global consensus that impact can be deconstructed into five dimensions: What, Who, How Much, Contribution and Risk.

<table>
<thead>
<tr>
<th>IMPACT DIMENSION</th>
<th>IMPACT QUESTIONS EACH DIMENSION SEeks TO ANSWER</th>
</tr>
</thead>
<tbody>
<tr>
<td>WHAT</td>
<td>• What outcome occurs in period?</td>
</tr>
<tr>
<td></td>
<td>• How important is the outcome to the people (or planet) experiencing it</td>
</tr>
<tr>
<td>WHO</td>
<td>• Who experiences the outcome?</td>
</tr>
<tr>
<td></td>
<td>• How underserved are the affected stakeholders in relation to the outcome?</td>
</tr>
<tr>
<td>HOW MUCH</td>
<td>• How much of the outcome occurs — across scale, depth and duration?</td>
</tr>
<tr>
<td>CONTRIBUTION</td>
<td>• What is the enterprise’s contribution to the outcome, accounting for what would have happened anyway?</td>
</tr>
<tr>
<td>RISK</td>
<td>• What is the risk to people and planet that impact does not occur as expected?</td>
</tr>
</tbody>
</table>

Source: Impact Management Project
WHY INTEGRATE IMM?

IMM enables investors to understand, manage and communicate the social and environmental value of their investment portfolio. There are many benefits of IMM including:

- Attracting impact investors.
- Contributing to revenue growth through increased understanding of investee markets and customer needs.
- Lowering staff turnover and attracting top talent.
- Increasing investee operational effectiveness and efficiency by identifying and addressing human resources and governance challenges.
- Improving investment decisions by determining which sectors and deals generate higher impacts and financial performance.
- Strengthening company reputation through communicating impact performance.
- Managing impact-related risks that are material to financial performance.
- Contributing to strategic alignment by ensuring that investees’ activities are aligned with investors’ mission and strategy.

HOW CAN INVESTMENT FUNDS MEASURE AND MANAGE IMPACT?

**Identify impact themes:** Impact goals should be aligned with your investment strategy. The Sustainable Development Goals (SDGs) are a helpful guide to define impact themes that is widely used by investors.

**Define target entities:** For each impact theme, identify individuals, groups or other entities that may experience changes as a result of your investment.
Select metrics: Use qualitative and quantitative indicators to measure the impacts achieved for the target group(s). Investment funds can review the IRIS Metrics database, which was started in 2008 by the Rockefeller Foundation, Acumen and B Lab in response to a gap in credibility and transparency in how social and environmental impacts of investments were tracked and reported. It’s important to limit the number of metrics selected to those that you will use for analysis and to capture sex-disaggregated data to reveal interesting findings for addressing gender equality issues.

Set impact targets: Targets should be time-bound, set for each indicator and developed in consultation with investees and other stakeholders.

Design data gathering instruments: Develop data collection tools such as surveys or interview guides, depending on the type of indicator identified. Investment funds should also decide on the frequency of data gathering.

Gather and analyse data: Collect data from investees and analyse data to inform decision making and reporting. It is an industry best practice to conduct contribution and additionality analysis.

Make investment decisions based on data: Make investment and operational decisions based on the impact data, such as through analyzing the correlation between impact metrics and financial data.

Communicate impact data: Identify the target audience, and report impact data in a format and style that resonates with that audience.

Learn and adapt: Make any adjustment in IMM methodology and tools to ensure efficient processes and maximize potential for financial and development impacts.
WHAT FIRST STEPS CAN INVESTMENT FUNDS TAKE?

- Discuss with your investors, investees and staff to identify the key impact themes to prioritize, such as access to finance or workplace diversity and inclusion.
- Conduct research to understand your fund’s theory of change, which articulates how the fund’s investment activities lead to expected impacts for a particular target group.
- Allocate financial and human resources to develop an IMM strategy and methodology based on impact themes.
- Build capacity of investees to regularly gather and report high quality data, as well as provide data analysis back to investees to demonstrate the value of IMM to their business strategy.

ADDITIONAL RESOURCES

- IFC’s Operating Principles for Impact Management
- The Business Value of Impact Measurement
- How Impact Investor Actually Measure Impact
- The GIIN Navigating Impact Guide

IMM Case Study: Partners Group

In 2018, Partners Group, a global private markets investment management firm, launched PG LIFE, an impact-at-scale blended market strategy. The strategy targets investing in companies with the potential to contribute positively to the SDGs including SDG #3 Healthy Lives and Well-being. To track, report and inform strategic decisions-making, Partners Group developed a robust IMM system.

IMM System: Partners Group’s IMM system begins with a due diligence and impact screening process that examines how the company’s logic model is linked to SDG-related outcomes. Then an impact assessment is run on the company before a final selection takes place. Subsequently, Partners Group shares the impact screening with the company management and conducts annual reporting on impact data.

IMM Lessons Learned:

- IMP has found that three factors – completeness, accuracy and relevance – inform whether impact data is useful.
- Oftentimes impact indicators can be too difficult to measure due to assessment, cost, timescale, or lack of appropriate techniques. In these cases, data can be collected through proxy indicators. For example, hospital waiting lists can serve as a proxy for measuring well-functioning health services (IMP, 2019).

Creating business solutions to poverty

Program undertaken with the financial support of the Government of Canada provided through Global Affairs Canada.