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

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

MANAGING IMPACT

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

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

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

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:
- Reduce the portfolio carbon footprint
- 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):
- Primary stakeholders:
  - SPO Staff
  - Clients
  - Suppliers & distributors
  - The Government (National Value Add)
- Secondary stakeholders:
  - Unavailable products/services
  - Unstructured value chains
  - 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:

<table>
<thead>
<tr>
<th>Stakeholders</th>
<th>Ex. of Indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td>SPO Staff</td>
<td>Job creation, job patterns (e.g. gender), training</td>
</tr>
<tr>
<td>Clients</td>
<td># of clients, # of borrowers</td>
</tr>
<tr>
<td>Suppliers &amp; distributors</td>
<td># of share of local suppliers/distributors</td>
</tr>
<tr>
<td>The Government (National Value Add)</td>
<td>Contribution to state revenues, GDP &amp; exports</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Deal Screening</th>
<th>Due Diligence</th>
<th>Deal Structuring</th>
<th>Investment Management</th>
<th>Exit</th>
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</thead>
<tbody>
<tr>
<td>Assess whether investment opportunity fits with VPO/SI strategy by asking questions detailed in <strong>setting objectives</strong> (Step 1)</td>
<td>Dig deeper in the questions asked in <strong>setting objectives</strong> (Step 1)</td>
<td>Map outputs, outcomes and impacts and decide on key <strong>indicators</strong> (Step 3)</td>
<td>Regularly assess impact results against <strong>indicators</strong> &amp; revise indicators if necessary (Step 5)</td>
<td>Perform thorough analysis of impact results against objectives – verifying and valuing reported results (Step 4)</td>
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<td><strong>I&amp;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.</strong> I&amp;P also assesses the main <strong>ESG-related risks and opportunities</strong> of the investment.</td>
<td><strong>I&amp;P performs a more in-depth screening of the ESG practices</strong> of the SPO and assesses the potential social impact(s) of the SPO on its stakeholders.</td>
<td>The <strong>ESG goals</strong> are included in the <strong>investment memorandum</strong>, and the whole team is trained on how to do so.</td>
<td><strong>Seminars are organised on ESG &amp; IM to train</strong> the investment team and the investees on IM.</td>
<td>Once the ESG and impact goals are met, I&amp;P exits investments, either to the initial entrepreneur or to existing (co-)investors, or by selling to strategic players active in the same field.</td>
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<td><strong>Issue:</strong> due to budget constraints, technical assistance is often disregarded in favour of more detailed financial audits.</td>
<td>The <strong>ESG risk profile</strong> 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. Assessment of the status of the investee at the outset of the investment, to have the <strong>baseline</strong> on which to measure progress. Clear explanation of how to report data through the <strong>Excel scorecard</strong> used by I&amp;P to monitor.</td>
<td><strong>Case studies</strong> are used to verify and value the impact.</td>
<td><strong>With the financial support of the European Commission</strong></td>
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#### AT I&P

- **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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### 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