

# Impact Measurement and Management – Evaluation for New Impact Funders

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CES Conference 2023:  
Evaluation in a changing world

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A QATALYST FOR POSITIVE CHANGE



# Why Do We Need Private Sector?



# Wicked Problems and a Decisive Decade

- Wicked problems are systemic, difficult to understand, usually symptoms of another problem with interrelated issues... require systemic thinking.
  - **Income inequality:** in 2018, billionaires' fortunes increased by 12% (US\$2.5 billion a day!), while 3.8 billion people saw their wealth decline by 11%
  - **Modern-day slavery:** 40 million people, 70% of whom are women, are victims of modern slavery
  - **Climate action failure:** estimated \$2.7T in the global economy annual loss
  - **Climate refugees:** Estimated 143 million climate refugees by 2050
  - **Loss of biodiversity:** 1 million species extinct in 50 years
  - **Social Cohesion Erosion:** About 2 billion people live in countries affected by fragility, conflict and violence.

# The 2030 Agenda for Sustainable Development (decisive decade)

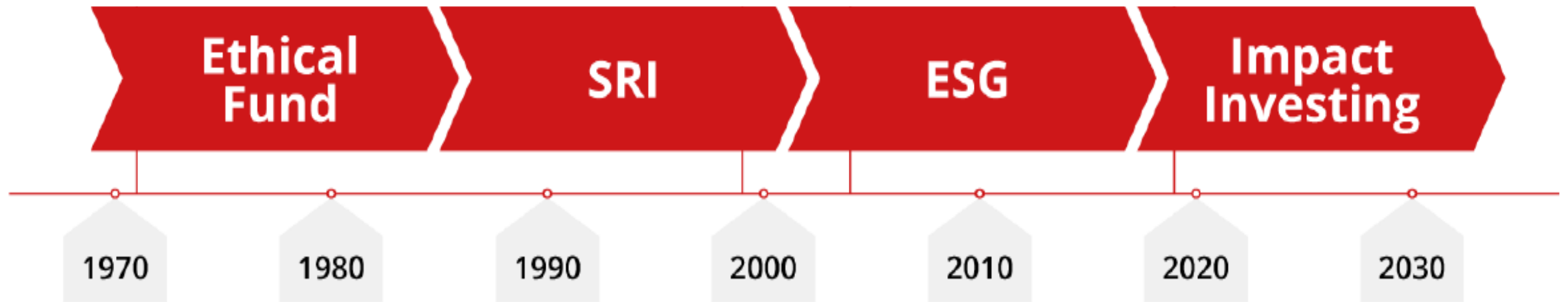


**SUSTAINABLE  
DEVELOPMENT** **GOALS**

17 GOALS TO TRANSFORM OUR WORLD



# The Evolution of Responsible Finance



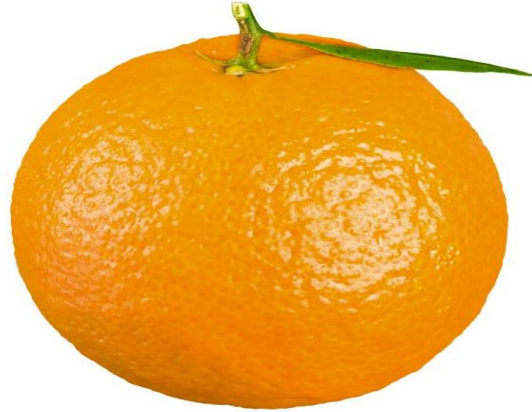


# Environmental, Social and Governance (ESG) Investing Approach

The practice of integrating environmental, social and governance factors in investment decision-making.



# ESG is NOT Impact Investing



## **ESG is a Framework**

**ESG is most commonly used as risk-mitigating management**

**ESG is generally a financial-first framework**



## **Impact Investing is a Strategy**

**Impact Investing focuses on the opportunity to create an impact**

**Impact investing equally weighs financial, social, and environmental impact.**



# ESG Challenges and Criticism

- Lack of comparability
- Lack of reporting standards
- Lack of high-quality data
- Lack of qualitative information
- Reporting is focused on the disclosure of 'material risks'
- Focus on environmental issues
- Greenwashing
- S in ESG is the most difficult to measure

ESG should be boiled down to one simple measure: emissions

Three letters that won't save the planet



Mark Harris

# Impact Investing is an outcomes-driven investment approach.

- Investments made with the **intention** to generate positive, measurable, social, and/or environmental impact – alongside financial returns.



INTENTIONALITY



FINANCIAL RETURN

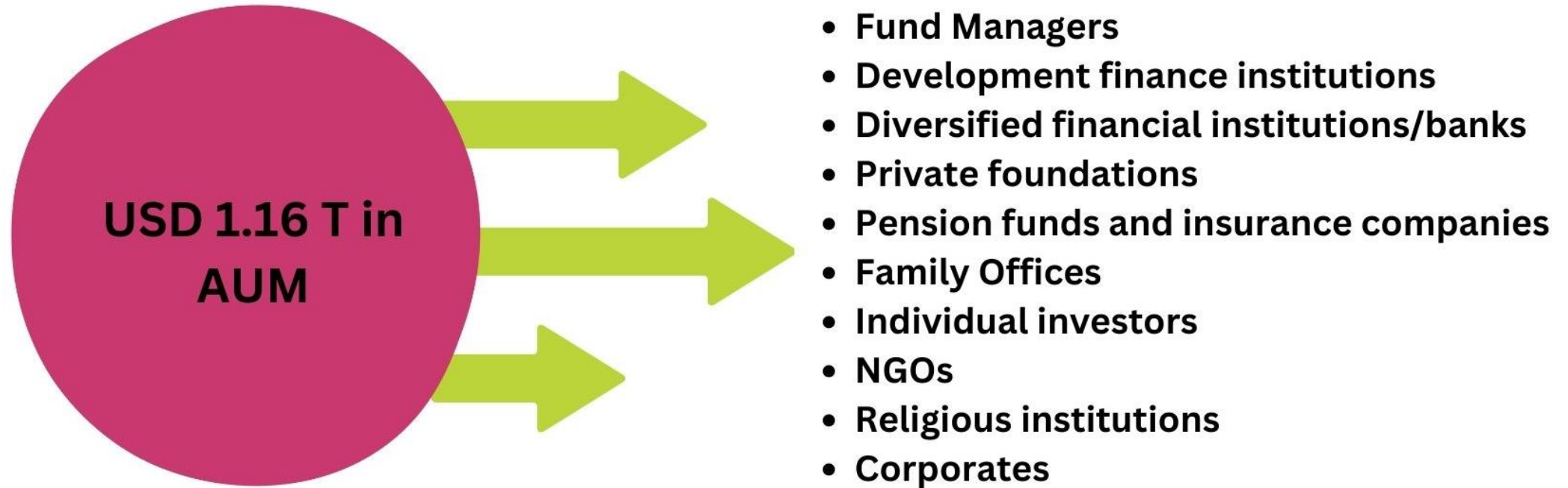


RANGE OF ASSETS



IMPACT MEASUREMENT AND  
MANAGEMENT

# Impact Investing Market Size (GIIN, 2022)





# Impact Measurement and Management



# Impact measurement and standards are important for....

*“Impact measurement and management includes identifying and considering the positive and negative effects one's business actions have on people and the planet, and then figuring out ways to mitigate the negative and maximize the positive in alignment with one's goals.”*

**Global Impact Investing Network**

# Five Dimensions of Impact



## WHAT



Outcome level



Outcome threshold



Importance of outcome to stakeholder



SDG target



## WHO



Stakeholder



Geographic boundary



Outcome level at baseline



Stakeholder characteristics



## HOW MUCH



Scale



Depth



Duration



## CONTRIBUTION



Depth Counterfactual



Duration counterfactual



## RISK



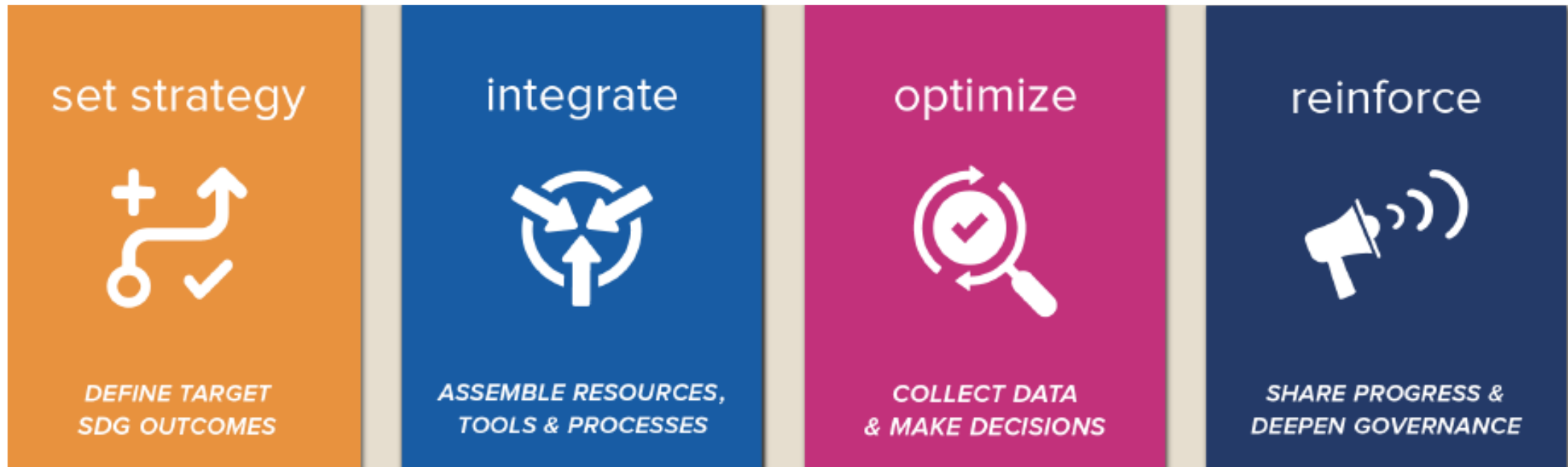
Risk Type



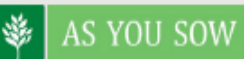










Risk Level



# Impact measurement and data are important for....



# Setting standards – it's a messy space with many players

 <p>Impact management assessment firm; CDFI ratings and data provider</p>	 <p>Impact investing industry membership and research group</p>	 <p>Establishes impact management and reporting norms, standards, and tools</p>	 <p>Impact metrics taxonomy housed at GIIN, plus other investor tools</p>
 <p>Shareholder advocate; directory of corporate ESG scorecards</p>	 <p>Global steering group catalyzing impact investment and entrepreneurship at country level</p>	 <p>Free/public directory of fund managers' IMM practices</p>	 <p>UN-supported network of investors working to implement 6 aspirational principles</p>
 <p>Creates standards, policies, and tools for businesses; certifies businesses based on internal ESG standards</p>	 <p>Corporate disclosure standards for sustainability reporting</p>	 <p>Led by IMP; impact investor collaboration to advance impact-financial integration</p>	 <p>Corporate disclosure framework for sustainability reporting; will merge with Integrated Reporting</p>
 <p>Impact practice verification service firm</p>	 <p>Common impact indicators for development finance institutions (DFIs) impact reporting</p>	 <p><a href="#">Operating Principles for Impact Management</a>, a set of 9 best practices in impact management</p>	 <p>17 global goals for sustainable development by 2030</p>
 <p>Runs the global environmental disclosure system; aligns with TFCD</p>	 <p>DFI, part of World Bank Group; leader in HIPSO, Impact Principles, Exclusions List</p>	 <p>Housed at HBS, works to create accounting standards that capture social + environmental performance</p>	 <p>ESG and Corporate Governance research and ratings</p>
 <p>Consortium of business and environmental NGOs offering an environmental reporting framework</p>	 <p>Houses the <a href="#">Racial Justice Investor Pledge</a></p>	 <p>Corporate disclosure framework focused on value creation; will merge with SASB</p>	 <p>Will develop benchmarks to compare companies' performance on the SDGs</p>





So what?



# Evaluators Have an Important Role to Play

- We know how to develop a theory of change
- We know how to measure social impact
- We understand the importance of engaging all impacted stakeholders
- We understand the challenges with data collection and interpretation (whose voices are being heard)
- We question unintended consequences
- We are careful about contribution and attribution

# Call For Action

- **Engage with different players to understand their information needs**
  - What do investors need to know to make investing decisions
  - What do fund managers/philanthropies need
  - What do social enterprises, NGOs need
- **Understand who** is already providing these services internally and externally
- **Explain why** are evaluators well-positioned to do this work
- **CES as a professional organization should advocate and engage with new players**
- **Government needs to demand transparency and accountability**