



Engaging with Evidence in Impact Measurement | **GAWA Capital**

GAWA Capital is an impact investing company that promotes social and economic development by leveraging private capital markets to support social entrepreneurs. Focusing on underserved, low-income, and often rural markets, GAWA uses private equity, equity-like debt, and private debt to tackle development in sectors such as agriculture and financial inclusion, basing 50% of its funds' performance fees on the investments' social impact performance.

The Challenge

Evidence¹ of impact has been critical to the GAWA investment approach since incorporation. This is because GAWA's mission, geographic range, and sector focus were broad, making it unlikely that the partners would have deep expertise in all areas. The team wanted therefore to back its strategy with evidence. GAWA's challenge was how, and when, to gather that evidence.

The GAWA board, skeptical of unproven approaches and impact assumptions without supporting data, specified that research should be a part of every investment decision. In addition, the board also wanted complementary data on social impact gathered during the investment life cycle, to show that those decisions were indeed driving progress toward the mission.

GAWA's Approach

GAWA incorporates evidence and data at every stage of the investment life-cycle, starting at **origination**. Based on data identifying underserved groups -- many of whom are smallholder farmers -- the team focuses on rural geographies where financial service institutions are present but failing to reach smallholder farmers in their area. GAWA draws on existing research -- particularly around **who** most benefits from certain products, **what** services have the most positive outcomes, and **how much** change their investees' end users are likely to see -- in order to begin to assess whether potential investees are targeting the right end beneficiaries with the right products in the right locations.

Randomized control trials and other studies have shown stronger social outcomes for credit products when combined with savings and insurance products, so GAWA further screens for institutions that are able to provide multiple products (often credit, savings, and insurance). By combining credit with other products, GAWA has found that smallholder farmers are able to increase their ability to buy fertilizers and equipment, thereby contributing toward higher incomes and stronger food security.

¹ Impact evidence is the available body of facts or information that can be used to judge to what extent (or not) impact has occurred -- for example, academic and field studies conducted by researchers. Source: [Impact Management Project](#).

During **due diligence**, the GAWA team combines a standard investment approach -- analyzing the potential investee's ability to serve smallholders -- specifically its products, current business process, and staffing -- with a social impact assessment that informs the structuring of and expectations for the deal. Both of GAWA's Co-CEOs are certified CERISE Social Performance Index (SPI4)² social auditors, and as part of every assessment, they conduct a comprehensive impact assessment as both a foundation for investment decisions and a free service for the investees. The audit -- and the "rural impact score" calculated from core metrics, described below -- then forms the basis for an improvement plan to be implemented over the life of the investment, and informs **documentation** of social performance indicators included in the contract. Implementing or strengthening an organization's impact measurement system is almost always a contractually-defined obligation for the investee, and GAWA is able to propose additional financing for impact management and measurement through its technical assistance facility.

Data collected during **monitoring** then informs a "rural impact score," which helps GAWA make investment decisions and course corrections throughout the investment life cycle. The score -- which is determined based on a core set of 20 metrics that measure the strength of the investee's social performance system, and output metrics that measure the number of smallholders benefited from the investment -- is applied to all investments and acts as a means of comparing and aggregating impact across the portfolio. Captured at due diligence, midline, and exit, the score also determines GAWA's participation in the fund's profit; fifty percent of its participation relates to the rural impact score achieved. GAWA tracks additional social impact indicators on an investment-by-investment basis. In later stages, the team tends to rely on data generated by the investees themselves -- which is validated as described below -- although they note that more robust, geography-specific, external data on similar investments and product offerings would be valuable in decision-making.

At **exit**, GAWA again calculates the score, which is validated by an external social auditor chosen by GAWA's investors. These scores -- and impact data highlights on each investment -- are reported to all stakeholders, and in turn influence targeting of future investments.

Gaps and Challenges

For GAWA, two challenges to impact measurement remain: gaps in the evidence base, and low demand for comprehensive impact data.

- *Gaps in the Evidence Base:* GAWA leans heavily on existing evidence in initial phases, but finds that often existing information is insufficient. For example, most current studies focus on one financial product (for example, microcredit) rather than on combinations of products (for example, microcredit with additional savings and insurance offerings), which often underpin GAWA investments. More robust data on which combinations of services are most effective would help to guide their investment strategy. GAWA has considered supplementing available evidence with their own randomized control trial, though capacity constraints have kept them from doing so to date. As a first step toward gathering more extensive outcome data, the team is considering adding technical assistance funding for investee organizations to collect education, health, and other outcome data.

² The SPI4 is a social performance assessment tool for financial service providers allowing them to evaluate the level of implementation of the Universal Standards for Social Performance Management.

- *Low Demand for Comprehensive Impact Data:* More broadly, GAWA notes that few asset owners ask for comprehensive, certified data on impact metrics. With more pressure from limited partners (LPs) to report on validated metrics, asset managers would be more likely to invest in social and environmental impact measurement. GAWA has used the rural impact score and dependent profit participation as a way of incentivizing their own more comprehensive data collection while providing performance indicators to stakeholders at a level that meets their interest and appetite.

Looking Forward

GAWA's past year has included shifting its approach to base 50% of profit participation on social impact performance, up from 25% in the past. Designed initially to create a monetary incentive to pursue improvements in the social impact system, this approach has also proven helpful in fundraising, especially with asset owners focused on achieving significant social impact. Looking forward, GAWA may consider increasing this impact-dependent percentage if the current trial is successful, making comprehensive impact measurement and management even more important to them. The firm also intends to pursue plans for longer-term outcome data collection through its technical assistance facilities. Over time, patterns in rural impact may further improve GAWA's targeting and management of its deals, as would trends in outcome data.