GUIDELINES for GOOD IMPACT PRACTICE

The following impact measurement guidelines were developed by a Working Group on Impact Measurement, launched as part of G8 Social Investment Taskforce at the G8 Summit in London, 2013. The guidelines outline impact measurement best practices for impact investors and the “impact organizations” (i.e., investees) they work with. The *Guidelines for Good Impact Practice* were developed to be practical in nature, broadly applicable, and adaptable to the unique goals and internal/external contexts in which an investor operates, and importantly – designed to be applicable at a portfolio, deal, and甚至企业层面 — to help signal the continuous and evolving nature of the work that investors do.

**Set Goals**

- A clear impact thesis and/or Theory of Value Creation (ToVC) provides a framework for understanding how impact is created, and decision-making, provides guidance for sourcing and due diligence, and serves as a reference point for performance throughout the life of an investment.

**Case-in-Point**

- **Bridges Ventures**, an impact investing fund manager, established four outcome themes across its funds (essentially, impact goals for their portfolio), each of which it uses to identify specific investments that can deliver the same impact objectives as the outcome themes.

**Steps to Apply**

- **Articulate the difference you seek to make**
  - Define an impact investment thesis and/or define a theory of value creation (ToVC); ensure the resulting investment approach is proportionate, in terms of strategy and resources, to the ToVC.
  - Identify key stakeholders and determine accountability across the ToVC.
  - Identify any positive or negative changes on the environment or on society that result from the investment or the investee’s business activities – involve appropriate stakeholders in gaining the understanding.
  - Decide which changes will be considered material, and will therefore be disclosed, to key stakeholders, to other users of the information, and for the subject matter.
  - Define the social/environmental and financial performance goals for the investment; ensure these goals are aligned with stakeholder considerations, including the business strategy and operations level of the investee.
  - Be specific about whether goals are to be achieved at the ecosystem or enterprise level.
  - Involve stakeholders in identifying any risks to achieving stated goals, in particular those risks that may affect capital allocated to the investee, and communicate these to stakeholders.

**Develop Framework & Select Metrics**

- Framework development and measurement practices are critical to determining how specific metrics are used across the entire impact measurement process; it includes metrics and a description of the logic for how they are applied to the portfolio. It also acknowledges the needs and perspectives of various stakeholders.

**Case-in-Point**

- **Social Finance US and New York State** designed the Social Finance US and New York State impact measurement framework in order to facilitate a critical step of determining which data which will be collected, aggregated, viewed, analyzed, and used in decision-making.

**Steps to Apply**

- **Develop a logical framework for impact measurement** that is based on goals, assesses both positive and negative impacts, and informs sound data collection and organization.
- **Use a recognized metrics language where possible to facilitate broadly understood performance analysis**; when appropriate, focus on those metrics that enable comparison between analogous investments.
- **Select meaningful metrics that align to investor goals and investee business models**; taking into account what is proportionate and material, engage stakeholders to ensure that metrics make sense to them.
- **Select appropriate baseline and/or counterfactual metrics as feasible**.

**Collect & Store Data**

- Efficient and effective data collection, and management of performance data, takes into account the necessary information technology, tools, resources, human capital, and methods used to obtain and keep track of data. It is also differentiated by distinct actors in the process.

**Case-in-Point**

- **One Acre Fund (OAF)**, a social enterprise that works with smallholder farmers in rural East Africa, collects data through a network of M&E agents who survey program farmers and comparison farmers and weigh a portion of each group’s savings. This framework enabled OAF to be financially rewarded directly on social outcomes, and thus facilitated the flow of capital to the activities supporting social change.

**Steps to Apply**

- **Collect and store the data you need to determine your progress**
- **Collect data in a timely and systematic manner; store and safeguard data appropriately**.
- **Ensure data requests align with investments’ day-to-day operational processes and are complementary to investors’ business information needs**.
- **Ensure data completeness and quality throughout (See also ‘Validation’ guideline)**.

**Validate Data**

- A complete and transparent presentation of results includes sufficient information (to cross check calculations and assumptions against known data sources) and also provides an audit trail.

**Case-in-Point**

- **Oikocredit** validates its impact data at multiple levels. Regional managers validate country data before sending it to their global office, where a team validates the data again before managers validate country data before sending it along to their headquarters. One Acre’s data collection methods enable it to conduct thorough analyses of its work and identify where, and why, it is not achieving its intended impact.

**Steps to Apply**

- **Validate if the data that you collected is of sufficient quality**
- **Check data for completeness, quality, and integrity, and engage key stakeholders in doing so to ensure joint accountability**.
- **Integrate peer review and assurance services where measurement goals require greater levels of validation (e.g., as is the case in payment for success structures)**.

**Analyze Data**

- Comparable data analyses utilize standard, objective processes where possible in order to produce widely-understood and actionable results.

**Case-in-Point**

- **The Social Finance US and New York State** provides reports to the project partners on a weekly, monthly, quarterly, and ad hoc basis, according to a schedule set out in the project’s governance structure. Regular data reporting is used to inform partners of the project’s progress to date.

**Steps to Apply**

- **Distill insights from the data you collected**
- **Use organization-wide, systematic methods of both quantitative and qualitative data analysis**.
- **Ensure analysis is designed to inform decision-making and reporting (See also ‘Planning’ and ‘Framework Development & Selection’ guidelines)**.
- **Analyze data and metrics into core decision-making processes where possible in order to produce widely-understood and actionable results**.
- **Identify data that, once analyzed, ends up irrelevant for decision-making and learning, and adjust collection methods as appropriate**.
- **Compare data against a baseline, the counterfactual, or a benchmark where possible (See also ‘Framework Development & Selection’ guideline)**.

**Make Data-Driven Investment Management Decisions**

- An effective review of investment results includes an assessment of stakeholder feedback about reported data, an analysis of how stakeholders were engaged with, and an engagement with an organization to know how it is performing against objectives, which helps attract further investment.

**Case-in-Point**

- **The Social Finance US and New York State** provides reporting to the project partners on a weekly, monthly, quarterly, and ad hoc basis, according to a schedule set out in the project’s governance structure. Regular data reporting is used to inform partners of the project’s progress to date.

**Steps to Apply**

- **Share your progress with your key constituencies**
- **Report agreed upon material**.
- **Provide clarity on areas where investments and other stakeholders are accountable for results (i.e., data that is of such relevance and importance that it can substantially influence portfolio, deal- or enterprise level decisions as it relates to the value or impact that is created)**.
- **Be transparent and balanced in reporting about progress towards goals, results, and learning; include positive and negative results**.
- **Follow a recognized and generally-accepted structure for data reporting where appropriate and feasible**.
- **Create a clear common metrics language, frameworks, and methodologies used as applicable**.
- **Clear strategy statements made; process used, and data sources drawn upon**.
GUIDELINES for GOOD IMPACT PRACTICE

The Guidelines for Good Impact Practice will take different shapes, and be applied with different regularity depending on the impact measurement goals an investor and/or investee has established, but also depending on the internal context in which an organization operates and the external market conditions it needs to manage. Reflective of the various considerations that are worthwhile to keep in mind with each guideline (disregarding in which order these are applied), a list of guiding questions has been developed to help organizations with a commitment to apply the guidelines shape their approaches in a way that is right for them.

Given that some terms and concepts described in the guiding questions may be unfamiliar, it is recommended to read the accompanying report Measuring Impact in parallel to the guidelines. The report provides an overview of the contextual factors that matter, a Glossary of Terms, as well as case studies that will help in interpreting and translating the guidance provided here.

Guideline

Set Goals
A clear investment thesis and/or Theory of Value Creation (ToVC) forms the basis for strategic planning and ongoing decision-making, provides guidance for ensuring and due diligence, and serves as a reference point for performance throughout the life of an investment

Guiding Questions

- Is the impact thesis/ToVC clear and well-reasoned? Are goals both aspirational and achievable? Is the strategy/ToVC to achieve them feasible?
- Does the investment thesis/ToVC articulate a comprehensive plan for generating and measuring for impact? Are the particulars of that plan explicit?
- Are the goals to be achieved at the level of a single investee, in a portfolio, or through the collaboration of multiple organizations and investors within an ecosystem?
- Are there analogous examples or evidence that support the proposed approach for generating impact as outlined in the impact thesis/ToVC?
- Have key stakeholders been engaged as part of the goal setting process (incl. investees and beneficiaries) as appropriate? Have the investor’s operations, business model, and capacity to generate planned impact been considered?

Develop Framework & Select Metrics
An effective impact framework outlines how specific metrics are used across the entire impact measurement process; it includes metrics and a description of the logic for how they are applied to the portfolio. It also acknowledges the needs and perspectives of various stakeholders

Guiding Questions

- Does the framework consider whether desired results are best achieved by a single investment, by a portfolio of investments, or by collaboration with other organizations and investors?
- Are the perspectives of investees considered and addressed in the development of the measurement framework and selection of metrics?
- Are the measurement framework and metrics employed proportional to the investor’s/investee’s ability to implement and report?
- Will the metrics applied enable learning and decision-making? If not, what should change?
- Have recognized impact / metrics languages (e.g., IRIS) and frameworks (e.g., GIIRS) been actively considered and applied where feasible?
- What are the outputs created by this investment? What is the timeline for their delivery? Do the outputs and timeline link to processes defined as part of the “Data-Driven Management” guideline?
- Does the framework consider contribution, attribution, and additional considerations where appropriate? If so, how will data be measured and disclosed? (For context on definitions, see Impact Measurement Guidelines & the Road Ahead

Collect & Store Data
Efficient and effective data collection, and management of performance data, takes into account the necessary information technology, tools, resources, human capital, and methods used to obtain and keep track of data. It is also differentiated by distinct actors in the process.

Guiding Questions

- If using an investor’s system to collect data, does this system apply inordinately or “out-of-proportion” burdens (in terms of effort and costs) on investees?
- If using an investee’s system, is the system to provide data to investors sufficiently streamlined so that the investee can be efficient in handling data requests? Is the data collection perceived by the investee as helpful to its own improvement and learning?
- Are data protection practices consistent with regulatory and local jurisdiction?
- Are the requests for data reporting harmonized with those of other investors in order to minimize the data provision burden on the investee?

Validate Data
A complete and transparent presentation of results includes sufficient information (to cross check calculations and assumptions against known data sources) and also provides an audit trail.

Guiding Questions

- Are appropriate procedures and measures in place to review and improve the consistency of results and the quality of data? Is the system itself subject to regular review?
- Are the validation procedures proportional to the capacity of the investee to handle them?
- Do the results and information provided by the reporting entity leave an appropriate audit trail such that they could be validated?
- Is the use of impact capital properly captured and in line with the agreed use of that capital?
- Have appropriate measures and/or incentives been established to ensure that positive as well as ambiguous or negative data are accounted for and provided by investees?

Analyze Data
Comparable comparative analyses adapt standard, objective processes where possible in order to produce widely understandable and actionable results

Guiding Questions

- Does the data reported support the initial impact plan, and the investment thesis and/or ToVC?
- Does the data provide evidence at an output, outcome, and impact level (i.e., across the “impact value chain”) and can plausible inferences be made between outputs, outcomes, and the impact achieved?
- Is the investor meeting the set objectives? Is the portfolio meeting the set objectives? Is the collaboration meeting the set objectives? (See also “Data-Driven Management” guideline)
- Has the performance of the investee and/or portfolio of investments been benchmarked, as appropriate, against other similar investments? Is the root cause to a portfolio / deal / investment’s “impact performance” sufficiently clear?
- Is the investee and/or portfolio of investments generating anticipated impact? Are the results being explained to the investee and investors as appropriate? Where objectives are not being met, is there evidence of improvement or learning?
- Is there transparency for investors around the process of data analysis? Do investors know what to expect, how and on what grounds their the work will be analyzed, and how the process can be of use to them?

Report Data
Effective data reporting is evidence-based, aligns with stakeholder expectations about depth of information covered, presents information in a coherent manner, and enables comparisons and decision-making

Guiding Questions

- Do your impact reports provide sufficiently material, reliable, comparable, and “additional” data? (For context on definitions, see Impact Measurement Guidelines & the Road Ahead

Make Data-Driven Investment Management Decisions
An effective review of investment results includes an assessment of stakeholder feedback about reported data as well as recommendations for actions needed to address changes to the ToVC/impact thesis

Guiding Questions

- To identify and take portfolio / deal / investment decisions:
  - Does the data, feedback, or lessons learned during the current investment cycle indicate the need for changes in investment strategy or portfolio management? If so, what specific actions should be taken (by both investors and investees) going forward?
  - What are upcoming changes in the internal and external context which may affect decisions? (e.g., What are market conditions that influence portfolio / deal / investment success? What internal management changes may affect performance?
  - To identify required changes to impact measurement and reporting decisions:
    - Are ongoing stakeholder feedback measures in place? Does the investee have a means of providing input on ways to improve investee and/or investor performance and success?
    - Should any changes be made to existing impact measurement practices? If so, what changes are required against each of the six guidelines described above?