DECEMBER
2018

FROM MEASUREMENT TO MANAGEMENT –

THE EVOLUTION OF THE IMPACT PROGRAMME'S IMPACT MEASUREMENT AND MANAGEMENT APPROACH

UKaid
from the British people

THE IMPACT PROGRAMME

CONTENTS

ACRONYMS

BoP	Base of the Pyramid
DFID	Department for International Development
GBP	Great Britain Pounds (£)
IMM	Impact Management and Measurement
KPI	Key Performance Indicator
MIS	Management Information System
PCU	Programme Coordination Unit
PPI®	Poverty Probability Index
SDGs	Sustainable Development Goals
USD	U.S. dollar ($)

This paper outlines the practical tools and approaches used to understand, measure and manage the impact of investments made through the DFID Impact Programme. It shares lessons learned and provides reflections on designing, implementing and managing impact and impact systems in this rapidly evolving field.

1. CONTEXT

THE IMPACT PROGRAMME WAS LAUNCHED BY THE UK DEPARTMENT FOR INTERNATIONAL DEVELOPMENT (DFID) IN DECEMBER 2012. THE PROGRAMME AIMS TO BUILD A VIABLE IMPACT INVESTING ECOSYSTEM IN AFRICA AND SOUTH ASIA WITH THE ULTIMATE GOAL OF IMPROVING THE LIVELIHOODS OF THE POOR IN SOME OF THE WORLD'S MOST FRAGILE AND LOW-INCOME COUNTRIES. THE THREE COMPONENTS OF THE IMPACT PROGRAMME ARE DESCRIBED BELOW.

Measuring and managing the impact of investing has been at the heart of the Impact Programme's design since its launch. The Impact Programme's approach to impact measurement and management (IMM) has evolved during its five years of operational experience. It has developed from one of traditional monitoring and evaluation reporting, solely focused on gathering standardised data on key metrics, to one of impact management. Impact management is a dynamic process in which the focus is on collecting information that enables decisions to be made at the business and investor level that drive further impact creation.

This paper outlines the different phases of that journey and the specific approaches and tools used to shed light on the improvements that have been made and share the lessons learned.

The Impact Programme

The Impact Programme has three main components:

- A **grant-making facility** to support a portfolio of market-building projects aimed at addressing some of the barriers preventing others from making these types of investments in Africa and South Asia.
- **Two investment vehicles,** the Impact Fund (fund of funds) and the Impact Accelerator (direct investments).
- A **Technical Assistance Facility** to support investee companies.

The market-building facility is managed by the Programme Coordination Unit (PCU) at PwC, while the investment vehicles and Technical Assistance Facility are managed by CDC Group. The investment vehicles were originally regarded as a pilot demonstration project and managed off-balance sheet by CDC Group to test out the market and its viability. In 2017, following the commitment of the original capital, both the Impact Fund and Impact Accelerator were refinanced and transferred to CDC Group's balance sheet.[1]

Both the Impact Fund and the Impact Accelerator make investments that benefit underserved people or develop nascent or frontier markets in Africa and South Asia. The Impact Fund does so by investing in funds and other investment intermediaries, while the Impact Accelerator invests directly in businesses. Both investment teams take a patient, long-term perspective, seeking out funds and businesses that have the potential to deliver enhanced development impact. They seek commercially viable investments, but can consider risk-return profiles that other DFIs or private investors may not be willing to consider. From a financial perspective, this investment strategy marked a shift in CDC Group's investment approach towards a more risk tolerant approach.

Over five years, as of December 2017, the Impact Programme has committed nearly £130 million in investments, reached over 12 million poor and low-income people and helped to mobilise nearly £300 million of third party capital.

[1] Before the move onto CDC Group's balance sheet, the PCU was responsible for setting up the impact reporting system for the Impact Fund. The PCU was involved in designing the initial measurement framework for the Impact Fund – including the Theory of Change, the KPIs and the annual reporting – as well as leading the design of the Deep Dive approach. Once the investment vehicles moved onto CDC Group's balance sheet, CDC Group took over responsibility for impact measurement and management, with some advisory support from the PCU.

2. IMPACT MEASUREMENT AND MANAGEMENT APPROACH AND TOOLS

Fundamentals of the IMM approach

There are **three key pillars** underpinning the Impact Programme's impact measurement and management approach:

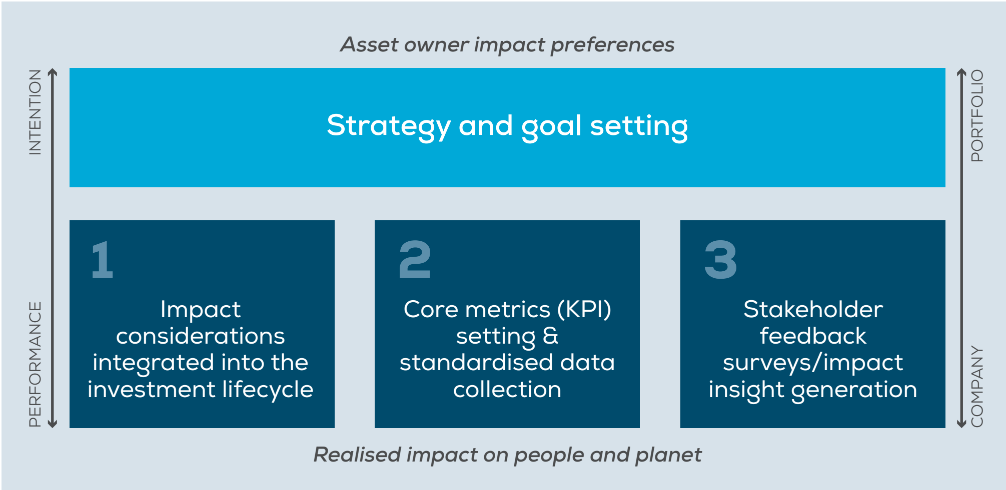

Figure 1: Building blocks of impact management

First, is a focus on integrating impact considerations into the investment process – from screening to due diligence to exits, in order to ensure all underlying investments are aligned with the overarching impact strategy and goals and to understand and focus on how to maximise positive impacts and minimise negative impact from the outset.

Second, is a focus on collecting impact-related data to enable reporting of core metrics (Key Performance Indicators (KPIs)) that are standardised and can be aggregated across a large portfolio of investments, primarily driven by the need for upward accountability to the asset owner (DFID) and the public.

Third, is what the Impact Programme team term 'Deep Dives', which are in-depth studies into the impact of investee businesses which collect data and insights from stakeholders that businesses can use in their own operational and strategic decision-making. This helps to both 'prove' results achieved and 'improve' impact.

Pillar 1: Integrating impact considerations across the investment lifecycle

Through the investment vehicles, the Impact Programme has screened and shaped investments to drive sustainable impact. The focus is on backing commercially viable businesses where positive impact creation is intrinsic to the business model (a so-called "lock step" model where impact creation and commercial success go hand-in-hand). The investment team have their own internal tools to screen companies and funds, conduct due diligence and to agree appropriate investment terms so that impact considerations are fully integrated into the investment process. To date there have not been any exits, so in the future, we expect that CDC Group will have further learning from the end of the investment cycle, which can be used to inform the overall investment process. The key elements of the investment process are presented below.

Strategic Intent	Origination and Structuring	Portfolio Management	Impact at Exit
Opportunities must either: 1. **Directly improve the lives of underserved populations** by: • providing access to improved, more affordable basic goods and services such as healthcare, education, energy, housing; or • generating economic opportunities through job creation or access to markets, for example, bringing smallholder farmers into a supply chain 2. **Build local business and investment capacity in frontier or nascent markets** where investment activity is limited, such as Afghanistan and Myanmar. **Demonstration effect.** Back businesses or funds that are replicable or scalable to drive impact at scale and encourage others to enter the market. Focus on investments where CDC Group capital plays a catalytic role in accelerating the path to commercial sustainability and impact.	• **Due diligence** to assess commercial alignment with impact thesis • **Ensure impact and financial objectives align.** Where tensions exist, identify these and find ways to mitigate **and manage trade-offs or impact risks.** • **Assess other risks,** including business integrity, financial risks, and operational risks. • **Agree expected impact** and monitoring of metrics along impact dimensions. • **Provide financing structure that is appropriate,** including piloting innovative deal structures that may incentivise investees to achieve impact objectives . • Ensure fund investment committee and co-investors are **aligned** on impact objectives.	• On-going financial and **impact performance monitoring** against expectations. Capture baseline impact metrics and annual impact data. • **Help mobilise** additional investment capital and grants where needed. • Work with company/fund manager to **respond to any business issues.** • Provide **technical assistance** if needed via separate Technical Assistance Facility. • **Offer support for deep dives/lean data approaches** to capture better impact data that supports business decision-making.	• Conduct **exits considering the effects on sustained impact.** • **Prepare case studies** for public dissemination to maximise industry learning.

Figure 2: Achieving sustainable impact through the investment process

Lessons learned

Impact management is an active process requiring integration of impact considerations throughout the investment process. It is a function like financial management, requiring team members with the knowledge, skills and behaviour to maintain a focus on impact performance, alongside financial performance.

The impact of investments is multidimensional and can create both positive and negative outcomes. There are always risks associated with achieving impact that need to be understood and managed pre- and post-investment. In many cases, impact and financial objectives align, but in some deals there will be areas of tension. It is important to identify these pre-investment and discuss these with investees to find ways to mitigate and manage trade-offs.

Good impact management requires having the right competencies and skills. The Impact Accelerator team pioneered the approach of having a development impact-focussed specialist embedded within the investment team. The Impact Fund now also carry out impact management functions internally.

Pillar 2: Core metric setting and standardised data collection

Selecting core metrics

The strategic impact objective of the Impact Programme was to make investments that benefit underserved people or develop nascent or frontier markets in Africa and South Asia with an ultimate goal of improving the livelihoods of the poor.

As part of the reporting requirements from DFID, the PCU would regularly report on the results of the investment vehicles using standardised metrics that could be aggregated across the portfolio. A key question was "who benefits"? DFID wanted to monitor that investments were directly benefiting poor and low-income people. The Impact Programme agreed that the headline KPI would be ***the number of underserved people being reached.*** The headline KPI is based upon the premise that portfolio companies generate positive social impact through engaging with poor and low-income people as part of their core business in four ways: as suppliers, employees, distributors and customers (or consumers) as depicted in the diagram below.[2]

Production	Manufacturing	Distribution	Consumption
Suppliers eg. farmers, fishermen, waste collectors	**Employees** eg. casual labour, factory workers, farm workers, agents	**Entrepreneurs** eg. distributors, micro-franchisees	**Consumers** eg. users of energy, healthcare, information, seeds

Figure 3: Who is reached through investments?

The original impact assessment methodology also recognised that beneficiaries can include household members where the product or service is consumed at the household level, or income is being generated for the household. A household multiplier is applied where appropriate when calculating the number of people reached. The household size is either based upon the latest census or World Bank data for average household size in the region or country or primary data collected through Deep Dives (see Pillar 3).

It was recognised from the outset that this headline KPI provides a measure of the reach of investee companies and potential **'breadth'** of impact but does not provide any insight on the type and **'depth'** of impact experienced. However, for DFID it provided a headline result in line with the Impact Programme's strategic impact objective. The other core KPIs, measured across all investments, are listed below:

THE IMPACT PROGRAMME CORE KPIS
Total number of poor and low-income people reached directly and indirectly (customers + suppliers + employees + distributors), including household multiplier where appropriate
Number of women reached (as customers + suppliers + employees + distributors)
Number of those accessing goods and services (customers)
Number of those accessing income earning opportunities (suppliers + employees + distributors)
Contribution to the local economy (taxes + payments to suppliers + personnel costs)
Number of Investments made and (£/$) amount committed
Value of third party capital co-invested/mobilised (breakdown by public or private capital)

Table 1: Impact Programme core KPIs

[2] For most businesses, customers are the most common target group.

Beyond the core KPIs, individual funds and investee businesses are expected to establish their own impact measurement methodologies and key performance measures. This is to reflect the fact that the investment vehicles are investing in a diverse range of businesses across multiple sectors. The impact experienced varies significantly, for example, by patients accessing high-quality healthcare for the first time, to those having internet access. The table below provides examples of additional measures in specific target sectors:

SECTOR	EXAMPLE MEASURES
Agriculture	• Production and consumption gains: comparison of agricultural productivity/crop yields from seeds or other agricultural inputs to market benchmark • Customer satisfaction and retention
Education	• Comparison of educational attainment to peers and to national rates. • Student and family satisfaction and retention
Energy	• Product lifetime and fault rates • Product energy yield (kWh) • Customer satisfaction and retention
Healthcare	• Patient satisfaction • Staff/patient ratios • Rates of successful diagnosis and treatment

Table 2: Sector-specific metrics

In addition, CDC Group monitors and reports on the financial performance of funds and investee companies on a quarterly basis using standard financial measures.

Collecting data[3]

An impact data collection process was established during the set-up phase of the Impact Programme. This combined developing a process for collecting data from investment funds and investee businesses and also developing a management information system (MIS). An MIS is important to track and analyse data over time.[4]

During deal sourcing, screening and due diligence, CDC Group's teams explore the alignment of fund impact metrics with reporting requirements to ensure that investee companies will be able to report on the core KPIs. In addition, a fund on-boarding call was set up between the fund, PCU and Impact Fund teams to ensure the reporting process was fully understood. This call was also used as an opportunity to learn more about the fund's impact thesis, their own IMM practices and any specific metrics they planned to capture outside of the Impact Programme's core reporting requirements.

Post investment, the PCU completed fund and company-level baseline documents to track progress over time and to identify what data could be collected for each company. The baseline reports document company business and impact strategies and latest available data on business performance at the point of investment. Baselines also identified the sources, methods and assumptions for measuring company impact performance on an ongoing basis.

© Agricare

[3] It must be noted that the PCU directly managed the data analysis of the Impact Fund, but the Impact Accelerator team were responsible for their own data collection and analysis

[4] This section focuses on the process for the Impact Fund where the PCU had responsibility for the design and oversight of the impact measurement and management system.

The table below outlines the key documents used to capture impact data. In addition, CDC Group teams prepare investment papers for the investment approval process that incorporates information from these documents.[5] Initially, impact data was collected on a quarterly basis, however this moved to annual reporting in 2017 based upon the experiences of fund managers who found the reporting requirements overly burdensome.

DOCUMENT	COMPLETED WHEN	BY WHO	KEY INFORMATION CAPTURED
Fund Baseline	At fund close	PCU, based on shareable due diligence / investment Committee materials and fund on-boarding call	• Fund overview (size, co-investors etc) • Impact thesis/ impact focus • Fund IMM capacity, approach and reporting • Investment summary
Company Baseline	Together with financial report for the quarter in which the investment is made	Investee company, supported by fund managers	• Company overview • Financials • Standardised impact data • Company-specific impact data • Reporting mechanisms
Impact Data Summaries (Excel)	Annually (calendar year)	Fund managers	• All impact data
Fund Reports (provide useful fund and sector specific data)	Annually (calendar year, or more frequently depending on fund practice)	Fund managers	• Standard fund reports specific to the fund • CDC Group and the PCU review reporting practices with each fund annually, with a view to agreeing any changes to metrics and methods

Table 3: Key documents

Challenges

The team experienced two core challenges when implementing the impact measurement and management system. One related to the nature of the data to be collected, the other related to the process.

Collecting data on poverty outreach. A key priority for DFID was to understand the extent to which investee businesses were serving the poor. DFID's interest was in backing inclusive business models that benefit people at the Base of the Pyramid (BoP) as suppliers, employees, distributors and customers. The Impact Programme needed a way to capture whether the target beneficiaries of investee companies were actually 'low income'. Initially, companies were asked to provide a detailed breakdown of their beneficiary types by poverty lines, in line with those of the World Bank Group. In reality, it proved difficult for the majority of companies to provide this information. The reasons why differed depending on the type of business. Broadly the underlying portfolio can be segregated into two types of businesses that directly affect the lives of the poor:[6]

Type 1: Impact-driven businesses, some of which self-identify as social enterprises, with a mission to serve the poor by providing a product or service or creating an income-earning opportunity for a target low-income or underserved group. These businesses are most aligned in their interest in knowing who they are reaching and their poverty profile. Many of these businesses use tools such as the Poverty Probability Index (PPI) to understand the profile of their target beneficiaries. However, even for these businesses it was not always easy to provide the level of information being asked for by DFID on a quarterly basis.

[5] Data on impact performance is collected by fund managers (or by the Impact Accelerator team) based on company records/input, and is sent to CDC Group. For the Impact Fund, the PCU aggregated at fund of fund levels in a live dashboard spreadsheet, using Excel

[6] In addition, the Impact Fund invested in businesses which have no direct impact on the poor but are considered to have an important wider development impact by supporting private sector development and growth in fragile or conflict-ridden countries e.g. Afghanistan..

Type 2: Commercial businesses selling a product which is assessed to have a positive development impact by the investment team e.g. agricultural inputs or solar products. Often, these businesses use distributors to sell products and do not collect data on customers. Also, their focus is on customers who are willing to pay for the product, rather than the income level of customers. These businesses had no direct data on their customers and little incentive to understand their income level.

Thus, the Impact Programme introduced proxy indicators to describe types of low-income people in more familiar terms (as opposed to actual income levels). These are listed in the table below. The investment team asked fund managers to work with companies to give an estimate of the proportion they think are low income/underserved for each relevant beneficiary group by company. This exercise is carried out when the company baseline documents are populated by the investee companies. This made it easier for the companies to provide this data. The PCU rated the level of confidence in the estimates based on the extent to which they were best guess data or based on actual collected data. Through the Deep Dives, it was possible to validate and improve the quality of this data for a sample of the portfolio over time.

No/low access to affordable, quality basic goods and services such as education, health, energy, water and food.
Insecure income and vulnerability to economic shocks, whether due to climate or insecurity of informal markets.
Low income due to reliance on unskilled employment, agriculture, or other low-productivity, part-time or informal market activity.
Located in areas that are under-served and offering inadequate infrastructure, such as dense slums without sanitation or remote areas with insufficient transport.
Limited access to markets, such that they gain poor returns for their produce or enterprise, struggle to find affordable products suited to their needs and pay high costs (in effort or cash) for goods and services.

Companies are also asked to report data on people reached disaggregated by gender. For each portfolio company, fund managers provide estimates or actual numbers (if available) for the proportion of consumers, suppliers, employees and distributors reached by the company that are female at the time of investment, and annually throughout the duration of investment. This data can be used to help understand and identify opportunities to maximise women's equality, empowerment and economic opportunities.

Companies are requested to review their low income and gender estimates on an annual basis, to re-evaluate and sense-check whether the original estimates are still accurate i.e. whether the target customers have changed due to a new product, or the business has expanded to a different or more affluent area. This is to be expected considering the diversity of investee businesses, and their need to adapt, grow and respond to market changes.

Where Deep Dives are carried out (see Pillar 3), they provide an opportunity to review the low-income assumptions based on the collection of primary data from customer and other target beneficiary groups.

Data collection process. The data for the headline KPI was originally captured in quarterly reports, but after two years this moved to annual reporting. Quarterly impact reporting was overly burdensome for time-strapped fund managers and the investee companies. It was also not leading to an accurate picture of overall performance – as many companies (particularly in agriculture) sell seasonally and their customer numbers vary greatly by quarter. Where there are multiple investors in a fund, there is a need for greater coordination around data collection, to see if investors can agree upon standardised metrics to avoid over burdening fund managers.

Lessons learned

Standardised output reporting at the fund level can give you a good understanding of the 'breadth' of impact across a diverse portfolio of funds. However, these types of aggregate numbers are unable to shed light on the 'depth' of impact experienced, and therefore it is important to delve deeper into specific company results, as well as disaggregate the figures along income, gender, sector or country lines where possible.

Keep impact measurement relevant. It is important to recognise the realities of business operations and what it makes sense to collect. Standardised reporting can become a box-ticking exercise and seen as purely extractive and of little value add to the business. Hence, focus on selecting indicators that are important and relevant to the business model, and the nature of impact creation and useful for business decision-making.

Improve data collection over time. Do not let the perfect be the enemy of the good. By simplifying the data ask about outreach to low-income people, the Impact Programme received more data that can be improved over time.

Take into account the time and resource constraints of both the funds and investee companies when designing reporting systems. The Impact Programme ensured that a fund or company's information systems were understood at the pre-investment stage to ensure the capacity exists to report on intended impact.

Systemic impacts

The Impact Programme was also interested in understanding and measuring the 'systemic impacts' of investments.

The focus of the programme was to build inclusive businesses that benefit poor and low-income people, hence, there was particular interest in: (i) understanding the extent to which the businesses invested in could scale and / or be replicated; and (ii) the extent to which these businesses seeded wider development of inclusive markets which increased access to goods and services more broadly. In addition, DFID were keen to understand the extent to which Impact Programme investment was catalytic in encouraging other investors to invest in impact funds and businesses. These impacts were thought of as 'demonstration effects' – see diagram below.

Demonstration effect at Impact Fund level	Demonstration effect at fund manager level	Demonstration effect and investee company level
Additionality: • Impact Fund (IF) takes a higher risk than other investors • IF invests in fund managed by first time fund manager • IF is a cornerstone investor (e.g. is first one to commit, enables fund to get to a critical threshold/launch, active role in structuring the vehicle) • £ co-invested / leveraged (by type of capital) • Other fund of funds enter the market	Additionality: • Focus on new geographies / underserved markets • Use of innovative investment mechanisms • Leverage new capital into enterprise • Other funds enter new geographies, markets, use innovative investment mechanisms	Additionality: • Innovative new business model that benefits the poor • Product / process innovation • Other enterprises use new business models, copy product / process innovation

Figure 4: Framework for measuring additionality

The Impact Programme and DFID more broadly continue to experiment with approaches to understand and evidence the extent to which demonstration effect occurs. For the moment, this is addressed through Deep Dives (see Pillar 3) and through market research studies.

Pillar 3: Deep Dives – a stakeholder-centric approach to impact measurement

To complement the Impact Programme's KPI reporting, the PCU set up a series of stakeholder insights studies called 'Deep Dives'. The aim was to better understand the depth (what outcomes are stakeholders experiencing) as well as validate the breadth of impact (who experiences them), by looking into a sample of portfolio companies in the Impact Fund.

Research is based on **five key principles**:

- **Participatory.** Works to understand and align investor and investee data needs, centred on key upcoming business decisions that need to be made.
- **Value-added.** Helps companies access data that provides new insights into their key stakeholders and business model.
- **Right-sized.** Uses research methods that are rigorous but proportionate to the scale of impact.
- **Confidential.** All data is kept securely and is never shared outside of the fund or company.
- **Independent.** The process is led by a team that is separate from company and fund management to ensure impartiality.

By working with companies to help them collect data directly from stakeholders, impact measurement can be leveraged to help companies better understand what motivates the people they want to source from, sell to and staff up with. Companies can learn how their products and services are being used and are useful, and about the material effect of these products, services and business practices on people's lives (known as outcomes). This way, resources for impact measurement can be leveraged to meet upwards accountability and reporting needs, at the same time as driving continuous improvement at the business level. Measurement shifts from a way of passively understanding social impact that has been created, to a tool of actively informing future value creation strategies.

Deep Dives used a range of methodologies to collect data directly from one or more stakeholder groups experiencing impact. This paper will not explore the Deep Dive approach in great detail, as the full Deep Dive cycle, including the company sampling and selection process, is set out in a separate paper titled *Creating Stakeholder Value: Ten lessons on measuring impact investments* (forthcoming). The findings of each study informed better impact reporting, and feed into business strategy and operations – helping to improve customer segmentation, supply chain management, product design, brand positioning and marketing. Finally, tools that were funded through the Impact Programme's IMM market building work, such as the Lean Data Service and the Poverty Probability Index were often used when conducting the Deep Dives, allowing the programme to apply the tools it had supported in the field.

Impact Fund Deep Dives: A snapshot

Over the last two years, Deep Dives were undertaken into five portfolio companies. Over 2,000 stakeholder surveys were conducted to understand the perspective of suppliers, distributors, customers and communities engaging with Impact Fund portfolio companies. They took place in Ghana and Kenya and covered companies operating in the agriculture, energy and ICT sectors.

Deep Dives were coordinated by the PCU, in close collaboration with CDC Group's Impact Fund team. Research partners included Lean Data and the Busara Centre. Summaries of individual Deep Dives can be found here.

3. OVERCOMING KEY IMM CHALLENGES

1. **IMM alignment is vital across the entire stakeholder value chain.**
   The interests of the donor, investor and investee must all be aligned with a common understanding of positive impact goals and potential impact risks. This is achieved through integration of impact considerations into the entire investment process. It is also 'made real' by the Deep Dive approach which tries to bring together the interests of donor/investor/investee and focuses on how to improve impact performance at the business-level.

2. **Building blocks approach.**
   The Impact Programme began with reporting systems that were too 'heavy' – requiring quarterly reporting, detailed beneficiary poverty lines and numerous baseline documents from funds – many of whom were first time fund managers already over-extended in attempting to close and manage deals and construct an impactful and commercially successful pipeline. Instead, start with minimum reporting requirements and build more sophistication over time, if appropriate.

3. **Combine top down and bottom-up reporting practices.**
   Standardised data reporting for upward accountability (proving impact) should be seen as complementary to bottom-up Deep Dive approaches focused on outcomes data that is relevant and useful to the business itself (improving impact). Both are important. Reporting on outputs must be coupled with more in-depth analysis of outcomes to truly measure the impact of investments. Regular sense checking of data is important to ensure the validity/accuracy of the data reported on i.e. reviewing proxies/assumptions on a regular basis.

4. **Impact management goes beyond output measuring, towards using IMM to improve products and services.**
   Impact measurement can be used to create business value and not be overly burdensome for companies or funds. IMM tools and frameworks should be of maximum use to the businesses that they are designed to support. Through the Deep Dives it has become clear that learning about impact is grounded in listening to open and unbiased feedback from stakeholders, including customers and suppliers. This feedback can influence business strategy and operations – helping to improve customer segmentation, supply chain management, product design, brand positioning and marketing.

5. **Trying to capture systemic impact is important but challenging.**
   It is important for DFID and other donors that measurement goes beyond individual business-level impact to wider sectoral and economic impacts. Impact measurement is a way to track wider economic change and to ensure that growth is more inclusive and sustainable.

4. FORWARD LOOK

THE IMPACT PROGRAMME PUT IMPACT CREATION AT THE HEART OF ITS INVESTMENT STRATEGY. IT HAS DEVELOPED AT A TIME OF RAPID DEVELOPMENT OF THE WIDER IMPACT INVESTING MARKET. THIS REPORT SHARES THE LEARNING ON IMPACT MEASUREMENT AND MANAGEMENT SO FAR.

However, this is an area of continuous learning and development. Significant developments which are likely to influence the IMM approach going forward include the rise of the United Nations Sustainable Development Goals (SDGs) as a common framework for measuring impact, and the Impact Management Project (funded by DFID) which proposes five dimensions of impact as a global standard.

DFID will continue to focus on impact measurement and management as part of its future impact investing strategy. The costs and benefits of managing and reporting impact still need to be better evidenced across the value chain to drive a greater focus on impact. There needs to be further development of wider investment markets that offer incentives for impact creation through remuneration and a more values-based and impact focused culture.

DFID will continue to support global efforts to advance the IMM frameworks that make impact considerations transparent and easily accessible to all, while at the same time supporting high quality, low-cost tools to ensure impact investing maintains its integrity.

Ultimately, the aim is that impact becomes a lens by which all investors and businesses judge their performance, and that transparency and accountability to all stakeholders, not primarily shareholders, becomes the norm.

Acknowledgements

This paper was written by Sarah Forster, Matt Ripley, and Leo Chandler of the PCU for the DFID Impact Programme. We are grateful for the inputs and comments of Severin Luebke and Tessa Godley from DFID, Martina Castro and Sara Taylor from CDC Group and Jo Kelly and Clare Convey (PwC/The Impact Programme PCU).

For more information about the DFID Impact Programme, visit: www.theimpactprogramme.org.uk.

Follow the twitter account @ImpactProgramme to get the latest news and updates.

UKaid from the British people

THE IMPACT PROGRAMME

www.theimpactprogramme.org.uk

The Impact Programme is a project funded by the UK's Department for International Development ("DFID") and is managed by PricewaterhouseCoopers LLP as the Programme Coordination Unit, working alongside CDC Group and other market building partners.