Results Measurement in Impact Investing:

A Preliminary Review, DCED 2016

DCED
The Donor Committee for Enterprise Development

This is a summary of '[Results Measurement in Impact Investing: A Preliminary Review](#)', examining current practice in measuring social and environmental impact generated through impact investment. For more resources, see the DCED knowledge page on [private sector engagement](#).

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Impact investing involves 'investments made into companies, organizations, and funds with the intention to generate social and environmental impact alongside a financial return'. It has grown rapidly in recent years, and has attracted interest from donors; the Paper summarised below therefore reviews the 'state of the art' of measuring the impact of impact investing. It was prepared in 2016 by Donna Loveridge for the DCED's Results Measurement Working Group.

What is impact investing?

Impact investing covers a wide variety of activities and approaches. Investors may be large institutional funds, foundations, governments or high net worth individuals; each type has different motives for investing, and expectations about financial and social and environmental returns - meaning that there are widely varying appetites for measuring impacts. The definition and measurement of impact can prove contentious; many lack a cost-effective, accepted methodology that investors could use.

What is the status of results measurement in impact investing?

The literature suggests that results measurement in impact investing has focused to date mainly on:

- Before the investment is made, assessing potential social and environmental impacts, risks and financial returns
- After the investment has been made, measuring financial returns and outputs
- Building results measurement infrastructure, for example:
    - Rating or scoring systems, mainly looking at the way the business is run, and
    - Listing sample indicators, which investors can use to self-report their results.

Several organisations have published guidelines that have similarities with the [DCED Standard for Results Measurement](#), particularly in developing an impact chain (similar to, though more simplified than, the DCED Standard's results chain). There are also differences; in the impact investing guidance, there is less emphasis on clearly articulating assumptions underpinning the impact chain. The integration of results measurement into management processes is the stated ideal, but not considered necessary.

Impact investing measurement has not yet substantially focused on:

- Embedding results measurement into management practices
- Incorporating the costs of impact measurement into the structure of the investment
- Assessing criteria other than impact (efficiency, relevance, sustainability, etc.)
- Measuring the effectiveness of intermediaries and of investees
- Measuring systemic change
- Analysing relationships between different types of return: social, financial and environmental.

How does RM in II compare with RM in PSD?

In comparison, the DCED Standard is generally more ambitious in its scope, for example, considering the performance of intermediaries, aggregation of results, and use by management of results information. It also has a broader view on what rigorous impact assessment might look like.

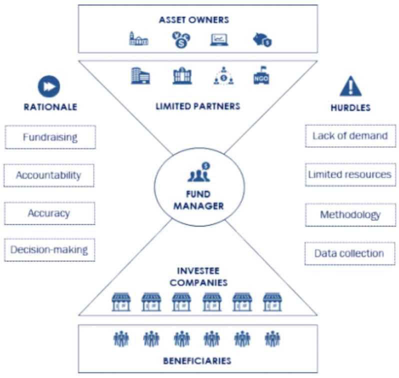
Guidelines for results measurement in impact investing have only been recently developed (the oldest is just over three years old); there is little information on how widely they are used, nor what the user experience has been. As comparison, the DCED Standard has been in place for more than eight years, gaining traction on a large scale (with about 150 projects using it now) after perhaps five years.

In conclusion, results measurement in impact investing is at the consensus-building stage, with growing alignment across organisations. In contrast, results measurement in private sector development is at the standardisation stage. For more detail, please review the full report.

Postscript

In 2017, the Results Measurement Working Group of DCED published two follow-up studies:

- Attribution in Results Measurement: Rationale and Hurdles for Impact Investors



The research found no consensus around the definition of attribution among impact investors. Nonetheless, fund managers recognise the relevance of assessing attribution in principle, but see hurdles, that still outweigh the rationale. This Paper explores the rationale, hurdles and possible ways forward.

- Impact Investing: Measurement Valued by Investee Businesses

What information do impact investees value most and least, and why? And what are the key incentives for them to collect, analyse and use information. The research found little use of standards or indicator databases, with the majority developing their own metrics. Most information was at output and outcome levels, with little at the impact level. Most use either extrapolation or hybrid (triangulated) data, often applying technological solutions to data gathering.