

Results Measurement Working Group (RMWG)
Minutes of Meeting at FAO in Rome and Teleconference,
13 June 2017

24 JULY 2017

Participants

- Birgit Seibel (GIZ)
- Alan Lukoma (IFC)
- Åsa Heijne (Sida)
- Merten Sievers (ILO)
- Peter Beez (SDC)
- Tessa Godley (DFID) - telephone
- Paul Simister (DFID) - telephone
- Irma Keijzer (NL Ministry of Foreign Affairs) - telephone
- Claudio Volonte (IFC) - telephone
- Mónica Peiro-Vallejo (EC) - telephone
- Donna Loveridge (DCED Secretariat)

1. 2016-17 Annual work plan progress and achievements

Progress against the 2016/17 was highlighted:

Good progress was made during the year in maintaining the DCED Standard:

- Updated, Version 8 published
- Updated list of programmes using
- Conducted 4 audits (NMDP, ALCP, MDF TL and SR)
- Conducted survey on users' capacity development interests

Impact investing results measurement was a new area for the RMWG and the DCED has had the opportunity to participate in several forums on results measurement in impact investing. The RMWG has also completed the following:

- A preliminary study on current practices
- Study on attribution by fund managers
- Study on information valued by investees

Phase 2 of indicator harmonisation:

- No progress was made during the year (and the work is carried over to 2017/18)

A short presentation was also made on the DCED Standard and current usage (based on updating the map earlier this year) and also users' capacity development interests based on a survey of users that was conducted in April/May.

2. Member updates

SDC, GIZ, ILO, IFC, SIDA and DFID provided brief updates on key focus areas and activities recently completed or upcoming. In summary:

SDC noted they had updated guidance on results measurement recently and were currently working on 'how-to' notes for cost benefit analysis (cost effectiveness and economic valuations) along with training materials such as videos and concrete cases to demonstrate how the techniques are used in practice.

GIZ noted that four PSD projects are using the DCED RM standard. BMZ is planning a follow-up to last year's blended finance meeting (organized by SDC) to be held in the autumn with a strong focus on results measurement in impact investing.

ILO is working with IFC on rice value chains and the Lab, and moving away from agriculture. ILO are also conducting an RCT on entrepreneur training for women.

IFC are developing a tool to assess programmes and give each a 'development score' that is risk adjusted and looks at direct and indirect impact and creation of markets. This will be piloted in FY2018 with roll-out expected in FY2019.

Sida noted that it will undertake an evaluation of the Market Systems Approach at Sida this year and noted it would work on ensuring the merits of using the Standard were communicated internally.

DFID noted they had supported the WB jobs measurement trust fund to develop more refined measurement tools and conduct research; and were looking at establishing a community of practice around impact measurement. A case study of an agriculture enterprise in Ghana and the value of impact measurement will also be published shortly.

3. Presentation of impact investing results measurement studies

Consultants who are completing the two impact investing results measurement studies presented the findings, which were followed by a discussion on what this means for DCED and what the RMWG might like to take forward.

Matthijs de Bruin, Steward Redqueen, presented the findings from the **study on funders managers understanding, beliefs and practices in attributing results**. Key findings and conclusions:

The key benefits to measuring attribution were summarised. These include: 1) Attributing impact provides more accurate and hence better insights into effects of investments and support and measuring "net effects" gives a clean picture of an investment's result and avoids double counting. There has been increasing public and political pressure to demonstrate (quantitative) impact and measuring attribution can assist with this. 2) By attributing results, a fund manager can show that it has a thorough understanding of results measurement. An upcoming practice is variable remuneration based on social performance but to achieve this it is necessary to measure attribution. 3) Lastly, measuring attribution provides improved insight into the efficiency and effectiveness of funding and helps fund managers steer their investment towards maximum effects.

However, there are some notable issues including the lack of demand from limited partners, which means there is little incentive for fund managers while there is no interest among investee companies in attribution practices. There is also no standardised, feasible, cost-effective or generally accepted methodology available for impact investors. Obtaining complete and reliable impact data is

challenging as it often is not a priority for investee companies. This is even more difficult when there is also input required from third parties such as clients or beneficiaries. Impact fund managers also have very limited financial and human resources available for result measurement. A 2% management fee (covers all operational expenses and salaries) versus 5-10% of project budget being used for monitoring and evaluation in a typical development programme.

If the impact investment industry wants to move forward with attribution, several steps were highlighted as possible options in the medium term:

- Development of a menu of approaches that are relevant and applicable to different products and circumstances
- A joint effort by capital providers to stimulate fund managers to report attributed results
- Recognition that advanced results measurement requires increased budget/ management fee
- Assistance to fund managers in effective and efficient data collection from investee companies
- Promotion of innovative remuneration approaches which require attribution
- Recognition that results measurement in impact investment is different and much more complex.

The study is expected to be published in July.

Rory Tews, Roots of Impact, presented the findings from the **study on what information is valued by investees**. Key findings and conclusions:

25% of interviewed enterprises collect some sort of impact data while all collect data from outputs through to outcomes. Social and environmental impact businesses (SEIB) manage to achieve greater impact because of external considerations (such as investor demands, other stakeholders' expectations) and their mission focus. However, there were several challenges to managing for impact. This included expertise where there are a limited number of people with impact management expertise (particularly quantitative) and enterprises had a limited number of dedicated staff. Amongst interviewees 'learning by doing' was a common approach, rather than recruiting or contracting experts. Interviewed enterprises had very mixed views on cost/benefit of impact management. However, investor/accelerator influence can be a strong influence on enterprises impact management practices.

The hypotheses underpinning the research were tested with the following conclusions:

- Impact data is not used in management decision-making processes – Rejected (with qualification)
- With respect to impact data, external factors are more influential than internal – Rejected
- Awareness of the value of impact data is more important than the capacity to capture it – Unclear

The study is expected to be published in July.

4. RM WG Work Plan for 2017-18

DCED Standard:

Some members noted that internal staff turnover and agency structures and systems meant that ongoing capacity development efforts by members were required. As such, members emphasised that Secretariat visits were a useful mechanism to support their efforts and encourage further adoption or understanding of key elements that may not be covered in depth by agency-specific approaches to results measurement. It was also suggested that members such as SDC who had many programmes using the Standard could also join such discussions to share their lessons.

Several agencies (BMZ, ILO, SDC, SIDA) noted they would like the Secretariat to visit in the coming year to present the Standard to agency staff as part of the ongoing maintenance and dissemination functions. These presentations will need to be tailored to individual agency needs. IFC noted that it could look at how to integrate the DCED Standard into results measurement workstreams (under advisory). Similarly, members felt another seminar on results measurement in early 2018 would be useful and preferred that the Secretariat organise for it to be held in a location other than Bangkok. Dubai and Nairobi were put forward as suggestions.

PSD indicator harmonisation Phase 2:

This activity is endorsed by the EC and IFC. GIZ/BMZ raised the importance of ensuring this work reflected the SDGs and SDG indicators.

Donna will share a draft terms of reference with members for feedback along with a request for each member to select their top 5 indicators to be included in this phase. Members will also be asked for suggestions for consultants to undertake the work.

Impact investing results measurement

Following the presentations outlined above, WG members discussed possible next steps for DCED in results measurement. Members noted their interest in continuing this area of work as long as it is useful and does not duplicate other efforts. Linking and coordinating with other industry initiatives is important.

While there was agreement that the DCED's results measurement experience could add value to the impact investing field, particularly around developing the capacity of fund managers and investees, it was also recognised that there were existing initiatives with a similar aim including GIIN Navigating Impact project, WEF and the Impact Management Project, and GIIN training (delivered by Steward Redqueen with DFID funding).

Matthijs de Bruin suggested that the DCED could adapt or translate the DCED Standard guidance for a new audience, simplifying the language / unpacking concepts to make it more accessible to those in the impact investing industry. Birgit Seibel noted that there is already experience with other training offers that were developed by the DCED and are offered on a commercial basis by consultants or agencies (e.g. PSD in fragile environments, RM standard training). Rather than having DCED to provide training directly it is probably more feasible to develop a training course and stimulate the market to provide training. The RMWG has a similar position on training for the DCED Standard. Tessa Godley suggested the DCED could develop tools that can be linked to the impact management process being articulated by the Impact Management Project.

No conclusion was reached at this point and it was agreed that Donna would talk to different field building initiatives to determine what their next steps are as it relates to results measurement capacity development of the impact investing industry; and inform members in order for the WG to identify opportunities for adding value in this area.

The WG also discussed the proposed case studies on results measurement approaches for different investment vehicles in light of the findings from the studies. There were some different understandings about the focus and purpose of the case studies that arose from the PSE meeting in The Hague and it was agreed that a further discussion with the PSE WG was necessary. Donna will speak with the Co-chairs of the PSE WG to see how to best take this forward.

Some members proposed case studies on businesses that have found impact management useful would be interesting, noting it would add to the paper published by GIIN last year on the benefits of results measurement. DFID noted that it was soon publishing one and the WG decided to also wait for this to decide if more would be useful.

5. PSE evaluation

The purpose and focus of the PSE evaluation activity was revisited. Members were unclear about what was intended from The Hague meeting and it was agreed that a further discussion with the PSE Working Group would be useful.

Donna will also speak with the Co-chairs of the PSE WG on this issue.

6. Other issues

Members also discussed the future of the RMWG, particularly in light of the small number of members who were able to attend the RMWG meeting and the proposed establishment of two new working groups. Some members could not attend the meeting because they were participating in other groups.

Members agreed results measurement remained an important issue and there was ongoing work to keep embedding good practice results measurement into agencies and their programmes. There was strong support to keep the RMWG for the next two to three years, but agreed that it should be reassessed again in 2-3 years.

Date for next meeting

A date has not yet been set for another meeting.