

From interesting data...



# Impact Management for Everyone

Karl H Richter  
@KarlHRichter

**From interesting data...**

**...to evidence with meaning**

When viewed from the place of Nelson  
Mandela's capture by the police

Place: 29°28'06.1"S 30°10'15.7"E

Date: 5 August 1962

50 columns, built 50 years after arrest

**Be alert to different perspectives**

**Impact is in the eye of the  
beholder**

Fact <sup>(x1)</sup> + Interpretations <sup>(∞)</sup> = Insights <sup>(∞)</sup>

# Context

- From measuring impact towards managing impact
  - From counting “what” happens to understanding “why” things happen\*
  - The “why” informs “what” to measure, & “how” to measure it
  - Empowered to select indicators appropriate
- **Ultimately – better judgement**
  - From compliance...
    - > management information
    - > strategic decision making

\* OECD: Outputs measure the results of production, outcomes assess the effectiveness of decision-making in achieving goals

# Content

- **Harmonise impact management according to 3 aspects:**
  1. A common journey  
*(1 process)*
  1. Different pathways  
*(6 strategies)*
  2. Tool-kit of useful things  
*(methods & techniques, use according to your strategy)*

A common journey

1.

**DEMING  
Quality  
Management  
Cycle**

**Industry processes**

**Common journey for  
impact management**

	UNDP Programmes & Projects	Private Investment/ OTC Transactions	Public Securities/ Capital Markets	Listed Corporations	Public Policy Design & implementation	
<b>Plan</b>	Road Map	Introduction, Sourcing & Screening	Submit IPO Application to Exchange	Voluntary Pledges or Legislative Obligations	Problem Identification	<b>1.</b> Clarify intentions
	Country Analysis	Due Diligence		Select Labelling/ Reporting Regime/ Regulatory Domicile	Policy Formulation	<b>2.</b> Select approach
	Strategic Planning	Potential Analysis & Investment Valuation		Define Targets & Select Strategies	Policy Adoption & Implementation	<b>3.</b> Set targets
<b>Do</b>	Implementation	Investment Decision, Term Sheet & Capital Deployment	Review Application	Measure, Collect & Validate Data	Policy Evaluation	<b>4.</b> Do assessment
<b>Check</b>	Evaluation	Post-Investment Monitoring, Evaluation	Vetting/ Due Diligence for Admission	Analyse & Evaluate Data		<b>5.</b> Analyse data
<b>Act</b>	Closure		Develop Indices & Tracking Benchmarks	Reporting to Markets & Authorities	Report & Disclose Results	
		Value Building & Exit/ Refinance	Exchange Traded Products for Investors	Action by Exec./ Consumers/ Shareholders/ Markets	Evidence-based policy design/ re-design	



Different pathways

2.

# Common journey - different stakeholders, different data needs

I am an institutional asset owner

I am a fund manager

I am a foundation

I am a social enterprise

I am a policy writer for the public sector

I am a corporation listed on a stock exchange

I am a private investor

I am a venture philanthropist

I am an NGO/ NPO charity

Definition of impact + purpose for data = methodology

**Less intense**

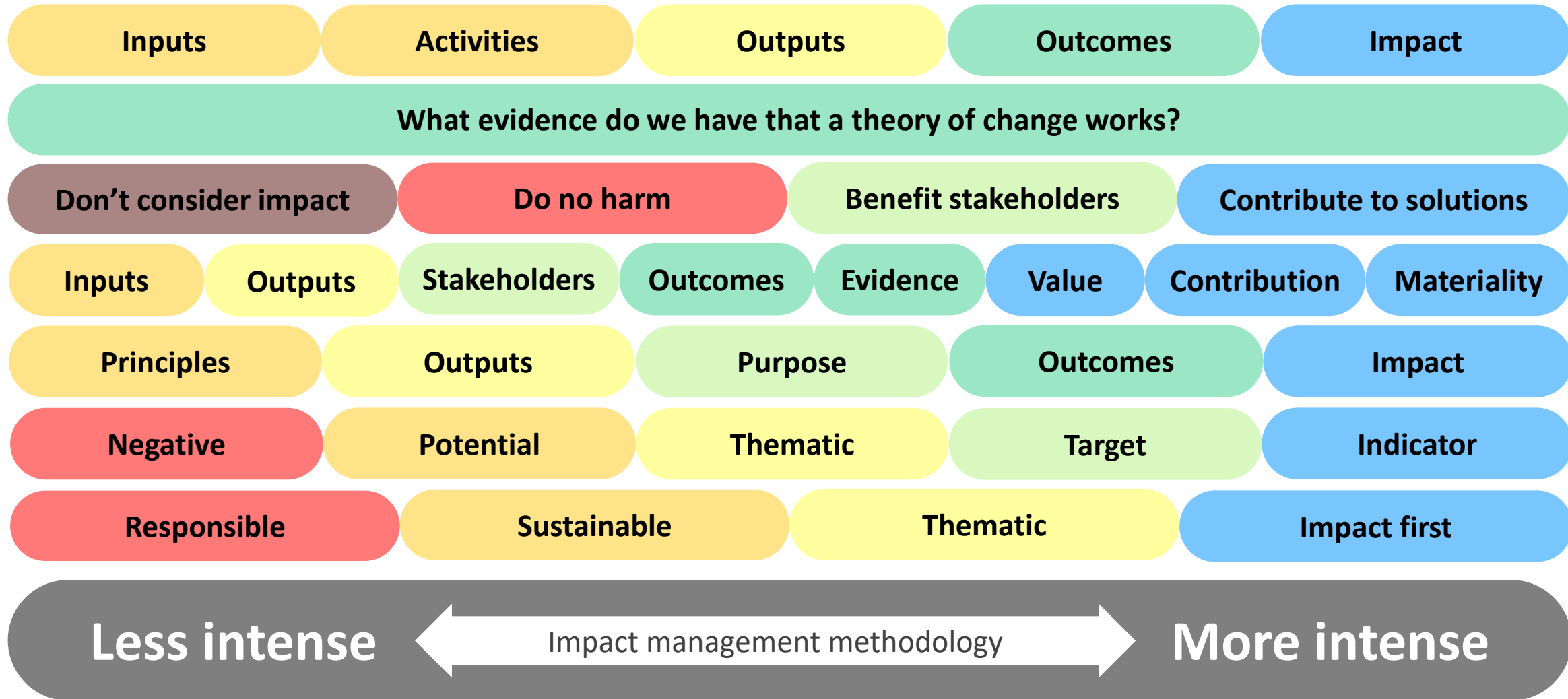
Impact management methodology

**More intense**

Prescriptive requirements/ standardisation/ factual <sup>(x1)</sup>

Descriptive specification/ customisation/ interpretive <sup>(∞)</sup>

# Spectrum of mandates for impact management





# Discrete pathways for the impact management journey

Select the pathway that suits your definitional framework and mandate for impact management

**Agnostic**

**Avoid  
harm**

**Want  
good**

**Get  
facts**

**Explain  
why**

**Assess  
effects**

**Interpret  
impact**

Do not  
consider  
impact

Know what you  
do not want

Know what you  
do want

Describe what  
happens by  
enumerating  
outputs

Understand  
why outputs  
happen based  
upon specific  
inputs and  
actions

Enumerate the  
intended  
effects of  
actions on  
stakeholders

Enumerate  
positive and  
negative  
outcomes,  
intended and  
unintended

Incontrovertible data <sup>(x1)</sup>



Many interpretations of each data point <sup>(∞)</sup>

**Less intense**

Impact management methodology

**More intense**

Design of the pathways was informed by UNSIF undertaking a pilot to segment market activity (enterprises, investments, funds and portfolios). The delineation is based upon the practicalities of discretely and unambiguously codifying attributes that are objective and independently observable.

# Common journey + pathways of methodological intensity

Pathways of methodological intensity reflecting the strategy / mandate being deployed

Agnostic

Avoid  
harm

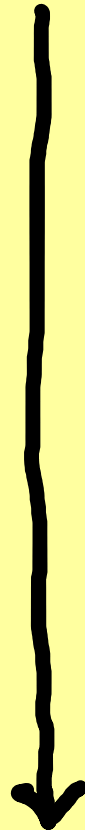
Want  
good

Get  
facts

Explain  
why

Assess  
effects

Interpret  
impact



1

2

3

4

5

6

7

Common stages of journey

# Primary attributes of the pathways (cumulative)

Agnostic

**Avoid  
harm**

**Want  
good**

**Get  
facts**

**Explain  
why**

**Assess  
effects**

**Interpret  
impact**

**Exclusion criteria** (negative screening)

**Inclusion criteria** (positive screening/ activity filters/ goal alignment)

**Principles** (norms)

**Labels & certifications** (binary pass-fail)

**Ratings & indices** (absolute score/ relative ranking)

**Track KPIs against targets** (outputs/ primary impact)

**Theory of causation**

**Stakeholder engagement**

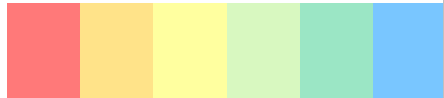
**Deep  
analysis**

Tool-kit of useful things

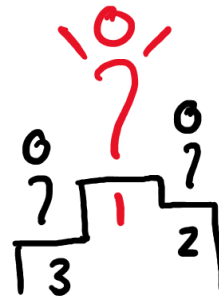
3.



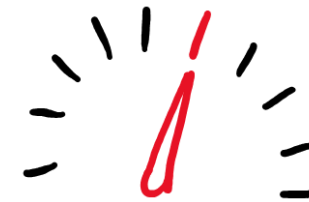
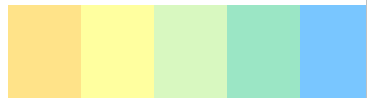
**Burden of Proof/  
Levels of Evidence**



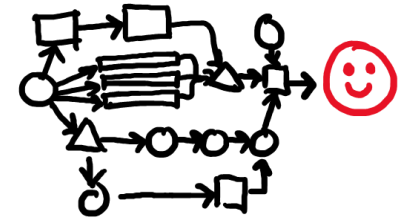
**Labels &  
Certificates**



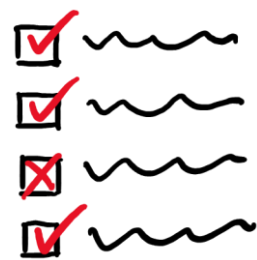
**Ratings &  
Indices**



**Indicators**



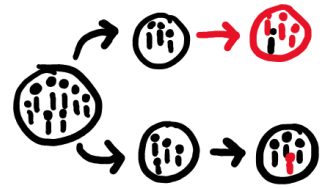
**Theory of Change/  
Logic Models**



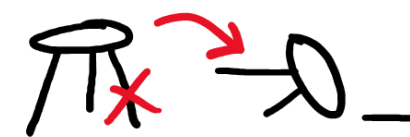
**Surveys**



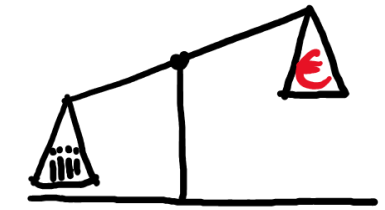
**Stakeholder  
Engagement**



**Randomised  
Control Trials  
(RCTs)**



**Counterfactual  
Analysis**



**Monetisation of  
Outcomes &  
Cash Incentives**





**Extra material...**

# Impact Management for Everyone – Application of the Rubric



## 1. **Definitional framework > Market Segmentation**

e.g. to communicate the mandate for the methodological intensity of impact management, i.e. what do you mean and expect when using the term “impact” investing

## 2. **Common Processes > Quality Assurance**

e.g. to enable a UNDP country office representative to communicate to a fund manager what processes they are expected to follow to be compliant with UNSIF requirements, and to provide auditors with a framework to check compliance

## 3. **Common Functionality > Software (Assisted workflows)**

e.g. to define the functionality for impact management software that vendors are expected to provide, to meet UNSIF requirements, and to enable accreditation of impact management software

## 4. **Basis for Data Interoperability > Reporting Rigour**

e.g. to inform design of data architectures, enable the production of comparable data for identifying legitimate claims of impact and progress towards the SDGs

## 5. **Resource Allocation > SDG Prioritisation**

e.g. if a company/ fund prioritises say SDG 5, and recognises contributions towards SDGs 10 & 12, then it should spend more resources on managing the impact relating to SDG 5 (methodological intensity and level of evidence), less on SDGs 10 & 12, and at least a minimum level of doing no harm (negative screen) on the other SDGs

# Can be used to clarify definitions – What is impact investing?

Opinion **FTfm**

## Impact investing must resolve its identity crisis

Investors are helping the poor as well as being offered risk-adjusted market returns



Dadtco Nigeria has developed a technology for growing and processing cassava in Africa © Adrien Barbier/AFP

MAY 1, 2018 by Wendy Abt

We know impact investing is a hot topic: chief executives of investment companies, celebrities and entrepreneurs talk about it at every opportunity. But outside of a few buzzwords – ethical, sustainable and so on – there is no consensus as to what impact investing is.

Consider a few numbers. A 2017 survey conducted by the Global Impact Investing Network reported **\$114bn** in assets under management. In 2017, the Sustainable Investment Forum estimated the global size at **\$22.9tn**. The two groups cannot be talking about the same things.

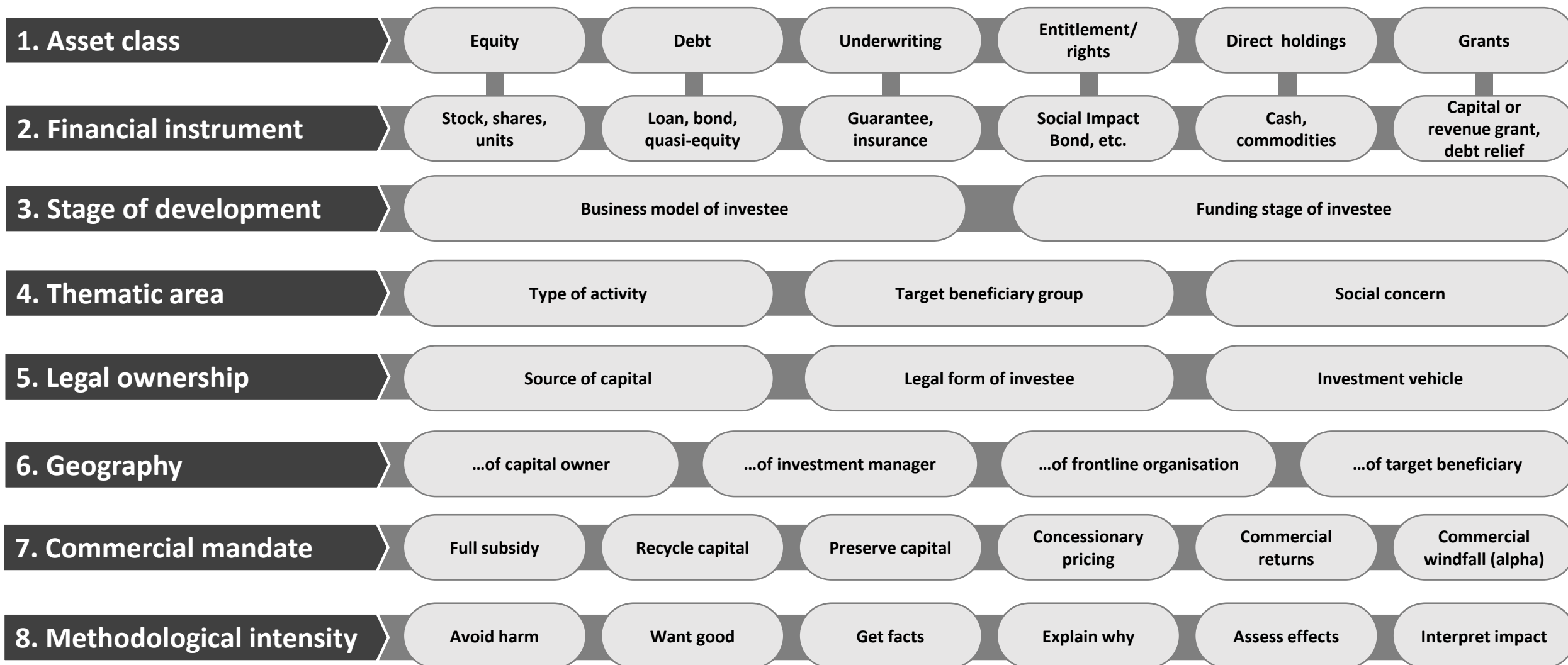
Vague definitions will lead to dashed expectations among investors. In some

**Error:**  
**200x (0.5%)**  
-----  
**Need to clarify definitions**



# Definitional characteristics \*

For creating YOUR definition for profiling, segmenting and comparable analysis



\* The term “impact investing” is becoming a generic term used to describe any form of investment that includes non-financial objectives. Investment practitioners often use it ubiquitously to include ESG factors, sustainable and responsible investing, social investment, development finance, inclusive finance, venture philanthropy, ethical finance etc. Although for purists it remains a very specific concept requiring deep methodological engagement, intentionality and measurability of impact. The categories on this slide can be used to profile and describe YOUR definition of impact investing. (Adapted from OECD & UNSIF)



# The end – thank you

**Karl H Richter**

**@KarlHRichter**

**Karl.Richter@EngagedX.com**

Additional information and the rubric can be accessed here:

**[www.im4e.org](http://www.im4e.org)**