

Guidelines for Participatory Impact Measurement and Management

UCL
SCHOOL OF
MANAGEMENT

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We need to disrupt this new wave of investors-centrism when measuring and managing impact. We are urgently obliged to think in systems and include the key stakeholders in our measurement process beyond the investor-investee dyad.

- Diana Copper, UK Country Director, IDH – the Sustainable Trade Initiative

Introduction

One issue with impact investing is the often exclusive arrangements between stakeholders involved in the impact measurement and management (IMM) processes. This creates a significant imbalance of information and power between the stakeholders involved (e.g., investors, investee companies, final beneficiaries), which negatively affects the dynamics of impact projects. For this reason, several voices in the impact investing ecosystem are increasingly asking for the design of a more inclusive IMM decision-making process.

These guidelines present a framework of multistakeholder decision-making for measuring and managing impact, with the aim of adopting a systemic approach.

This is not another generic measuring tool

The IMM world is saturated with frameworks, databases, standards, and tools to measure impact. Although they add great value and help different stakeholders in managing their impact, what the impact investing ecosystem needs is to adopt a multistakeholder and system-wide impact management approach.

These guidelines are relevant for decision-making by private investors, intermediaries, and investees, as well as final beneficiaries. On the contrary, they are not appropriate for the public segment of the supply-side, such as DFIs or MDBs, as they currently focus on equity investments and not on other financing mechanisms (e.g., social impact bonds).

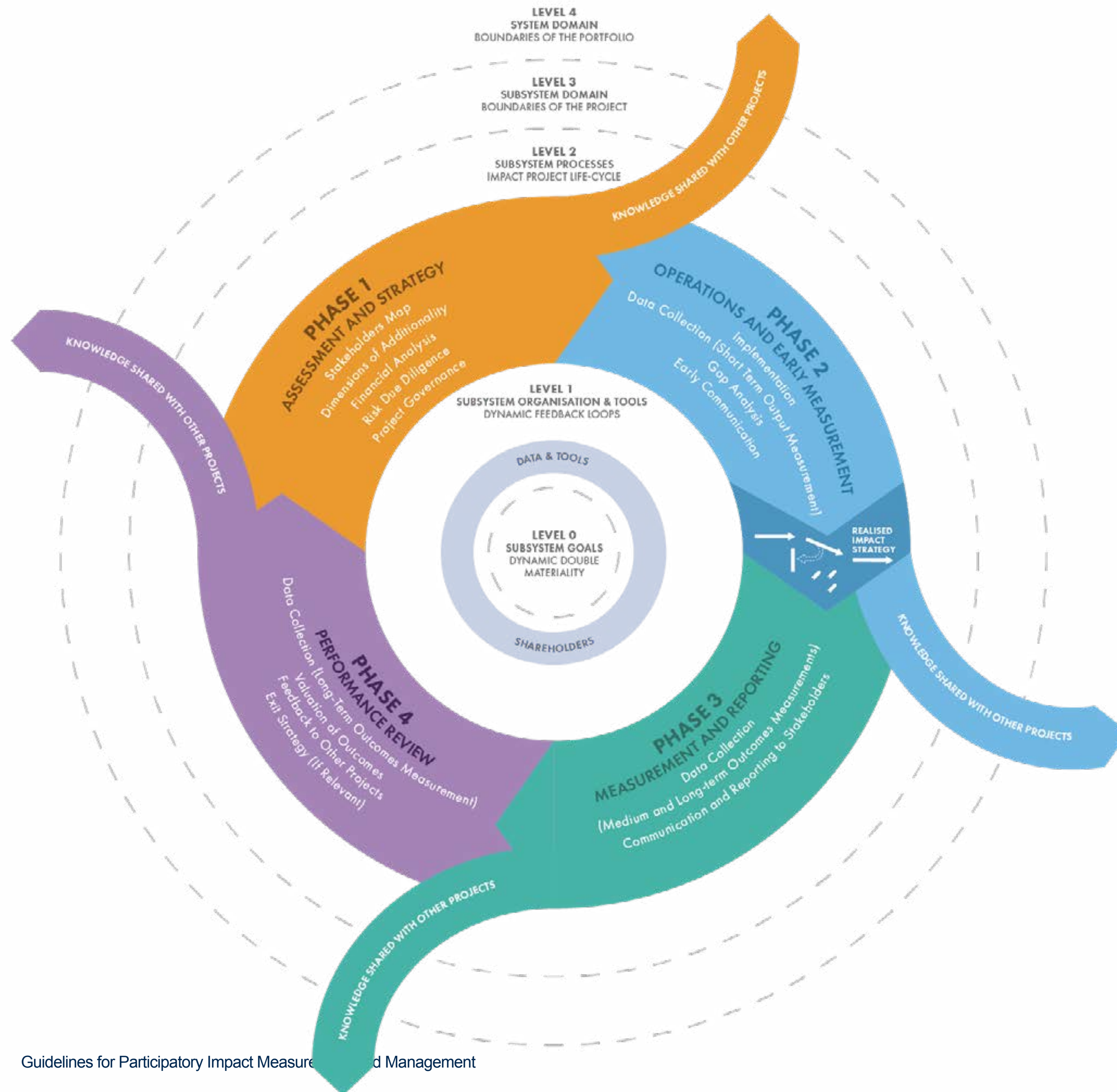
The framework was developed and theoretically tested with a large group of experts of the impact investing ecosystem (see the Acknowledgments section).



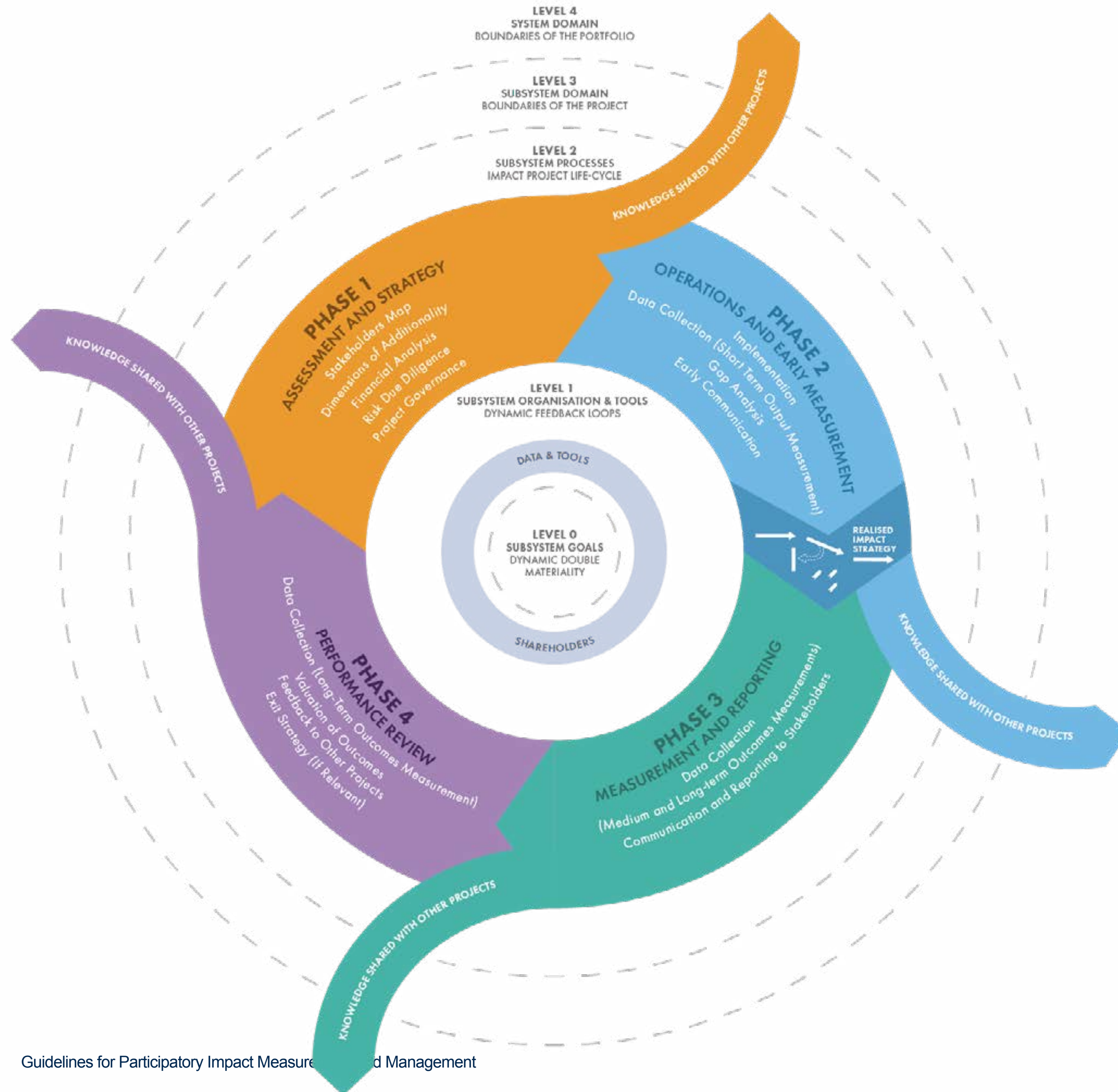
As the ingenious twentieth-century inventor Buckminster Fuller once said, 'You never change things by fighting the existing reality. To change something, build a new model that makes the existing model obsolete'

- Kate Raworth, author of *Doughnut Economics: Seven Ways to Think Like a 21st-Century Economist*

The IMmPACT Framework



The framework consists of four phases, which reflect the different activities involved in an IMM project. Each phase is informed by key fundamental elements: the stakeholders, the activities, the data & tools, and the links and feedback loops between stakeholders.



Stakeholders

The people and organisations involved in the activities in all phases of the impact project.

Activities, Data & Tools

The qualitative and quantitative information leveraged by decision-makers in different activities, and the tools (e.g., frameworks, software, databases) used to support data collection and analysis.

Links and feedback loops between stakeholders

The information and data exchanged dynamically between different stakeholders which affects decision-making and organisational tools.

The importance of Systems Thinking

Whether you are an investor or an investee, an intermediary, or the final beneficiary of an impact investment, it is critical to start thinking in systems.

By understanding the interactions and dynamics of different subsystems, stakeholders can measure the real impact of activities and engage with more structured processes of decision-making. Moreover, a systems thinking approach to IMM allows a more profound understanding of impact projects' best practices that create the conditions for knowledge contamination and efficiencies (e.g., in the same investment portfolio).

What is systems thinking?*

Systems thinking is an approach to understanding complex phenomena that acknowledges the interconnection between different elements and the way they interact within a larger system. This concept has been widely discussed in academic and practitioner literature, particularly in management, engineering, and environmental studies. In the context of management, systems thinking has been employed to understand organisational dynamics and to develop more effective strategies for problem-solving and decision-making.

* Source: Sterman, 2000; Meadows, 2008

Impact projects and system levels

The achievement of the intended impact objectives depends on the optimal management of each subsystem (or level*) and the management of feedback between the subsystems.

Level 4

The system domain refers to the boundaries of each portfolio of projects (e.g., relevant for investors with multiple portfolios following different investment themes or strategies).

Level 3

The subsystem domain refers to the boundaries of each project within the same portfolio.

Level 2

The subsystem of processes refers to the impact project's life-cycle and includes every process taking place in each phase of the project (e.g., different analyses and different stakeholder engagement efforts).

Level 1


The subsystem of organisation and tools refers to the impact project's governance, which encompasses not only the decisions made by project participants, but also the assignment of roles in data collection and feedback provision to stakeholders. Moreover, it considers all the tools used to support measurement and decision-making activities.

Level 0

The subsystem of goals explains the targets of each project in relation to dynamic double materiality principles, a filter that should be used in every impact investment project.

* Source: Browning and Ramasesh, 2015

Enhanced decision-making through feedback loops



While each phase is forward-looking, IMM stakeholders need to be able to fully understand current and past performance to manage activities and plan future ones correctly. Decision-making is advanced when feedback is exchanged between different stakeholders, as well as between different phases of a project or between projects in a portfolio. This requires a dynamic interaction which affects decision-making and organisational tools. In the framework, this interaction is highlighted in Level 1. The functioning of feedback loops will be explored in detail during the testing of the framework on real impact investing projects (i.e., the action research phase).

What are feedback loops?*

Feedback loops involve the exchange of essential information between project phases to assess progress – i.e., a part (or all) of a phase's output information is used as input for the subsequent one. Feedback loops can be either positive or negative, and are fundamental to drawing attention to potentially significant issues within IMM. In short, making feedback loops work is essential for the understanding of systemic project interactions.

Literature indicates that when project managers fail to exploit and respond to feedback loops, the whole system becomes vulnerable to errors, neglecting important information between phases. This is very relevant to consider in the impact investing context, where the process of IMM involves various and diverse stakeholders, often with different perspectives and interests.

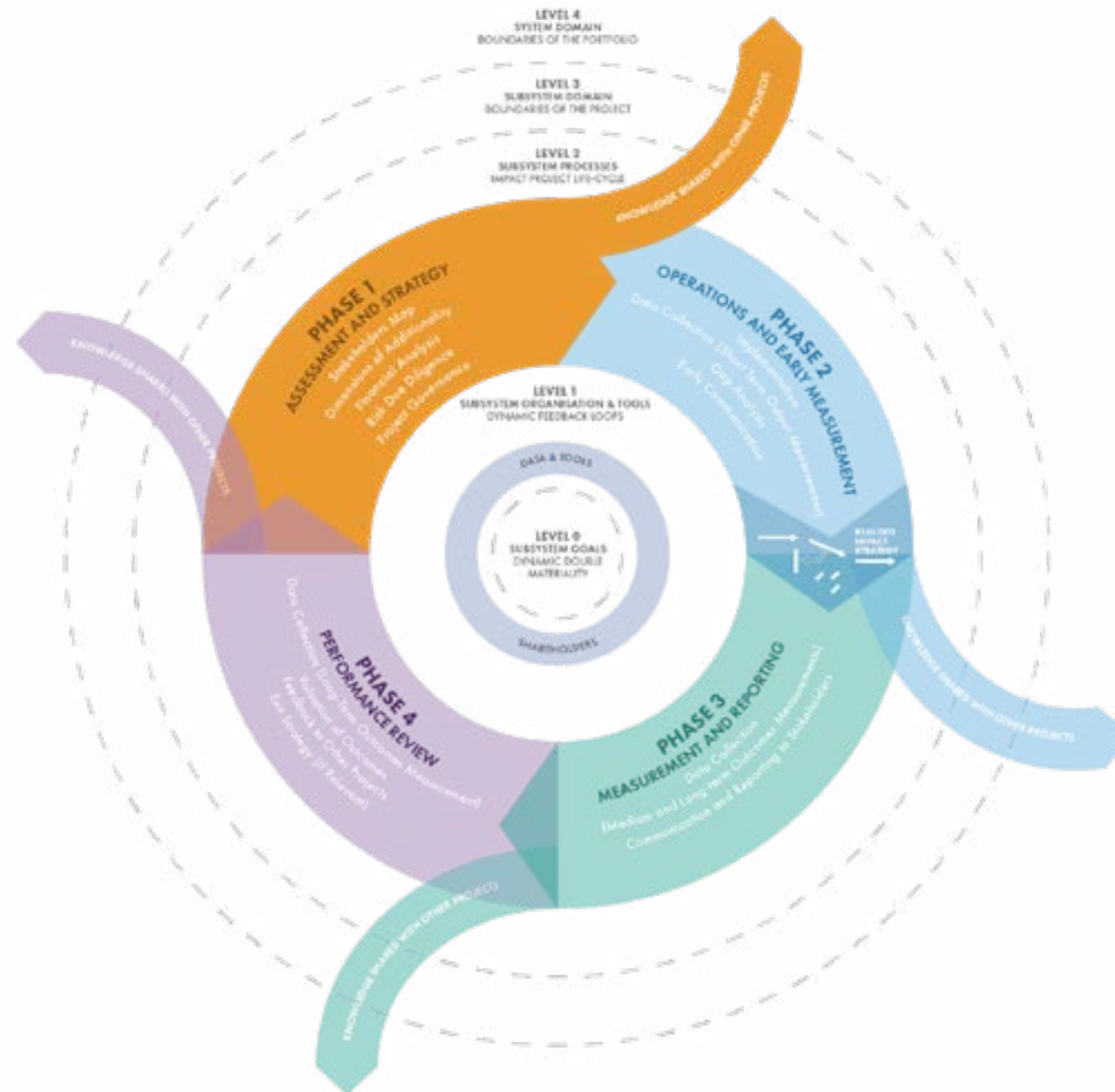
* Source: Whiteman et al., 2013

The IMmPACT Framework

Phases explained

The IMmPACT Framework

Phase 1: Assessment & Strategy



Phase 1 involves the assessment of the project and the definition of the impact strategy with relevant stakeholders.

The assessment requires mapping stakeholders and defining impact targets to evaluate the additionality of the investment. It also involves performing the financial analysis and the risk due diligence. Once the project has been evaluated and proves to be both socially and financially viable, the project governance is decided.

Stage-gate: impact investment is approved or not.

Phase 1: Assessment & Strategy

Main stakeholders

Investment managers

The investor is represented by the investment managers managing the investment process on a daily basis. In Phase 1, they carry out investments screening by building relations with relevant stakeholders, and lead the development of the various analyses which ultimately can result in investment and therefore progress to Phase 2.

Investee

The investee is the entity receiving the capital. In Phase 1, the investee is responsible for providing all necessary information and documentation to the investment manager so that the investment opportunity is evaluated in both financial and impact terms.

Final beneficiaries

The final beneficiaries are the individuals, communities, or entities that directly benefit from the impact investment. In Phase 1, they are engaged frequently as they inform investment managers and investees about specific problems they face. This data is then analysed by investment managers and investees with the aim to highlight the relevance of specific issues raised, and to then evaluate the additionality that can be achieved through the impact project.

Independent impact advisors

They are typically external entities that can be involved in Phase 1 to guide data collection, decision-making and stakeholder engagement efforts.

Independent impact auditors

They are typically external entities that can be involved in Phase 1 to provide third-party validation of additionality data and forecasts.

Other stakeholders

Investment partners

They are other investors that have already invested or are considering an investment in the impact project under analysis. When present, they typically influence several dynamics of Phase 1.

Policymakers

They are the organisations influencing the investment and operational context in which the impact project is developed. In Phase 1, both investment managers and investees gather secondary or primary data from policymakers which support the decision-making in a specific context.

Fund's Technical Committee

The Technical Committee evaluates the impact profile of the project and gives its opinion on the inclusion in the portfolio.

Fund's Executive Committee

The Executive Committee evaluates all aspect of the project not related to impact creation, and gives its opinion on the inclusion in the portfolio.

Stakeholders Map

The stakeholders map should be used to efficiently identify all relevant stakeholders – both organisations and individuals – and to understand influencing mechanisms.

Killer questions Who are the relevant stakeholders in the impact project? What are the relationships between them?

Data List of the project's relevant stakeholders (both organisations and individuals) and their roles

Collection of data Produced upon consultation with relevant stakeholders

Tools

[Power-Interest Grid](#) | [Salience Model](#) | [Mendelow's Matrix](#) | [IRIS+](#)

Databases

[IRIS+](#)

Dimensions of Additionality

The additionality analysis defines the increase in social, environmental, and financial value that would not occur without the project being implemented. This analysis is typically grounded on the Theory of Change.

Killer questions How to define additionality in the impact project? How to measure additionality in the impact project?

Data ESG Data

Collection of data Primary data (e.g., surveys and interviews with final beneficiaries) | Secondary data (e.g., desk research)

Tools

[Counterfactual analysis](#) | [Theory of Change](#) | [The Impact Due Diligence Guide by PCV](#) | [Impact Frontiers' Five Dimensions of Impact](#) | [EVPA Five-Step Process](#) | [CERISE Social Business Scorecard](#) | [GIIRS](#) | [B Impact Assessment](#) | [SDG Impact Standards](#)

Databases

[ESG Book](#) | [DataStream](#) (financial additionality) | [Refinitiv Eikon](#) (financial additionality)

Financial Analysis

The financial analysis of an impact project is needed to guarantee the return on the investment to the investing organisation.

Killer questions Is the project financially viable? How do you assess the project's financial viability?

Data Financial data

Collection of data Led by the investment manager which gathers data from the investee and the market (e.g., typical sector returns, etc.)

Tools

Standard financial tools integrated with social and environmental analysis

Databases

[Bloomberg Terminal](#) | [Factiva](#) | [DataStream](#) | [Refinitiv Eikon](#) | [S&P Global Market Intelligence](#) | [IRIS+](#)

Risk Due Diligence

The risk due diligence helps uncover potential financial, operational, legal, regulatory, social and environmental risks that may affect the success of the impact project. The goal is to identify, assess and mitigate these potential risks.

Killer questions What are the critical risks associated with the impact project? Can the risk level of the project be reduced?

Data Market and industry risks (e.g., typical risks of the project's industry of reference) | Specific risks related to the investee organisation

Collection of data Primary data (e.g., surveys and interviews with final beneficiaries) | Secondary data (Desktop research, analysis of documents made available by the investee, use of databases)

Tools

[MSCI ESG Ratings Methodology](#) | [Sustainalytics ESG Risk Rating](#) | [Refinitiv ESG Scores](#) | [FTSE Russell ESG Ratings](#) | [EVPA Five-Step Process](#) | [Impact Frontiers' Five Dimensions of Impact \(The 9 Impact Risks\)](#) | [IFC's Risk Culture, Risk Governance, and Balanced Incentives Handbook](#) | [Impact Risk Classification \(IRC\)](#)

Databases

[LexisNexis Diligence](#) (financial) | [Bloomberg Terminal](#) (financial) | [PitchBook](#) | [S&P Capital IQ](#) | [Preqin](#) | [Factiva](#) | [Eikon](#)

Project Governance

The last analysis, which is developed once the investment decision is made, considers the definition of the impact project's governance, which involves identifying accountable parties and performance metrics.

Killer questions Who is involved in the IMM governance? What are the output, outcome, and impact metrics that the project should adopt?

Data Market and industry trends | Output of the Stakeholders Map | Relationships among stakeholders and systems dynamics

Collection of data Primary data (e.g., surveys, interviews) | Secondary data (Desktop research, academic papers and practitioners reports)

Tools

[Stakeholders Map](#) | [SDG Impact Standards](#) | [B Impact Assessment](#) | [GIIRS](#)

Databases

[SDGs Targets and Indicators](#) | [IRIS and IRIS+](#) | [GRI Standards](#) | [SASB](#)

Stakeholders Map	Dimensions of Additionality	Financial Analysis	Risk Due Diligence	Project Governance
+ Investor	+ Investor	+ Investor	+ Investor	+ Investor
+ Investee	+ Investee	+ Investee	+ Investee	+ Investee
+ Final beneficiaries	+ Final beneficiaries	- Final beneficiaries	+/- Final beneficiaries	+/- Final beneficiaries
+/- Auditors/Advisors	+/- Auditors/Advisors	+/- Auditors/Advisors	+/- Auditors/Advisors	+ Auditors/Advisors
Links	Links	Links	Links	Links
Investor <=> Investee	Investor <=> Investee	Investor <=> Investee	Investor <=> Investee	Investor <=> Investee
Investor < > Auditor/ Advisor	Investee <=> Final beneficiaries	Investor < > Auditor/ Advisor	Investor < > Auditor/ Advisor	Investor < > Auditor/ Advisor
Investee <=> Final beneficiaries	Investor < > Auditor/ Advisor	Investee < > Auditor/ Advisor	Investee < > Auditor/ Advisor	

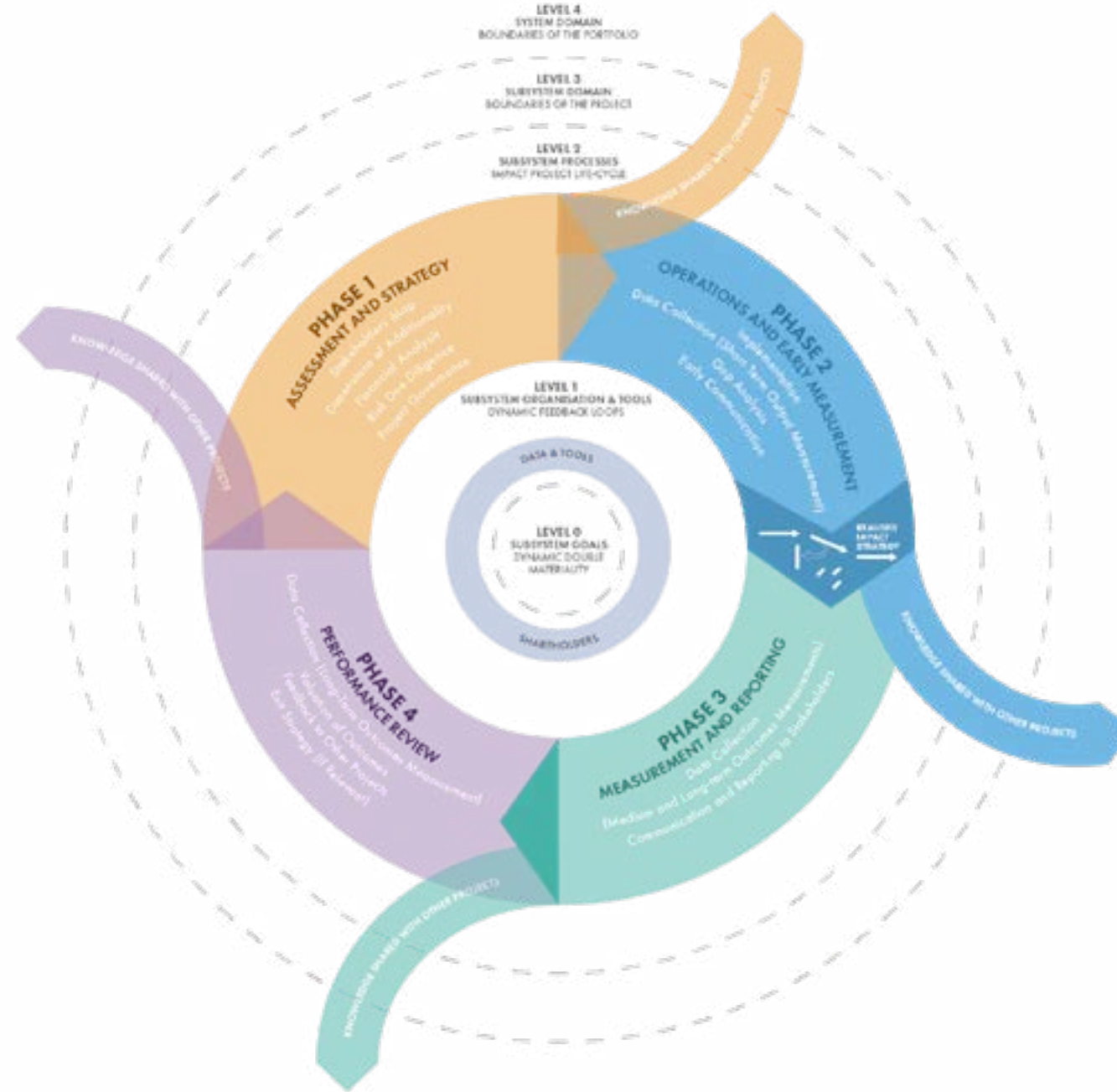
Please note: in the table above, the links reflect the dynamic interactions that enable participatory decision-making and feedback loops between different stakeholders, activities and phases. Enabling backward-looking feedback loops allows to control and redefine decisions at the various stages of a project.

Legenda

- + The stakeholder has an active role in the activity
- The stakeholder has a consulting role in the activity
- +/- The stakeholder has either an active or consulting role
- <=> The stakeholders must certainly interact with each other
- <> The stakeholders could interact with each other; however, it is not always the case (e.g., the stakeholder mentioned is not present in the specific investment)

The IMmPACT Framework

Phase 2: Operations and Early Measurement



In Phase 2, the execution of the project starts with the deployment of capital from the investing organisation.

After the implementation of the project, data is collected to monitor the project from its early phases, measuring short-term output results. Based on this data, it is key to perform a gap analysis to understand if strategic or operational improvements are needed to reach predetermined impact objectives. Lastly, the results of short-term impact measurement must be communicated to the stakeholders involved in the project.

Stage-gate: Short term impact data is collected and evaluated.

Phase 2: Operations and Early Measurement

Main stakeholders

Investment managers

The investment managers implement the impact project; they ask the necessary information to the investee in order to collect data to proceed with short-term impact measurement. They are also responsible for the gap analysis and the early communication to stakeholders.

Investee

The investee is responsible for providing all necessary information and data so that the impact measurement and management process can start.

Final beneficiaries

Final beneficiaries can be involved when the short-term impact measurement is carried out, so to collect all the data to evaluate predefined output measures.

Independent impact advisors

They guide the impact data collection and analysis, while informing other relevant stakeholders of potential gaps with respect to the ex-ante declared impact objectives.

Other stakeholders

Investment partners

They may be directly involved in the impact measurement and management process.

Policymakers

Policymakers can influence the impact project as variations in policy requirements could cause changes within the impact measurement and management strategy of impact projects (e.g. in Europe, an example is the compliance to the SFDR, effective from March 2021)

Fund's Technical Committee

The Technical Committee could be involved in the revision of the initiative's impact strategy, for example if there are new policy requirements or if it is necessary to change the way impact is measured (e.g., different KPIs, etc.).

Fund's Executive Committee

The Executive Committee could be involved in the revision of the initiative's financial profile, for example if the latter does not seem in line with the expectations of investors/shareholders.

Implementation

Implementation is what happens at T0: after a positive preliminary assessment in Phase 1, the project is ready to be implemented and to enter the next phases of the framework.

Please note: in the description of activities, some sections are marked with “–”, because either (a) there are currently no specific tools and/or databases for managing those activities, or (b) such activities cannot be managed through tools and/or databases because of their specific nature.

Data Collection (Short-Term Output Measurement)

Once the project has started, its preliminary results can be evaluated: data are collected to provide short-term impact measurement, based on output metrics – i.e., the services and/or products delivered by the project activities.

Killer questions Which preliminary data do you collect in the early phases of your project? How do you identify the baseline data? If not available, how do you collect it? How do you identify targets and thresholds to be achieved?

Data Quantitative and qualitative data on short-term outputs based on the metrics decided in Phase 1 – Project Governance

Collection of data Collection of output metrics defined in Phase 1 through primary data (e.g., surveys, interviews)

Tools

[Refinitiv ESG Scores](#) | [FTSE Russell’s ESG Ratings](#) | [B Impact Assessment](#) | [GIIRS](#) | [Impact Measurement – A practical guide to data collection](#) by CDC Group | [Impact-Weighted Accounts](#) | [SASB](#)

Databases

[ESG Book](#) | [IRIS and IRIS+](#) | [GRI Standards](#)

Gap Analysis

Shortly after the start of the project (i.e., following a 2-3 months or up to 6 months period), it is important to undertake a gap analysis, i.e., an evaluation of the project's performance. This allows investors to understand whether the project is performing as planned with respect to the objectives identified in Phase 1. If this is not the case, active measures must be taken to achieve the planned objectives.

Killer questions Are there gaps (related to impact data collection, measurement, management) that need to be filled in order to move the project forward? How would you revise the impact strategy adopted in the project?

Data Short term output measurement

Collection of data Data collected on the project up until the moment of the Gap Analysis

Tools

Theory of Change

Databases -

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Early Communication

Early communication involves the continuous sharing of data about the project's progress with all stakeholders who play an active role in it; the aim is to align all parties and understand potential areas for improvement.

Killer questions How do you share the data collected with your stakeholders to understand areas of improvement? What information are you willing to share?

Data Short term output measurement

Collection of data Data collected on the project until the moment of the Gap Analysis

Tools -

Databases -

Implementation	Data Collection (Short-Term Output Measurement)	Gap Analysis	Early Communication
+ Investor	+ Investor	+ Investor	+ Investor
+ Investee	+ Investee	+ Investee	- Investee
- Final beneficiaries	+ Final beneficiaries	- Final beneficiaries	- Final beneficiaries
+/- Auditors/Advisors	+ Auditors/Advisors	+ Auditors/Advisors	+ Auditors/Advisors
Links	Links	Links	Links
Investor <=> Investee	Investor <=> Investee	Investor <=> Investee	Investor <=> Investee
Investor < > Auditor/ Advisor	Investee <=> Final beneficiaries	Investor < > Auditor/ Advisor	Investor < > Auditor/ Advisor
Investee < > Auditor/ Advisor	Investor < > Auditor/ Advisor	Investee < > Auditor/ Advisor	Investee < > Auditor/ Advisor

Please note: in the table above, the links reflect the dynamic interactions that enable participatory decision-making and feedback loops between different stakeholders, activities and phases. Enabling backward-looking feedback loops allows to control and redefine decisions at the various stages of a project.

- Legenda**
- + The stakeholder has an active role in the activity
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 - <=> The stakeholders must certainly interact with each other
 - <> The stakeholders could interact with each other; however, it is not always the case (e.g., the stakeholder mentioned is not present in the specific investment)



Something I want to highlight is capturing the dynamics of impact investments. This means there are situations where you have, for example, an investor financing a certain type of initiative, and there is a 'fantastic' plan in place. Yet, when you go to execute the plan, the reality is different. As a result, your impact could be very different from the one you planned.

- Oliver Kempton, Social Value UK and Envoy Partnership

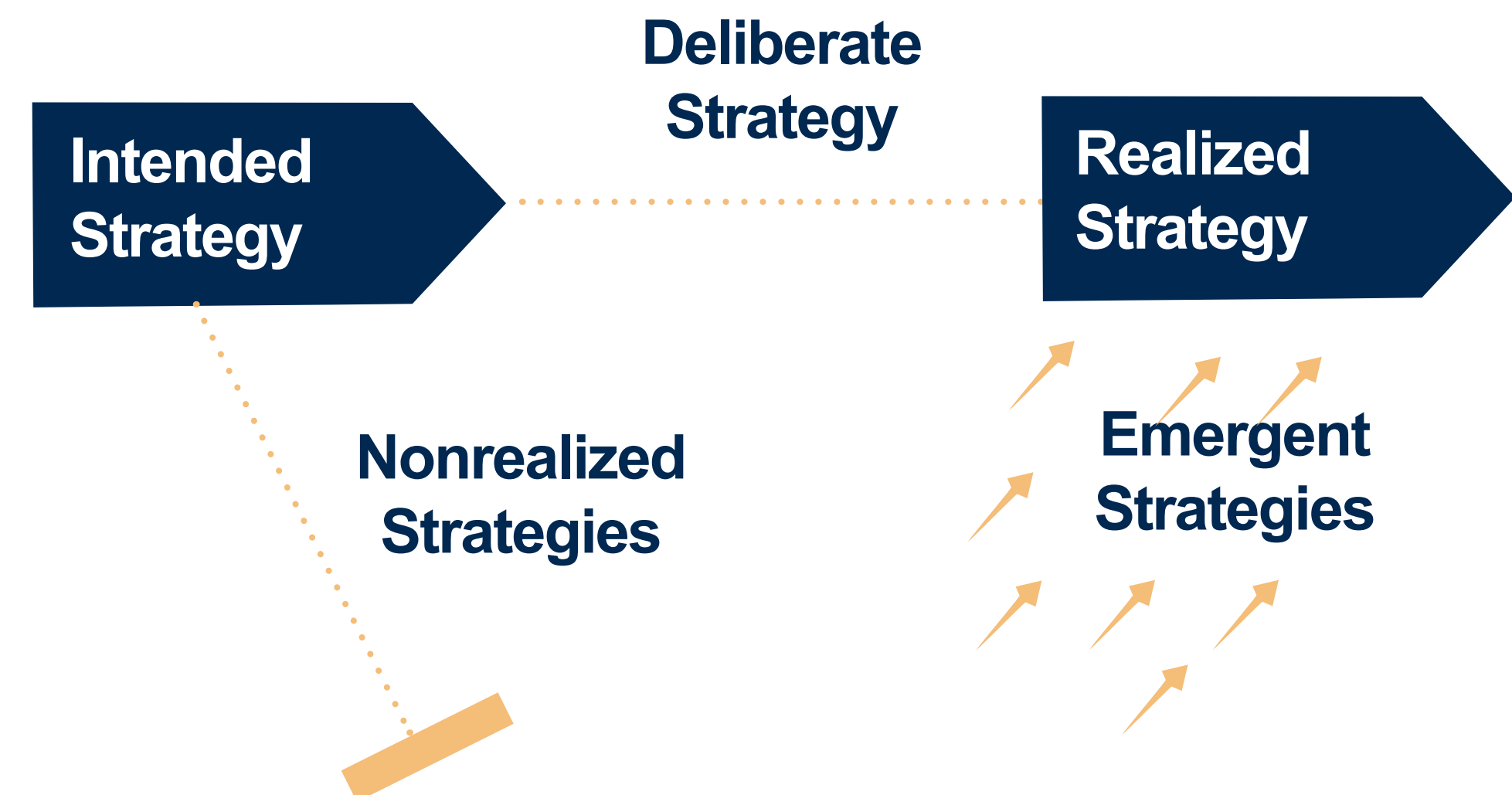
Realised and emergent impact strategy

Intended strategy is strategy as conceived at the initial stage of a project, resulting from a process of negotiation of many actors. In the impact investing field, all the salient stakeholders, including final beneficiaries, should be included in the consultation process.

Realised strategy is the actual strategy implemented, composed of only 10%-30% (deliberate strategy) of the intended strategy. The other 70%-90% is the so-called emergent strategy.

Mintzberg suggests that the emergent strategy is the result of complex processes involving managerial decision-making based on internal but mostly changing external circumstances*.

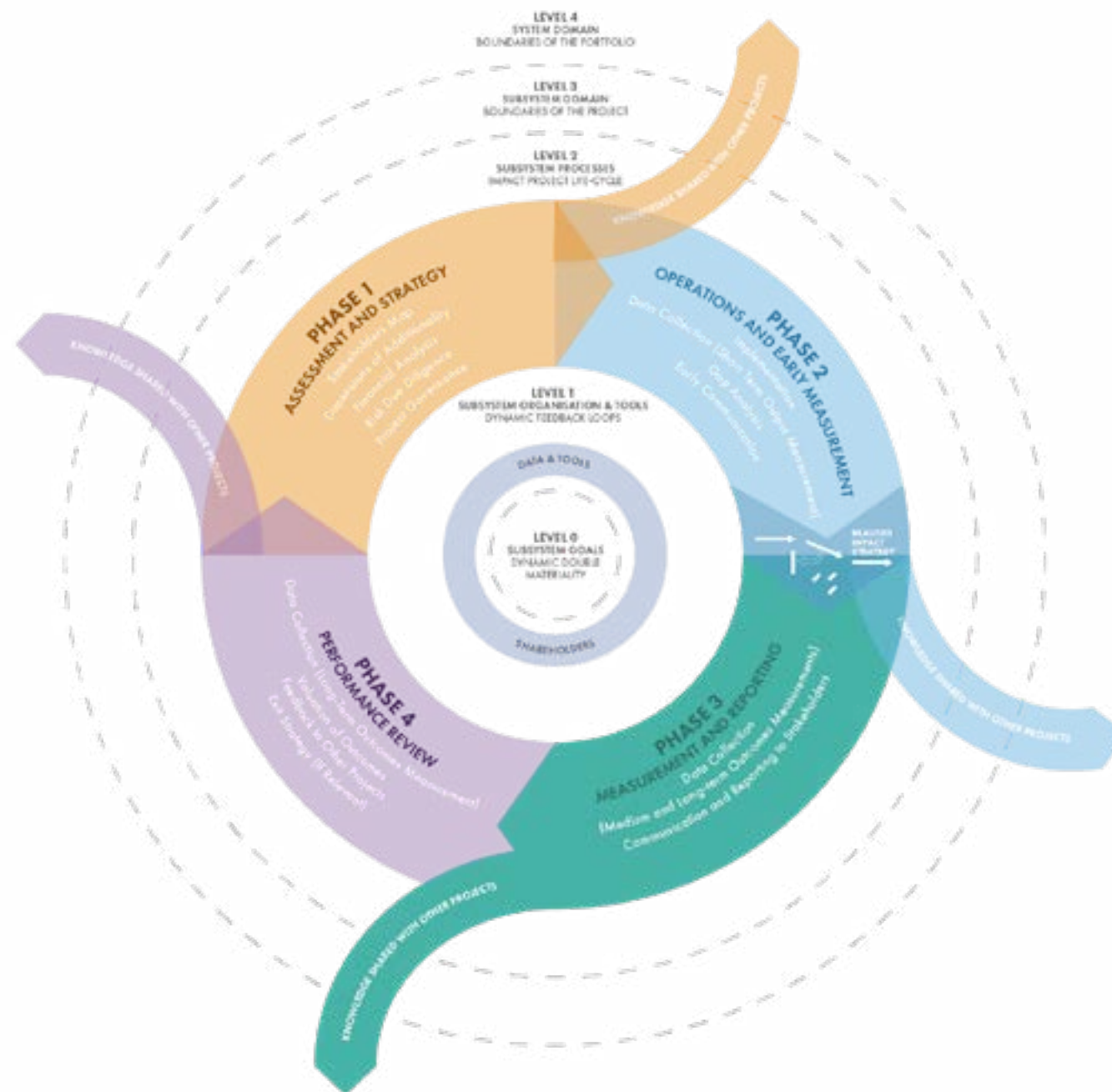
In impact investing, the emergent strategy is usually developed on the basis of feedback from final beneficiaries.



* Source: Mintzberg and Waters, 1985

The IMmPACT Framework

Phase 3: Measurement and Reporting



In Phase 3, the project progresses with the continuous monitoring of activities and the collection of data for impact management and measurement.

Once this execution phase has started and the strategy has been reviewed, data on medium and long-term outcomes are collected and analysed. At this stage, medium and long-term outcomes results are communicated to internal and external stakeholders to ensure transparency and accountability.

Stage-gate: Medium and long-term impact data is collected and evaluated.

Phase 3: Measurement and Reporting

Main stakeholders

Investment managers

At this stage, investment managers ask the investee the necessary information to collect data to proceed with medium-term impact measurement. They are responsible for the communication and reporting to internal and external stakeholders.

Investees

The investee is responsible for providing all necessary information and documentation so that the impact measurement and management process can proceed smoothly.

They have to provide the necessary data to evaluate the pre-determined outcome metrics.

Final beneficiaries

The final beneficiaries are directly involved: in fact, as medium-term data is often collected via surveys and interviews to final beneficiaries, therefore their contribution is fundamental to advance impact measurement.

Independent impact auditors

At this stage, the impact measurement process should be advanced enough to be evaluated by independent impact auditors, who review and verify the measurement process to validate the results achieved.

Independent impact advisors

The role of independent impact advisors is to guide and possibly conduct the impact data collection and analysis, and help the investor draft the communication and reporting documents directed to stakeholders.

Other stakeholders

Investment partners

At this stage, sufficient information should have been collected in order to provide investment partners with substantial information on the investment's performance. In particular, co-investors may be involved in the management of the impact measurement process.

Policymakers

Policymakers can influence the impact project because variations in policy requirements can cause changes within their impact measurement and management strategy.

Data Collection (Medium- and Long-Term Outcome Measurement)

As the project progresses, it becomes possible to assess the changes resulting from the investee's activities for the benefit of the target beneficiaries. The data necessary to carry out outcome measures are therefore collected and analysed.

Killer questions How do you systematise the collection of outcome data? How do you manage potential unexpected externalities – both positive and negative? How do you manage potential negative impacts?

Data Quantitative and qualitative data on medium-term outcomes based on the metrics decided in Phase 1 – Project Governance

Collection of data Updated collection of output metrics defined in Phase 1 | Collection of outcome metrics defined in Phase 1 through primary data (e.g., questionnaires, interviews)

Tools

[Refinitiv ESG Scores](#) | [FTSE Russell's ESG Ratings](#) | [GIIRS](#) | [Impact Measurement – A practical guide to data collection](#) by CDC Group | [B Impact Assessment](#) | [Impact-Weighted Accounts](#) | [SASB](#)

Databases

[ESG Book](#) | [IRIS and IRIS+](#) | [GRI Standards](#)

Communication and Reporting to Stakeholders

At this stage, enough data should have been collected to be able to share the results of the project with all stakeholders. Official reporting is then expected to follow a certain time frame – e.g., every six months or annually.

Killer questions How do you report on the impact project's outcomes and impact? Does a independent impact auditor review your report?

Data Quantitative and qualitative data on medium-term outcomes based on the metrics decided in Phase 1 – Project Governance

Collection of data Updated collection of output metrics defined in Phase 1 | Collection of outcome metrics defined in Phase 1

Tools

[SASB](#) | [GRI Standards](#) | [Integrated Reporting Framework](#) | [Impact-Weighted Accounts](#)

Databases -

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Data Collection (Medium- and Long-Term Outcome Measurement)

Communication and Reporting to Stakeholders

+ Investor

+ Investor

+ Investee

- Investee

+ Final beneficiaries

- Final beneficiaries

+ Auditors/Advisors

+ Auditors/Advisors

Links

Links

Investor <=> Investee

Investor <=> Investee

Investor <=> Final beneficiaries

Investor < > Auditor/Advisor

Investee < > Auditor/Advisor

Auditor/Advisor < > Final beneficiaries

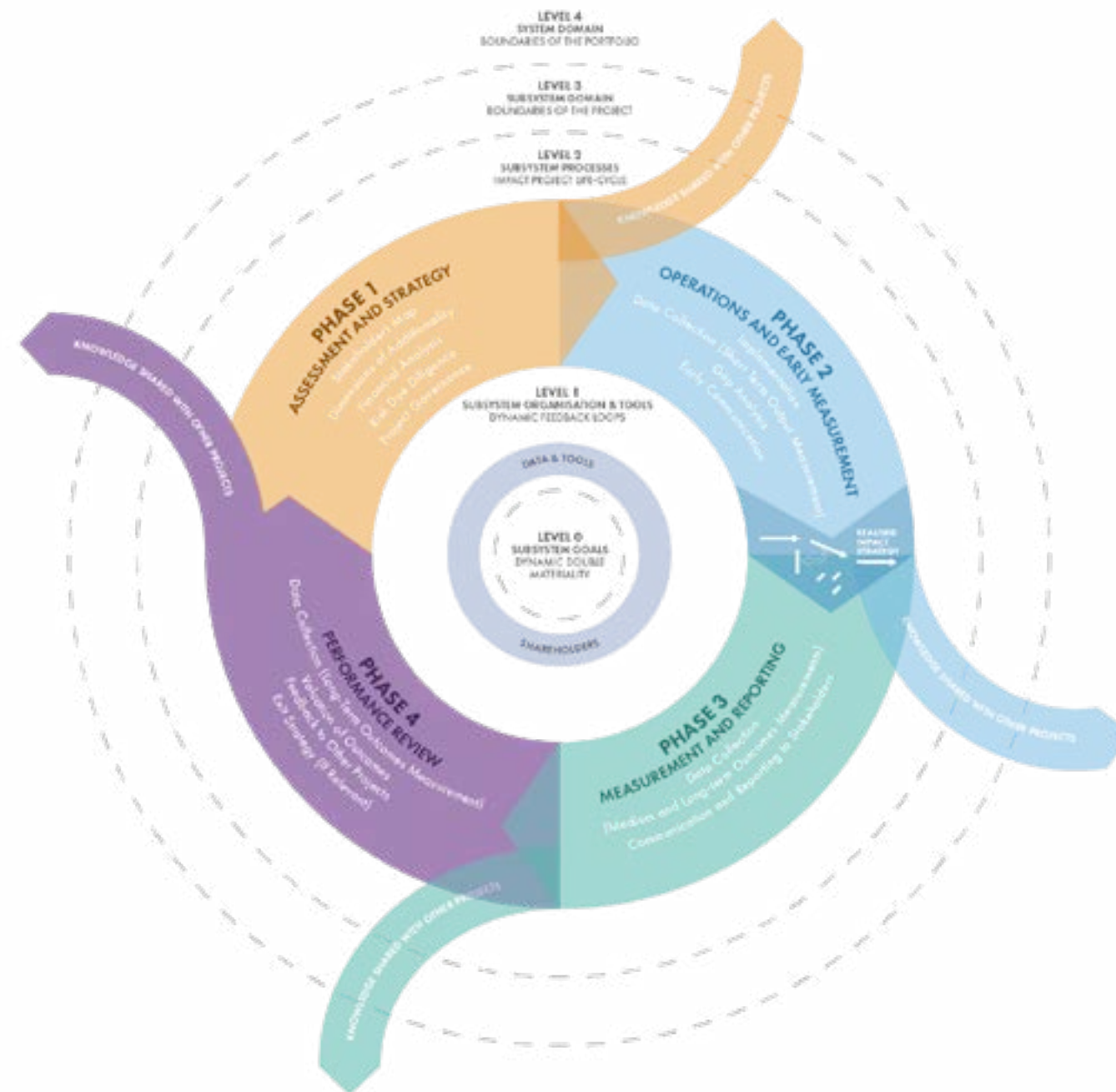
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The IMmPACT Framework

Phase 4: Performance Review



In Phase 4, the project progresses with the continuous monitoring of activities and the collection of data for impact management and measurement.

A final performance review should be carried out before the project terminates and/or once the project has terminated. Once the long-term outcomes have been measured and valued, feedback from the project can be transmitted to others both internally in the portfolio and externally. Such a feedback mechanism is helpful in stimulating the organic growth of the impact investing market, building on the transparency of learning from positive and negative experiences.

Stage-gate: Long term impact data is evaluated and an exit strategy capable of preserving impact is designed.

Phase 4: Performance Review

Main stakeholders

Investment managers

Investment managers ask the investee for the information needed to collect data and to proceed with long-term outcome and impact measurement. At this stage, they need to implement the pre-determined exit strategy, ensuring that it is instrumental in maintaining the impact achieved and potentially to help scale up the business model of the investee company to achieve even more impact.

Investee

The investee is responsible for providing all necessary information and documentation so that the impact measurement and management process can be completed. After the exit, the investee must ensure that the impact achieved is maintained and increased; there are different ways to achieve this objective, e.g., making legal commitments by changing the corporate governance structure to be accountable to all stakeholders, not just shareholders (i.e. as is the case for benefit corporations).

Final beneficiaries must be directly involved; indeed, at this stage a substantial impact on them should have been achieved; it should also be possible to collect data on long-term impact with their involvement, as well as their satisfaction level with respect to the project that is about to end.

In Phase 4, the impact measurement process should be ready to be evaluated by an **external auditor**; instead, the role of the **impact advisor** is to conclude the impact creation process by providing a final measurement. Furthermore, its role can be to assist the investor and investee in a responsible exit process.

Other stakeholders

Investment partners

At this stage substantial information should have been collected in order to provide investment partners with substantial information on the investment performance and, finally, a return on their initial investment. In particular, co-investors may be involved in the management of the impact measurement process and in the implementation of the exit strategy.

Policymakers

Policymakers can influence the impact project because variations in policy requirements can cause changes within their impact measurement and management strategy.

New investors

New investors must ensure that their involvement in the potential continuation of the project is preliminary to maintaining or increasing the impact already achieved.

Data Collection (Long-Term Outcome Measurement)

In the more advanced stages of the project, it is possible to undertake a more long-term outcome measurement. In this way, the medium- to long-term impact of the project on the targeted beneficiaries can be assessed to better understand if the latter have experienced positive changes thanks to the impact project. Finally, impacts (i.e., desired changes at a broader community level) can be assessed.

Killer questions How do you systematise the collection of outcome data? How do you manage potential negative impacts? How to define whether final impact is reached?

Data Quantitative and qualitative data on long-term outcomes based on the metrics decided in Phase 1 – Project Governance

Collection of data Updated collection of output/outcome metrics defined in Phase 1 | Collection of impact metrics defined in Phase 1 through primary data (e.g., surveys, interviews)

Tools

[Impact Measurement – A practical guide to data collection](#) by CDC Group | [Impact-Weighted Accounts](#) | [B Impact Assessment](#)

Databases

[IRIS and IRIS+](#) | [GRI Standards](#)

Valuation of Outcomes

This activity is still not common in impact investing: it concerns the evaluation of the economic value of an impact project, which could be useful in understanding the relative value of changes for people's well-being. Many measurement initiatives are moving in this direction: for example, the Impact-Weighted Accounts Project developed at Harvard.

Killer questions How do you plan to approach the evaluation of the project's economic value?

Data Quantitative and qualitative data on medium and long-term outcomes

Collection of data Collection of outcome metrics defined in Phase 1

Tools

[SROI](#) | [Impact-Weighted Accounts](#)

Databases -

Please note: in the description of activities, some sections are marked with “–”, because either (a) there are currently no specific tools and/or databases for managing those activities, or (b) such activities cannot be managed through tools and/or databases because of their specific nature.

Feedback to Other Projects

A core aspect of IMM is to be able to track all the activities and results of a project, with the objective to uncover both best practices and criticalities. In this way, the impact project can inform similar ones, either within the same investment portfolio or outside, and ensure that they are more effective in achieving intended impacts.

Killer questions Do you provide feedback to other projects in your portfolio/ companies and/or to other stakeholders? If so, how? What are the main learnings, points of improvement, trade-offs and impact gaps identified? How will those be addressed in the future?

Data Quantitative and qualitative data based on the outputs, outcomes and impacts derived from the project

Collection of data Primary data (e.g., surveys, interviews)

Tools -

Databases -

Please note: in the description of activities, some sections are marked with “–”, because either (a) there are currently no specific tools and/or databases for managing those activities, or (b) such activities cannot be managed through tools and/or databases because of their specific nature.

Exit Strategy (if relevant)

An exit strategy is executed by the investor to liquidate a position in a financial initiative. In impact investing, exit strategies are fundamental to preserve a project’s obtained impact. Indeed, responsible exits – i.e., exit strategies that ensure that the impact generated is maintained or increased over time – are key for the integrity of an impact investing initiative. The risks of engaging in irresponsible exits could nullify the results of the whole project.

Killer questions What are the key principles of your exit strategy? How to make sure that the positive impact created by your project lasts?

Data Legal structures and documents with impact incorporated into them (e.g., in Italy, becoming Società Benefit) | Certifications proving the company’s commitment to impact generation (e.g., being B Corp)

Collection of data Legal structures and documents

Tools

Select the right buyer | Impact covenants | Plan for continuity | Impact reporting | Monitor impact after the sale

Databases -

Data Collection (Long-Term Outcome Measurement)	Valuation of Outcomes	Feedback to Other Projects	Exit Strategy (if relevant)
+ Investor	+ Investor	+ Investor	+ Investor
+ Investee	+ Investee	+ Investee	+ Investee
+ Final beneficiaries	+ Final beneficiaries	- Final beneficiaries	- Final beneficiaries
+ Auditors/Advisors	+ Auditors/Advisors	+/- Auditors/Advisors	+ Auditors/Advisors
Links	Links	Links	Links
Investor <=> Investee	Investor <=> Investee	Investor <=> Investee	Investor <=> Investee
Investee <=> Final beneficiaries	Investee <=> Final beneficiaries	Investor < > Auditor/ Advisor	Investee <=> Final beneficiaries
Investor < > Auditor/ Advisor	Investor < > New Investors	Investee < > Auditor/ Advisor	Investor < > Auditor/ Advisor
Investee < > Auditor/ Advisor	Investor < > Auditor/ Advisor		Investee < > Auditor/ Advisor
	Investee < > Auditor/ Advisor		
	Auditor/Advisor < > Final beneficiaries		

Please note: in the table above, the links reflect the dynamic interactions that enable participatory decision-making and feedback loops between different stakeholders, activities and phases. Enabling backward-looking feedback loops allows to control and redefine decisions at the various stages of a project.

Legenda

- + The stakeholder has an active role in the activity
- The stakeholder has a consulting role in the activity
- +/- The stakeholder has either an active or consulting role
- <=> The stakeholders must certainly interact with each other
- <> The stakeholders could interact with each other; however, it is not always the case (e.g., the stakeholder mentioned is not present in the specific investment)



Impact needs to be brought to the heart of our society and take its place at the centre of our economic system.

- Sir Ronald Cohen, author of Impact: Reshaping Capitalism to Drive Real Change

Next Developments:

Where are we heading?

In this report, we presented the first version of our framework and related guidelines for participatory decision making in IMM.

The framework will be refined through an action-research process, i.e., by testing it on a selected group of organisations belonging to the impact investing ecosystem.

In particular, in our guidelines we theoretically hypothesised the dynamic interactions that could enable participatory decision-making and feedback loops between different stakeholders, activities and phases.

In the testing phase, we want to explore the practical functioning of feedback loops among the key stakeholders of impact investments.

We believe this is important to ensure a participatory decision-making process, which is fundamental to foster the virtuous development of the impact investing ecosystem.

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Appendix 1

Glossary

KEYWORD	DEFINITION	SOURCE
Social Impact	The attribution of an organisation's activities to broader and longer-term outcomes, which are in turn defined as the changes, benefits, learnings, or other effects (positive or negative, both long and short term) that result from an organisation's activities. In academic terms, to accurately calculate social impact outcomes should be adjusted for: (i) what would have happened anyway (deadweight); (ii) the action of others (attribution); (iii) how far the outcome of the initial intervention is likely to be reduced over time (drop off); (iv) the extent to which the original situation was displaced elsewhere or outcomes displaced other potential positive outcomes (displacement); and for unintended consequences, which could be negative or positive.	EVPA
Social Value	Social value is the quantification of the relative importance that people place on the changes they experience in their lives. Some, but not all of this value is captured in market prices. It is important to consider and measure this social value from the perspective of those affected by an organisation's work..	Social Value UK
Social Risk	Social risk is the risk related to the achievement of the intended social impact. Concretely, social risk considerations are given by the risk of: not achieving the desired social impact; achieving unexpected impact different from the one aimed at; achieving positive social impact but with unintended negative consequences; achieving unexpected negative impact.	EVPA
Impact Investing	Impact investments are investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return. Impact investments can be made in both emerging and developed markets, and target a range of returns from below market to market rate, depending on investors' strategic goals.	GIIN
Impact Strategy	An impact strategy represents the way in which an investor codifies its own social impact investing activity along three axes: social impact, financial return and risk associated with the achievement of both the social impact and the (eventual) financial return. EVPA identifies two main impact strategies: investing for impact and investing with impact.	EVPA
Investing for impact	Strategy followed by investors that adopt the venture philanthropy approach to support social purpose organisations, maximising their social impact. Their support is mostly non-financial (e.g. adding expertise in impact measurement within an organisation)	EVPA
Investing with impact	Strategy used by investors that have access to large pools of resources and need to guarantee a certain financial return alongside the social impact they aim at generating	EVPA

Impact measurement	The commitment of the investor to measure and report the social and environmental performance and progress of underlying investments, ensuring transparency and accountability while informing the practice of impact investing and building the field	GIIN
Impact management	Monitoring the change created by an organisation's activities, and using the information/data to refine activities in order to increase positive outcomes and reduce potential negative ones (based on measurement).	Adapted from EVPA
Impact reporting	Once the data has been collected and analysed, an organisation needs to consider how to present and share this information. Depending on the stakeholders to whom an investor for impact is reporting, different formats will be required. Investors for impact report to funders on ad-hoc basis and usually make an extensive review yearly, which may be included in an impact report to be shared widely.	EVPA
Impact washing	It is when fund managers or bond issuers overstate or falsely claim an investment's positive impact on the environment or society. This can be a purposefully dishonest claim, an embellishment of the truth, or a mistake due to inadequate impact measurement	Harvard Business Review (Cote, 2022)
Baseline	The baseline is the initial collection of data that describes the state of development of the social purpose organisation when the investor for impact starts investing in it. The baseline serves as a basis for comparison with the subsequently acquired data on the development of the social purpose organisation.	EVPA
Beneficiaries	The people, communities, broader society and environment that a social purpose organisation seeks to reach through its activities. Beneficiaries can be affected positively or negatively by the activities of the social purpose organisation. Beneficiaries can be divided into direct and indirect or primary and secondary, depending on their relation with the benefits.	EVPA
Double materiality	Financial materiality and impact materiality, together under the umbrella of 'double materiality', are the only relevant forms of materiality, with both perspectives needed in a two-pillar structure - for financial and sustainability reporting - with a core set of common disclosures and each pillar on an equal footing.	GRI
Materiality	An assessment made to determine the factors that are relevant, significant and material to include in a true account of the organisation's impact	EVPA

<p>Additionality</p>	<p>An intervention will lead, or has led, to effects which would not have occurred without it. In the impact context, it refers to achieving positive outcomes that are better than what would have happened without the investment. Additionality may result from: growth of new or undersupplied capital markets; provision of flexible capital, accepting disproportionate risk-adjusted returns; active engagement providing a wide range of non-financial services</p>	<p>EVPA</p>
<p>Intentionality</p>	<p>An investor's explicit intention to have a positive social or environmental impact</p>	<p>GIIN</p>
<p>Short, medium and long term horizon</p>	<p>We consider a period of time: Short: 1-2 years; Medium: 2-5 years; Long: 5-10+ years</p>	<p>Authors' elaboration</p>
<p>Stakeholder</p>	<p>Any party that is affecting or affected by the activities of an organisation. The most prominent stakeholders are the direct or target beneficiaries, though stakeholders as a group also includes the organisation's staff and volunteers, its service-users and investees, its suppliers and purchasers and most likely the families of beneficiaries and those close to them, and the communities in which they live.</p>	<p>EVPA</p>

Appendix 2

IMM Tools

B Corp Certification	<p>The B Corp Certification indicates that a company is adhering to strict performance, accountability, and transparency criteria in areas such as employee perks, charity giving, supplier chain processes, and input materials.</p> <p>Focus: Certification Source: bcorporation.net</p>
B Impact Assessment	<p>The B Impact Assessment provides a score to measure a company's social and environmental performance, both as a whole and in key impact areas. The scoring within the B Impact Assessment is designed to enable comparability and to identify and monitor opportunities for improvement over time.</p> <p>Focus: Measurement, management, and reporting Source: bimpactassessment.net</p>
CERISE Social Business Scorecard	<p>The Social Business Scorecard serves as a self-evaluation instrument designed for social businesses, enabling them to gauge their performance in relation to key principles essential for a socially focused organisation.</p> <p>Focus: Measurement and management Source: cerise-spm.org</p>
EVPA's Practical Guide to Planning and Executing an Impactful Exit	<p>This guide includes a five-step action plan for impact investors planning an exit. It explores all the issues and decisions VP/SI and SPO professionals need to consider and decide when developing and executing a social impact exit.</p> <p>Focus: Management Source: evpa.ngo</p>
EVPA Five-Step Process	<p>The EVPA Five-Step Process provides guidance on how to implement impact measurement in five easy-to-understand steps.</p> <p>Focus: Measurement and management Source: evpa.ngo</p>
FTSE Russell's ESG Ratings	<p>The FTSE Russell's ESG Ratings' objective is to comprehend a company's exposure to and management of ESG concerns. They are made up of an overall Rating that is broken down into underlying Exposures and Scores for Pillar and Theme. The Pillars and Themes are based on more than 300 distinct indicator analyses that are tailored to the conditions of each firm.</p> <p>Focus: Management and rating Source: ftserussell.com</p>

GIIRS (Global Impact Investing Rating System)	<p>The GIIRS assesses the social and environmental impact of companies and investment portfolios, providing a rating similar to Morningstar’s investment ratings or S&P credit ratings. Focus: Measurement and certification Source: authors’ elaboration</p>
GRI (Global Reporting Initiative) Standards	<p>GRI standards allow any organisations to understand and report on their impact on the economy, the environment and people in a comparable and credible way, thereby increasing transparency on their contribution to sustainable development. Focus: Measurement, management, and reporting Source: globalreporting.org</p>
Impact-Weighted Accounts (IWA)	<p>Harvard’s IWA is a tool aimed at driving the creation of financial accounts that reflect not only a company’s financial performance, but also the social and environmental one. Focus: Measurement and monetisation Source: authors’ elaboration</p>
IFC’s Risk Culture, Risk Governance, and Balanced Incentives Handbook	<p>This handbook analyses how risk culture, governance and incentive mechanisms within financial institutions influence risk management effectiveness and capacity, with the aim of providing new insights for financial institutions in emerging markets, by defining specific factors that are indicators of culture, governance and incentives in an effective risk management framework, establishing a “maturity matrix” to compare these factors and identifying gaps. Focus: Management Source: ifc.org</p>
Impact Frontiers’ Five Dimensions of Impact	<p>The Five Dimensions of Impact framework developed by Impact Frontiers (previously Impact Management Project) help enterprises, investors, and fund managers in understanding the portfolio’s and individual investments’ impact performance. Focus: Internal management Source: authors’ elaboration</p>
Impact Measurement - A practical guide to data collection by CDC Group	<p>This document offers an introduction of the tools and techniques for efficient and well-designed data gathering for impact assessment and management to investors, corporations, and private sector development practitioners. Focus: Measurement and management Source: assets.cdcgroup.com</p>

<p>Impact Risk Classification (IRC)</p>	<p>The Impact Risk Classification (IRC) is a framework that enables comparison of impact practices across investments, setting out standards of impact measurement and reporting and encouraging impact reporting transparency. Focus: Management Source: thinknpc.org</p>
<p>IRIS & IRIS+ by GIIIN (Global Impact Investing Network)</p>	<p>IRIS metrics are designed to measure the social, environmental, and financial performance of an investment. IRIS+ provides guidance and key metrics (performance indicators) to support the use of reliable and comparable impact data. Focus: Measurement, management, and reporting Source: betterevaluation.org</p>
<p>MSCI ESG Ratings Methodology</p>	<p>The MSCI ESG Ratings Methodology documents describe the calculations, data inputs, and processes followed by MSCI ESG Research to maintain ESG methodologies. Focus: Management Source: msci.com</p>
<p>Refinitiv ESG Scores</p>	<p>Based on publicly accessible and auditable data, Refinitiv ESG ratings are intended to clearly and impartially assess a company's relative ESG performance, commitment, and effectiveness across 10 key areas. Focus: Measurement Source: refinitiv.com</p>
<p>SASB (Sustainability Accounting Standards Board)</p>	<p>SASB has developed a complete set of 77 industry standards, providing a complete set of globally applicable industry-specific standards which identify the minimal set of financially material sustainability topics and their associated metrics for the typical company in an industry. The standards are explained graphically through a Materiality Map. Focus: Rating Source: authors' elaboration</p>

<p>SDG Impact Standards</p>	<p>The SDG Impact Standards are voluntary internal management standards designed to help businesses and investors embed sustainability and the SDGs into their management systems and decision-making practices. Focus: Internal management Source: sdgimpact.undp.org</p>
<p>SDGs Targets and Indicators</p>	<p>SDGs' targets and underlying indicators provide an overview of all the 17 Sustainable Development Goals; each Goal has some targets to achieve, which can be measured through the respective indicators. Focus: Measurement and reporting Source: authors' elaboration</p>
<p>SROI</p>	<p>SROI, which stands for Social Return on Investment, is a framework used to evaluate and quantify the social impact of an investment or intervention. Unlike traditional ROI, which focuses solely on financial returns, SROI takes into account the broader social and environmental benefits generated. The SROI process involves identifying and measuring the outcomes, assigning financial values to those outcomes, assessing the impact, and calculating the ratio of social value created to the cost of the investment. It enables organisations and investors to better understand and communicate the social value they create, facilitating informed decision-making and resource allocation. Focus: Measurement, management and reporting Source: authors' elaboration; betterevaluation.org/methods-approaches/approaches/social-return-investment</p>
<p>Sustainalytics ESG Risk Rating</p>	<p>The ESG Risk Ratings from Sustainalytics are created to assist investors in identifying and comprehending financially significant ESG risks at the securities and portfolio level. To this purpose, the ESG Risk Rating quantifies an issuer's exposure to significant, sector specific ESG risks as well as how those risks are managed. Focus: Management and rating Source: connect.sustainalytics.com</p>
<p>Theory of Change</p>	<p>A Theory of Change is a thorough explanation of how and why a desired impact is expected to occur in a specific setting. It achieves this by first defining the intended long-term objectives, then working backward from these to determine all the prerequisites (outcomes), together with their causal relationships, that must be met in order for the goals to materialise. Focus: Measurement and management Source: authors' elaboration</p>
<p>The Impact Due Diligence Guide by PCV</p>	<p>This report summarises the results of interviews with leading practitioners, IMM experts and consultants, and is based on extensive desk research on the development of impact due diligence systems for impact products. It uses the Impact Frontiers' 5 dimensions for understanding and assessing impact. Focus: Measurement and management Source: pacificcommunityventures.org</p>

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