

Responsible Finance for Digital Inclusion: Investing for Impact Washington, DC | April 3-4, 2019

Session Date & Time: April 3, 2019, 11:15-12:15

Title: How can investors measure and manage impact for financial inclusion and progress toward SDGs?

Moderator: Anna Kanze, Managing Director, Grassroots Capital Management

Panelists:

- Kelly McCarthy, Director, Global Impact Investor Network (GIIN)
- Cécile Lapenu, Executive Director, CERISE

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- Anna Kanze (Grassroots Capital Management) started by saying the characteristics and shared identity that we hold in being impact investors is much more than having the *intent* for positive impact. It is about *managing* impact, which requires evidence and having more than the intent to do so. This session will talk about complementary tools for investors to manage and measure impact for financial inclusion and progress towards the SDGs. The SDGs are lofty and ambitious goals, and they require a common language through consensus.
 - Introduced panelists
 - GIIN was built to develop the core metric sets that are a part of IRIS plus, a taxonomy for talking about metrics – Kelly will touch on this
 - Kelly McCarthy (GIIN) noted that there's often confusion about how all these tools fit together. There are more than 150 methods and tools that exist to help you manage impact. There are a lot of organizations operating in this space. The one thing that will comfort people, is that those of us who do this work often, are trying to collaborate and harmonize. We are all working together.
 - The GIIN is about 10 years old. IRIS was initiated at the same time. The idea was that we need a common catalogue of metrics from which to pull so that people who are trying to measure are at least using the same data point so we can achieve the same conversation. If you care about comparability, how you measure any given data point is important; comparability matters.
 - For financial inclusion, what are the core things that really matter to help me understand how I'm performing against my goals? People want a curated list and best practices. They seek the simplicity on the other side of complexity. They wanted core metrics.
 - With IRIS, we've worked hard to bring these questions into one place and worked with others to draw in that curated list so that there's an access point on some of those more nuanced questions. There are a number of industry organizations we've been working with.
 - We have worked with few thousand stakeholders since 2017 to help inform our work.

- The major feature of basic foundational principles within IRIS+ is that everything you'll get is through evidence-based support. We've looked at RCTs and case studies to find the evidence base we use.
- IRIS stakeholder engagement
 - Work in this space is not conceptual. Rather, it is built on research and practice. Stakeholders come from deep areas of expertise to balance practicality with accuracy. GIIN works with evaluators who can street-test what we are doing.
 - Through the IRIS+ working group, GIIN has worked with more than 50 coordinated global initiatives. There are a number of initiatives that have a specific focus on a particular issue such as biodiversity and environment or housing. It is important to ensure coordination at these levels as well.
- GIIN recently held a public comment period for its core metrics sets. The next is on 'Usage Guidance.' The group provided a lot of valuable feedback on financial inclusion. If you're interested in looking at the rest, she can provide you with that additional information.
- GIIN is launching IRIS+ in May. We are imagining a guided system that asks you questions based on who you are to help guide you. (Why are you here? What do you care about? Do you care about the SDGs or specific investment themes?) Based on a few questions, we get you to a curated list of resources that you need.
- This is pushing past the high-level focus. These tools may exist in the form of evidence kits, stress-test strategies, or case studies to present. There will be new content that is generated continuously on a rolling basis.
- Anna asked Kelly about next steps for IRIS+.
 - Kelly said the holy grail we always ask for are benchmarks. Alongside this work, we have been piloting two performance studies to stress-test: one focused on housing and the other focused on clean energy. Both asked how we are doing against our own strategies and goals and how are we doing against market expectations. Those two studies will form the basis of ongoing work we are doing to everyone. These are pilot projects that allow others to create benchmarks and develop solutions to achieve a better understanding of performance for internal and external management purposes, as well as for industry purposes.
- Next, Cécile Lapenu (CERISE) said over the past few years, there was demand from partners and the SPTF Social Investor Working Group to determine how we can measure our contributions to the SDGs at a micro-level.
 - It's a coherent and unifying framework at the international level. However, people have expressed discontent because it is difficult to operationalize the SDGs at the micro-level. How can we, with the IRIS framework and what we try to collect make sense all of this?
 - CERISE proposed a simple framework to allow social enterprises and FSPs to use the SDGs and measure their contribution to their achievement. The result was the MetODD-SDG tool, which:
 - Covers 16 out of 17 SDGs and 73 out of 169 targets useful for mission-driven organizations
 - Is simple and has a limited number of operational indicators adapted to most situations

- Is aligned with international standards, including IRIS+
- Has indicators structured into 6 categories, from simple to more complex
- Goes beyond typical reporting to capture outcomes and impact (linked to macro-level indicators)
- We are advising to work on SDG 8, economic development, and sometime on SDG 1, the reduction of poverty, but we know that evidence is lighter. It's also focusing on SDG 2, which deals with nutrition.
- Indicators are organized based on 6 categories (Global Outreach; Product; Access; Satisfaction; Outcome; Impact) organized along the impact chain. You can choose a few key indicators which can help you become standardized.
 - CERISE tested with an MFI in India. It appears very simple, but when you ask a question for a client, it can be tricky. For product, it takes indicators from the IRIS catalogue. For satisfaction, some key standards appear, and there's a simple tool to measure client satisfaction, which can be benchmarkable.
 - If we use the SDG framework, you can compare your new outreach with financial inclusion at the national level or compare your health with food security at the national level. We're not providing impact, but we're aligning the frameworks at the national level with the level of financial service providers. You as an investor can have a portfolio of data that can be compared at the national level.
 - Next steps:
 - A test lab to
 - Respond to the demand from partners to exchange on their experience and reporting
 - Define guidance for organizations to better navigate the SDG framework and targets
 - Continue testing MetODD-SDG as an outcome management and reporting tool
 - Build capacity to collect and analyze beneficiary-level data using lean, operational survey methods
 - Work with investors to analyze data and guide their investees toward the SDGs, aggregate data, and report on their overall contribution.
 - What is the mission of each organization they want to reach? We need to continue testing this as a reporting tool and collect information at a client level. This will help financial service providers better use the data they have and utilize indicators for their clients.
 - Action Group with the e-MFP, including members of the SIWG.
 - Direct support by CERISE to organizations interested
 - Standardization, speaking the same language. Guiding practitioners to reach our social objectives and SDGs.
- Anna said the tools are useful, and this builds on the SPI4. How does that occur in practice?

- Cécile said the objective on the SPI4 was how to measure impact. How can we measure impact? It is very complex. With the SPI4, we have been working on the responsibility of the financial service providers to have best practices. It's assessing management practices. The remaining questions, after the SPI4, are about results. With MetODD, we're going a step further to measure impact on or outcomes for the beneficiaries at the local level. To me, they are two complementary tools.
- Darnet said Incofin provided feedback on IRIS+ and the Met-ODD. Both tools are very interesting and helpful, especially as we're in the process of setting up outcome dashboards for equity partners. But they both seem similar in many ways. I'm not understanding when I should be using IRIS+ and when I should use the Met-ODD. When should I use each one in different circumstances? Are there times when one tool is preferred over the other?
 - Kelly said that if you're thinking broadly and have a diverse portfolio, I would start with IRIS+ . You get higher-level principles and information organized according to five dimensions. It's the on-ramp to digging in deeper to particular areas until you get to the assessments on specific areas. If you want to drill in more deeply on a core metric set, this can help. You can look to tools that are producing analytics or best practices on assessment or thinking about this point on SDG outcome mapping. We say, "And now, go to MetODD-SDG." Think about it in those terms.
 - MetODD has a limited number of indicators. We've tried to be as operational as possible, so that it's practical for social businesses and FSPs. That can be the basis that any investor can collect. IRIS+ is to understand the broad situation, and if you want to go more in depth on financial inclusion, go to MetODD.
- Anna said that outcomes are happening at the level where investments are. It's a lot of data, and it might be a bit overwhelming. The MetODD is helping drill down.
 - Cécile said CERISE received general feedback before we finalized the list. We asked financial service providers and social businesses what indicators they could provide.
 - They feel comfortable with providing access information for the first indicators.
 - They do not necessarily have the information on MIS so they just have to adapt.
 - The way the clients can understand it is tricky. We've worked with partners to see how we can phrase the question so it makes sense.
 - For outcomes, people are afraid at first. You still have to convince them how it makes business-sense to be collecting this information.
 - Kelly said GIIN conducting two performance studies. At the end of the day, what does performance look like within housing and what does performance look like within clean energy? We're using core metric sets that have been used within the system. We did broad outreach to investors that have fairly robust portfolios and have a bit of a track record in those two areas. We picked housing and clean energy because they have social and environmental areas, and there has been a lot of work done in the evidence side. We have research-based information established.

- The research base that has been built helps us understand the ingredients that make a housing product work. Is it better if it's mixed use? We want to make sure these things are trackable from the investor side and management perspectives.
- We'll describe the performance as we see it based on this information and see what the gaps in data are. Based on this information, what does the investor community think we need in terms of arriving at benchmarks?
- Lucia Spaggiari (MFR) noted that in 2016, SPTF released a set of guidelines for investments on outcomes management. It's available on the SPTF website.
- Loïc de Cannière (Incofin) said that microfinance institutions become more digitized and capture data from their clients, they could also capture data that is outcome-related as well. However, this requires the joining of action among all lenders to collect data on all clients. We encourage you to capture the outcome data for clients.
- Loïc asked, coming from the old school of statistics and RCTs, how do you look at this and see equality between outcome and impact?
 - Cécile said she has two answers. At an investment level, we cannot measure this from the FSP point of view, but we have to find ways to measure reasonable outcome. Many academics will tell you it's not reliable. But we have to find another way to measure reasonable outcome.
 - We charted the key outcome indicators from SPTF. Also, we're drawing from evidence to identify which outcome can be the real outcome of FSPs. That's how to choose the outcome.
 - The other step we have tried with MetODD and the SDGs: Why not try comparing the outcome results with the macroeconomic data that will be collected with the same framework? It will put your outcome results into context.
 - Digitalization is a great step for more outcome data and standardization of indicators to collect at the social business/FSP level.
- Anna asked a question to Kelly: It can be useful to compare to national benchmarks. Even if you're not proving impact, it could be helpful to have this data to use in other decisions. In these two studies, will you be revising the IRIS metrics for those sectors?
 - Kelly said that if it turns out a category of information is not useful, it begs the question of, "Why are we measuring this?" On the other side, we may find something where there is a gap. Also, yes, context matters. Just because we talk about housing doesn't mean we can generalize study results across the world for the outcomes and what we are trying to achieve. There's no point in trying to generalize things. If we learn in the study that contextualizing factors aren't telling us anything, we know we need to come back and tweak. Simplification is a key so you don't have to go through all this.
 - IRIS+ is a standard in evolution. There's a lot we still need to learn about what affects a particular outcome.