Impact Measurement

Approach of the CFC


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"Not everything that can be counted counts, and not everything that counts can be counted."

Albert Einstein, (attributed)

Impact Investing

- Impact Investing can leverage the power of capital markets to help the society to address some of its most challenging problems
  - The industry is gaining more supporters each year

Assets under management - USD Billion
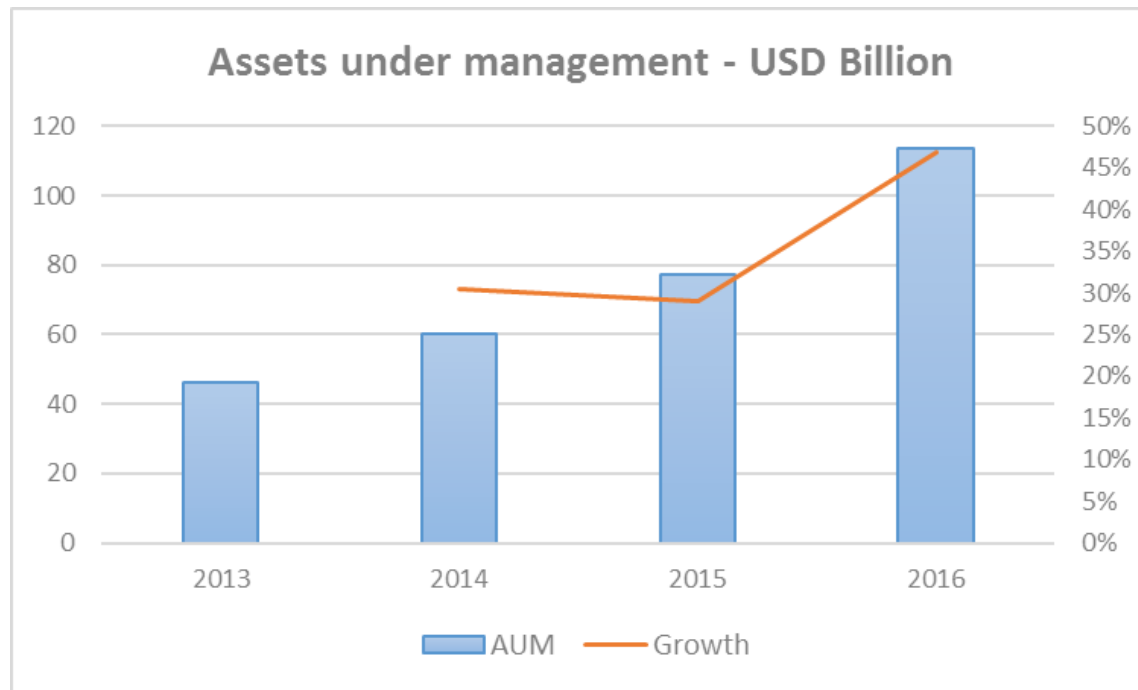
Why measure?

- The same rigor applied to measure the financial return should be used to impact measurement
  - More effective investments => more impact
    - Analysis by
      - Asset classes
      - Sectors
      - Regions
      - Management practices
  - More reliance => Attract more capital to the sector
  - Valuable tool for the companies => more impact oriented approach

CFC's Impact Framework

CFC's Impact Framework

- Broad scope

- Easy to understand

- Universal
    - Used by private companies, investors, civil society, and government alike

CFC's Impact Framework

CFC's Impact Framework

Commodities through gender lens

- The selection of the priority SDGs **doesn't** mean exclusion of the others
    - Commodity issues are relevant to all SDGs
- Gender issues, for example, figure prominently in all commodity projects and are taken in consideration during the CFC analysis of its investments
- The commodity sector has the potential to develop new and powerful initiatives, contributing to the SDG5

How to measure?

- Despite its broad scope, it can be challenging to report Impact Measurement using the SDG framework
    - The monitoring of the targets is done on a national and on a global level
    - There is not an official guideline for the private sector and the civil society to report on their work related to the SDGs

Goal 1. End poverty in all its forms everywhere

1.1.1   Proportion of population below the international poverty line, by sex, age, employment status and geographical location (urban/rural)

1.2.1   Proportion of population living below the national poverty line, by sex and age

1.2.2   Proportion of men, women and children of all ages living in poverty in all its dimensions according to national definitions

1.3.1   Proportion of population covered by social protection floors/systems, by sex, distinguishing children, unemployed persons, older persons, persons with disabilities, pregnant women, newborns, work-injury victims and the poor and the vulnerable

1.4.1   Proportion of population living in households with access to basic services

1.4.2   Proportion of total adult population with secure tenure rights to land, with legally recognized documentation and who perceive their rights to land as secure, by sex and by type of tenure

1.5.1   Number of deaths, missing persons and persons affected by disaster per 100,000 people[a]

1.5.2   Direct disaster economic loss in relation to global gross domestic product (GDP)[a]

1.5.3   Number of countries with national and local disaster risk reduction strategies[a]

How to measure?

- How to convert the SDG framework in specific indicators?

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- Developed in 2008 by some of the impact investment industry leaders
  - Since 2009, IRIS has been managed by the GIIN
- Set of common metrics for reporting the performance of impact capital
- Online Platform
  - Catalogue with more than 500 metrics
    - Updated every two years
  - Simple definition of each metric, with instructions of how the organizations should report them
- 62% of the impact investors interviewed by the GIIN said they use IRIS as a tool of reporting their impact
- As 2017, more than 5,000 organizations were using the IRIS system

How to measure?

- The IRIS catalogue
    - Standardized metrics
    - Common language for impact investor to report on their impact
    - Increases the reporting credibility
    - Facilitates the communication of the results to different stakeholders

Average Client Agricultural Yield: Total (PI3468)

Average agricultural yield per hectare of clients (who were farmers) of the organization during the reporting period.

Agriculture   Clients

[ID: PI3468]   Remove bookmark 🔖

Average Client Agriculture Yield: Smallholder (PI9421)

Average agricultural yield per hectare, of clients (who were smallholder farmers) of the organization during the reporting...
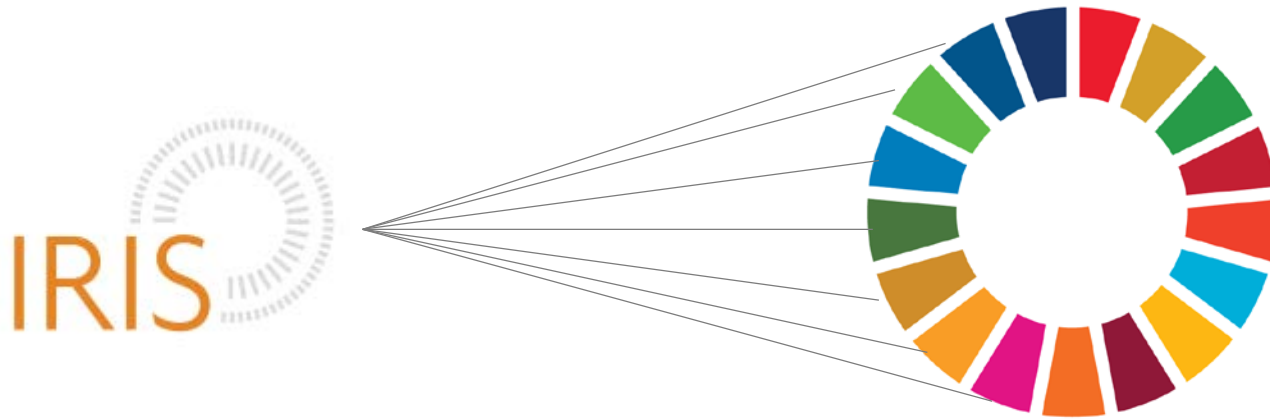
Agriculture   Clients   Poverty Level

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How to measure?

- Integrating IRIS with the SDGs
  - The CFC selected the most relevant IRIS metrics for each SDG
 - A case-by-case analysis will be conducted for each new project

How to measure?

- Example of IRIS metrics: SDG1 – No poverty

IRIS Metric	Definition	IRIS Metric	Definition
Client Individuals: - Very Poor (PI9835) - Poor (PI3193) - Low Income (PI7098) - Total (PI4060)	Number of unique very poor, poor, low income and total individuals who were clients of the organization during the reporting period.	**Supplier Individuals:** - Very Poor (PI8337) - Poor (PI2242) - Low Income (PI8819) - Total (PI5350)	Number of very poor, poor, low income and total individuals who sold goods or services to the organization during the reporting period.
Distributor Individuals: - Very Poor (PI9113) - Poor (PI9516) - Low Income (PI2125) - Total (PI2758)	Number of very poor, poor, low income and total individuals who served as distributors of the organization's products/services during the reporting period.	**Payments to Supplier Individuals:** - Very Poor (PI9048) - Poor (PI7815) - Low Income (PI8999) - Total (PI1492)	Value of payments made by the organization to very poor, poor, low income and total individuals who sold goods or services to the organization during the reporting period.
Earnings of Distributor Individuals: - Very Poor (PI5391) - Poor (PI3962) - Low Income (PI2594) - Total (PI4881)	Earnings generated by very poor, poor, low income and total individuals distributors from selling the organization's products/services during the reporting period.		

Impact

- Output vs Outcome vs Impact
  - The IRIS metrics assessment must be complemented with the companies (and its stakeholders) context
    - Stand-alone numbers cannot by themselves indicate positive or negative social value, or necessarily be compared across companies or products
  - This strategy will be complemented with more detailed evaluations
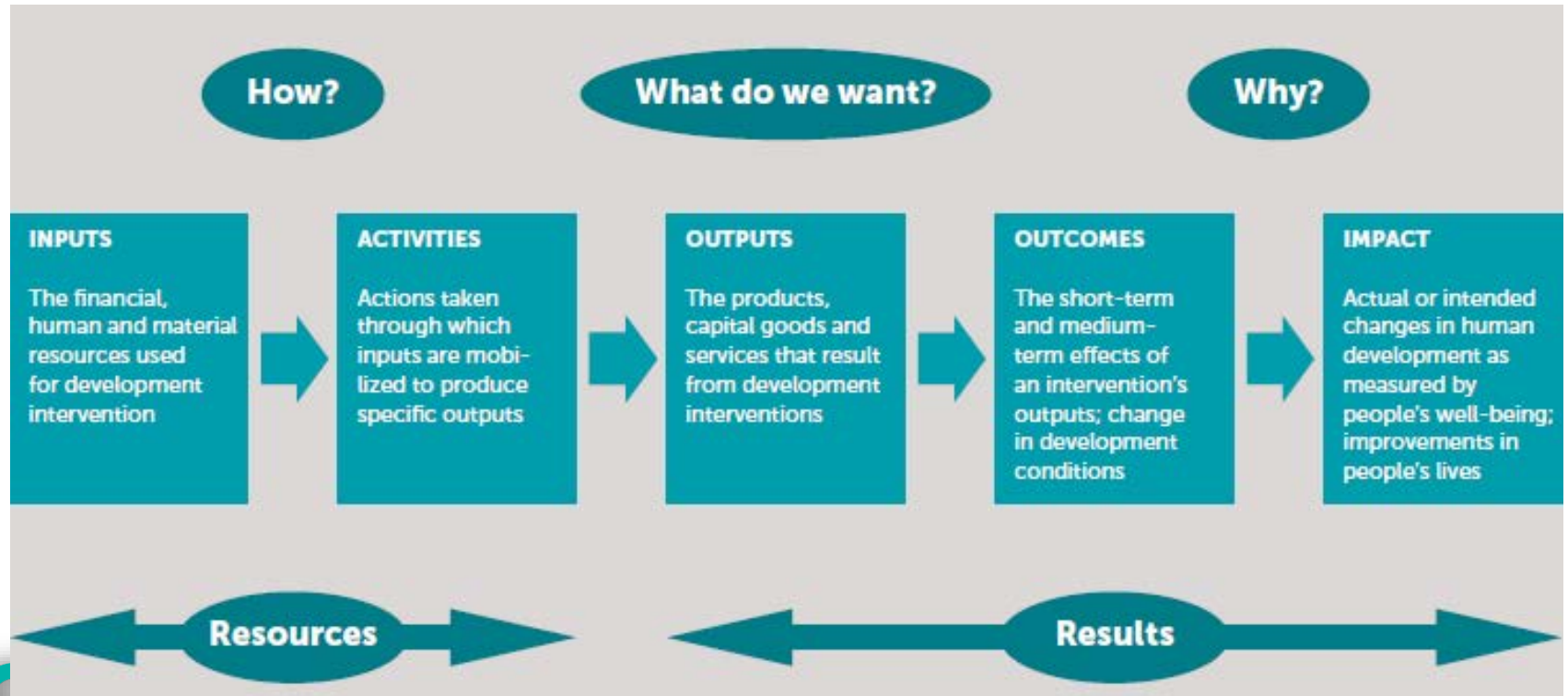
Conclusion

- Consistent and credible impact measurement is the greatest issue for the growth of impact investing industry

- Given the variety of impact indicators, it is clear that for each of the CFC projects, a concise and informative set of standard indicators could be identified and included

- The interpretation of the IRIS metrics should be complemented with the analysis of the local context

CFC common fund for commodities

Thank you!

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