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GUIDELINES ON OUTCOMES MANAGEMENT FOR INVESTORS

Number 10, October 2016

By Lucia Spaggiari, MicroFinanza Rating in collaboration with the e-MFP Social Performance Outcomes Action Group

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EUROPEAN MICROFINANCE PLATFORM

NETWORKING WITH THE SOUTH

SocialPerformance TASK FORCE

EUROPEAN
MICROFINANCE
PLATFORM

NETWORKING WITH THE SOUTH

GUIDELINES ON OUTCOMES MANAGEMENT FOR INVESTORS

Guidelines for integrating outcomes measurement, analysis, and reporting into the operations of inclusive finance investors, asset managers, and other funders

European Dialogue Number 10, October 2016

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Foreword

Metrics.

The word often sounds academic, statistical, tedious. And yet, metrics can also be valuable in helping to understand and define our lives. Given our technical advances, the analysis of metrics today has the potential to be especially insightful and powerful. In this context, what we choose to measure is critical.

Social investors pursuing double-bottom line returns have for years faced this seemingly inexorable problem: the data on financial performance are clear, but the data on social performance are inadequate or simply absent. The financial bottom line is the result of a 150-years of evolution in accounting practices, ensuring that what is reported is consistent and comparable across companies and industries. The far more recent social bottom line began as a "gut" metric – if it FEELS good, it probably IS good. Over the past decade, social performance in microfinance and financial services has evolved, so that feelings have become increasingly supported by more structured metrics. Metrics focused on institutional behavior have also become increasingly standardized, so that outsiders can reasonably compare the social performance intentions of different institutions.

The big gap that has remained is measuring the result of those intentions. What are the outcomes for clients of a given institution's social performance efforts? Developing a standardized set of such outcomes metrics is one of the goals of the SPTF Outcomes Working Group, which over the past year, has developed a preliminary list of harmonized outcome indictors in several outcome areas, and is now launching a pilot of those indicators in order to test and refine the list . Meanwhile, the social investors active in that group have been experimenting in collaborating with their many investees to develop reporting strategies that are most effective at facilitating the reporting of social performance outcomes consolidated across multiple investments.

These pioneering social investors – many of them members of SPTF, e-MFP, or both – have come together through the e-MFP Social Performance Outcomes Action Group to pool their experiences implementing, collecting, and reporting on social outcomes indicators. What emerged from this work is not a prescription for a standard reporting methodology ready for broad-based adoption – we are not there yet. But these guidelines, which describe the processes put in place thus far by some of the most engaged investors, represent a major advance toward bringing the second-bottom line up to the level of its 150-year-old sibling. Simply put, this is a must-read for any social investor active in financial services.

A big thanks to the participating investors, whose critical efforts have laid the foundation for these guidelines. And a huge, hearty thank you to Lucia Spaggiari, who did the seemingly impossible – pulling these complex and highly diverse efforts and weaving them into a lucid, clarifying framework for all to use.

Laura Foose,
Social Performance Task Force
Washington, DC

Christoph Pausch,
European Microfinance Platform
Luxembourg

Preface

The Outcomes Working Group

Founded by the Social Performance Task Force (SPTF) in October 2014, the Outcomes Working Group (OWG) seeks to identify and share good practice in all areas of measurement, analysis, and reporting of outcomes data, and to promote improved management of outcomes by different stakeholders worldwide. The OWG identifies good practice through review of secondary material, in-depth stakeholder interviews, case studies, and an interactive webinar series that shares financial service provider (FSP) experience. All OWG materials are available from the SPTF website: http://sptf.info/working-groups/outcomes.

e-MFP Social Performance Outcomes Action Group

The European Microfinance Platform (e-MFP) formed the Social Performance Outcomes Action Group in partnership with the Social Performance Task Force, in response to demand from responsible investors and other stakeholders who are becoming more engaged with outcomes management and reporting by their investees, and who are requesting systematic and comprehensive outcomes data. This action group facilitates peer learning and explores the role that investors can play in encouraging and supporting outcomes management for data that can not only be reported 'out' to funders, but also contribute 'in' to FSP decision making.

Taking this work forward

We invite you to share your own experience with measuring and managing client outcomes data, or working with your partners to engage in outcomes management. We also invite you to read the following two resources: 1) Making the Case for Outcomes Management to Financial Service Providers, which sets out the examples we have to date of how FSPs have used client outcomes data to strengthen their own performance, both financially and socially, and 2) Guidelines on Outcomes Management for Financial Service Providers, which details the ten key steps to implementing strong outcomes management. Please email info@sptf.info to join our conversation!

Acknowledgements

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Quotations are reported to provide unfiltered views of esteemed colleagues, but they do not necessarily reflect the opinions of the person's organization.

Acronyms

ANDE	Aspen Network of Development Entrepreneurs
BBVAMF	Banco Bilbao Vizcaya Argentaria Microfinanzas Fundación
e-MFP	European Microfinance Platform
ESG	Environmental, social and governance
FGD	Focus Group Discussion
FSP	Financial Service Provider
GIIRS	Global Impact Investing Rating System
HNWI	High-Net-Worth Individuals
MIS	Management Information System: banking and accounting software and database, plus HR and risk management record keeping (if separate)
MIV	Microfinance Investment Vehicle
NPL	National Poverty Line – set by each country according to internal criteria and data
PIIF	Principles for Investors in Inclusive Finance
PPI	Progress out of Poverty Index.
SPTF	Social Performance Task Force
TA	Technical Assistance

Table of contents

Executive summary

These guidelines review emerging practices and provide insights on why and how investors can engage in the challenging task of outcomes management. Graphic 1 summarizes the top tips for asset managers willing to manage their risks and understand if they are reaching their social goals.

Graphic 1: Top tips for investors' outcomes management

Choose indicators Take part to the indicators choice if you can, and do it responsibly, or, if you can't, leave the choice to the investees	**Contribute your share** Co-invest and get high value for money by using existing data potential, pooling funds, and using the most effective HR resources (internal or external)
Cover smart If you can't or do not want to cover the entire portfolio, sample your investees according to representativeness or opportunity	**Consolidate if you can** Consolidate portfolio analysis if your measures are reasonably comparable, or keep the analysis at the case study level otherwise
Do it well enough Do not aim at perfection, but be serious about data quality control and validation to obtain results that you can use	**Report transparently** Be fair in the language you use and transparent in reporting; converge to emerging industry standards when possible
Use data for decisions Use outcome results in decision making, treasure unexpected and disappointing outcomes and let them inform your strategy	**Improve** Improve outcomes by encouraging improvements in investees; re-set expectations so that the promise aligns to what the fund can deliver
Manage risks Integrate outcomes management within overall risk management to improve the investees' commitment and use of data in business decisions	**Be accountable** Hold yourself accountable to asset owners for outcomes to keep competitive and resilient, influence feasible rules and re-align expectations

Introduction

These guidelines for integrating outcomes measurement, analysis, and reporting into the operations of microfinance investors, asset managers, and other funders (hereinafter "guidelines") are the result of the work of the e-MFP Social Performance Outcomes Action Group, a collaborative effort of a group of responsible investors and other stakeholders that was created as a result of a partnership between the Social Performance Task Force (SPTF) and the European Microfinance Platform (e-MFP). The work on the guidelines has been coordinated by the SPTF Outcomes Working Group in parallel with the development of three resources for financial service providers (FSPs): 1) a "making the case" brief that describes how outcomes data are useful and even essential to an FSP's financial and social performance; 2) "how-to" guidelines for FSPs that describe ten steps for implementing strong outcomes management; and 3) a harmonized menu of key outcome indicators.

These guidelines for investors focus on outcomes, defined by the SPTF Outcomes Working Group as follows:

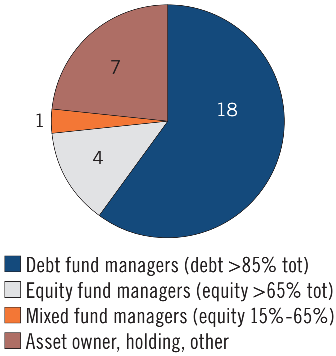
OUTCOMES = change for clients that is plausibly associated with the FSP services

Note that outcome (e.g., change in clients business sales) goes beyond output (e.g., access to financial services), but does not imply a rigorous attribution, which impact does (e.g., percent change of business sales due to the loan use). Even without the attribution question, the social outcome territory can be challenging. Yet, it is essential for the financial inclusion industry to manage its promise and its reputation risk with clients, FSPs, regulators, asset managers and asset owners.

The objective of the guidelines is to provide insights on the emerging solutions for asset managers to collect and monitor social outcomes based on the success, challenges, and unexploited potential experienced by a group of committed investors in the recent years. The investor outcome guidelines are not meant to be prescriptive. Rather, they map the different experiences that investors have had so far and highlight evidence based examples of what works for different goals. The guidelines focus on lean outcome measurement solutions feasible given the budget available for the majority of investors and FSPs, acknowledging their methodological limitations. More robust options above the typical investor and FSP budget are not covered in the guidelines but can be found in literature.

The analysis is based on extensive consultation and sharing of practices by 30 stakeholders, including a wide range of asset managers mainly investing in inclusive finance (see graphic 2). The methodology for developing the guidelines consisted of: literature review, one-on-one semi-structured interviews with investors, analysis of the investors' material, three in-person group meetings, and other written channels. The sample of 30 participants is not representative of the inclusive finance investors' universe, but it assembles interesting perspectives from some of the most committed responsible investors.

Graphic 2: Investor type



The guidelines are articulated in three sections: 1) Gap analysis; 2) Why do outcomes management; 3) How to do outcomes management.

1. Gap analysis

"There is a risk of not knowing." -Oikocredit representative

Outcomes management is necessary both for improving the change in clients' lives and for ensuring accountability along the investment chain. Graphic 3 illustrates the ideal scenario: an environment that favors social outcome improvement, accountability and alignment of interests along the investment value chain to deliver social and financial results in line with realistic expectations while protecting the industry from reputation risks. Ideally, asset managers would define their social outcome expectations and invest in FSPs capable of delivering the expected outcomes. Asset owners would do the same with asset managers.

Ideally, FSPs would make operational and strategic data-driven decisions to improve social outcome results in order to achieve their mission. Asset managers and asset owners would do the same: investment decisions would be based on the outcome results of FSPs and asset managers' respectively, so as to improve the social outcomes of their investments. Ideally, infrastructure to ensure transparency, and therefore accountability, would be in place, in some cases supported by local regulation. Impact funds with "do good" goals would be able to differentiate themselves from funds with "do no harm" goals -environmental, social, and governance (ESG) criteria - and investments would deliberately flow from asset owners to FSPs according to the goals that FSPs can achieve. Reputation risk would be minimized or taken consciously and broken promises[1] would be fewer. All would benefit from a stable industry where the interests of all stakeholders are aligned toward a positive change in clients' lives while maintaining reasonable financial returns for investors and financial sustainability for FSPs.

We are not yet there. Inclusive finance can produce positive outcomes and it can produce negative outcomes. It is difficult to generalize. Yet, we are at risk of not knowing which type of outcomes we are achieving because the majority of practices mentioned in graphic 3 (page 14) are not carried out on a regular basis[2]. Given their central position in the investment value chain, asset managers are well positioned to bridge some of the gaps; they understand the asset owners' aspirations and they know the FSPs' field work potential and constraints. Graphic 4 (page 15) summarizes the asset manager's role as an intermediary, and section 3 will discuss in more detail actions that asset managers can take to promote outcomes management.

1 The rise and fall of microfinance, The Guardian, Nov 2012. The Crises of Microcredit, Financial Times, Jan 2016.

2 Only 7% of FSPs have a social outcome measurement system (global sample of 190 FSPs rated by MicroFinanza Rating).

Graphic 3: Outcomes management cycle

Asset owner

- Has clear social and financial expectations
- Invests in funds matching its social & financial goals

- Expects asset manager to invest in FSPs with potential to achieve shared social outcomes
- Expects asset manager to report on social outcomes
- Directs investments to achieve the desired social & financial goals

Asset manager

- Defines its theory of change
- For the socially oriented funds, makes financial and social outcomes projections
- Invests in financial service provider (FSP) matching its social & financial goals

- Measures & reports portfolio outcomes
- Holds FSP accountable for financial & social outcomes
- Makes decisions to improve the fund's financial & social outcomes
- Reports financial & social outcomes to asset owner

FSP

- Defines its theory of change
- Makes financial and social outcomes projections
- Offers products and services to clients

- Measures social & financial outcomes
- Adjusts the products and services to improve financial and social outcomes
- Reports financial & social outcomes to fund manager

Client

- Has aspirations for herself and her family
- Uses financial products and services
- Invests in business, meets lifecycle or emergency needs, manages consumption smoothing

- Experiences change in her business and household, partly related to the use of financial services
- Adjusts her choice of FSP based on the change experienced and needed

Regulator

Sets rules and supervises practices to protect financial consumers' interests and financial system stability.

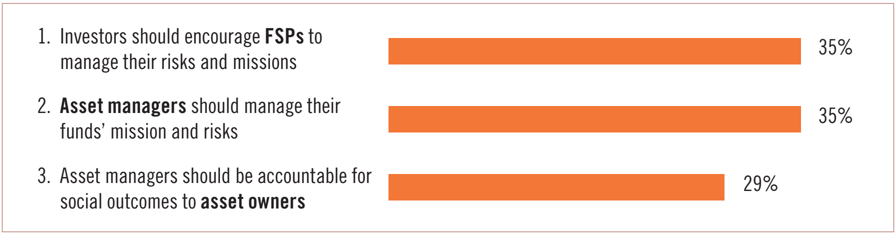
Graphic 4: Asset manager’s role in bridging the outcomes management gaps

Asset owner	Asset manager	FSP
Promote asset owner clarity of social outcome expectations using a common and transparent language (e.g., output versus outcome versus impact).	Define “do good” or “do no harm” goals for different funds.	Obtain social outcomes data: a) TA to improve the FSP outcomes management; b) Outcomes data collection and/or analysis carried out by asset manager / outsourced.
Proactively promote meaningful and feasible mechanisms for asset owners to hold the fund accountable for social outcomes (applies only to funds with development goals).	Integrate social outcomes in investment decision making through an outcomes management system aligned to each fund's theory of change.	Incentivize the use of outcome results in FSP risk management decisions.

2. Why do outcomes management?

Graphic 5 (below) presents the three key reasons why investors should manage social outcomes in their operations, according to stakeholders surveyed for these guidelines.

Graphic 5: Rationale for outcomes management



Each stakeholder has his view about rationales, their hierarchy and sequencing; and all of them are valid. In any case, it is important to clarify that even if we agree on these rationales, there is still confusion and ambiguity about whose responsibility it is to provide resources. This makes it challenging to advance practice. For instance, asset owners, when asked, may say that outcomes management is the responsibility of asset managers. Asset managers, when asked, may say that outcomes management is the responsibility of FSPs. FSPs, when asked, may say that they already have scarce resources for many priorities and would not do it unless it is necessary to obtain funding or resources are made available.

Asset owners and asset managers who are serious about outcomes management should be ready to contribute resources alongside FSPs (see section 3.4) so that the outcomes management agenda can advance.

2.1 Financial service provider rationale

"In Sierra Leone, after the Ebola crisis, the FSPs realized they should design products and services that not only sustain the business working capital, but also support clients in building assets and reducing their vulnerabilities. While we received various requests for development of new products, not one request was related to measurement of outcomes like asset building and vulnerability reduction."-Sascha Noé, Cordaid Investment Management.

As mentioned above, one of the most frequently cited reasons to do outcomes management is for asset managers to encourage FSPs to reduce risk and achieve their missions. Integrating outcomes management into the FSP's risk management and product development produces better social results and better business. Some asset managers believe that this rationale is the only fertile land to build the culture of outcomes management within the FSP; demonstrating the internal uses of outcomes management will motivate the FSP to continue it after the initial system development support provided by investors[3].

Currently, very few FSPs are able to produce data on outcomes for clients on a regular basis, in part because measuring outcomes data is challenging (see box 1)

Box 1: Challenges faced by FSP in measuring social outcomes

1. Capacity: limited internal capacity and resources to consolidate and analyse the data and draw conclusions;
2. Unexploited potential: valuable information is often collected, but sometimes not captured in the management information system (MIS) and rarely consolidated over time, analysed, reported and used;
3. Complexity: high dropout rates, risk of attrition bias, incomplete end-line data, irregular frequency of information collection and unreliable or biased data add complexity to the exercise of measuring changes at the individual level with panel data. See Guidelines on Outcomes Management for FSPs for how FSPs can overcome these.

Promoting social outcome measurement among investees can be challenging for asset managers (see box 2), especially when the investors have less negotiation power and influence on the investee, as is the case for several debt funds in developed financial inclusion markets.

Box 2: Aligning the commitments and priorities of asset managers and FSPs

Investors willing to provide technical assistance (TA) to develop outcomes measurement systems for their investees may face a commitment challenge from large, well established FSPs and a priority challenge from small and financially fragile FSPs. In the first case, even after passing careful investor screening, an FSP may prove to be less committed to getting involved, not because of lack of interest, but because of competing activities on its agenda. In the second case, the FSP may feel it needs to devote all of its human and financial resources to the priority of strengthening the financial viability of the organization, and not believe that measuring and analyzing client outcomes data can be relevant to improving financial performance. In both cases, structuring the development of an outcomes measurement system within a risk management project would improve the alignment of interests and the management buy-in.

3 Making the Case for Outcomes Management to Financial Service Providers: FSPs outcomes management is better for both social performance and long-term financial sustainability. Guidelines on Outcomes Management for Financial Service Providers: how FSPs can implement outcomes management.

Investors can increase their investees' motivation for outcomes management in the following ways:

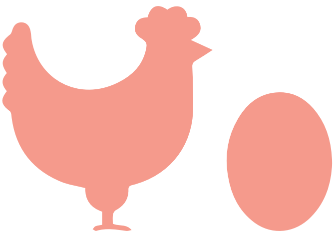
- Improve risk management. Make the case that outcomes are part of risk management and inform good business decisions: improving products and strategies so as to improve clients' conditions and reduce risks is essential to long term success. Social outcome data are powerful market intelligence insights to grow the business. Promoting outcomes management as a component of the risk management system, with integrated analysis of financial return, risk and social outcome, not only makes a lot of sense, but also is efficient.
- Use for decision making. Promote systems with a strong component of use of data, so that FSPs can use outcome results to inform decision making about the business, and so that FSPs remain focused on collecting data that are relevant. For example, outcomes data may help an FSP to increase the offer of a product to the client segments that benefit the most; adjust the repayment schedule or the delivery channel of a product that does not produce positive outcomes; or discontinue products with negative social and financial outcomes[4].
- Provide incentives. Asset managers and asset owners can contribute human or financial resources to cover the start-up cost of developing an outcomes management system, or provide incentives to investees with outcomes management systems in place to value their efforts and results (see section 3.9).

2.2 Asset manager rationale

Many asset managers believe that the primary rationale for outcomes management is to enable them to analyze their own social outcome achievements and risks. Outcomes management for asset managers is the heart of this document and it is addressed in section 3.

2.3 Asset owner rationale

"Many asset owners have a broad financial strategy, allocating their assets across strategies (e.g,. pure or venture philanthropy and impact investing), across asset classes, and across sectors. They need to know which strategy, asset class, and sector is most effective towards reaching their goals." -Margot Quaegebeur, Anthos Asset Management.



Outcomes management is essential for asset owners to know how effective their allocation is in reaching their social goals.

4 The Universal Standards Implementation Guide, Chapter 2, offers guidance on the social data that are particularly useful for decision making.

Yet, the majority of asset managers report that while asset owners are interested in social outcomes, they do not currently require them for their investment (except when microfinance receives negative attention from the media), reducing the incentive for asset managers to invest in outcomes management. In turn, asset owners want to see positive outcomes for clients, but they are not yet clear about what outcomes can be reasonably expected. Indeed, the industry has not yet reached a universal understanding of how to measure or monitor outcome results. So what comes first: asset managers measuring social results, or asset owners requesting social results? Asset managers would be in the best position to advise and raise asset owners' awareness on reasonable outcomes expectations, but they perceive that they have little incentive to raise the asset owners' expectations before having an outcomes management system in place. And many asset managers consider that the investment in an outcomes management system needs to be justified by the asset owners' request, contribution, or by more evidence of risk payoff. Financial contributions and incentives from asset owners may be needed to boost outcomes management among asset managers.

Ultimately, both asset owners and asset managers can play key roles in reinforcing a culture of outcomes managements and accountability, as described in the rest of the section.

Asset owner driver

"In the long term, it will be much more normal to measure outcomes." -Narina Mnatsakanian, Sarona Asset Management.

Several players believe that social accountability will be of increasing importance for financial inclusion because the double bottom line asset owners are currently on a learning curve driven by:

- <u>Appetite comes with eating</u> (social business). With outcomes data available from clean energy, education, agriculture, health and other social impact industries, asset managers will get more appetite for outcomes in financial inclusion as well. Before financial inclusion was the only social investment opportunity. Now that new types of social businesses are attracting the interest of investors, and these have rapidly equipped themselves to measure social outcomes, asset owners will get pickier. These other social businesses often have the comparative advantage of being able to demonstrate a direct, tangible, and sometimes short-term link between the investee company and the end client outcome (e.g., improved literacy rate, higher sale price of fair trade coffee). The financial inclusion sector on the other hand has the comparative advantage of the large quantity of data collected by FSPs, whose potential has yet to be exploited. Financial inclusion will have to account for outcomes for clients to compete with the evidence-based social and financial value proposition of other sectors, and the aligned incentives[5] of impact finance asset managers.

5 Social Impact bonds reward asset managers based on the social outcomes achieved and the public spending saved. Vox Capital and Insitor Management impact finance equity funds receive their carried interest (success fee) in full or at all only if social targets have been achieved alongside financial profit. The state of measurement practice, ANDE, 2014.

- New generation. The new generation of asset owners generally is more socially concerned than ever; for this reason, the High-Net-Worth Individuals (HNWI) type of asset owners may be among the first to move in the direction of holding asset managers accountable for social outcomes.
- Learning by doing. Asset owners are getting more sophisticated in recognizing the difference between social output and outcome, and increasingly they are aware that what they want is outcome. Asset owners will get more familiar with mechanisms to hold investees accountable for outcomes, as evidence from the field reveals that cost-effective ways to measure outcomes do exist.
- Longing for good news. Evidence shows that financial inclusion can have positive, neutral or negative effects. The disappointing or inconclusive research[6] on the impact of microfinance in the past decade increases the asset owners' desire to understand the outcomes of their allocation to financial inclusion.

Case study 1: Anthos agrees with asset managers on outcome indicators upfront for mutual learning

Anthos, a family office based in Amsterdam, systematically includes outcome Key Performance Indicators and targets in the up-front negotiation with asset managers since 2015. Driven by Anthos' socially motivated board of directors, the process aims at learning more about outcomes for the benefit of both the asset owner and the asset manager.

1) Expectations: Anthos clarifies the desired social outcome goals for a specific fund

2) Do-ability: Asset manager proposes feasible indicators, sharing measurement challenges

3) Negotiation
Discuss relevant & feasible set of indicators; solutions to overcome challenges

4) Agreement
Final indicators (≠ for every investment) to be reported & measurement strategy

INDUSTRY	COOKING	EDUCATION	ENERGY
Indicators examples agreed upon	• ↓ solid fuels • ↓ time to gather biomass • ↑ Money savings	• ↑ job placement • ↑ literacy rates	• ↓ emissions

6 The impact of microcredit: evidence from across the world. EBRD, 2015.

Asset manager driver

Asset managers have the following incentives to encourage explicit outcome expectations from asset owners:

- *Differentiate impact funds from responsible funds, and impact funds among themselves*. Competition from responsible funds managed by mainstream players may increase in the coming years as a result of the commercial strategy to capture the new generation demand with financial products that may use or abuse the impact "do good" label. A credible social management system delivering superior results strengthens the value proposition and the fundraising.

"From an asset owner point of view, you choose an investment based on risk and return: an investment with evidence of social return (i.e. outcome) will be preferred over an investment with only proxies of social return (i.e. output), other things equal." -Margot Quaegebeur, Anthos Asset Management.

- *Have a say in setting the rules of the game before the game starts*. Asset owners are not necessarily familiar with the difficulties in consolidating and measuring outcome data from FSPs. Asset managers, who are closer to the FSPs field operations, can help asset owners to understand the potential and challenges of reporting outcomes data. Taking part in the process of determining what social outcomes can be expected of financial inclusion and how evidence can be gathered allows asset managers to influence the level at which the bar is set up-front, so that it will be doable in practice. Asset managers can encourage asset owners to ask for more, but ask reasonably, so that the expectations will be met.

"While more impact fund managers are providing more realistic profit expectations, equity fund expectations are still generally at 20-25%+, which can mean 40%+ ROE at company level." -Paul DiLeo, Grassroots Capital.

- *Re-define returns and re-align asset owners' expectations*. Social outcomes are closer to the concept of social returns than outputs or intents. Evidence of social outcomes can help asset managers substantiate the discussion with asset owners around returns redefined in both financial and social terms. The debate about the social and financial return dynamics is not likely to end anytime soon. But it is hard to have such a debate looking at half of the picture. Outcomes data are needed to inform the conversation. The re-alignment of asset owner expectations based on what financial inclusion can realistically deliver in both financial and social terms requires more evidence.

"All things being equal, interest rates paid by clients and profits / returns to investors are linked." -Jean-Gabriel Dayre, Proparco.

- *Increase asset owners' resilience in the event of a reputation crisis*. Asset owners familiar with the difference between outcome and output, and with the outcomes management system of a given asset manager, are better equipped to recognize that the practices and outcomes of that asset manager are distinct from the negative ones of other players involved in industry scandals. This leads to funds' resilience. On the other hand, less informed asset owners may respond to scandals by simply diverting funds to alternative industries, especially if the investment represents a marginal share of their assets.

3. How to do outcomes management

This section provides some initial insights on the outcomes management process for asset managers, analyzed along 10 essential steps.

1. Goals
2. Indicators
3. Approach
4. Budget and Human Resources
5. Coverage
6. Data quality
7. Analysis
8. Reporting
9. Use
10. Review

Box 3: Guiding principles

The review of this section is guided by the principles adopted by the SPTF Outcomes Working Group:

- BE LEAN
- BE CREDIBLE
- Some cost but AFFORDABLE
- BE TRANSPARENT
- BE OPEN TO LEARN

Graphic 6 (page 26) presents the key 10 steps with examples of options from which asset managers can draw inspiration to design a coherent and realistic outcomes management strategy best suited for a given fund. Note that the asset manager's goals determine the resources needed as much as the resources available determine the goals.

The following case studies, reviewed along 5 steps for simplicity and mapped in annex 1, illustrate some emerging examples of different solutions adopted for different funds:

- Bamboo Finance test of its theory of change in affordable housing in Brazil
  section 3.2
- Oikocredit analysis of progress out of poverty (PPI) data
  section 3.3
- Triple Jump support of FSPs in getting the most out of client data
  section 3.3
- Acumen Lean Data measurement of consumer-centric outcomes
  section 3.4
- Sarona Asset Management consolidation of employment outcomes across sectors
  section 3.4
- Root Capital on-site deep dive farmer surveys
  section 3.5
- BBVAMF Group centralized analysis of the databases of all the affiliates in portfolio
  section 3.7

Graphic 6: Asset manager social outcome strategy

1) Goals	**a) Do good** Achieve positive change	**b) Hybrid** Elements of positive change	**c) Do no harm** Avoid negative change
2) Indicators	**a) Comparable** Same indicators for all FSPs in portfolio. Fund driven	**b) Mixed** Few fund driven common indicators + FSP indicators	**c) Different** Different indicators. FSP driven
3) Approach	**a) From scratch** Create a new system, collect new data	**b) Incremental** Improve system in place, use MIS + collect new data	**c) Light touch** Use system in place and data captured in MIS
4) Budget, HR	**a) Investor** Investor: $ start-up, $ on-going + SPM expert	**b) Hybrid** Investor $ start-up. FSP $ on-going. Consultant expertise	**c) Investee** FSP: $ start-up, $ on-going + SPM champion, HR, MIS etc.
5) Coverage	**a) Entire portfolio** Outcome measured in all investees	**b) Sample** Outcome measured in a sample of investees	**c) Case by case** Outcome measured in few investees
6) Data quality	**a) High** In-depth data quality controls and validation	**b) Medium** Some data quality controls and validation	**c) Low** Basic data quality controls and validation
7) Analysis	**a) Advanced** In-depth, quali-quanti, segmented, benchmarked	**b) Medium** Reasonable data analysis, going beyond average	**c) Overview** Simple analysis, basic caution with shortcomings
8) Reporting	**a) Standard** Compatible with industry reporting standards	**b) Hybrid** Similar in the spirit of some industry reporting standards	**c) Ad hoc** Designed ad hoc for each internal and external need
9) Use	**a) Accountability** Evidence of outcome for matching fundraising	**b) Combined** Both accountability and management elements	**c) Management** Measures to improve, fund allocation decisions
10) Review	Periodic review of what is working and what is not to maintain and improve efficacy.		

3.1 Goals

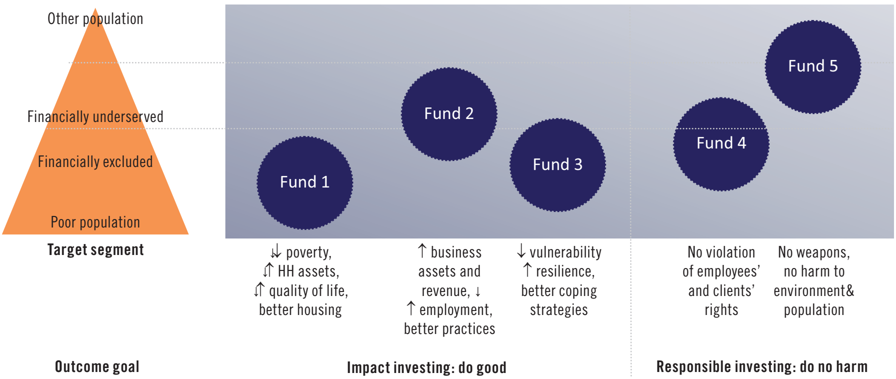
"If an asset owner asks me if one fund is more social than another, all I can say is that this asset manager is a member of the SPTF while the other is not. Or take other proxies. But I don't have a comparable indicator of social return to really answer the question." -Bjoern Struewer, Roots of Impact - investment advisory firm.

Box 4: Benchmarking funds' social value proposition

A pre-requisite for asset managers to realize the benefits of managing social outcomes with their board of directors and asset owners is a transparent and benchmark-able indication of their funds' social value proposition. Different asset owners have different social expectations. Different FSPs deliver different social results. Not all funds have the same social value proposition. But, even though financial inclusion is mature enough to distinguish responsible investing funds that "do no harm" from impact investing funds that "do good," and to distinguish the different goals among impact investing funds, asset owners largely do not yet have the data to compare the social value proposition of alternative funds. Transparency would help to align the interests and manage expectations along the investment value chain.

The first step for an asset manager in designing an outcomes management strategy is to clarify what outcomes the fund is trying to achieve. While clear standards to define a fund's outcome goals in a comparable way do not yet exist (see box 4), graphic 7 could be a starting point for such a discussion.

Graphic 7: Asset manager social outcome strategy



Examples of social outcome goals:

Fund 1: Poverty alleviation of active low income households (HH) with an existing business;
Fund 2: Increase in business sales and permanent employment of SMEs in emerging countries;
Fund 3: Improve the coping strategies used by financially excluded HH to meet health and financial needs;
Fund 4: Do not violate the rights and worsen the conditions of financially underserved clients;
Fund 5: Do not contribute to pollution of the investment site and local population displacement.

3.2 Indicators

"By listening to customers we learnedt that some of our preconceptions about the social value that we aimed to create through our investment needed refinement. Whilst our initial theory of change for investment majored on the health effects of switching away from traditional fuels, when we asked consumers about their perception of what was meaningful to them they majored on cost savings, but also to our surprise increased security and the brightness of light."-Acumen & Root Capital, Innovations in Impact Measurement Report.

The Universal Standards for SPM Implementation Guide[7] includes a detailed discussion of how an FSP can select social outcome indicators that are a good fit for its needs (see Standard 1a). The SPTF harmonized list of core outcome indicators (see annex 2) provides a relatively short list of recommended, field-tested indicators; once further tested and fine-tuned, they would be good candidates to become industry standard. This document does not repeat that information; rather, it adds some recommendations specific to asset managers:

- **Time**. If the primary motivation is the investor management of its mission and its accountability, then the object of the indicator (e.g., saving balance) needs to be likely to change within a timeframe compatible with the investment term, often shorter for debt than for equity investments. Going beyond the short-to-medium term requires a methodological answer to the question of how to track the changes after clients leave the FSP (see 3.6);
- **Theory of change** (ToC). The indicators should mirror the ToC of the FSP and of the asset manager. Or maybe not: the ToC may need to be revised to better reflect the value for clients - what clients themselves consider as the most important outcomes to improve their lives. Acumen experienced the value of listening to clients to define the outcome indicators (see Acumen case study, section 3.4).
- **Less is more**. Indicators should be realistic about what financial inclusion can achieve, namely, more likely to be consumption smoothing and risk management rather than poverty alleviation and asset building, given the short-to-medium term intervention nature reflected in the high client drop-out rate[8]. After devoting resources to build an outcome measurement system, the actual results can be disappointing and misleading if the indicators chosen are not within the scope of what the investment can deliver. A small set of well- chosen indicators is generally preferable to a long and time consuming list of indicators with unclear interpretation criteria. When the indicators' choice is driven by investors, it is important to be realistic in expectations and transparent in requirements with the FSPs (core versus nice to have).

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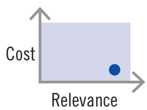
7 http://sptf.info/universal-standards-for-spm/the-implementation-guide

8 Average client drop-out rate is 32% based on a sample of 190 FSPs rated by MicroFinanza Rating worldwide since 2007.

Case study 2: Bamboo Finance test of its theory of change in affordable housing in Brazil

Asset manager – Equity Fund –Inclusive finance

Indicators	**c) Different** Indicators defined by investors
Approach	**a) From scratch** 1° measure, quali -quantitative new information
Budget, HR	**b) Hybrid** 2 co-investors: €9,000 + design + 10 coordination calls Consultant: data collection, analysis & reporting
Coverage	**c) Case by case** Investments raising outcome questions
Analysis	**b) Medium** Review of positive, negative, and no change, project breakdown, quali-quantitative (survey and small FGD); margins of error from recall technique



Please refer to annex 3 for definitions

Investee: Bille, special purpose vehicle used to invest in the construction company Crinale.

Year: 2015

Indicators

- Change in household expenses before and after moving.
- Change in client commuting time before and after moving.
- Change in client rating (CR) of neighborhood quality & security.
- Change in CR of access to education & health facilities.
- Change in CR of access to mobile network & internet.

How

Bamboo Finance and its co-investor Vox Capital designed an outcome survey, interviewed several local research providers, after which they hired the *Instituto para o Desenvolvimento do Investimento Social* (IDIS) and together with this research partner ran a survey of 76 client households and client focus group discussions.

Method

✓ In- depth questions covering a broad range of topics; questionnaire administered by independent consultant at client's place to validate housing information.

✗ Recall questions about the initial situation (2 years before the survey) may provide less precise answers than a baseline collected at the initial time. Self-perception bias risk: client tendency to “justify” their recent choice to make a housing loan and relocate.

Use

1. Aligning interests along the financing chain: construction company gained confidence in that customer feedback is useful for product improvement and risk of triggering a neighbourhood uprising can be managed.
2. Investors gained insight on outcomes e.g. learnt that costs increase when moving from informal to formal access to utilities.
3. Investors acquired evidence that the relocation of households from Sao Paolo city to the construction project suburbs did not have an unintended negative outcome.

Works if

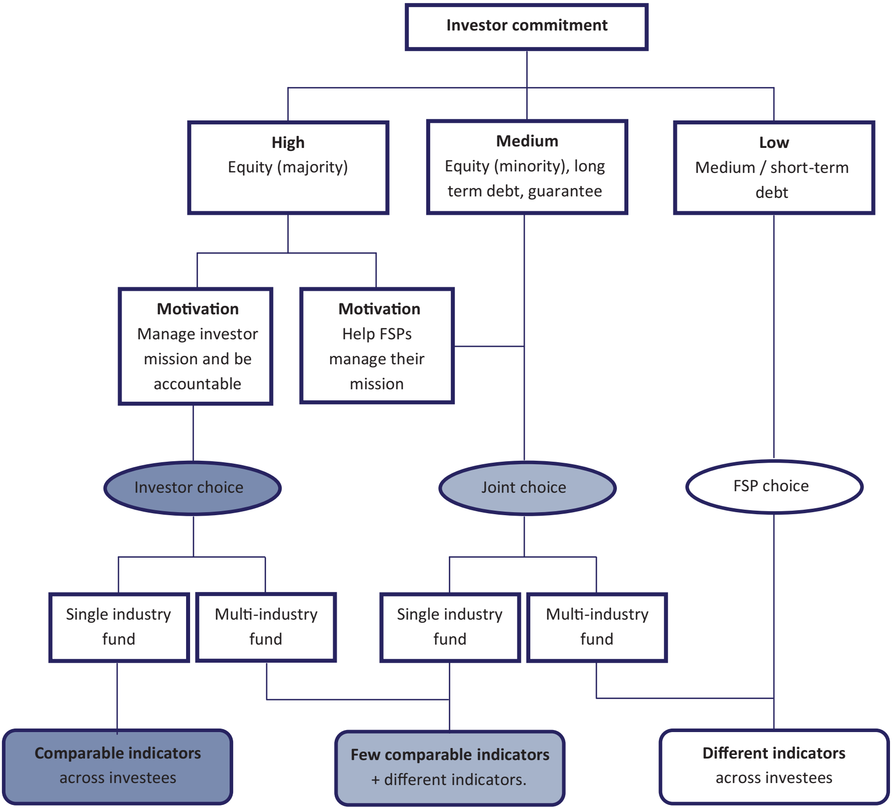
- Small size of the population of interest, allowing a small sample to be representative.
- Context of Brazilian low-middle income neighborhood: researcher builds trust by meeting clients, informing them and requesting their permission prior to the survey.

- **Unintended**. As a third party, even if not independent, investors are well positioned to choose indicators able to detect potential unintended negative outcomes such as over-indebtedness. Bamboo Finance (see case study 2) is a good example of an investor who took seriously its responsibility to test its theory of change including both the positive effects and the potential unintended negative consequences of an investment on the end-clients (and was reassured by the results).

"How can you ask the same indicator if every FSP is measuring a different outcome?" -Sasha Noé, Cordaid Investment Management

The comparability of social outcome indicators across investees in a fund is a real dilemma. Not only is it complex, but it may also conflict with another important goal for asset managers: encouraging FSPs to collect the data that are most useful to their own-decision making. Still, comparability remains a condition for asset managers to consolidate the outcomes results at the fund level, benchmark investments and increase the role of social outcomes in investment decisions (see 3.9). BBVAMF case study (section 3.7) is an example of how an equity investor can develop comparable indicators. Whether it is possible and advisable for an asset manager to take part in the choice of indicators, and what this implies for comparability, are described in graphic 8 (page 31).

Graphic 8: Indicators choice and comparability, decision tree



Equity funds generally have higher leverage than debt funds to influence the social outcome agenda. A majority shareholder with a deep understanding of an FSP has the opportunity and the responsibility to contribute to the choice of its outcome indicators. Even when an asset manager is in the position to take part in the choice of outcome indicators, she may not always prefer to do so: the indicators will be to some extent comparable if the investor also aims at managing the outcomes at fund level, or different across investees if the primary motivation of the investor is to help the FSPs manage their missions. For debt investors and minority shareholders, it is generally preferable to leave the choice of the indicators primarily to the investees, who are best placed to identify what matches their missions and matters for clients. While it is often more appropriate for the FSP operating in the field to choose the indicators, the key role that all investors should play is to invest upfront in FSPs matching their outcome goals and to contribute resources to develop the outcomes management system when possible[9].

As for all generalizations, there are several exceptions to graphic 7. Oikocredit case study (section 3.3) illustrates the power of a standard tool (Progress out of Poverty Index) to provide comparable indicators even when the choice of the indicators is made by the FSP. Industry standards that are relevant in a variety of contexts can turn the difficult marriage between fund comparability and FSP priorities into a happy one. All other things being equal, asset managers will have more chances to obtain some comparable[10] indicators in the long term if FSPs use industry standards such as the SPTF harmonized outcome indicators (annex 2). Until adequate capacity is built at the level of the investee, debt funds can help bridge the gap and be directly involved in choosing the indicators; this is especially true for small social businesses (see Root Capital case study) and small FSPs (tier three).

Asset managers interested in reaching fund level conclusions based on non-comparable indicators could consider normalizing the different outcome results on a common scale where each investee gets a score based on how the result compares with the target or the emerging benchmark. In this case, the method, targets and benchmarks should be transparently disclosed.

3.3 Approach

The choice of the approach depends on one hand, on the fund coverage and indicators' comparability objectives of the investor, and on the other hand, on what the investees to cover look like.

Investee outcomes management system. If investees already have outcomes management in place, it would be preferable to exploit the existing potential via a light touch or incremental approach. A light touch approach uses exclusively the system and data available. An incremental approach combines the use of the existing system with activities to add value to the system, such as recommendations for a more effective data management process and staff training on data analysis and reporting. For an investor, adopting the light touch or the incremental approach may mean relaxing the indicators' comparability goal and acknowledging that the indicators will be different. On the other hand, an outcomes management system may need to be built from scratch when there is no such system in place, or if high comparability of indicators is a must for the investor. In fact, only few FSPs (mainly in tier 1 category, Latin America and Asia) currently have an outcomes management system in place. This challenge could be turned into an opportunity to build systems in line with the emerging international standards[11].

9 The Universal Standards Implementation Guide describes how FSPs can develop an outcomes management system. See guidance for Standards 1a and 1b.

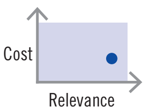
10 Comparability does not necessarily refer to an exact match in measurement methodology (with no difference in sampling, baseline year, frequency of subsequent observations, etc), but to a reasonable one with limits that should always be transparently disclosed.

11 The Universal Standards Implementation Guide describes how FSPs can develop an outcomes management system. See guidance for Standards 1a and 1b.

Case study 3: Oikocredit analysis of progress out of poverty (PPI) data

Asset manager (cooperative) - Mixed Fund –Inclusive finance

Indicators	**a) Comparable** PPI Score (poverty likelihood). FSP and fund driven choice
Approach	**b) Incremental** Use system in place and existing PPI score database; improve data collection & analysis
Budget, HR	**b) Hybrid** FSP: data collection. Oikocredit: 20-25,000€ / FSP with staff cost (estimated) for data analysis, FSP training
Coverage	**c) Case by case** FSP with quality PPI data over time
Analysis	**a) Advanced** Stat. tests, advanced econometric analysis + Excel-based analysis tool for FSP; some benchmark analysis (literature review)



Investee: SVCL (India) & ASKI (Philippines). **Year**: 2010-2014

Indicators

- Changes in poverty likelihood of the clients.
- % clients moving out of poverty annually.

How

As part of Oikocredit's client outcomes programme, Oikocredit staff supports the FSP in: 1) reviewing the data collection process, analysis and use during a week on-site visit, 2) building an Excel-based analysis tool to track client poverty and employment data over time, and 3) integrating poverty and social indicators into financial and risk analysis. Then, Oikocredit staff conduct a second level of panel data econometric analysis to better understand changes in microfinance clients' lives.

Method

✓ 4 years panel data for 600,000 clients, fixed-effects regression model.

✗ Attrition: high drop-out client rates. Potential attrition bias: information not available on dropout clients.

Use

1. Oikocredit proved that by using readily available monitoring data the analysis can be carried out in a cost-effective manner.
2. Oikocredit and the FSP gained a better understanding of outcomes: microcredit has a small but positive significant effect on poverty reduction for active borrowers (see reference (a) page 64).
3. FSPs have hired new staff or trained existing staff for data analysis, upgraded their information system, appointed special board committees, developed new products, and used PPI data to improve client targeting by product.

Works if

- Commitment of FSP
- FSP information system in place
- Human resources available at investor level

Data source. Identifying the data source is an important part of the choice of the outcomes management approach. The ideal scenario is one in which the Management Information System (MIS) already includes granular information that can be used to measure social outcomes, similarly to the BBVAMF case (section 3.7). To the extent that information to measure outcomes is already available in the MIS of investees, and provided that the resulting outcome indicators meet the comparability and robustness criteria defined above, investors have the opportunity to use the existing information. The MIS data availability could even be the central criterion around which the strategy is designed, as illustrated by the Triple Jump case study (section 3.3). In some cases, the approach of using the investees MIS data already available may require relaxing the coverage, comparability and data quality goals of the asset manager.

When the data in the MIS are not sufficient or are not reliable, and outcome results are needed in the medium term, alternative sources to collect new data are necessary. Collecting new data increases the level of effort. However, it has the advantage of being compatible with pretty much any combination of choices on portfolio coverage, indicators comparability, and method robustness.

The reality is often half way: some outcome information may be available from the MIS, but additional collection of data may be required to complete the desired outcome picture. A dual data source strategy may be the most cost-effective. Indicators that can be obtained from simple and fast questions, or from the client repayment analysis data that is collected anyway, are well suited for the MIS data source (integration in ordinary operations). On the other hand, more time-consuming questions that require specific skills, explanation, validation, or independency may be better suited for a periodic survey of a sample of clients. Some data collection tools, technologies and storage options are reviewed in graphic 9.

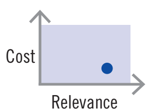
Graphic 9: Data collection tools, technologies and storage options

Tool: survey (census or sample), focus group discussion (FGD).	**Technology**: in person interview (pen & paper or tablet), call centre, sms, IVR - Interactive Voice Response	**Storage**: MIS (or closely linked to it) versus separate database.
Mix of quantitative and qualitative tools useful to fine tune the indicators and interpret the results. The FSP outcome guidelines cover: sampling, data collection frequency, collection team (loan officer, audit or external interviewers), and incentives	In person interview: use when variables are dynamic (e.g., spending), need explanations or probing, >15 questions; higher response rate; Call centre: use when variables are dynamic, need explanations, <15 questions; lower response rate; SMS and IVR: use when variables are static (e.g., occupation, HH size) and sensitive, <15 multiple choice questions, lower response %. Source: Innovations for Impact measurement report, Acumen, Root (see reference (b) page 64).	Storing / closely linking outcome survey data to the banking software, manage the database internally, easy data exporting helps with analysis. Source: Measuring social impact, EA Consultants, Triple Jump Advisory (see reference (c) page 64).

Case study 4: Triple Jump support of FSPs in getting the most out of client data

Asset manager – Debt Fund – Financial inclusion

Indicators	**c) Different** Depending on the FSP system in place
Approach	**b) Incremental** Use system already in place; recommend system improvement; data tracked in MIS / separate database
Budget, HR	**b) Hybrid** FSP: data collection; TJ: €12,200/FSP + time to edit the final report Consultant: data analysis, system recommendations
Coverage	**c) Case by case** FSP with outcome measurement tools
Analysis	**b) Medium/ advanced** Analysis by cohort, beyond average, segmented, with stat. tests; data quality & assumptions (e.g., new clients as control group) depending on investees' systems



Investee: Fundación Paraguaya (Paraguay), IDEPRO (Bolivia), Fundación Génesis Empresarial (Guatemala).

Year: 2014

Indicators

- Clients' self-ranked change (stoplight: red, yellow, green) for 50 indicators related to 6 poverty dimensions.
- Change in business revenues, profits, net worth, # of employees, working capital and household expenses.

How

EA Consultant hired by Triple Jump (TJ) to: 1) review FSP databases to extract outcome results and assess the changes in the clients livelihoods and 2) recommend improvements to the FSP systems themselves (see Report reference (d) page 64).

Method

✓ Baseline & end-line; segmentation by cohort year, geography, gender and business size; comparing clients' progress to trends in the general population (IDEPRO).

✗ Attrition bias risk: drop-out client data not available; stoplight self-perception bias risk (Fund. Paraguaya).

Use

1. Triple Jump verified that it is possible to obtain outcome results from FSPs' databases.

2. Based on the information that small textile producers could not access the textile public sector market due to a cash flow barrier (paying upon delivery), IDEPRO developed a new guarantee (i.e., contract with the public sector), and a new TA component for producers to comply with the public sector quality requirements.

2. FSP improved the repayment capacity analysis. IDEPRO discovered that textile producers were experiencing decreasing profits due to the Chinese competition in their parallel activities on the consumer market. The client repayment capacity analysis was therefore adjusted by excluding the income from product lines other than the public sector.

4. FSP reported to stakeholders. Fundación Paraguaya publishes the Poverty Stoplight results in a yearly report (see reference (e) page 64).

Works if

- FSP has institution-wide commitment to social outcome.
- FSL has outcomes management system in place.
- Outcomes integrated in broader TA packages, i.e., along with risk management & product development.

3.4 Budget and human resources

"If you're serious about outcome management, you have to be willing to dedicate resources to this." -Margot Quaegebeur, Anthos Aasset Mmanagement.

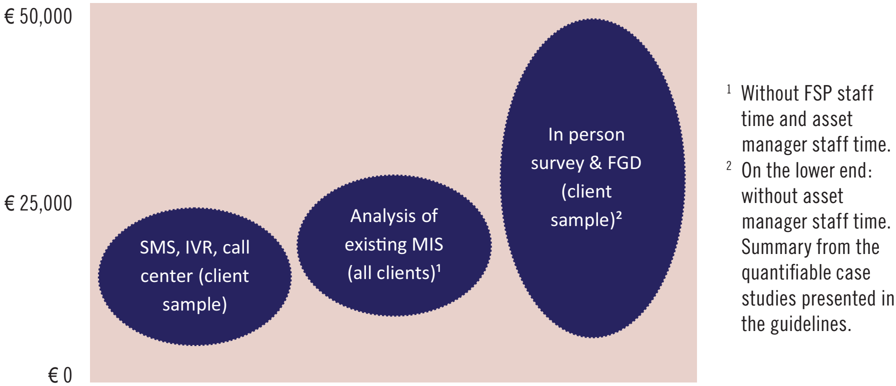
"**Musical chairs**." Outcomes management requires an investment like insurance, hedging, and any other strategy to manage risks and performance. All other things being equal, the FSP investment in hedging will be compensated by a lower foreign exchange risk and by access to better funding; in turn, a fund portfolio with good risks will be more attractive for asset owners. Similarly, if incentives were transparently aligned throughout the value chain, the cost and benefit of the outcomes management system would be shared among all the players:

- FSPs would invest and benefit from an outcomes management system as part of their business, absorbing the large majority of its ongoing cost;
- Asset managers would: a) invest and benefit from their own outcomes management system; b) integrate social risks in the pricing to FSPs: co-finance the initial development of the FSP outcomes management system, either with direct funding or indirectly, through lowered interest rate / return expectations for FSP with social risks covered;
- Asset owners would be aware enough of the potential positive and negative outcomes of financial inclusion interventions to integrate social risks in their allocation strategy and return expectations: determine the level of returns expected also based on whether or not there is a outcomes management system; in other terms, be ready to absorb part of the cost of lower social risks with slightly lower returns.

In practice, there are substantial gaps in investment in outcomes management. To date, a few proactive pioneers, including FSPs, asset managers and asset owners, have already started investing, motivated by one of the rationales discussed in section 2. Not for profit asset managers may more easily invest in outcomes management thanks to a more direct access to philanthropic funding and lower pressure on financial results. But, several asset managers are postponing outcomes measurement investment to a time when asset owners will incorporate outcome evidence explicitly in their decision making. Meanwhile, the low exposure that asset owners have had to outcomes so far (see section 2) contributes to the reality that few of them are ready today to sacrifice returns in exchange for a strong outcomes management system.

Looking forward, a pragmatic approach may be useful. Some asset managers are ready to co-finance the initial development of a system, while the MIS investment and the on-going cost of data collection are considered to be part of the operational costs of a double bottom line FSP. Public asset owners like development finance institutions (DFIs) could also play a role in a TA facility that would co-fund the start-up of outcomes management systems. The reality is that investors' time and money is necessary for outcomes management to reach a critical mass and pay off at industry level. Therefore, the budget allocated by investors will influence the timeframe by which a widespread culture of outcomes management can be established.

Graphic 10: Examples of outcomes management budget per investee



Graphic 10 illustrates some examples of outcomes management cost per investee, which can be expected to decrease as the industry moves along the learning curve. Investors can test the following to keep the cost reasonable and get the highest value for the money invested in outcomes management projects:

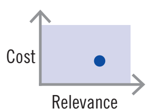
- Unexploited potential. Analyzing the existing data collected and not used by FSP is a cost effective way to have a full picture of all the clients and is especially interesting for investors with flexible standards for indicator comparability and method robustness, as illustrated by the Triple Jump case study;
- Innovative technologies. SMS, IVR, Phone centre and tablet-supported in-person interviews save time during the data collection phase, especially with large survey size, as illustrated by Acumen case study in this section. Section 3.3 indicates when the different technologies may be best suited.
- Pool resources. Some FSPs are in the portfolios of several different asset managers. This can be leveraged to establish a collaborative mechanism where investors agree to pool their efforts to develop outcomes management systems for common investees, producing benefits for all the investors. A convergence towards the SPTF harmonized list of outcome indicators would make collaboration even easier and reduce cost.
- Streamline. The development of an outcomes management system can be the opportunity to review and revise the entire data management process of an FSP, a process which can lead to discontinuing the collection of information that is not crucial for decision making.

In case of budget constraints, the trade-off between budget and relevance needs to be managed with compromises in terms of coverage of investees, pertinence to the fund goals, quality of the data, and depth of the analysis.

Case study 5: Acumen Lean Data measurement of consumer-centric outcomes

Asset manager ((non-profit, raise donations) – Equity Fund –Impact finance

Indicators	**Different** Largely driven by investee needs
Approach	**a) From scratch** New survey designed, use of existing call centre
Budget, HR	**b) Hybrid** Acumen: €9-23,000 depending on complexity, including staff time for design, training, analysis. SolarNow: interview
Coverage	**b) Sample** Outcome measured in SolarNow and other investees companies, sample currently expanding to a larger share of portfolio
Analysis	**a) Medium** Replicable analysis, quali-quantitative, overview analysis of average change, margins of error from recall technique.



Investee: SolarNow, Solar energy company, Uganda.

Year: 2014-2015

Indicators

- Increase in hours of available lighting / day.
- Decrease in hours of use of non-Solar, dirtier fuel / day.
- Cost savings from decreased amount of fuel purchased.

How

Based on SolarNow needs and end-consumer feedback on what is meaningful impact, Acumen created a questionnaire including outcomes (recall technique) and more general consumer insights, trained SolarNow phone centre staff and coordinated a survey of 250 consumers (66% response rate). The SolarNow research is an example of Acumen Lean Data approach (Full report, see reference (f) page 64 and Field guide, see reference (g) page 64): mobile technology for remote (SMS, Interactive Voice Response, Phone centre) or in-person (tablet) data collection; quantitative or qualitative methods; baseline / end-line or recall techniques to measure change. Acumen initially implemented Lean Data with grant support from ANDE. Lean Data is now a core service for all Acumen Investees.

Method

✓ Call centre allowing limited out of pocket cost and replicability for the investee. Survey as targeted as possible to respect client time & collect other insights to maximize value.

✗ To keep surveys short, questions are simple and do not require significant explanation. Recall technique in this case.

Use

1. Outcome indicators changed compared to the initial ToC (health improvement) based on what clients identified as meaningful outcomes (cost savings on fuel).
2. SolarNow decided to repeat the call centre survey quarterly to be able to track progress out of poverty (PPI).
3. SolarNow significantly improved customer service in response to feedback by centralising service centre.

Works if

- Investor has in house capacity to dedicate to survey design and project implementation.
- Outcome questions well suited to remote data collection: ideally <10, previously-tested questions.
- Ideal to have a representative database of consumer mobile phone numbers already in place.

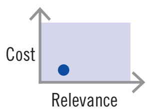
Human resources. Outcomes management requires both financial and human resources. The human resource component of the cost can be the most substantial for asset managers directly involved in outcomes management (see BBVAMF case study, section 3.7). The human resources needed to build and run an outcomes management system are often provided in collaboration by FSPs, asset managers, and/or consultants, and can be shaped in different combinations:

- FSP. The case of investees measuring and reporting outcomes data by themselves to investors exists (see Sarona Asset Management case study in this section) and can be expected to increase in the future, though not in significant numbers until the current set of incentives changes. The Guidelines on Outcomes Management for FSPs illustrate the pros and cons of relying on the FSP staff to collect outcomes data.
- Investor + FSP. Internal capacity built at the investor level (linked TA facility, social performance manager or department) is used most of the time to design and coordinate the outcomes management projects, and sometimes to analyze and report the data. When advanced statistical skills and time are available with the investor (see Oikocredit case study, section 3.3), advanced data analysis is best carried out at this level, especially if the FSP data analysis capacity is moderate. BBVAMF case also illustrates the benefit in terms of data quality from the specialized work of the statistical team at the investor head office (including statistical tests to exclude data with a high likelihood of being inaccurate).
- Consultant + FSP. External consultants bring specific expertise; they are the best option for investors willing to move the outcome agenda forward without taking too much time from their personnel and incurring in the fixed costs of building specific expertise internally. Consultants can coach the MIS and risk management teams of the FSPs to build their internal capacity for future data analysis. Having independent consultants analyze the MIS database, conduct client surveys or validate the data produced by the FSP adds credibility to the results, especially when they are reported to external parties.

Case study 6: Sarona Asset Management consolidation of employment outcomes across sectors

Asset manager –Equity Fund–Impact finance (Emerging Markets Blended Finance)

Indicators	**a) Comparable** Same indicator, fund driven
Approach	**a) From scratch** Request to fill in a questionnaire; data in MIS / report / collected ad-hoc
Budget, HR	**c) Investees** Investees (equity funds and other companies) collect data and report Sarona: some time to consolidate data & make analysis
Coverage	**a) Entire portfolio** Outcome measured for nearly all investments
Analysis	**b) Medium/overview** Overview analysis for the 2 outcome indicators that apply to all portfolio, some segmentation



Investee: 30 investee local funds comprising 137 companies in sectors such as agriculture, health, education, technology, transport, insurance and microfinance. Investments made by two Sarona investment programmes.

Year: since 2013

Indicators

- # jobs created.

How

Investee funds are required to obtain a preliminary GIIRS assessment prior to Sarona's commitment. The investee funds are requested to complete an annual questionnaire of IRIS metrics for the underlying companies in their portfolio. The completion of the questionnaire is mandatory for all funds in which Sarona invested since 2013. It is voluntary for older investee funds. The fund managers already have the majority of information, and go back to the investee companies to request additional data if needed. Sarona gathers all answers from respondents by asking them to add their data directly onto B Lab's online platform. The investees' reporting rate is high (137/151). The portfolio level quantitative results are consolidated in an Annual Report (see reference (h) page 64).

Method

✓ IRIS compliant indicator applicable to investees in very different sectors, from agriculture to insurance.

✗ Few IRIS outcome metrics applicable across different sectors to all the investee organizations; the majority of comparable metrics are of intent or output.

Use

1. Sarona understanding of the social value of the investments;
2. Sarona reporting to its investors and government providers of catalytic capital. Publishing on website for public access, sharing case studies and learnings

Works if

- All intentions are aligned from the beginning: Sarona's, the funds', the companies' management teams.

3.5 Coverage

"Studies help corroborate the validity of scorecard proxies." -Asya Troychansky, Root Capital.

Generally speaking, the availability of outcomes data for the full portfolio of an asset manager is always desirable. A good portfolio coverage makes an asset manager more comfortable using outcomes results in decision making and encouraging the integration of outcomes analysis in the day-to-day management. However, with rare exception (see BBVAMF case study, section 3.7), there will be a trade-off between the depth and breadth of outcome indicators coverage. Given the differences among investee companies, investors with high portfolio coverage ambitions should probably adjust their depth expectations and recognize that the social outcome indicators available and applicable to the desired share of portfolio will be rather few and general.

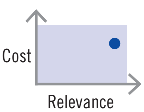
Sample. Making conclusions about the entire portfolio can be done with full coverage or with good sampling. A hybrid coverage of a representative sample of investees (see Root Capital case study in this section) allows generalizing some of the conclusions to the entire portfolio and can be a pragmatic solution until social outcome measurement systems become more common in FSPs. The following list presents some suggestions for a feasible and representative sample of clients of companies in a fund portfolio:

- Size: the sample size should be sufficient to keep the margin of errors reasonable (ideally ≤5%) and to obtain an acceptable (95%), even if not high (99%) confidence. The sample size is larger if statistical representativeness is required for specific segments of the population (e.g. male/female).
- Design: the sample should be selected in such a way that key characteristics of the population are reflected in the sample: geographical distribution (region and urban/rural area), types of services accessed (e.g., credit, saving, non-financial services), types of use made of the financial services (e.g., trade, education), income level (revenue from income generating activity if available, or loan size as a rough proxy), development goals of the FSP (e.g., microenterprise development, or SME job creation), social performance management quality of the FSP (e.g., score from the most credible and in-depth review available), and any other characteristic that is believed to be a potential driver of outcomes. Clustering clients by FSP (and by FSP branch in some cases) generally helps when it comes to implementation. Investees with a poor repayment history with the asset manager do not necessarily need to be included in the sample unless justified by specific circumstances.

Case study 7: Root Capital on-site deep dive farmer surveys

Asset manager – Debt Fund –Impact finance

Indicators	**a) Comparable** Similar indicators in different surveys
Approach	**a) From scratch** End-client surveys, client FGD, enterprise interviews
Budget, HR	**b) Hybrid** Investee: logistics; Root Capital (RC): staff in local offices, 9-45,000€/investee (direct + indirect cost) as separate philanthropic funding Local interviewers
Coverage	**b) Sample** Sample of investees reflecting the main regions and crop types; 100 households per investee
Analysis	**a) Advanced** Analysis by research experts; RC on-site survey supervision for data reliability



Investee: About 20 farmer cooperatives, associations, and private agricultural businesses in Benin, Bolivia, Burkina Faso, Colombia, Guatemala, Haiti, Mexico, Nicaragua, Peru, Rwanda, and Togo.

Year: since 2012

Indicators (example subset)

- Change in farmers' agro practices.
- Change in farmers' yields.
- Change in farmers' earnings.

How

Root Capital research method developed with the objective of providing value to the end-client (see Client centric approach working paper, reference (i) page 64). Survey (100-200 households / investee) and Focus Group Discussion (FGD) coordinated and supervised by Root Capital staff based in local offices; tablet-based data collection by interviewers on the field. Dedicated funding obtained by different donors for the different studies.

Method

✓ Study participation criteria: agricultural businesses in good standing with Root Capital; representative of main crop types and geographical areas in portfolio; see value in participation.

✗ Margin of error when asking farmers to recall information about the past for the baseline, feature of all farmer surveys using similar methods.

Use

1. A farmer cooperative, for example identified: a) gaps to address with the TA program (lower female farmer productivity and outcomes, drop in coffee quality); b) another cooperative learned which services the farmers wanted the cooperative to provide (i.e., solar dryers).
2. An agro-processing company: a) decided to introduce a TA program to strengthen its relationship with farmers as a result of the outcome study; b) used the outcome results broken down by gender to inform a women's program already planned.

Works if

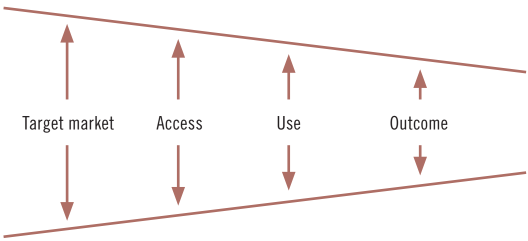
- Research project is attractive for philanthropy funds.
- Philanthropy fundraising team / staff time.
- Investor staff based in the regions can devote time.

3.6 Data quality

"Start using the data, and their quality will increase over time." -Oikocredit representative.

Data quality needs to be closely addressed to have credible results, and data accuracy seems to be particularly at risk for the most relevant outcome indicators. The Guidelines on Outcomes Management for FSPs and the Universal Standards Implementation Guide (standard 1b) provide useful recommendations on data quality control and validation that are relevant for FSPs, for investors contributing to the development of FSP outcome systems, and for investors willing to measure the outcomes of the FSPs directly.

Graphic 11: Funnel of attrition



from Guidelines on Outcomes Management for FSPs

These guidelines stress only a couple of recurrent data quality concerns of investors:

- Attrition. Attrition, meaning decreasing participation in each subsequent phase of a program (illustrated in graphic 11), is high in inclusive finance. Client drop-out after access creates two types of issues for outcome data quality: a) it decreases the end-line size, affecting the sample representativeness; b) it can create an attrition bias, i.e., over-estimate the positive outcomes (or, more rarely, under-estimate) if the clients who drop-out are not random, but have characteristics correlated to the outcome (e.g., a client whose business fail frequently drop-out). It is therefore recommended: a) to take into account the large client drop-out rate when determining the initial sample size; b) to measure outcomes of a sample of drop-out clients and investigate the drop-out reasons.
- External validation. Verification of the data quality by external parties, such as asset managers, and ideally some degree of independent validation by organization with no interest in the outcome result, is important to rely on the data and use them in decision-making. Some asset managers are concerned about the risk of incentive bias arising when FSPs report social outcomes to the investors. More generally, social outcome results may be biased and overly optimistic as a result of the players incentives: clients want loans from FSP, loan officers want to grow their portfolio, FSP want to receive funding from asset managers, asset managers want to fundraise from asset owners and asset owners want to be reassured about their choices. Independent validation, at least sporadic, enhances data quality.

The use of outcome data in decision making and the quality of such data can reciprocally reinforce each other in a virtuous circle: the more data is used internally, the more valuable it becomes to the core operations, triggering higher investments to increase the data quality.

3.7 Analysis

"Disappointing results are useful too, maybe more so than encouraging results." -Caroline Vance, Deutsche Bank

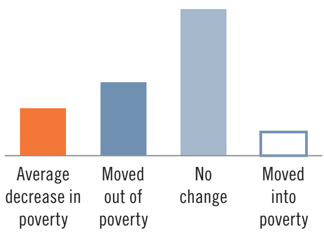
The recommendations provided in the Guidelines on Outcomes Management for FSPs are also relevant for investors willing to contribute to the analysis of the FSP outcome data. These guidelines add some indications specific to asset managers involved in the analysis of the FSP outcome data, reviewing the analysis conducted by FSPs or consolidating the analysis at the portfolio level.

Portfolio level. Consolidating the outcome analysis at the portfolio level is clearly appealing when the asset manager motivation includes managing the funds outcomes and being accountable. Yet, portfolio level analysis is very challenging because of the lack of comparability across investees. The consolidated analysis is possible when one or more outcome metrics and methodologies are reasonably comparable. Comparability does not need to be perfect: reasonably similar metrics and methodologies[12] can be aggregated, as long as the limitations are clearly disclosed (see 3.8). This can happen when industry standards (see annex 2) get established or when the asset manager (often equity investor) takes part in the choice of the indicators (see 3.2). The aggregate analysis can be made at the raw data level - combining the MIS database of different FSPs (see BBVAMF case study in this section and Oikocredit case study in section 3.3), or at the indicator level – as a weighted average indicators calculated from different FSPs. Today, consolidation is rarely possible and the analysis of outcome is mostly kept at the FSP level through individual case studies. Over time, portfolio level analysis of few indicators may become increasingly possible.

The following indications apply to both investee level and portfolio level analysis:

- **Go beyond average**. Analysis is credible when it details the client or FSP groups who improved, did not change and worsened, in addition to the total average. Results below the expectations can be used for improvement. See Graphic 12 for an example.

Graphic 12: Beyond average



- **Benchmark**. Compare outcomes to: a) the context - e.g., growth in the country by sector; consider shocks and other significant evolutions; b) peer performance – as emerging; c) expected performance – key performance indicators (KPIs) set by FSPs or investors, if any.
- **Segment**. Actionable analysis breaks down outcomes by segment to identify where progress is better and worse, as a first step to understanding why and improving:

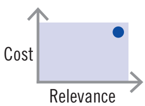
12 Similar to the pragmatic approach currently used to consolidate the number of rural clients at portfolio level, even if comparability is far from perfect (e.g. different national definitions, MIS treatments, branch versus individual identification)

client starting economic level (income or assets), product (credit, saving, which credit products, delivery channel), sector, and branch can be useful segments at FSP level. At the fund level, outcomes can potentially be analyzed by impact industry (e.g., inclusive finance, agriculture), FSP tier (see definitions in annex 3), legal form, region and financial intermediation.

Case study 8: BBVAMF Group centralized analysis of the databases of all the affiliates in portfolio

Asset manager – Equity Fund–Financial inclusion

Indicators	**a) Comparable** Same indicators, group driven choice
Approach	**b) Incremental** Newly-built system based on 5 years data already in the MIS
Budget, HR	**b) Hybrid** FSPs: data collection + 1-2 part time staff; BBVAMF MF: 7 full time staff for data cleaning, analysis, reporting
Coverage	**a) Entire portfolio** All FSPs in BBVAMF Group portfolio (8)
Analysis	**a) Advanced** Results benchmarked among investees, segmentation by cohort and initial income level; vintage analysis, disclosure of main limitations; external coherence, completeness & statistical tests



Investees 8: Bancamía (Colombia), Financiera Confianza (Peru), Banco Adopem (Dominican Republic), Microserfin (Panama), Contigo Microfinanzas (Argentina), Emprende Microfinanzas & Fondo Esperanza (Chile), Microfinanzas PR (Puerto Rico).

Year: 2015

Indicators (example subset)

- Micro-enterprise: change in revenue, profit, assets and funding structure.
- Employment: % clients generating new jobs.
- Non-financial: % clients with improvements in education, health coverage, housing.
- Vulnerability: % clients moving out of poverty.
- Relationship with FSPs: change in loan size & saving balance.

How

With majority stakes in its investees and a holding-type model, the BBVAMF Group centralizes the data quality check, data analysis and reporting at the impact measurement department in Madrid. FSP's executive committees and BoDs receive annual and quarterly reports to monitor the progress and benchmark their outcome results.

Method

✓ Consolidated social outcome results of the entire BBVAMF portfolio; outcome results benchmarked across FSP; meaningful indicators; vintage analysis of 5 years data series; census data in majority of cases.

✗ Attrition bias risk: drop-out client data not available; partial poverty calculation (client business net income as opposed to total household income compared to national poverty line).

Use

1. BBVAMF Group able to assess & manage the achievement of its mission's economic and social development goals.
2. Specific targets are being established for each FSP to ensure mission alignment.
3. FSP are considering integrating social outcome KPIs in the loan officers' incentive scheme (pilot in Peru).

Works if

- Reasonably comparable databases produced by FSPs' MIS.
- Investor plays an influential role with the FSP (e.g. equity).
- Results are integrated into day-to-day management.

- **Risk management**. To the extent that data are integrated, explore the relations between outcomes, client drop-out rate, credit risk and portfolio growth (at client or FSP level).
- **Qualitative**. Complement the quantitative analysis with qualitative indicators and explanations of change (e.g., better social status when moving from tenant to owner - freedom from landlord). The QUIP[13] is an innovative, rigorous qualitative tool that even aims at addressing the attribution challenge.
- **Factor in attrition**. Factor in the potential over-estimation (or under-estimation, depending on drop-out reasons) of positive outcomes due to the absence of data on drop-out clients, if needed.
- **Caution**. Treat the results with caution and keep in mind the possible shortcomings of the measurement process, such as: positive bias, recall-based technique margins of error, short timeframe for the indicators selected, client perception indicators sensitivity to circumstances, cross-section[14] data, non-representative samples, fungible money (in absence of loan utilization checks), indicators' partial alignment to standards (e.g., movement out of poverty calculated with a portion of the household income). Data with serious reliability issues may be dropped in the analysis.
- **Resist over-interpretation**. Unless justified, avoid using the term impact and stating the attribution of change in the outcome analysis.

3.8 Reporting

The Guidelines on Outcomes Management for FSPs provide reporting indications that are also valuable for investors. One of the most important is transparency. Credible reporting uses transparent language (e.g., calling outcome "outcome" and impact "impact"), and it discloses all of the following: methodology, definitions, sources, sample characteristics (if applicable), assumptions, caveats and limitations, comparability limits, and any other bias risk.

As far as the frequency of data collection and reporting is concerned, given the time needed for change to happen and the gradual emergence of outcome measurement practices, a high frequency is not advisable. Reporting outcomes every 2 to 5 years, at least at this stage, may be a more appropriate frequency.

To complement the above, the following considerations apply specifically to asset managers:

- **Reporting to asset owners**. As the asset owners become more sophisticated with outcomes, their reporting preferences gradually take shape. The opportunity for asset managers to take part in the definition of realistic reporting expectations by asset owners is discussed in section 2.3. While generalizing would be misleading, some

13 http://qualitysocialimpact.org/
14 Cross section data, i.e. data of different clients at different loan cycles, are an outcome proxy, as opposed to cohort data, i.e. data of the same clients after a certain period of time, which are an outcome measure

asset owners feel the need to benchmark the outcomes in different asset classes and impact sectors to understand how best they can reach their goals, suggesting that they would highly value having information reported in a comparable or at least relatively comparable way. Relative comparability may be obtained for instance by classifying the outcome results on a scale from very positive to very negative, based on how they compare with internal targets or emerging benchmarks, and transparently disclosing the methodology used. Relative comparability may be used within a specific industry or across different industries, provided that the underlying methodology is credible enough. Quantitative results of families of similar indicators are more likely to enable some comparability. For this reason the reporting to asset owners is likely to gain significant value when: quantitative analysis complements the qualitative assessments[15], and when the outcome indicators are to some extent comparable across different funds (at least in the same industry, e.g. financial inclusion). This aspiration of asset owners is justified, but it will inevitably need to come to a compromise with the challenges for asset managers to obtain the information and to consolidate it at the fund level, and with the value of letting FSPs select the context specific indicators that are most helpful to achieving their goals. Asset owners also value outcome data segmented by the single investees in a fund portfolio, while receiving the underlying database may be appreciated to different degrees depending on the asset owner propensity to get involved in the data analysis. Until industry standards get established, the outcomes reported to asset owners will mostly be in the form of single investees' case studies. In time, asset owners will see as a competitive advantage the ability of an asset manager to adhere to industry standards when reporting outcomes (for some investees or, ideally, for its portfolio), because this will allow them to benchmark.

- **Reporting standards**. Some of the most commonly used sets of metrics and reporting tools for investors do not systematically cover client outcomes. The Principles for Investors in Inclusive Finance (PIIF) reporting framework does not include outcome results[16] and the IRIS catalogue includes a few outcome result indicators that are applicable across different industries[17] but that are not always the most significant for inclusive finance. Once tested, refined, and adopted in the emerging practices, the SPTF list of harmonized social outcome indicators (annex 2) could potentially become the standard of reference to measure the financial inclusion outcomes and be integrated in other commonly used platforms.

15 Until a critical mass of qualitative outcome evidence is systematized to allow benchmarking qualitative information.

16 The only outcome indicator is about process as opposed to results: "Do you collect data on the social outcome of the work of your investees?" It is found in the inclusive finance supplement of PIIF reporting framework, principle 6 –transparency.

17 IRIS PI4583: Number of new businesses created as a result of investments made by the organization during the reporting period. IRIS PI3687: Net number of new full-time equivalent employees working for enterprises financed or supported by the organization at the end of the reporting period, and since the beginning of support/investment by the organization.

Other recommendations are not specific to outcome reporting, but simply refer to common sense for any kind of reporting: reports for internal use can be produced more frequently than reports for external use; reports to BoD and top management should be more concise than for the field experts in the organization (SPM champions or TA team in this case); internal reporting within the organization reinforces working towards common goals (investment officers team in this case)

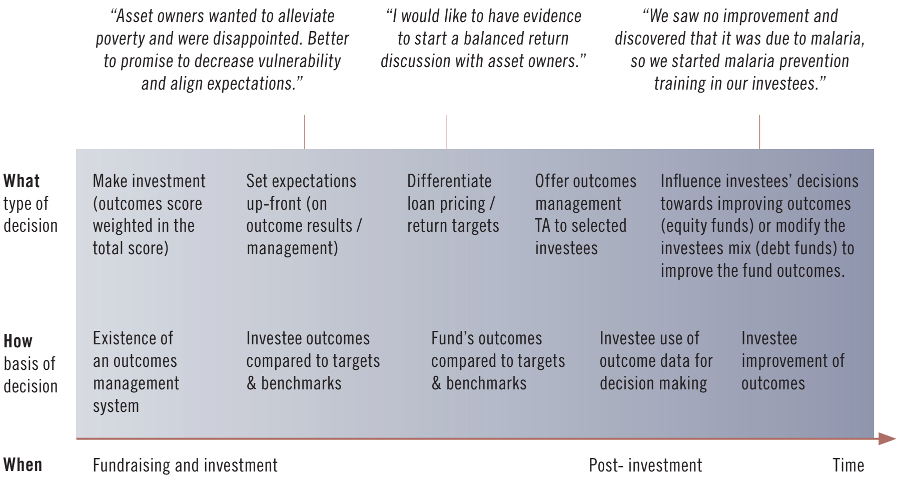
3.9 Use

"We can't have outcome as an eligibility criterion because none would be eligible." -Maha Keramane, BNP Paribas

Given the scarcity of outcomes data available so far, the investors' social due diligence module generally covers intent, processes and outputs, but not systematically outcomes. In the rare cases where outcome data are available, investors usually review them as part of the investee general social performance assessment.

This section addresses the use of outcome results for internal management; the use for external accountability to asset owners is reviewed in section 2.3. Further integrating social outcomes in investors' decision- making improves outcomes, justifies the cost of outcomes management, and probably accelerates the FSP adoption of outcomes management systems. While it may be premature to make an exhaustive review of investors' use of outcomes data before such data are generated at a larger scale, graphic 13 (page 49) illustrates some examples of ways in which investors could integrate outcomes in decision making. What is valued and how it is valued may be combined in different ways over time: at the beginning the priority may be to develop more outcomes management systems, while over time the results may actually play a role in investment decisions. For instance, in the short term the outcome expectations set at the time of investment could be around the development of an outcomes management system. In the long term, once an increasing volume of data has been collected, the decisions about loan pricing and return expectation could be made also on the basis of the outcomes achieved by the investee compared to the benchmark. Ideally, asset managers will have outcome evidence available from investees to achieve the desired social goal(s) of a given fund by selecting a certain mix of investees.

Graphic 13: Investors' decision making informed by outcomes



"We are building the plane as we fly it. Collecting social outcomes is the easier part. We are still learning to incorporate the feedback loop to maximize the use of results." -Asya Troychansky, Root Capital

3.10 Review

"You don't get it right the first time. You need to see the results, go back and address the shortcomings." - Calum Scott, Opportunity International

The tireless reader who reached this section of the guidelines will know that devil is in details. It is safe to anticipate that the design of an outcomes management system will be an iterative process and the first few attempts may be a test phase. All the previous steps, including the analysis, are good opportunities to identify the shortcomings to be addressed in the review stage. As investors gain experience and more data become available, they fine-tune their strategy, deciding for instance to: review their ambitious theory of change and amend it to set consumption smoothing as the goal that is realistic and valued by clients, dig deeper in client drop-out reasons, include other household incomes in the income calculation, drop an indicator of difficult interpretation, and refine how they support their investees' efforts to strengthen their own outcomes management systems. Ultimately, outcomes management is not a system to perfect and then implement in the same fashion year over year, but a dynamic set of processes that the investor should revisit at least annually and continually adapt, in line with the evolving goals, challenges, and potential of investees.

Conclusion

"Social outcomes are always an extra thing. Ideally, we should get away from this idea that social outcomes are an extra thing. But it's difficult." -Thomas Hofer, Microvest

Investors can play a key role in making inclusive finance work to improve the lives of clients. Managing outcomes is a team effort that needs FSPs, asset managers, and asset owners on-board. Outcomes should ideally not be treated as an extra thing, but be part of business and risk management. It is not too late to have a frank discussion about what inclusive finance can deliver based on evidence, and align the industry expectations. Outcomes management can minimize social risks and concentrate efforts on the types of positive change that inclusive finance is best at.

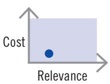
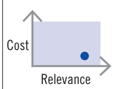
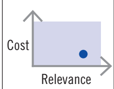
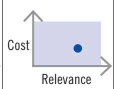
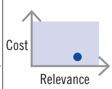
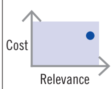
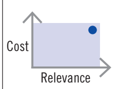
However, outcomes management remains challenging to implement. These guidelines are a first step in exploring how investors can bridge some gaps in outcomes management. As practices evolve, it will be useful to dig deeper in how the risk, return, and outcome trio plays in asset allocation decisions, what an outcomes management system looks like when it's on-going (as opposed to start-up), and how inputs, outputs, and outcomes reinforce each other. As the asset owners' appetite for outcome evidence increases, it will be interesting to expand the analysis of how they can further contribute to the management of outcomes and what they find most valuable.

What we can say with confidence is that every stakeholder interviewed for these guidelines who has engaged in some way in outcomes management has seen the value in it. As our sector continues to invest in this work and increases the sophistication of its engagement, so too will we increase our understanding of what drives change, and strengthen our ability to improve clients' lives.

"We need to learn to over deliver and under promise." -Ximena Escobar de Nogales, Bamboo Finance

Annex 1

Map of investor social outcome case studies

Investor Instrument Sector[1] Region[1] Profit status	**Sarona** Equity fund Impact finance LAC, Africa, Asia For profit	**Bamboo** Equity fund Inclusive Finance LAC For profit	**Triple Jump** Debt fund Inclusive finance LAC For profit	**Acumen** Equity fund Impact finance LAC, Africa, Asia Non profit	**Oikocredit** Mixed fund Inclusive finance Asia For profit[2]	**Root Capital** Debt fund Impact finance LAC, Africa Non profit	**BBVAMF** Equity fund Inclusive finance LAC Non profit
Indicators	a) Comparable	c) Different	c) Different	c) Different	a) Comparable	a) Comparable	a) Comparable
Approach	a) From scratch	a) From scratch	b) Incremental	a) From scratch	b) Incremental	a) From scratch	b) Incremental
Budget, HR	c) Investees	b) Hybrid	b) Hybrid	b) Hybrid	b) Hybrid	b) Hybrid	b) Hybrid
Coverage	a) Entire portfolio	c) Case by case	c) Case by case	b) Sample	c) Case by case	b) Sample	a) Entire portfolio
Analysis	b) Medium / overview	b) Medium	b) Medium / advanced	b) Medium	a) Advanced	a) Advanced	a) Advanced
Cost/ relevance							

1 Region and sector of the investees involved in outcome measurement.

2 Cooperative. For more information please refer to section 3.

Annex 2

List of harmonized social outcome indicators

Outcome themes
1. Business and entrepreneurship 2. Economic poverty, assets and housing 3. Resilience and vulnerability 4. Health

For more details please refer to the SPTF Outcomes Working Group webpage.

Criteria applied to select the SPTF core set of social outcome indicators:	
1 RELEVANT	1.0 Captures key outcome elements for the theme 1.1 Realistic in different contexts 1.2 Will align to defined social goals and Theory of Change for the selected theme
2 USABLE	2.0 Actionable by FSP management (linked to operational strategy) 2.1 Reliable - information likely to be dependable
3 CLEAR	3.0 Unambiguous and clearly stated
4 FEASIBLE	4.0 Measurable - practical to collect, involves non-complex questions
5 COMPARABLE	5.0 Can be benchmarked

1 Business Outcomes

Sub-theme	Indicator	Framing the question	Notes
Change in business assets	1. % who have invested in major tools/equipment/ structures/ productive assets for self-employment	During the last X year/s, did you purchase or invest in any of the following assets for your enterprise activity/farm? (a) Purchased major tools (such as stoves, equipment, agric .machinery), (b) Invested in structures for your marketing site (kiosk, shop)	a. Select indicators relevant to context: can be used with reference to any business the household has b. As a short term indicator, this may primarily capture loan use (any source); longer term, may capture investment over time, using income from the business c. Many of these indicators are verifiable; might have to be smart in the interpretation as seasonality may affect some of these (livestock purchases and sales, etc.) d. For organizations that estimate business value with clients during group meetings, this data might not be useful or accurate as clients will not want to share openly how much they earn in profit and it may be underestimated for this reason and therefore not reliable over time e. For FSPs conducting a detailed and verified assessment of the financed business through a loan application process, current value of fixed assets, working capital, annualized sales and net income are significant business outcome indicators f. Requires clear definition/treatment of assets g. Otherwise, the main concern about these questions is recall
	2. % with ↑↓→ in total business assets; and numerical values of increase	I'd like to know about changes to your business/ farm in [the past year/s]. Please tell me whether these things are the same, better, or worse than at the same time last year: (a) The structure of any rooms or buildings (walls, roof, floor), (b) Appliances or equipment, (c) Livestock	
Change in business revenue	3. Annual sales (taking account of seasonality)	Base on information in the loan appraisal form (provide example)	
	4. Annual net income		

Sub-theme	Indicator	Framing the question	Notes
(financed business)	(profit)		and general inaccuracy of the report on profit, revenue, etc.
	5. % who report an increase in their business income [in past year/s]	Over the last year/s, has the income you have been able to earn…? (increased significantly, increased somewhat, stayed the same, decreased); ideally add – what were the reasons?	a. Perception based b. Can be short-term or longer-term indicator
Business practices	6. % who introduced a new product or service in the last X year/s	Have you introduced new products or services in your business during the last X year/s? Have you started producing or selling any new products in the last X year/s that you didn't previously produce or sell?	a. Woman client may not be the best person to answer business related questions – needs a check a. Consider linking to question regarding self-esteem/ confidence (under business attitude) since lack of movement on any of these indicators in the short-run might be indicative of lack of self-esteem/ confidence to introduce business improvements. b. Usability – high for FSPs (considering) linking business loans to entrepreneurship training/ programmes c. Investment not included here – as covered under increase in assets
	7. % who experienced in their income during the high season in past year	During the high season/ harvest (i.e. Christmas, Eid, etc.) of this past year, were your sales/income greater than, about the same, or less than your sales from the same season of the prior year?	
	8. % of women clients who either jointly or solely make the business decisions	Who [in the household] decides how the money (profit) realized from the business should be used/spent?	
	9. % who introduced new business processes in last X years	Have you introduced new or improved existing business processes in the last year/s? (e.g. a production method, quality control, accounting system, distribution system)?	d. More relevant to small business
Increased employment in financed business	10. # family members working in financed business	How many of your family – men-women (include yourself) are working in this business?	a. Including male/female as well as whether full-time or part-time increases relevance of employment measurement; particularly relevant for small businesses, and indirect outcomes; categories/ ranges based on number of workers are useful b. Wages to paid employees or skill levels could be asked through separate research

Sub-theme	Indicator	Framing the question	Notes
	11. # wage workers employed in financed business	How many paid workers (non-family) do you employ in this business?	
Business attitude	12. % with ↑↓→ level of confidence in ability to be successful at their business	How confident do you feel you will be successful at your business(es)? (very, somewhat, etc.)	c. Perception based, may be overstated by those starting a new business. Better in separate research (not linked to a loan appraisal!) that adds questions on awareness/strategy related to markets, sourcing assets/materials, managing seasonality etc.
	13. % satisfied with business earnings	Agree or Disagree: "In general, I am satisfied with the earnings obtained by my business"	

2 Poverty/Assets/Housing Outcomes

Sub-theme	Indicator	Notes
Change in economic poverty *poverty line selected relevant in country context*	3. After years 3 and 5 : % of client households above the benchmarked poverty line, who were below the line at entry	e. Recommend PPI for countries where it is available, and up-to-date – as a relatively straightforward tool to apply. PPI – and most indicators below, can be integrated with routine operations, as part of a member or loan form. Comparable to national benchmarks – at country and geographic levels. f. Given the high weightage often given to such indicators as 'number of children in the household', or 'education level of adult woman', change which is outside the scope of financials services, we recommend the PPI should be supplemented with additional indicators of quality of life or other themes, relevant to rural or urban context. g. Not every country has a PPI – or the PPI may be out of date. If the PPI is unavailable, a local poverty index is a good option, reflecting poverty in the local context – though as an index this may not be comparable to national benchmarks, though individual indicators may be. h. Long-term horizon. Data need not be collected every loan cycle, but every 3 or 5 years.
	4. After years 3 and 5 : % poor clients in year 1 still with MFI, % of them now above the poverty line, % still below the poverty line	
	5. % change in client households' poverty rate - per the PPI	
Acquisition of assets *does not include business assets*	4. % HH acquiring additional key household assets , by year, (such as radio/ tape player, chairs/ table/benches, bed frame/mattress, stove, refrigerator, TV, bicycle etc.)	a. Select indicators and terminology relevant in country/programme context, and with potential for a significant % of clients at baseline b. Long-term. c. There may be a large number of potential assets that are relevant, but select just a few most relevant. Can use existing assets in a PPI, or other index being used for poverty measurement d. Comparable - to national benchmarks (DHS - http://dhsprogram.com/) e. But the distinction between household and business assets may not always be clear

Sub-theme	Indicator	Notes
Improved quality of life *also links to housing – next*	5. Increase in % of HH who have access to an improved type of toilet	a. More relevant to rural context than urban context with more established infrastructure; however, access may be more dependent upon environment and not necessarily the influence of the MFI. b. May be a direct outcome, linked to use of a financial service, and therefore short-term; or indirect, resulting from increased income over time – and then longer term c. Comparable – indicators can be compared to national benchmarks (DHS - http://dhsprogram.com/)
	6. Increased in % of HH with improved main source of drinking water	
	7. Increase in % HHs using clean or efficient energy sources for cooking	
	8. % households sending their children to school regularly – primary level, secondary; college level	a. May be appropriate in context, and potentially linked to specific financial products for education
	9. % clients who feel positive about the future	a. Perception based question added based on feedback that hope for the future is an important component of quality of life. b. Likely to be better captured through separate research
Housing	10. % HHs who made specific changes to the home in the last 3 years, such as : (i) fixed or improved existing roof, floor, or walls; (ii) expanded the house (built new room, shed, attic, or fence); (iii) improved water or sanitation system (new well, drainage/sewage system, showers or latrine); or (iv) percent who got electricity or major improvement in lighting	a. Salient - Housing is a long term investment and therefore it needs security of tenure, for the future etc. In a volatile context housing is not likely to be a good indicator. b. While housing is universally important, it is very contextual. It seems to be impossible to have standardized indicators, so think in terms of dimensions. c. Reliable, direct outcome area for clients with housing finance services; or long-term indirect outcome of increased income d. Comparable - to national benchmarks (DHS - http://dhsprogram.com/)

Sub-theme	Indicator	Notes
Income	% HHs with ↑,→,↓ number of sources of income ↑,→,↓ change in household income over previous 12 months % HHs who say their income has ↑,→,↓ over previous 12 months % HHs who say their income has been stable over the previous 12 months	**May be considered** - Number of income sources is relatively easy to measure, may be relevant in some contexts; but may have ambiguous implications (for instance increasing income from one source vs increasing sources which are relatively low income, less stable) - Difficult to measure income: issues with seasonality, any increase over time needs to be adjusted for inflation - Perception based question may be useful

3 Resilience & Vulnerability Outcomes

Sub-theme	Indicator	Framing the question	Notes
Financial tools	1. Change in cash savings balance with the FSP % clients with ↑↓→	*a) MIS data: What is the balance of savings that the client holds with the FSP (that may be easily withdrawn in the event of a shock?)*	a. Salient and direct link to a financial service for individual client b. Increase in savings represents ability to put money away, building resilience; transactions in an account reflect utility of savings. c. Can add distribution of savings amount – appropriate in context d. A separate research question could include a question about other savings, but this may be quite an invasive question to ask
	2. Use of financial tools in response to a shock/ stressor	*Have you experienced a shock or major financial need in the past 12 months? If so which (if any) financial tools did you use to cope with the financial stress created - savings, emergency loan, insurance, remittances?*	a. Tracks occurrence of a shock, and whether financial tools are contributing towards resilience
Financial tools/liquid assets	3. Change in liquid assets – such as livestock, jewellery (as locally defined) % HHs with ↑↓→		a. Likely to be salient for poor and low income households. Define relevant assets in context (i.e. those assets that households accumulate specifically as a form of savings). b. Same issue as for indicator 1 c. Sale of a liquid asset can be added as an option to the previous question
Security of income	4. Reduction in reliance on casual labour as main income source	*What is the main source of income for your family? (answer options would be provided to compare changes from labour to other sources – including self- employment)*	a. In addition to being low paid casual labour is very seasonal and unreliable and represents a major dimension of vulnerability. Diversification of livelihood away from casual labour is an important positive outcome. b. May be short-term

Sub-theme	Indicator	Framing the question	Notes
Liabilities	5. Appropriate ratio of household debt/disposable income	*Calculated as part of loan application process by many FSPs*	High levels of indebtedness is considered to be an important indicator of vulnerability. Indicator can be used by FSPs that are already collecting this data as part of the loan appraisal process (probably not feasible for many group lenders)
Coping strategies & consumption smoothing	7. decrease in % of households not able to manage key expenditures (basic in local context)	*In the past year have you: missed paying school fees for more than 3 months; foregone necessary medical treatment due to cost; foregone expenditure on household repairs, electricity, fuel for cooking, clothes due to cost?*	a. Can be adapted to local context. This question aims to ask about expenditures on areas relating to basic needs. Inability to pay for one of these indicates financial stress and low resilience.
Food security	8. Improved food intake in the household (scale)	*I will read 4 choices for your response. Please tell me, which of the following best describes the food consumed by your family in the last year: Enough and the kinds of nutritious food we want to eat (1); Enough but not always nutritious food (2); Sometimes not enough food to eat, was sometimes hungry (3); Often not enough to eat, was often hungry (4)*	a. Relevant for poor/very poor households b. Indicator identifies four levels of food security (can be simplified to capture just food secure/insecure). This is a good indicator of current food security, but it is very sensitive to short term fluctuations and seasonality so needs to be interpreted with caution. Whilst the definitions are subjective e.g. 'nutritious' this question has been demonstrated to be effective.
Self-perceived resilience	9. Change in self-perception of future risk/ situation	*I feel optimistic about the future: "yes/no" or "not at all; somewhat; very"*	a. Captures both vulnerability and resilience. b. Question is more valuable if there is an added qualitative question on reasons.

4 Health Outcomes

Sub-theme	Indicator	Framing the question	Notes
Food security	1. Improved food intake in the household (scale)	*I will read 4 choices for your response. Please tell me, which of the following best describes the food consumed by your family in the last year: Enough and the kinds of nutritious food we want to eat (1); Enough but not always nutritious food (2); Sometimes not enough food to eat, was sometimes hungry (3); Often not enough to eat, was often hungry (4)*	a. Relevant for poor/very poor households b. Indicator identifies four levels of food security (can be simplified to capture just food secure/insecure). This is a good indicator of current food security, but it is very sensitive to short term fluctuations and seasonality so needs to be interpreted with caution. Whilst the definitions are subjective e.g. 'nutritious' this question has been demonstrated to be effective.

Sub-theme	Indicator	Framing the question	Notes
Water & sanitation	2. Improved drinking water source	*What is the main source of drinking water for members of your household?* *1) Piped water (piped into dwelling, yard/plot, public tap/standpipe)* *2) Tube well or borehole* *3) Dug well (protected)* *4) Dug well (unprotected)* *5) Well spring (protected)* *6) Well spring (unprotected)* *7) Tanker truck* *8) Rainwater* *9) Cart with small tank* *10) Bottled water* *11) Surface water (river, dam, lake, pond, stream, canal, irrigation channel)* *12) Other (specify)_______*	a. Please use water sources as provided by national Demographic and Health Surveys (DHS) for each country (http://dhsprogram.com/) b. Also, it would be important to follow guidelines developed by World Health Organization as to what constitutes an improved water source. (for example, use of bottled water does not constitute an improved water source if household does not have improved water source for cooking or hygiene)
	3. Water is treated to make it safer for drinking	*Do you do anything to treat your water to make it safer to drink? 1) Yes, 2) No* *If yes, what do you do to treat your water to make it safe to drink?* *1) Let it stand and settle/ sedimentation* *2) Strain it through a cloth* *3) Boil* *4) Add bleach/chlorine* *5) Water filter (ceramic, sand, composite)* *6) Solar disinfection* *7) Other* *8) Don't know*	a. Understanding the local context will be important; households with safe water sources for drinking are not likely to report treating its water. b. Should be used in conjunction with how water is treated to accurately classify a household as having treated their water correctly.
Preventive health care	4. Received preventive medical care in prior year (or other time period)	*In the past 12 months, did you or any member of your household visit a doctor or other health provider for a preventive health service (for example, medical checkups, blood pressure checks, vaccinations, breast exams, Pap smears, etc.)? 1) Yes, 2) No*	a. Can also break this out into individual medical exams of interest or simply ask whether they have had a medical checkup. Can find benchmarks normally in a DHS survey (pay attention to how DHS surveys ask this questions so recall period is similar if you wish to benchmark to national survey data).
	5. Saved money for health costs	*In the last 6 months, did you use a strategy to save money specifically for health? 1) Yes, 2) No*	a. Generally does not have a national benchmark.

Sub-theme	Indicator	Framing the question	Notes
Curative care	6. Reduction in those who delayed seeking treatment due to cost	*In the past year, did you delay seeking medical treatment for any person in your household because of concern about the cost?*	a. Generally does not have a national benchmark (but confirm with DHS surveys as sometimes there is a similar indicator. In some DHS surveys they will measure whether cost is a barrier for seeking medical treatment)
Psychosocial	7. Improvement in confidence for ability to afford appropriate medical care	*Which of the following best describes your household:* *1) I feel very confident that I can afford appropriate medical care for my household when needed* *2) I feel somewhat confident that I can afford appropriate medical care for my household when needed* *3) I am not very confident that I can afford appropriate medical care for my household when needed* *4) I don't know*	a. Generally does not have a national benchmark
	8. Improved sense of hope for future	*In the past year, I felt hopeful for the future.* *1) Yes* *2) Somewhat* *3) No*	a. Some country "values" studies will have this indicator. (http://www.worldvaluessurvey.org)
	9. Improved satisfaction with life one has	*On the whole, how satisfied are you with the life you lead?* *1) Not satisfied at all* *2) Not very satisfied* *3) Fairly satisfied* *4) Very satisfied*	a. Some country "values" studies will have this indicator. (http://www.worldvaluessurvey.org)
Domestic violence	10. Decrease (or no increase) in fear of husband/ partner	*In the last 12 months, were you ever afraid of your husband/partner: Most of the time, some of the time, never?*	a. When using this question, make sure husband/ spouse is not in close proximity both for client protection and accuracy of answer b. While most financial service providers would not see themselves capable of influencing domestic violence, they should feel confident through product design that they are not exacerbating it.
	11. Decrease (or no increase) in belief that a partner/ husband is ever justified in hitting or beating his wife	*In your opinion, is a husband ever justified in hitting or beating his wife?*	a. When using this question, make sure husband/ spouse is not in close proximity both for client protection and accuracy of answer b. While most financial service providers would not see themselves capable of influencing domestic violence, they should feel confident through product design that they are not exacerbating it.

Annex 3
Definitions & References

Client	End client of FSPs
Cohort	A group/number of the same clients who are tracked from baseline to endline, to track change over time
Cross-section analysis	Instead of cohort data, comparing data for different clients at different loan cycles, for example comparing clients at loan cycle 3 with clients at loan cycle 1
Debt Fund	Investment funds and vehicles with >85% total non-cash assets in debt instruments
Equity Fund	Investment funds and vehicles with >65% total non-cash assets in equity instruments
Impact	Change caused by an intervention
Impact finance	Investment funds and vehicles with >65% total non-cash assets in agriculture, fair trade, health, education and clean energy
Inclusive/impact finance	Investment funds and vehicles with total non-cash assets in agriculture, fair trade, health, education, clean energy between 15% and 65%
Inclusive finance	Investment funds and vehicles with >85% non-cash assets in financial services to the bottom of the pyramid
International poverty line	Set by the World Bank (WB) in dollar terms with purchasing power parity for comparability across countries; set at $ 1.9 (PPP) and $ 3.8 (PPP) by the WB in Oc
Investor	Impact finance investment intermediaries (MIVs, holding companies, funds of funds, peer to peer microlenders, other) and asset owners
Longitudinal analysis	Tracking data for the same clients (a cohort) from baseline to endline

Mixed Fund	Investment funds and vehicles with equity instruments between 15% and 65% of total non-cash assets
Relevance	Outcomes management strategy significance for the set goals and robustness of results
Outcome	Change for end clients that is plausibly associated with the FSP services
Outcomes management	Multi-step organisational system for the collection, analysis, and use of outcomes data
Tier 1 FSP	FSP total assets > 30M US$
Tier 2 FSP	FSP total assets between 5M US$ and 30M US$
Tier 3 FSP	FSP total assets < 5M US$
Theory of Change (ToC)	A Theory of Change sets out the steps to be implemented, and what needs to happen, to achieve a certain result, or address a certain problem.

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