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Impact Management: Institutionalizing Impact-Driven Change

Amarante Consulting

Wednesday November 13th, 2024



This presentation was developed by **Amarante Consulting**, a proud member of the e-MFP, for a 90-minute session delivered during European Microfinance Week (EMW) 2024, held in Luxembourg in November 2024.

Our session engaged over **80 practitioners** from the impact, digital, and financial inclusion sectors, exploring key themes such as **institutionalizing impact-driven change, embedding impact DNA into organizations, aligning ESG practices with SDGs, overcoming data challenges, and leveraging actionable frameworks** to drive measurable and sustainable impact.

We are delighted to share this document as a public good and extend our heartfelt thanks to **e-MFP** for their invaluable support in facilitating this session. We also thank **CERISE-SPTF** for their collaboration and contributions.

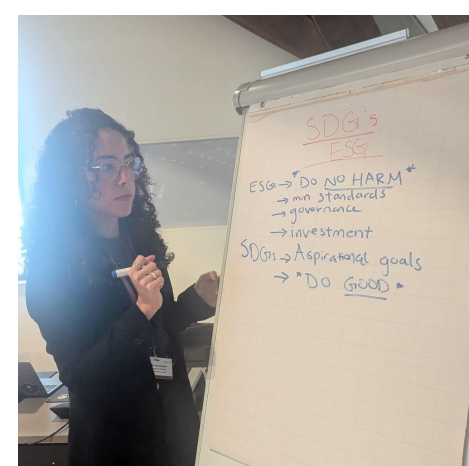
For further engagement or to share ideas for future collaborations, please feel free to contact us at contact@amaranteconsulting.com.





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We designed the session with the view to foster a highly **interactive environment**, with participants actively engaging in discussions and exchanging insights. Through thought-provoking **questions and table-round brainstorming**, participants explored diverse perspectives on aligning ESG practices with SDGs, embedding impact into governance, and tackling challenges like data consistency. These rich discussions highlighted the value of collaboration and peer learning in the impact space of the financial inclusion sector. **They effectively demonstrated the value of creating platforms for shared innovation and actionable takeaways.**



Session Speakers



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Since 2008, Amarante works at the convergence of digital, development and inclusion

With



For



Amarante's footprint



Over **300 projects** delivered, across over **70 countries**

Pluri-cultural team distributed across the globe

A **diverse skill set** and in-depth understanding of local contexts

Over **11 spoken languages**

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1. UNDERSTANDING IMPACT

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Defining impact: soundbites from our participants

FSPs

A **positive change experienced by the beneficiaries** of the program. It's about the ways an organization's activities help **clients meet their needs** and **improve their quality of life**.

Impact means being able to **achieve goals** and ensure that the **community succeeds** in achieving its goals through the work of my organization.

"Member banks' **contribution to SDGs** + allowing people/bank customers to **build resilience** and **capture their opportunities** and **grow**."

NGOs

More **resilient, inclusive** communities in the face of **conflict and climate change**.

Changes/effects to which we contribute with our interventions, at the level of **beneficiary organisation and end-beneficiaries**.

"When we talk about impact, we refer to the **long-term** and **positive change** our activities bring into the lives of the people we serve."

Investors

Systematically measured through various indicators via a system made in house, based on the **SDGs**, our **TOC**, and the **objectives** of our management contract.

Impact (is defined) both in the scale of our **global reach** and the **depth of change** in a person's life.

Consultants/TA providers

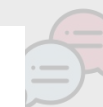
Changes that access to financial services can bring to clients such as **increased quality of life** and **economic empowerment**, enhanced **financial stability**, **gender equality**, etc. It refers to **positive (and negative) changes** for individuals (clients), community, and environment.

Government entities

Intended positive changes in a **state** or **behavior** due to an intervention (and **avoidance of unintended negative changes**)

*Source: Session registration survey: 48 responses, majority FSPs, TA providers, and investors. Additionally: NGOs, network associations, etc.

Defining impact: the common thread



FSPs

NGOs

Investors

Consultants/TA providers

Shared focus on **positive change**

Most organization types—whether FSPs, NGOs, investors, or consultants—emphasize **creating positive change**. This ranges from individual and community-level improvements (e.g., quality of life, resilience) to broader systemic impacts.

- **Alignment with SDGs:** The SDGs provide a global reference, offering a common language and goals for impact.
- **Theory of Change (ToC):** Used to map activities to outcomes, clarifying how actions lead to measurable impact.
- **Data-driven measurement:** Emphasis on specific indicators (e.g., financial stability) to track and validate outcomes.
- **Long-term perspective:** Emphasis on lasting impact that builds resilience and capacity over time.
- **Diverse methods for unified goals:** Methods like SPM (Social Performance Management) units, impact dashboards, and engagement metrics align efforts toward shared goals.
- **Mitigating unintended impact:** Identifying risks, setting up mitigation strategies, and monitoring for responsible impact management.

*Source: Session registration survey: 48 responses, majority FSPs, TA providers, and investors. Additionally: NGOs, network associations, etc.

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DISCUSSION: ESG VS. SDGs



How do ESG criteria and the SDGs interact within your organization? What differences do you see in their application, and how do you leverage each to further your impact goals?

DISCUSSION HIGHLIGHTS: ESG VS. SDGs

What is ESG?

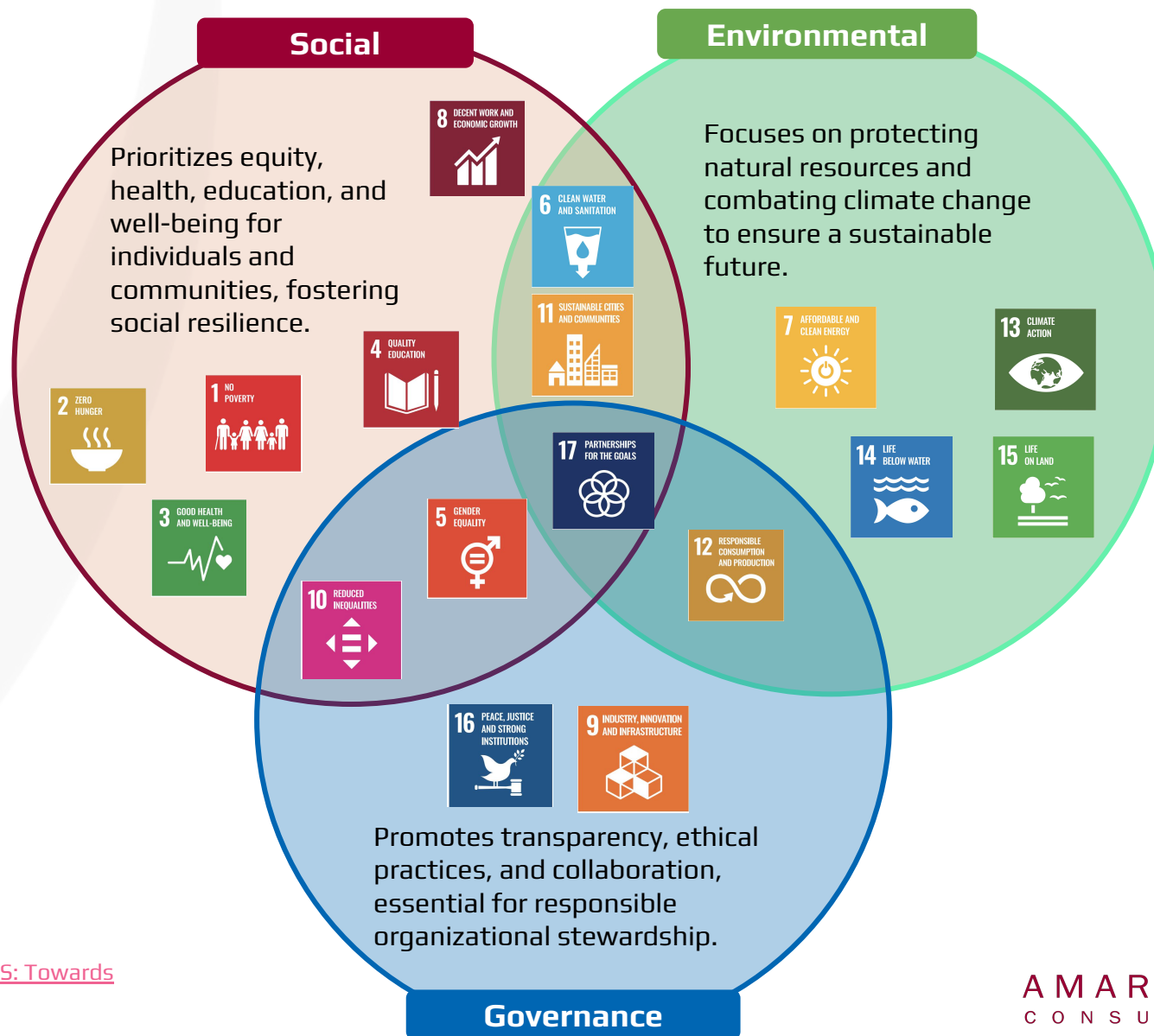
- A framework for assessing corporate environmental, social, and governance practices, aimed at investors.
- Focuses on compliance, accountability, and risk management.
- Encourages sustainable practices without a globally standardized structure.
- Developed by financial and investment sectors, with origins in the UN Global Compact (2004).

What are SDGs?

- A set of 17 global goals addressing poverty, inequality, climate action, and sustainability by 2030.
- A universal blueprint for governments, NGOs, and businesses to drive social, economic, and environmental progress.
- Provides a common language and targets for aligning impact with global priorities.
- Established by the United Nations in 2015 under the 2030 Agenda.

SDGs & ESG: intersections

ESG serves as a framework for measuring, standardizing, and implementing specific activities for each business based on the overarching SDGs that an organization aims to achieve.

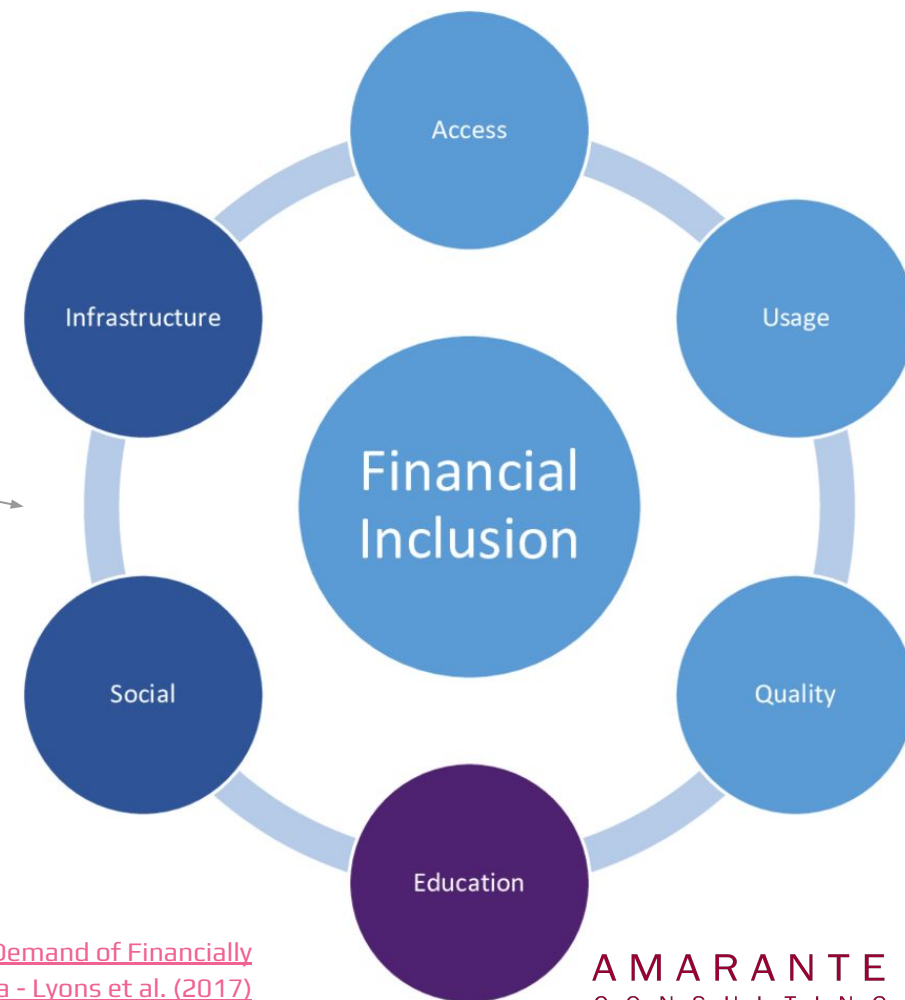


Source: Vu Phong Energy Group JSC [The Connection Between ESG And SDGs: Towards Sustainable Development](#)

Financial Inclusion within social impact

Social impact is part of the ESG framework, where **financial inclusion** remains a key focus. Today, it is being named differently - **resilience, access to finance, livelihoods, etc.**

Measuring and tracking impact is just as important as creating it. Effective tools and digital platforms that facilitate data collection, measurement, and monitoring are actively sought after.



Source: [Impacts of Financial Literacy on Loan Demand of Financially Excluded Households in China - Lyons et al. \(2017\)](#)

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2. TRENDS & CHALLENGES

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Trends in impact management for investors

BlueMark's 2023 Benchmarking report highlights key gaps and best practices in impact management for investors, covering incentives, risk assessment, stakeholder engagement, and sustaining impact.

34%

Impact-linked incentives

Few investors link impact outcomes to staff incentives. Most common approaches include annual performance reviews related to impact, with only 7% linking impact directly to carried interest.

55%

Assessment of impact risks

Over half of investors assess impact risk during due diligence, focusing on execution risks. Only 24% include assessments for potential negative impacts, showing room for improvement in managing externalities.

27%

Sustaining impact at exit

A minority of investors (27%) have measures to ensure sustained impact after exit, with only 60% considering long-term impact continuity.

33%

Stakeholder engagement

Less than a third of investors actively engage target stakeholders to validate impact, revealing a gap in soliciting feedback from those affected by investments.

Source: BlueMark (2023): Making the Mark. Benchmarking Impact Management Practices. BlueMark is an Independent impact verification and intelligence provider. The 2023 report is based on 84 verifications for 75 impact investors managing a combined \$209.4 billion in impact-oriented assets under management

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General trends influencing outcome management for FSPs.



Trend 1: Growing demands for accountability from stakeholders.



Trend 2: Data collection is now easier and more cost-effective.



Trend 3: Adjusted expectations of what financial inclusion can achieve, focusing on resilience and risk management.



Trend 4: SDGs have emerged as a common framework for aligning goals and measuring impact.



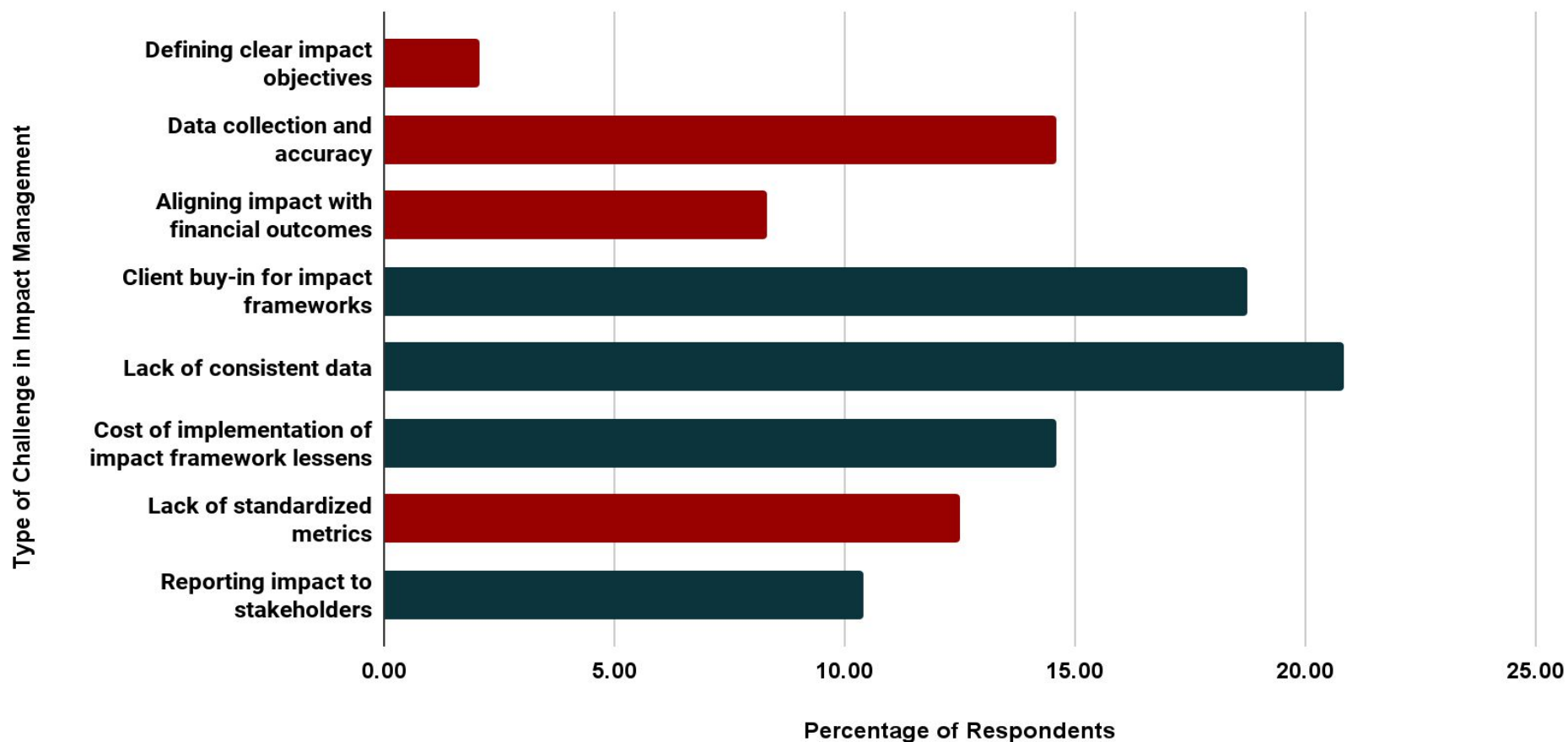
Trend 5: Increased investor interest in measurable outcomes.



Trend 6: Despite investor focus, outcomes are not yet a priority for many financial service providers (FSPs).

Source: CERISE, SPTF Outcomes Working Group, and e-MFP Investors Action Group. "OUTCOMES MANAGEMENT FOR FINANCIAL SERVICE PROVIDERS." (2022)

Key challenges in Impact Management: soundbites from our participants



LEGEND

- Challenges faced by FSPs/Fintechs
- Challenges faced by Consultants/TAs

*Source: Session registration survey: 48 responses, majority FSPs, TA providers, and investors. Additionally: NGOs, network associations, etc.

Overcoming FSPs' lack of consistent data



Leverage existing data sources: Use client transaction and profile data to generate insights without additional data collection.



Centralize and standardize data collection: Implement a unified data system to integrate and clean data from all sources.



Define core indicators and reporting standards: Align metrics with frameworks like SDGs to ensure comparability and consistency.



Build staff capacity and address biases: Train staff on data skills and bias reduction for accurate, objective data collection.



Embed qualitative insights for holistic understanding: Combine quantitative and qualitative data to capture comprehensive impact.



Implement continuous data quality checks: Regularly audit data to maintain accuracy and identify inconsistencies proactively.

Source: CERISE, SPTF Outcomes Working Group, and e-MFP Investors Action Group. "OUTCOMES MANAGEMENT FOR FINANCIAL SERVICE PROVIDERS."

Example - Sirius Programme: Addressing data challenges

Challenge: Many MSMEs struggle to adopt sustainable practices due to lack of resources, knowledge, and financing options.

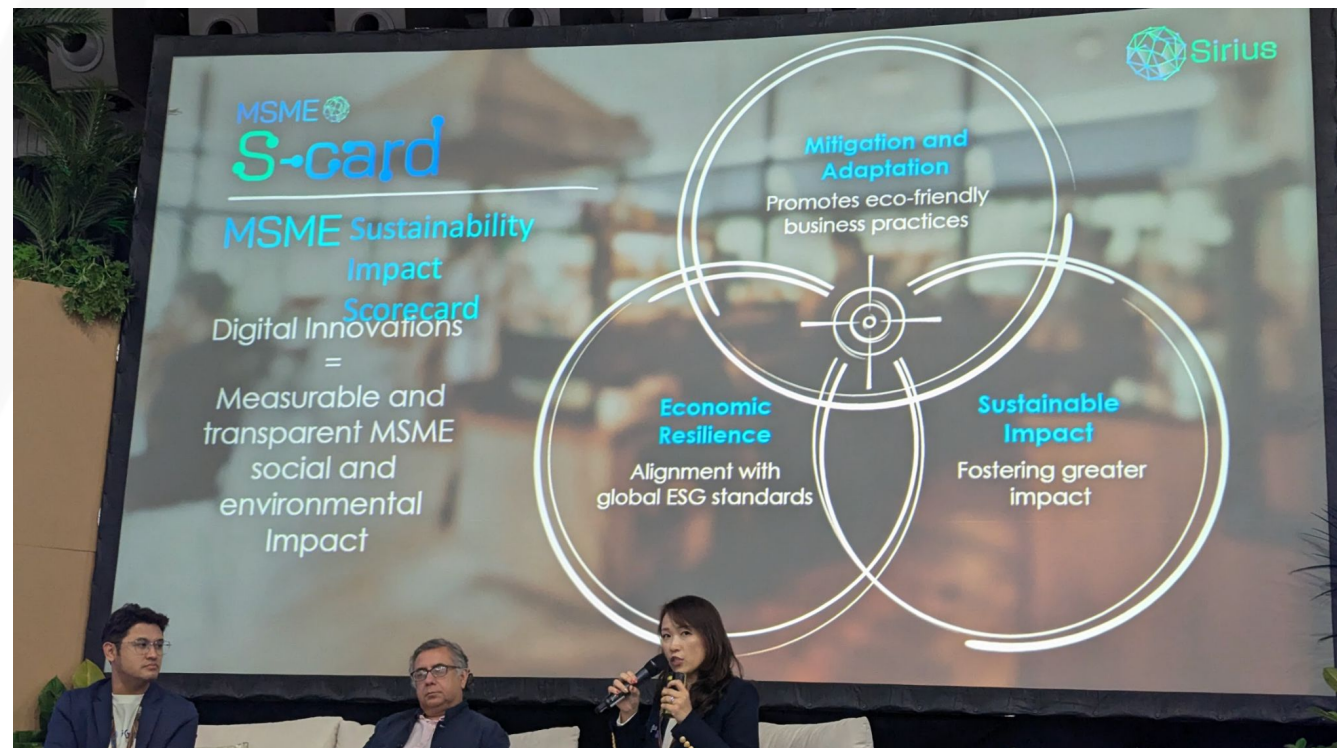
Vision: Sirius aims to create a pathway for MSMEs to become greener, more resilient, and aligned with global sustainability goals.

Solution: Ant International and IFC collaborated to launch Sirius, combining a sustainability scorecard, training, and access to capital.

Partners: Gcash (pilot participant fintech), and Gprnt (data technology partner)

Key Tool: The **MSME Sustainability Scorecard** helps businesses assess and track their sustainability journey, guiding them on measurable improvements.

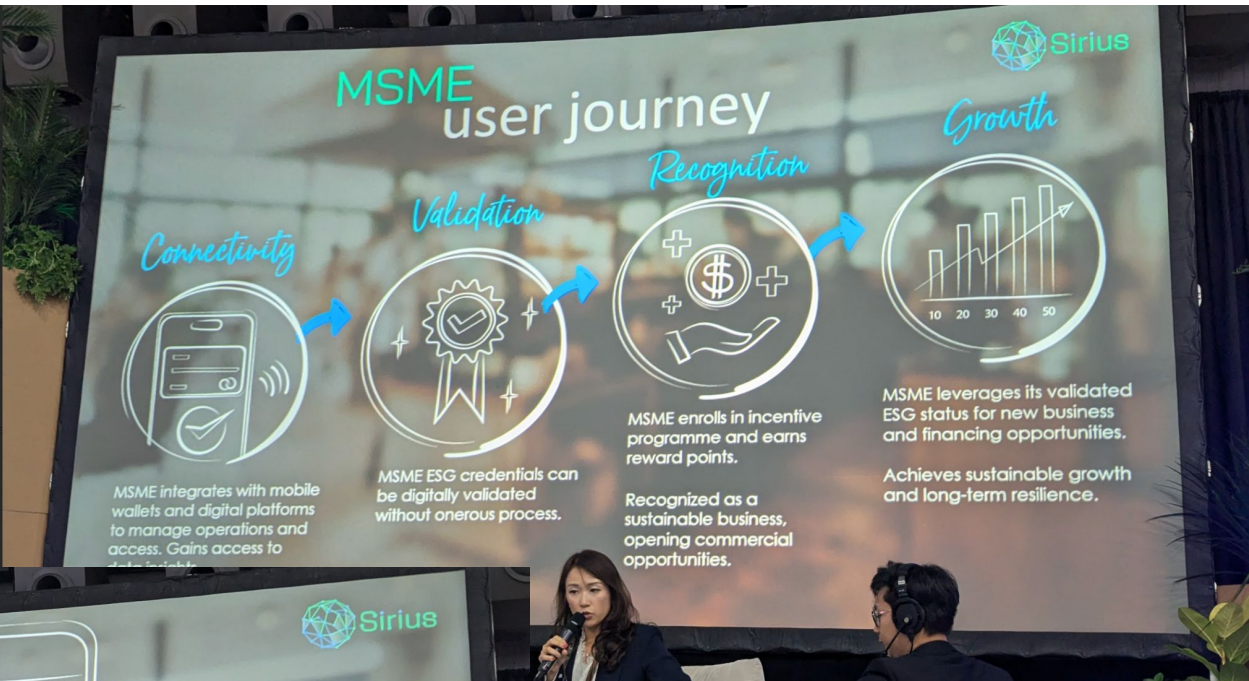
Impact: MSMEs adopt sustainable practices, reduce emissions, and gain access to impact-focused financing, creating a scalable model for resilient, sustainable growth.



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3. Determine your Theory of Change and impact metrics



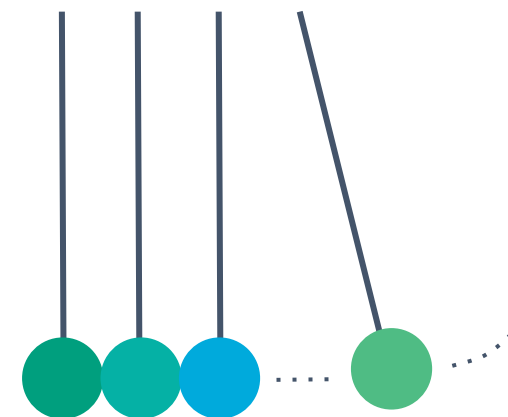
What is a Theory of Change?

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What Is a Theory of Change?

Theory of Change (ToC) explains your organization's intended path to impact by outlining **causal linkages between your activities and your expected outcomes** (i.e., its shorter-term, intermediate, and long-term outcomes).

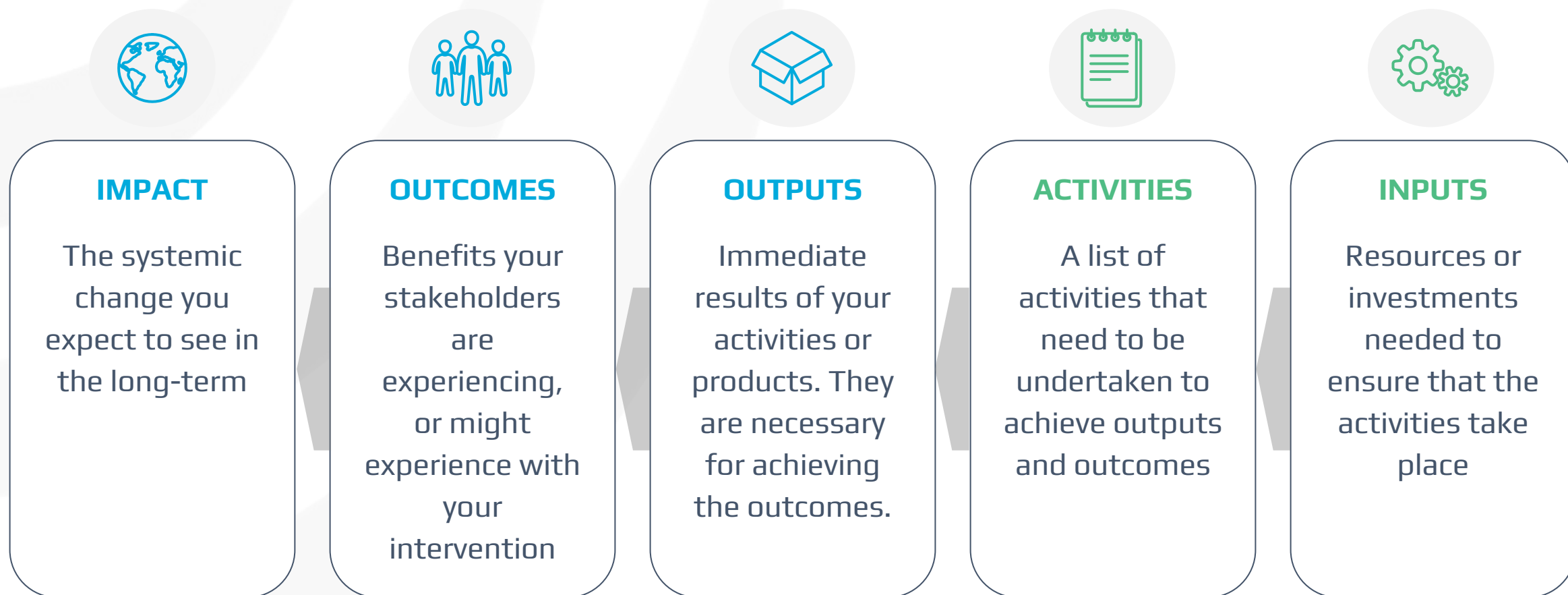
The identified changes are mapped in an “outcome map” that **shows the logical relationship and chronological flow** between long-term outcomes along the path to the desired impact.



Attribution: The content on this slide is an excerpt from SoPact Academy.

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Theory of Change: The 5 Components



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Common pitfalls

Outputs ≠ Outcomes

- Selling lanterns (output) does not mean they will be used
- Training people (output) does not prove they have learned anything useful
- Outcomes are the medium-term positive results of your outputs

Outcomes ≠ Impacts

- Impacts are long-term, systemic changes; they are the most global social impact you can rightly claim
- Outcomes *enable* impact. For example, higher income (outcome) can result in sending children to school for a better education (impact)

Theory of Change – aligning structure with strategy

Theory of Change								
Mission Statement								
IMPACT	OUTCOMES	OUTPUTS	ACTIVITIES	INPUTS				
What will change in the long term?	What will change in the medium term?	What will change in the short term?	What are we doing to bring about change?	What do we invest into the Project?				

Attribution: The content on this slide is an excerpt from SoPact Academy.

What are impact metrics, and how do I select appropriate metrics aligned with my Theory of Change?

What Is an Impact Metric?

Impact metrics are used to track the progress of change of your organization. It stems from your theory of change and comes from your business activities.

It's important to select the right metrics because it:

- **Demonstrates your impact** and connects to your Theory of Change
- Helps your organization **learn and improve** your key outcomes
- Allows you to **gain credibility** with funders, donors, and local communities

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Selecting impact metrics

When deciding on an impact metric, you can use this checklist and decide whether it is worth measuring:

- Mission Critical** — Aligned to your mission statement?
- Realistic to Measure** — Will this metric be logistically manageable?
- Cost-effective** — Is this data already collected and accessible, or otherwise cost-effective to collect?
- Reason for Measuring** — Is this primarily for your own measurement needs, or to report to an external entity?
- Outcome/Impact Metric** — Is this metric measuring an outcome or impact of your intervention (rather than inputs, activities, or outputs)?

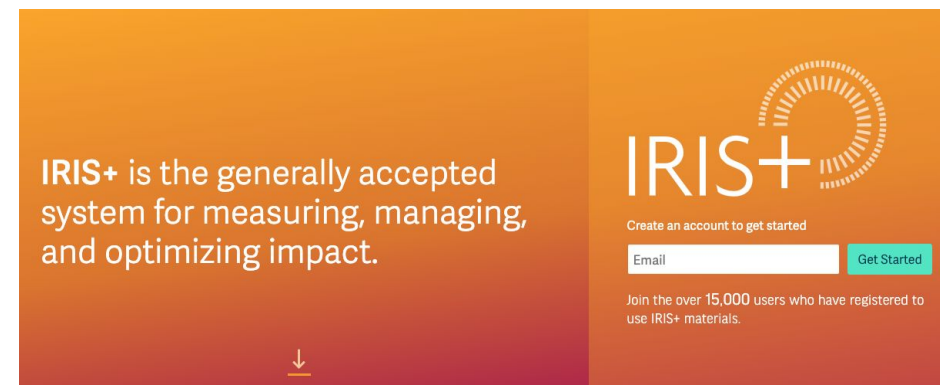
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Align your metrics

It can be helpful to align your impact metrics with common frameworks that the international community and investors recognize. Two of the most used are:

- **UN Sustainable Development Goals (SDG):** 17 goals with 230 indicators for poverty alleviation, environmental care, education and health.
- **IRIS+ Metrics:** A library of around 400 widely used social and environmental metrics



Align your metrics

There are many other frameworks that can help align your impact metrics based on your sector, strategy, and theory of change. The table below has some ideas.

Global Development	United Nations Sustainable Development Goals (SDGs)
Impact Investing	IRIS +
Sustainability	Global Reporting Initiative (GRI)
Community / Non-profit	Guidestar, Robinhood
Domain Specific	HP 2020 (Health), WASH (water, sanitation, and hygiene)
Custom Metrics	Define your own unique metrics to fill in any gaps not covered by existing standards

Attribution: The content on this slide is an excerpt from SoPact Academy.

Common pitfalls

Business Metrics ≠ Impact Metrics

An important distinction to make is between business metrics and impact metrics.

Business metrics are critical and connected to your business activities and outputs (see Minicourse Define Your KPIs and Operational Controls for more information).

Business Metrics:

Quantify what you do (eg, Outputs), but they may or may not lead to social impact. For example:

- Number of people trained
- Number of cookstoves sold

Impact Metrics:

Quantify the actual impact on someone's life. For example:

- Number of people with increased income
- Reduced rate of respiratory disease



How should I monitor and communicate progress towards my impact metrics?

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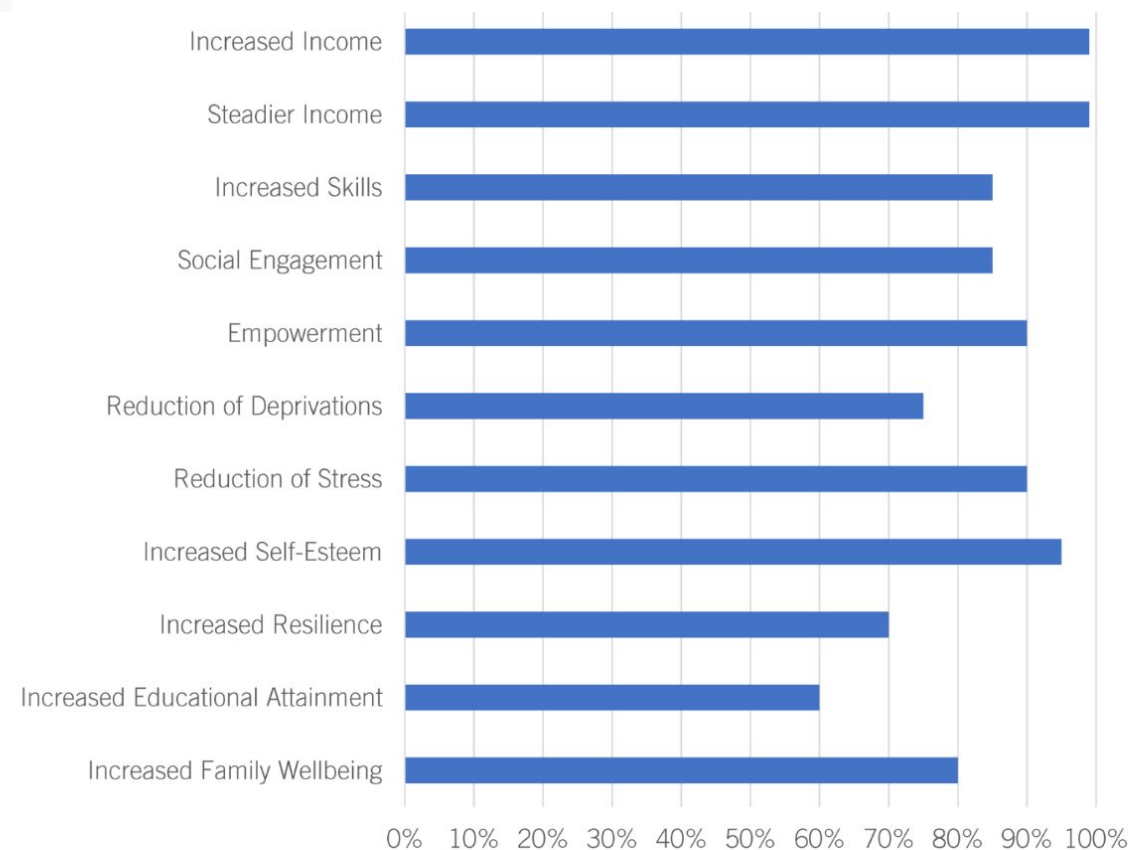
Methods of Collecting Impact Data

Here are some ways to gather data supporting your claims of impact:

Lean Data: Gather social performance data directly from customers and employees using low-cost technology such as SMS or phone calls.

Randomized Controlled Trials (RCTs): Extremely credible, but usually expensive, time-consuming, and carried out by third parties.

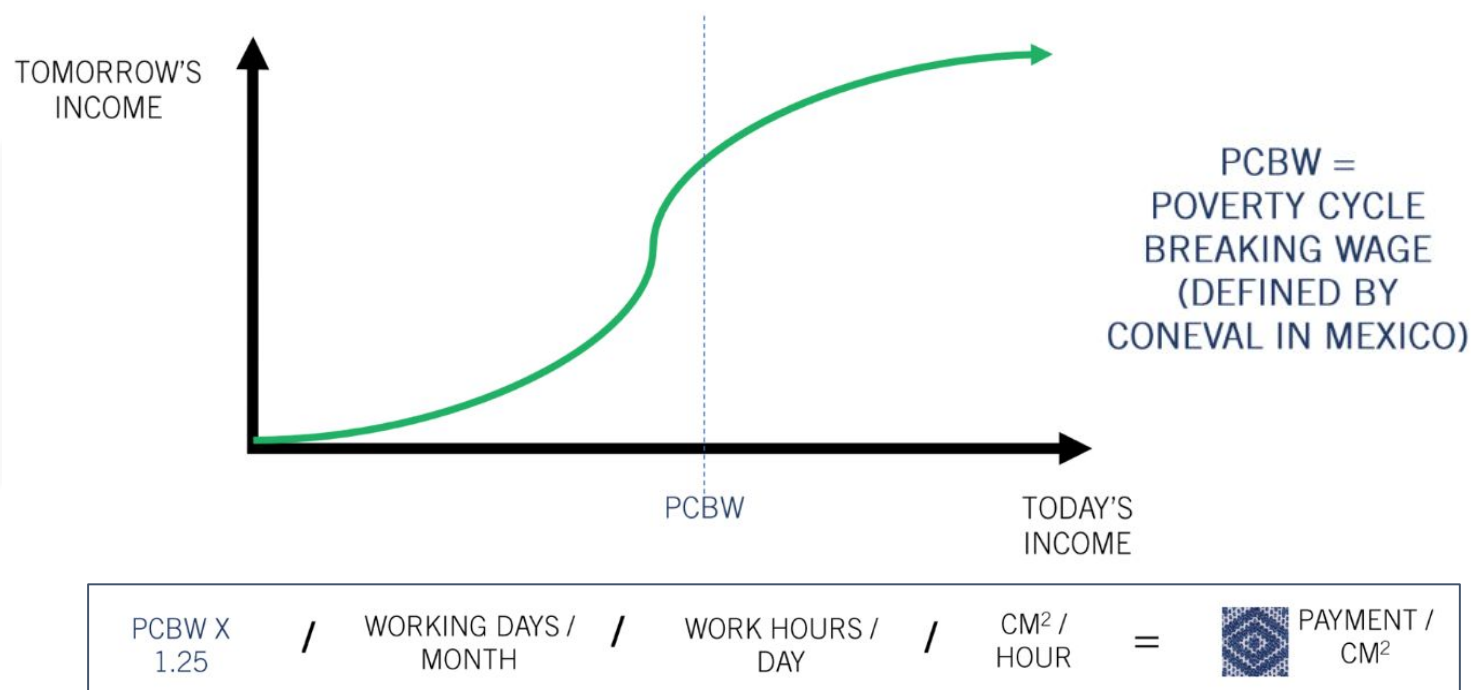
Stakeholder Surveys: You or others can survey those impacted by your enterprise as part of a lean-data approach, a more involved RCT approach, or somewhere in between.



When to use proxies

If a metric can't easily be measured directly, consider using a **proxy metric**. A proxy is an indicative metric you can easily measure, that is correlated with what you are actually trying to measure. Proxies can be especially helpful when data is too difficult or costly to track directly.

For example: Someone Somewhere aims to break the cycle of poverty for its artisans. Instead of measuring "poverty" directly, Someone Somewhere tracks its artisans' incomes as a proxy – representing impact on the cycle of poverty based on MIT research.



*** TIP: Look for existing research** in your sector and geography that can translate your outputs into credible claims of impact. If no such research exists, consider conducting your own research.

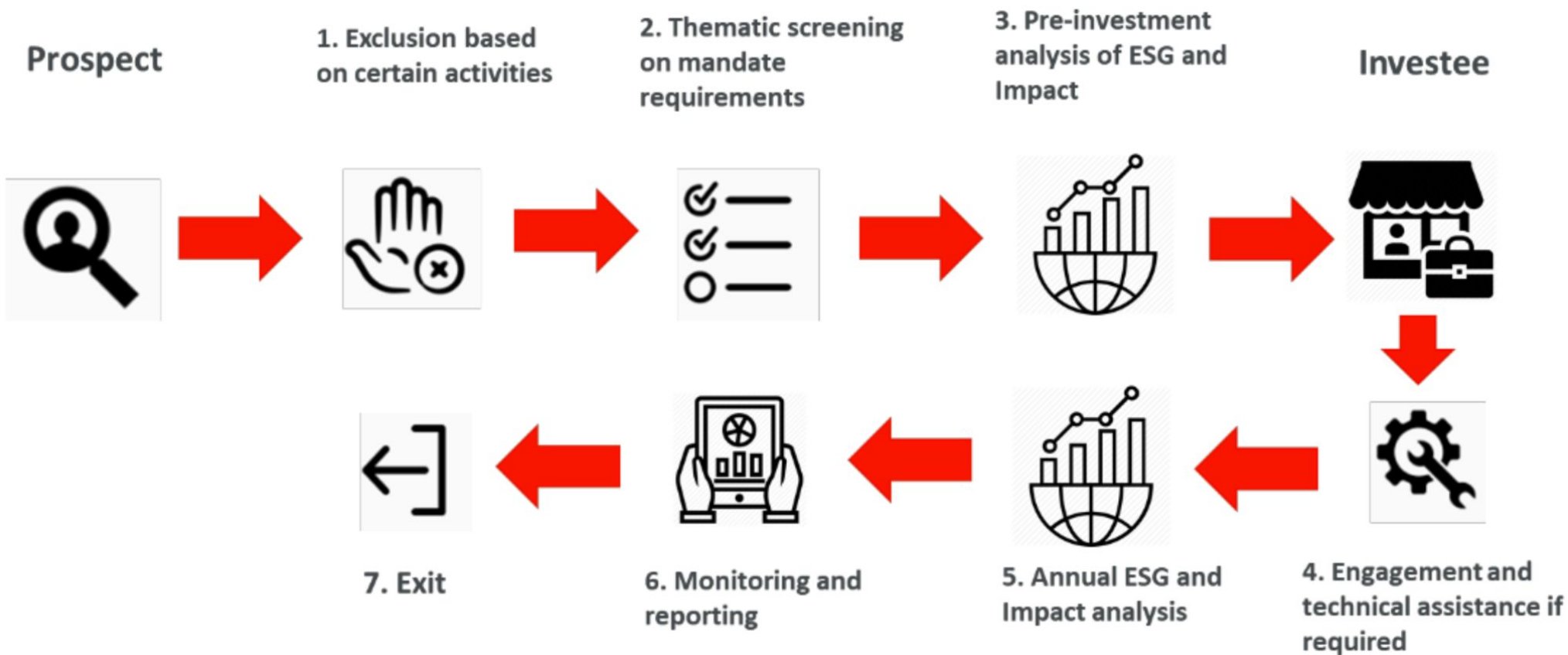


Example from an Amarante client:

Triple Jump and the DGGF – Dutch Good Growth Fund “Financing Local SMEs”

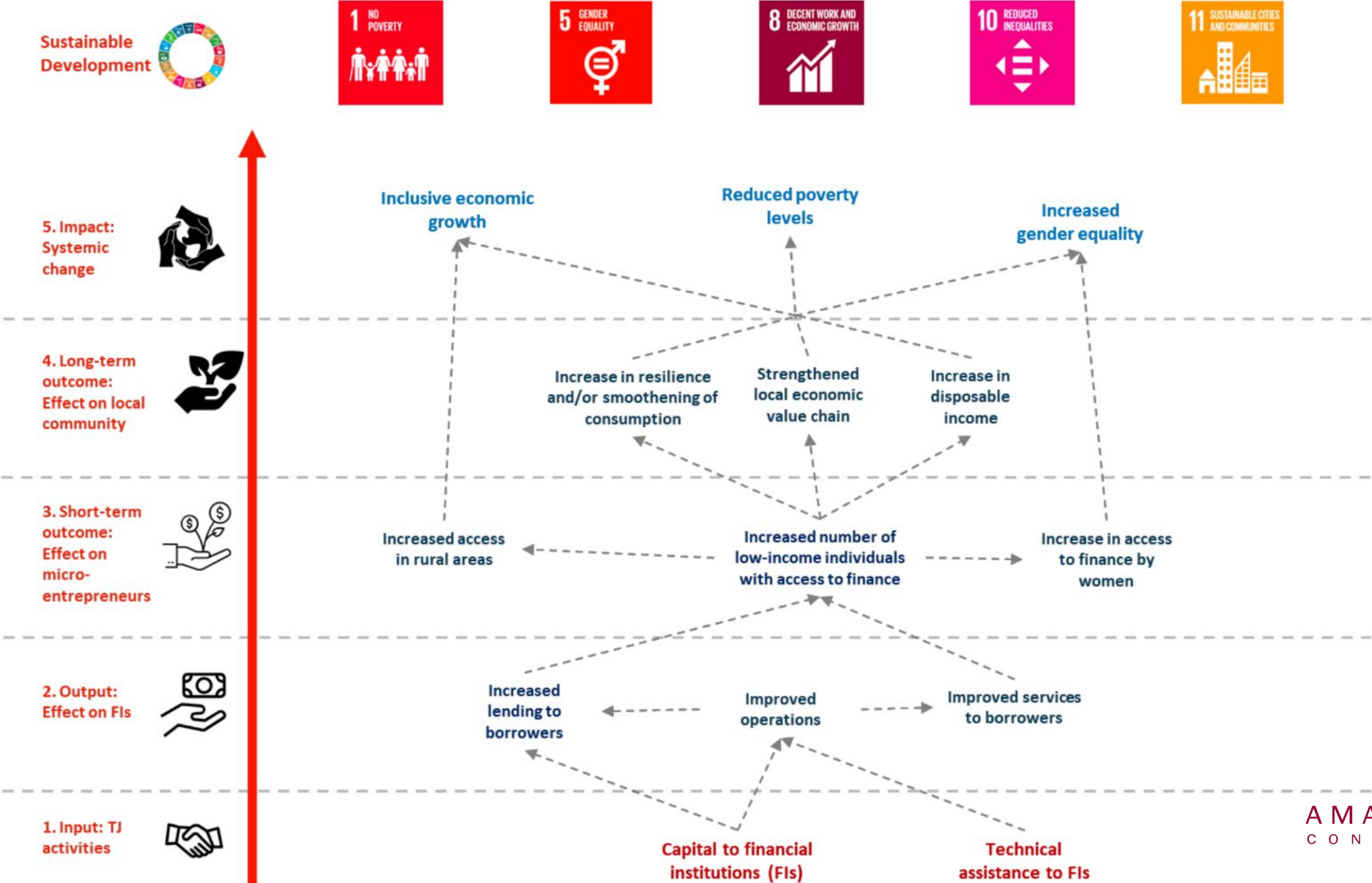
co-managed by PwC and Triple Jump
commissioned by the Dutch Ministry of Foreign Affairs

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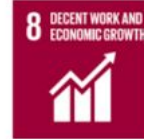
Attribution: Triple Jump Responsible Investment Policy and the DGGF Impact Report 2024 “Ten years of enabling entrepreneurship”

Microfinance



SME finance

Sustainable Development



5. Impact: Systemic change



4. Long-term outcome: Effect on local community



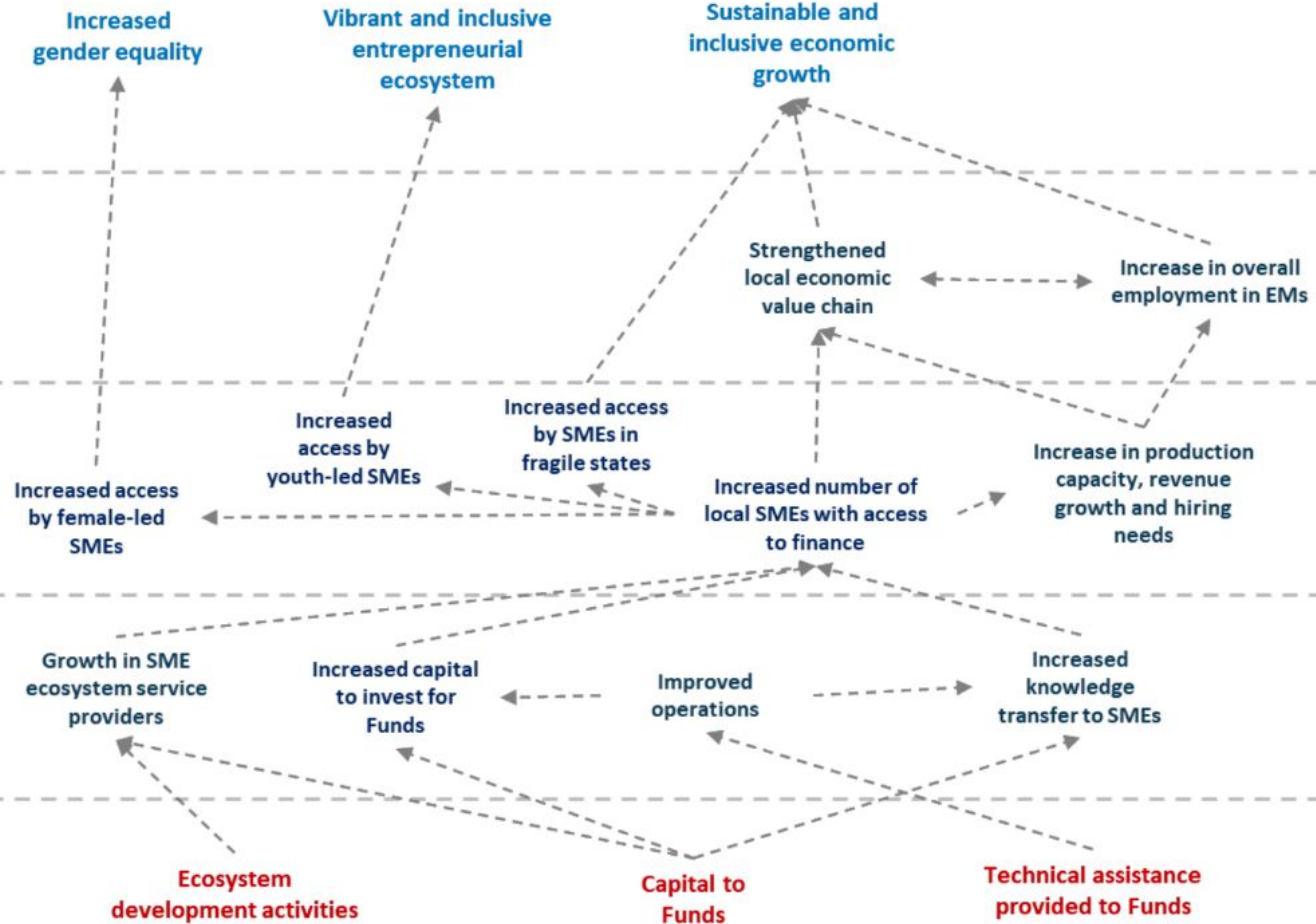
3. Short-term outcome: Effect on SMEs



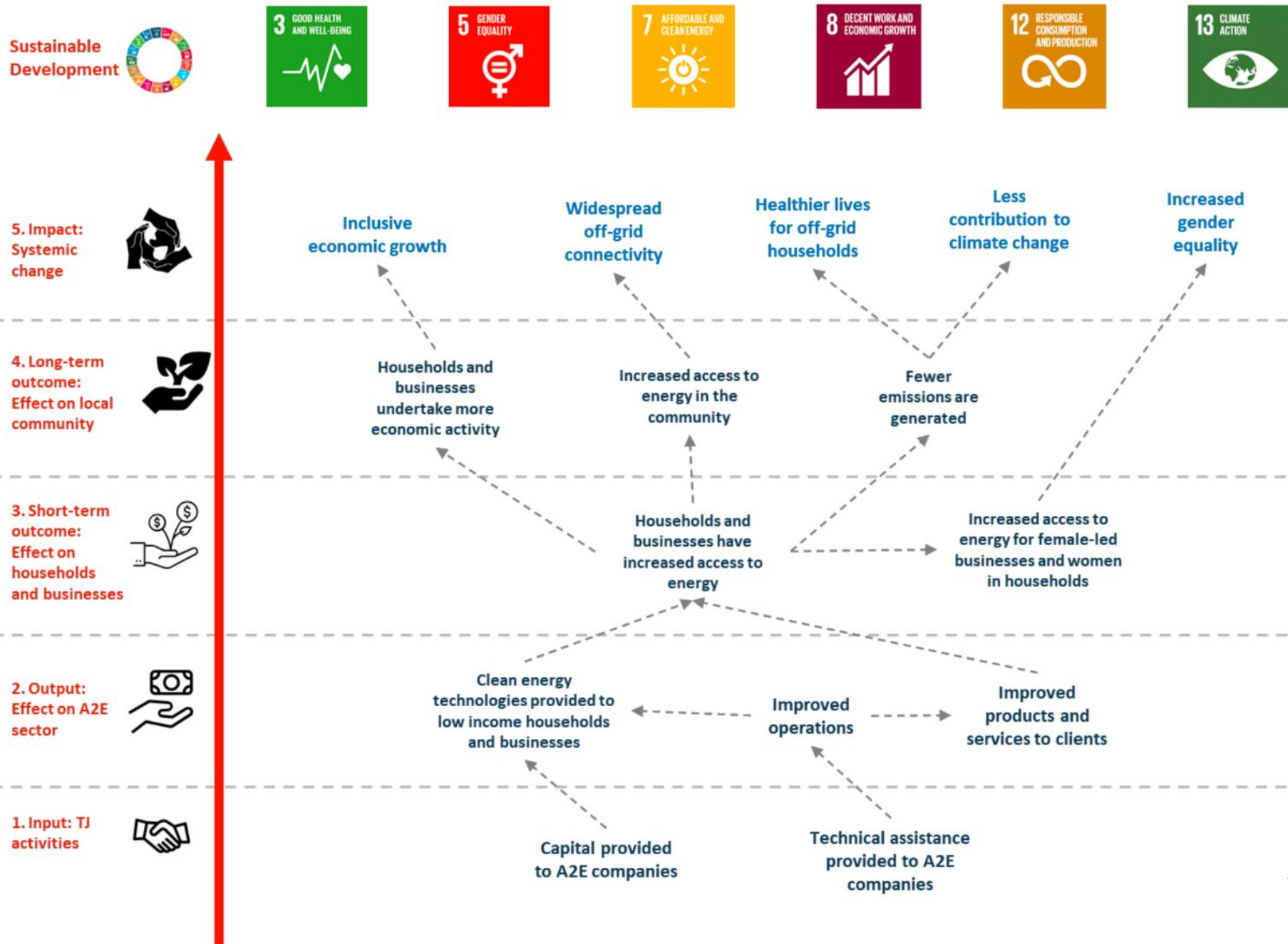
2. Output: Effect on Funds



1. Input: TJ activities



Sustainable energy



Discussion questions

After having created or refined your Theory of Change and selected your impact metrics, make sure you can answer the following questions:

- Where is the data, and **how will you collect it?** Can you collect it with existing tools, or will you need new tools?
- **How often will you collect** the data? **Who on your team** will be responsible for collecting and analyzing the data?
- What is the **baseline indicator** for this metric? Can you find this from existing sources, or will you be depending on your first measurement as the “baseline?”
- **Where and how will you store, compile, and analyze** the data?

Attribution: The content on this slide is an excerpt from SoPact Academy.



Resources

- **Metrics libraries: many!** (contact@amaranteconsulting.com)
- **Survey Design:** SoPact's Stakeholder Impact Analysis guide
- **Lean Data:** 60 decibels by Acumen (also check out this Line of Sight podcast episode with 60 Decibels' CEO)
- **Randomized Control Trials:** organizations specializing in these include JPAL and IPA
- **Visualizing impact data:** See pp. 108-110 of SoPact's Actionable Impact Management e-book

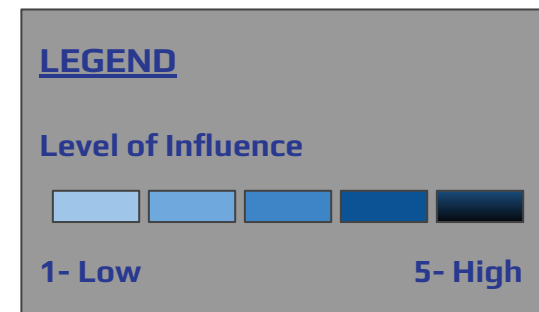
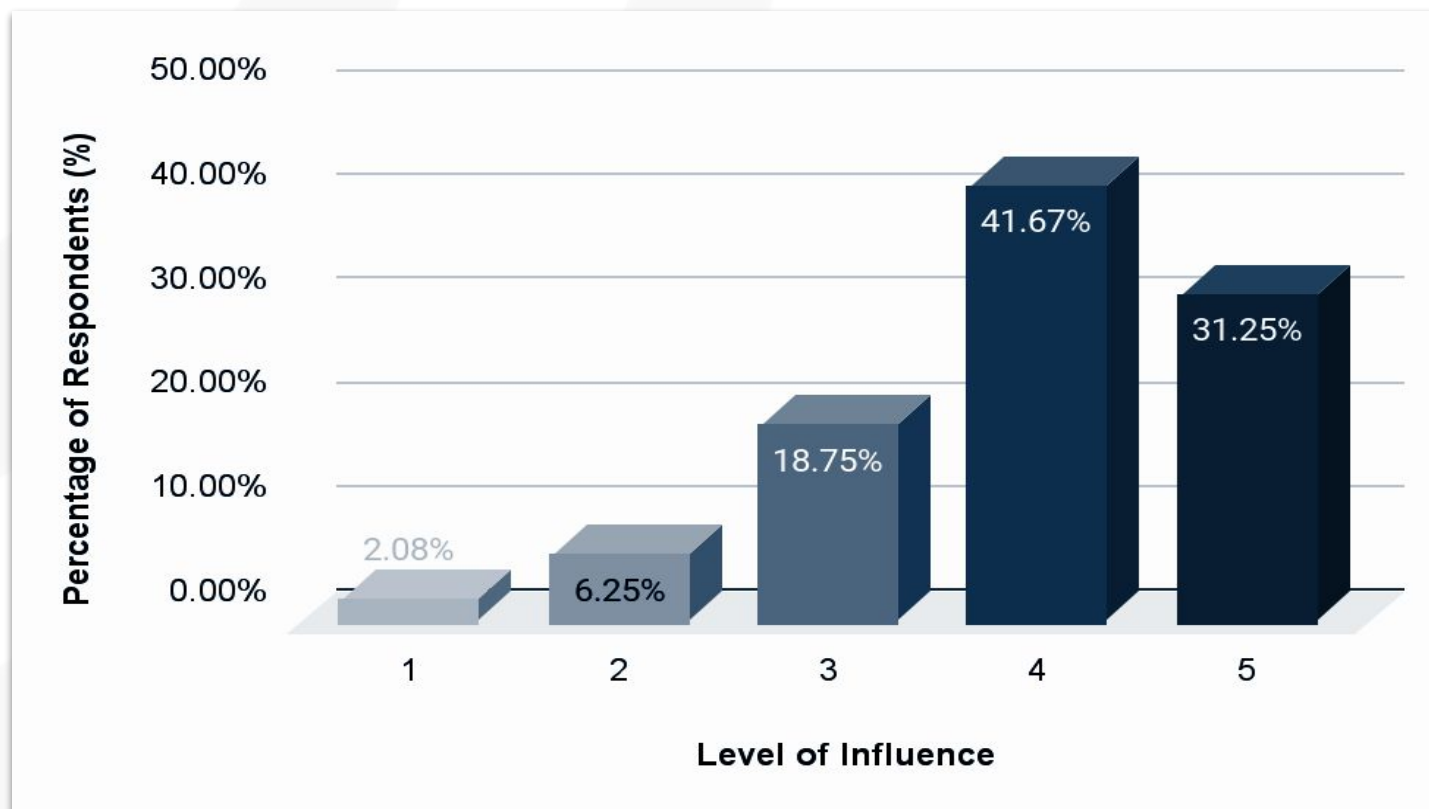


4. EMBEDDING IMPACT DNA IN YOUR ORGANIZATION

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Stakeholder influence: soundbites from our participants

To what degree do stakeholders (regulators, investors, etc) influence your strategies related to impact?



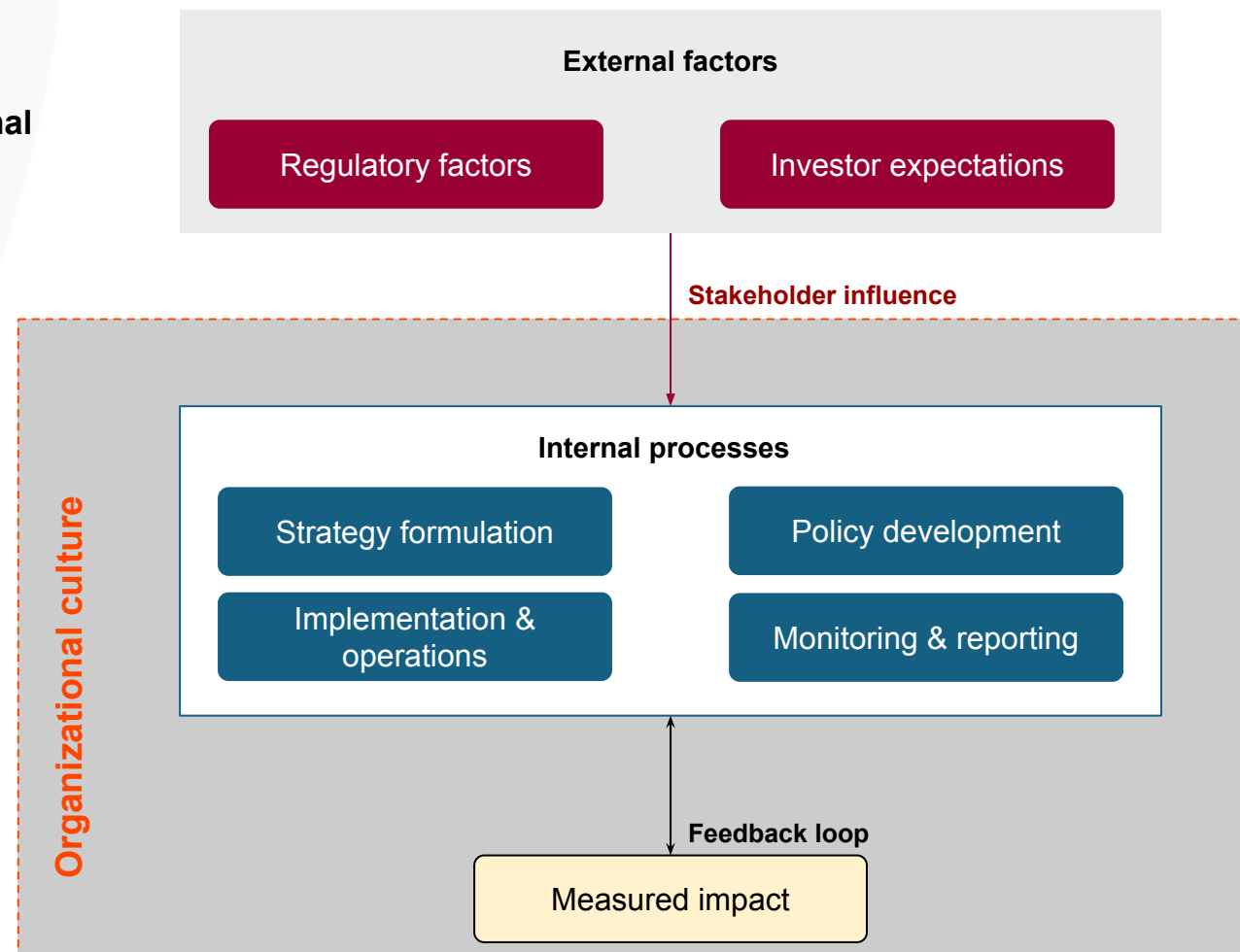
*Source: Session registration survey: 48 responses, majority FSPs, TA providers, and investors. Additionally: NGOs, network associations, etc.

Fostering an impact-driven organizational culture: The role of external and internal factors

Impact-driven organizational culture thrives at the **intersection of external pressures and internal processes**.

- **Regulatory factors** mandate compliance, standardization, and provide incentives or penalties, influencing how organizations approach impact.
- **Investor expectations** drive demand for measurable outcomes, align financial support with sustainable practices, and promote risk management.
- **Organizational processes** encompass a cycle of strategy formulation, impact DNA building, policy development, implementation & operations, and monitoring & reporting.
- **Feedback loops** allow measured outcomes to inform continuous improvement, refining strategies and ensuring alignment with regulatory and investor demands.

A strong organizational culture reinforces strategic alignment, operational consistency, and accountability.



Source :Amarante Intelligence

Embedding an "Impact DNA" in your organization.

Embedding an "Impact DNA" within your organization involves integrating established frameworks and standards to ensure that impact considerations are central to all operations and decision-making processes.

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Source :Amarante Intelligence

Leadership Management: 9 Tips for creating impact-driven teams.

1 Ensure everyone is on the same page

2 Encourage open and coherent communication

3 Be transparent

4 Foster empathy & understanding

5 Lead by example

6 Promote idea exchange

7 Create a sense of community

8 Share technology & information

9 Understand other teams/functions

DISCUSSION: HOW TO BUILD IMPACT-FIRST ORGANIZATIONS



1. Defining purpose beyond profit:

What mission drives your organization? How do you communicate it across all levels?

2. Aligning values with operations:

How do you ensure your values are reflected in daily activities? Can you share examples?

3. Engaging stakeholders for shared goals:

What are some effective ways you've involved stakeholders in your impact journey?

Source: <https://bthechange.com/3-first-steps-to-make-your-business-make-an-impact-b269dd24e687>



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✉ contact@amaranteconsulting.com

Thank you.

We appreciate your time and engagement
throughout the session.