



White Paper on  
**Impact Measurement and  
Management in Impact Investing**  
**December 7th 2021 Version 1.0**



# White Paper on Impact Measurement and Management in Impact Investing

December 7<sup>th</sup>, 2021

This paper aims to be utilised by investors, enterprises, and other stakeholders to include positive and negative impact considerations into investment and business decisions and further to inform the public about the changes and developments in the respective area.

This paper is prepared by Melek De-Wint of Etkiyap (Impact Investing Platform), and edited by Melis Aslan of UNDP Istanbul International Center for Private Sector in Development.

## Introduction

In 2015, the 193 Member States of the United Nations unanimously committed to adopting the Sustainable Development Goals (SDGs), a global agenda to end poverty by 2030. The SDGs comprise 17 core goals that range from ending hunger to stemming climate change, and that altogether provide a critical roadmap to a sustainable future and more prosperous world. As part of this exciting and aspirational agenda, the UN also put out a strong call to action for the private sector to play a fundamental role in achieving these goals<sup>1</sup>.

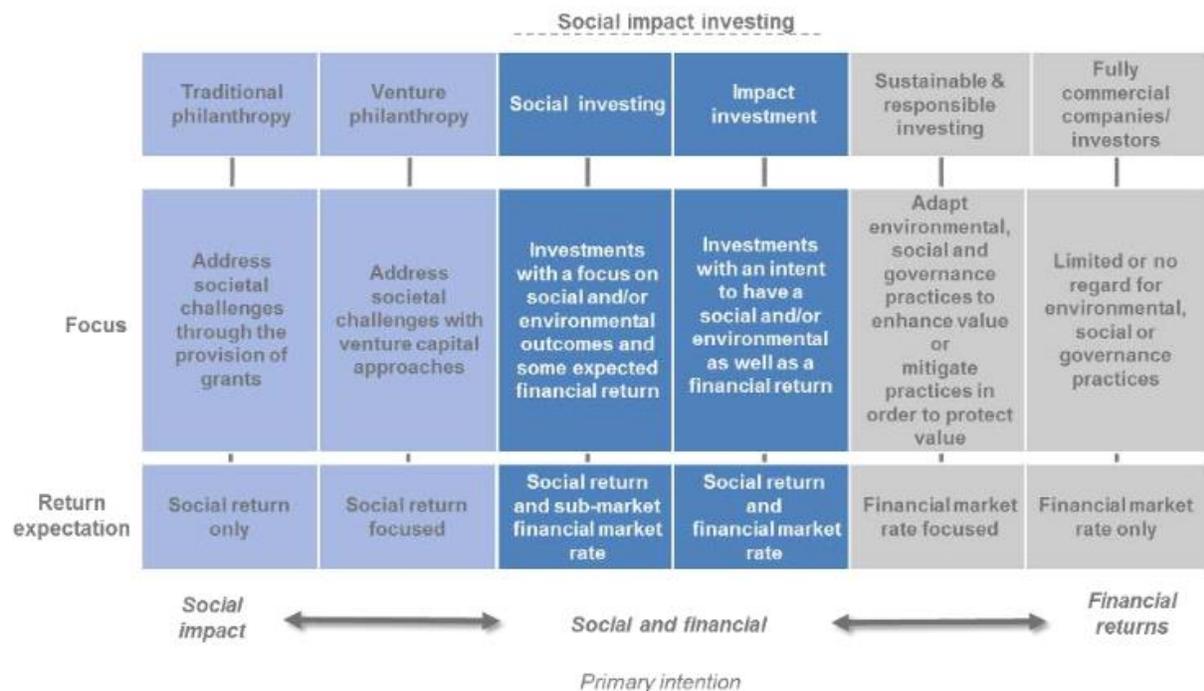
A growing number of private sector actors are responding to this call by focusing on investing for specific social, environmental and economic outcomes. This includes foundations and philanthropists who have traditionally focused on using grants and are now including investment models which focus on achieving financial sustainability alongside social and environmental returns. On the other end of the capital spectrum, mainstream investors have increasingly been moving from a sole focus on financial returns to seeking to mitigate environmental, social and governance risks, and for a growing number, to pursuing investment opportunities which focus on achieving specific positive outcomes<sup>2</sup>.

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\*This White Paper will be updated periodically according to the comments received [on the shared Google Forms](#). For more information, you can reach us at [iletisim@eydk.org](mailto:iletisim@eydk.org).

<sup>1</sup>[https://thegiin.org/assets/GIIN\\_Impact%20InvestingSDGs\\_Finalprofiles\\_webfile.pdf](https://thegiin.org/assets/GIIN_Impact%20InvestingSDGs_Finalprofiles_webfile.pdf)

<sup>2</sup> <https://www.oecd.org/development/social-impact-investment-2019-9789264311299-en.htm>



OECD builds the engagement of the private sector to achieve the 2030 Agenda on three pillars: mobilization, alignment and impact<sup>3</sup>. To mobilize and align finance to the SDGs, and, most importantly, to achieve impact, both public and private actors need to implement effective impact measurement and management practices. *Impact management* enables investors, enterprises and other stakeholders to include positive and negative impact considerations into investment and business decisions. *Impact measurement* allows organizations to set impact objectives, monitor impact performance and evaluate impact.

This paper starts with the definition of impact investing and the status of impact investing in the world and in Turkey. It goes on to introduce impact measurement and impact management functions in impact investing and the commonly used principles, frameworks, standards and tools in each of these functions. Finally, it discusses the challenges and opportunities in IMM.

<sup>3</sup> <https://www.oecd.org/publications/managing-and-measuring-the-impact-of-sustainable-investments-2ff2b2f4-en.htm>

## What is Impact Investing?

Impact investments are investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return. Impact investments can be made in both emerging and developed markets and target a range of returns from below market to market rate, depending on investors' strategic goals. Impact investing builds on four core characteristics:<sup>4</sup>:

1. **Intentionality:** Intention to contribute to addressing and solving social or environmental issues is in the heart of impact investing. Impact investors have the intention to achieve both financial returns and positive impact, and this approach is what differentiates impact investing from other investment approaches which may or may not incorporate impact considerations.
2. **Use of evidence and impact data in investment design:** Impact investing seeks to use evidence and data, where available, in order to understand the social or environmental issues to which it intends to contribute and design the investment accordingly.
3. **Measurement and management of impact performance:** Impact investing requires processes in place to measure whether the intended impact is happening. Impact performance is then communicated to support others in the investment chain to manage towards impact.
4. **Contribution to the growth of the industry:** Impact investing is a growing industry and there is a thriving community of impact investors who assume a duty of following credible impact investing practices and sharing learnings to enable others to learn from their practices.

## Status of Impact Investing in the World and in Turkey

Global Impact Investing Network (GIIN) estimated that, as of the end of 2019, over 1,720 organizations managed \$715 billion in impact investing assets under management (AUM). Impact investment has attracted a wide variety of investors, both individual and institutional, including fund managers, development finance institutions, diversified financial institutions/banks, private foundations, pension funds and insurance companies, family offices, individual investors, NGOs and religious institutions<sup>5</sup>.

The impact investing industry is full of success stories: stories about impact investors thinking differently about the power of their capital, stories about entrepreneurs with exciting new ideas, and stories about the end consumers who benefit from fresh solutions. All three of these perspectives are woven together in [this impact investing success story](#), which illustrate how impact investing is improving the health and well-being of communities in food deserts in the United States. Other examples tell the story of how impact investing is improving the lives of [women in Bolivia](#), the [people and environment of Mongolia](#), and [bilingual communities the United States](#).

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<sup>4</sup> <https://thegiin.org/characteristics>

<sup>5</sup> <https://thegiin.org/impact-investing/need-to-know/>

UNDP IICPSD's report<sup>6</sup> on "The Impact Investing Ecosystem in Turkey" published in November 2019, positions Turkey as 'emerging as a promising entry-point for catalyzing impact investing activities and tapping into both Middle East and North Africa (MENA) and Eastern Europe, Russia and Central Asia (EECA) markets'. While there are no individuals or institutions in Turkey who engage in investing activity that would carry all core characteristics of impact investing yet, the report points out to the potential of the market in Turkey due to its advantageous position whereby it enjoys a fairly developed financial market coupled with presenting ample opportunities to contribute to the solution of social and environmental issues in the country and its region. The five areas that are identified to generate the highest impact are refugee livelihoods, women's empowerment, renewable energy, health-tech and financial inclusion.

There are some investors who hold several impact-generating enterprises alongside conventional businesses in their portfolio [in Turkey](#). However, it is unclear whether these firms explicitly demand impact measurement and reporting from their investees and base their investment decisions on their impact performance. As such, idacapital is an Istanbul-based investment management firm focusing on impact through technology, innovation, and growth investments in and out of Turkey, and currently holds the lead investments focused on impact, allocating funds exclusively to businesses that generate total impact. Besides fund investments, idacapital runs a comprehensive entrepreneurship and acceleration support program which enables local intermediaries (incubators and accelerators) to perform better on creating investable startups<sup>7</sup>.

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<sup>6</sup> <https://www.iicpsd.undp.org/content/istanbul/en/home/library/the-impact-investing-ecosystem-in-turkey.html>

<sup>7</sup> <https://www.iicpsd.undp.org/content/istanbul/en/home/library/the-impact-investing-ecosystem-in-turkey.html>

Reengen is one of the investees of idacapital, [which offers a PaaS solution for enhanced energy efficiency.](#)

**Reengen** is a high-tech company established in 2013. Reengen’s Energy IoT Platform is a cloud-based PaaS data analytics solution for commercial buildings, industrial facilities and renewable energy plants. Already collecting data from thousands of buildings in 5 different countries, the data science centric IoT Platform employs machine learning algorithms and big data analytics in order to provide energy saving, operational efficiency, energy procurement optimization and predictive maintenance for its customers. Currently Reengen works with around 100 companies including giants like Aygaz, Istanbul Metropolitan Municipality, Vodafone, Enerjisa, TEB, Boyner, IKEA, Enerjisa and Medical Park. Reengen received a grant of €1 million from European Union FP7 Research Projects fund, and also one of the few startups that was selected to NASA Ames Research Center at Silicon Valley in 2015.

#### SDGs



Reengen’s IoT platform helps saving energy and reduces energy costs by around 10%. Reengen has an impact on creating sustainable cities and communities which are using affordable and clean energy. Reengen having effect on creation of smart cities is fitting with goals 7 and 11. Reengen’s platform also has an impact on consumption and production by making these processes more efficient and hence prudent. Also, saving energy indirectly helps to save the climate by reducing the amount of CO2 produced during excess consumption of energy. So, it could be said that Reengen fits the goals 12 and 13 by saving energy and helping the environment while cutting costs. During the first and third quarters of 2020, Reengen have managed to save 43.1 GWh’s of energy and prevented 11k tons of CO2 emission. With its impact on environment and society, Reengen positively impacted around 80k people where 56k of them are from middle- or low-income levels.

#### Financials

While being a social impact investment, Reengen is also promising prospect financially. During 2020, Reengen had a yearly gross revenue around \$750k, ~~and~~ aiming to grow by 15 times and reach a recurring revenue of \$10m by the end of 2023.

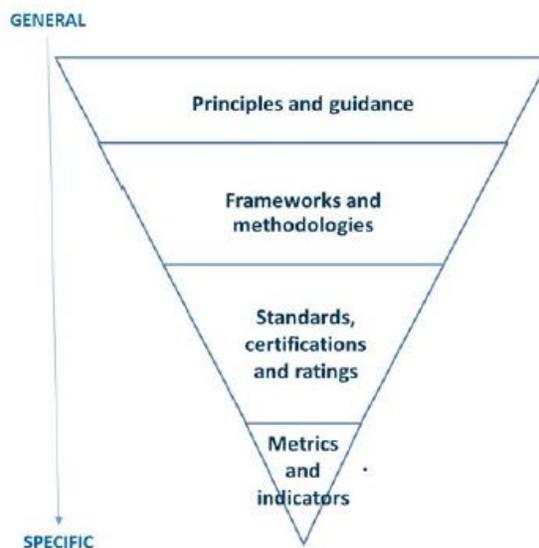
# Impact Measurement and Management (IMM)

IMM is the process by which impact investors can understand the effects of their investments on social and environmental issues (measurement) and then take action to adapt processes and improve outcomes (management). During the time IMM has evolved through social science and philanthropic research, it has had many labels such as monitoring and evaluation (M&E) and social impact measurement (SIM). IMM has become the term adopted in the context of impact investing, due to its common use by the Impact Management Project and the GIIN. IMM uses some of the evaluation methods of M&E, along with the tools of financial accounting and reporting such as the use of ratings, key performance indicators (KPIs), and disclosures.<sup>8</sup>

Before moving on to exploring existing IMM initiatives, it is important to understand the ‘*why*’ of an investment by identifying specific impact investment goals, establishing the investor’s priority themes and lenses and articulating their intended objectives and how they will be achieved and why they believe it to be so: *If we provide X support, we believe Y and Z will happen*. This would be the **theory of change** and it would serve as a strategic framework which will inform the impact tools and structures that will be used in IMM. Theory of change is an essential element of impact investing as it anchors the investor’s impact investing strategy<sup>9</sup>.

Moving on from the why question with a well-constructed theory of change, IMM practices address *how* to measure and manage impact. Impact measurement and impact management are two separate functions and they complement each other. In this paper, OECD’s categorization is used to organize the existing initiatives that support each of these functions into four broad groups<sup>10</sup>:

1. **Principles and guidance:** Principles are a broad set of agreed values that provide a common ethic. Guidance is used to further detail the principles.
2. **Frameworks and methodologies:** Frameworks provide for a structure to facilitate the implementation of principles and guidance in practice. Methodologies provide a systematic way and procedures to implement principles within a certain framework.



<sup>8</sup> <https://www.rockpa.org/guide/impact-investing-handbook/>

<sup>9</sup> <https://www.rockpa.org/guide/impact-investing-handbook/>

<sup>10</sup> <https://www.oecd.org/publications/managing-and-measuring-the-impact-of-sustainable-investments-2ff2b2f4-en.htm>

3. **Standards, certifications and ratings:** Standardized requirements are based on best practice that has been agreed through an internationally recognized process. Certifications usually include a third-party verification to guarantee that a company or investment meets a certain standard. Ratings are rankings of companies or investments based on a comparative assessment of their level of achievement of a certain standard.
  
4. **Metrics and indicators:** These are standardized quantitative factors used to measure, track or compare investments; databases of standardized, defined or commonly used indicators and measures that can be applied by investors and corporates.

The examples of the most commonly used impact management and impact measurement initiatives by these four categories are presented below.

### *Impact Management Initiatives*

Principles and guidance	Frameworks and methodologies	Standards, certifications and ratings	Metrics and indicators
<ul style="list-style-type: none"> <li>• IFC Operating Principles for Impact Management</li> <li>• UN Principles for Responsible Investment (UNPRI)</li> <li>• EVPA Impact Management Principles</li> </ul>	<ul style="list-style-type: none"> <li>• CERISE-IDIA (Impact-Driven Investor Assessment)</li> <li>• IMP guide to classifying the impact of an investment</li> </ul>	<ul style="list-style-type: none"> <li>• SPTF Universal Standards for Social Performance Management</li> <li>• UNDP SDG Impact Standards</li> <li>• Social Value Certificate (1, 2, 3)</li> <li>• Aeris Impact Management Ratings</li> <li>• IMP+ACT Classification System (ICS)</li> </ul>	N/A

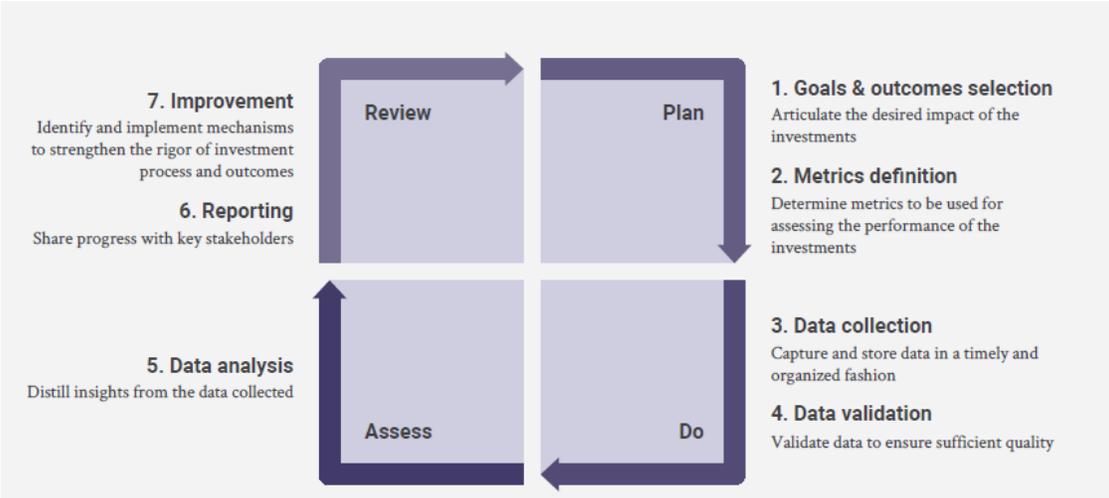
### *Impact Measurement Initiatives*

Principles and guidance	Frameworks and methodologies	Standards, certifications and ratings	Metrics and indicators
<ul style="list-style-type: none"> <li>• Guiding Principles on Managing for Sustainable Development Results (MfSDR)</li> <li>• European Expert Group on Social Entrepreneurship (GECES)</li> <li>• Social Value International (SVI) Principles of Social Value</li> </ul>	<ul style="list-style-type: none"> <li>• SDGs</li> <li>• IFC's Anticipated Impact Measurement and Monitoring (AIMM)</li> <li>• JIM – Joint Impact Measurement</li> <li>• EVPA Five step process to IMM</li> <li>• GECES Five step process to IMM</li> <li>• Impact Management Project (IMP) Five core dimensions of impact</li> </ul>	<ul style="list-style-type: none"> <li>• SoDA social data standards</li> <li>• EngagedX Investment Standards (EXIST)</li> <li>• Harvard Business School impact weighted financial accounting</li> <li>• DBSA Environmental and social safeguard standards</li> <li>• Evaluation Cooperation Group (ECG) Good Practice Standards for the Evaluation of Private</li> </ul>	<ul style="list-style-type: none"> <li>• Global Impact Investing Network (GIIN)'s IRIS Catalogue of Metrics</li> <li>• Harmonized Indicators for Private Sector Operations (HIPSO)</li> <li>• OECD FDI Qualities Indicators</li> <li>• OECD measurement of</li> </ul>

	<ul style="list-style-type: none"> <li>• Social Return on Investment (SROI) framework</li> <li>• Impact Rate of Return (IRR)</li> <li>• Nesta Standards of Evidence</li> <li>• Lean Data</li> <li>• G8 Impact measurement Working Group Report</li> </ul>	Sector Investment Operations <ul style="list-style-type: none"> <li>• EU Technical Expert Group – sustainable finance taxonomy</li> <li>• Rainforest Alliance Certification</li> <li>• B–Corp Certification</li> <li>• Sustainability Accounting Standard Board (SASB) standards</li> <li>• EDFI Harmonisation initiative</li> </ul>	corporates' impact on well-being
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*IMM Life Cycle*

IMM is an iterative process starting with goal setting, through data collection and approach, to analysis and validation, and ultimately leading to better judgments and decisions for the future. This cycle of designing, collecting, assessing, and then acting should drive an impact investing strategy and implementation.<sup>11</sup> The Impact Measurement Working Group of the G8 Social Impact Investment Task Force adopts the following four phases of the impact measurement process: Plan, Do, Assess and Review<sup>12</sup>.



As outlined in GIIN’s latest Annual Impact Investor Survey 2020<sup>13</sup>, IMM initiatives have evolved over the past decade and now reflect an increasingly strategic use of tools for different purposes at different stages of the IMM cycle. While the approaches to IMM seem to become more standardized, especially at principles and frameworks level, when it comes to systems and tools the IMM scene is still very fragmented and ever evolving.

<sup>11</sup> <https://www.rockpa.org/guide/impact-investing-handbook/>  
<sup>12</sup> [www.thinknpc.org\\_wp-content\\_uploads\\_2018\\_07\\_IMWG\\_Measuring-Impact1.pdf](http://www.thinknpc.org_wp-content_uploads_2018_07_IMWG_Measuring-Impact1.pdf)  
<sup>13</sup> <https://thegiin.org/research/publication/impinv-survey-2020>

## IMM Use Cases

Published in June 2020, [this document](#) showcases how LeapFrog, a growth private equity investor in Africa and Asia, uses IRIS+ to support its Impact Measurement and Management practice. Topics addressed include adherence to the Core Characteristics of Impact Investing and the use of IRIS+ to inform decision-making across the investment life cycle, including a specific example of how LeapFrog aligns to IRIS+ Core Metrics Sets.

Creas is one of Spain's pioneer impact investing company. Since its launch in 2008, Creas has helped to build and grow the Spanish market, working with investors, social enterprises and peers to promote the impact economy. Creas has also led the creation of Spain's National Advisory Board (NAB) for impact investing and is Spain's first B Corp certified impact fund. [This case study](#) presents their journey of classifying this fund's impacts using the IMP+ACT Classification System.

The Istanbul-based investment firm idacapital uses SDGs to align their investments and drive their impact measurement strategy. MentalUp is one of their other investees and here is their story:

**MentalUP** provides education and developmental brain training web and mobile games for students, their families and schools, focusing on improving mental skills of children with digital educational games. MentalUP products have great positive impact on children's mental development and academic achievement, already being used by more 6.5 million students in more than 100 countries and 300 schools. In addition to the games, MentalUP also prepares detailed reports for parents for them to follow up their children's mental development.

### SDGs



MentalUP fits the goal 4 by ensuring inclusive and equitable quality education and promote lifelong learning opportunities for all, and fits the goal 10 by reducing inequality within and among countries by offering its educational games to children all around the world with an affordable price. During the first three quarters of 2020, MentalUP impacted 1.2 million lives in which 700k of them are from low-income levels. During the same period, MentalUP reached women in all income levels which is the indicator that MentalUP fits the goal 5 by empowering young women and girls by offering equal education opportunities.

### Financials

Despite its impact on children's mental development MentalUP is also a financially promising venture. With a yearly gross revenue of more than \$1 million, MentalUP is about to ~~re~~ reach a valuation of \$20 million soon.

Although not characterized as an impact investing activity, the [Impact Management Case Study](#) of Pınar Süt, one of the key players of the dairy sector in Turkey, provides a good example of using the Impact Management Project's (IMP) five core dimensions of impact as a framework to measure their social and environmental impact.

Lastly, the Social Value International-assured [impact report](#) of the Girls are on the Soccer Field (Kizlar Sahada) Academy illustrates how SROI (Social Return on Investment) framework is used to measure the social impact of a social responsibility project of Actifit, an Istanbul-based company specializing on corporate well-being.

## Conclusion

UNDP IICPSD's report on impact investing in Turkey lists the lack of local capacity in impact management and measurement and recommends that the local capacity to be improved to design and implement impact measurement frameworks.<sup>14</sup> It recommends setting the practices for impact measurement as one of the steps to create an impact investing ecosystem in Turkey.

The field of impact measurement and management has generated more than 150 tools, resources and methods to support IMM practices in the last decade. While it is not possible to have one impact management framework that fits all, there is great emphasis in the sector to drive cohesion and harmonization between the existing ones. The IMM efforts in Turkey should take stock of these initiatives and design and implement IMM practices in accordance with generally accepted principles, frameworks and standards. A number of databases for metrics and indicators for measuring impact exists, providing standardized definitions of outputs and outcomes, divided by sectors and sub-sectors. Where possible, such resources should serve as a reference when setting metrics for impact measurement for alignment with existing metrics and indicators allows generating benchmarked impact data that investors seek and increases the comparability of investments. An important thing to keep in mind is that the metrics and indicators are meaningful and powerful when embedded in a robust impact measurement framework whereby the objectives of the measurement are clearly defined.

Various attempts to standardize impact measurement frameworks and methodologies over the years have shown that there is not one single methodology or framework that serves all purposes, for many reasons. There can be a mismatch between what investors require based on their impact strategy and what resources and processes investees have in place to perform impact assessments. It is recommended that the aim should not be to have a unique impact measurement framework, but a set of frameworks that can be used in different contexts and for different purposes<sup>15</sup>.

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<sup>14</sup> <https://www.iicpsd.undp.org/content/istanbul/en/home/library/the-impact-investing-ecosystem-in-turkey.html>

<sup>15</sup> <https://www.oecd.org/publications/managing-and-measuring-the-impact-of-sustainable-investments-2ff2b2f4-en.htm>

Another challenge in IMM is the lack of interest and effort in going beyond outputs, such as indicators, and measuring outcomes. This challenge defeats the very objective of impact investing, as it is not possible to understand the effect of an investment or an intervention on the lives of beneficiaries in the absence of outcomes data. There is an opportunity to firmly establish an outcomes-driven approach in IMM practices in Turkey from the very early days.

Based on lessons learnt in the last decade, there is a rising trend in integrating financial and impact data in an effort to understand the relationships between them and report them more efficiently. Impact Management Project's Impact Frontiers initiative is actively promoting a learning and innovation collaboration of investors and field-builders to advance the integration of impact into financial frameworks, processes, and decision-making. Turkey's newly developing impact investing sector is in an advantageous position to build its IMM culture on this trend.

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<sup>1</sup>[https://thegiin.org/assets/GIIN\\_Impact%20InvestingSDGs\\_Finalprofiles\\_webfile.pdf](https://thegiin.org/assets/GIIN_Impact%20InvestingSDGs_Finalprofiles_webfile.pdf)

<sup>2</sup><https://thegiin.org/characteristics>

<sup>3</sup><https://thegiin.org/impact-investing/need-to-know/>

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<sup>8</sup><https://www.rockpa.org/guide/impact-investing-handbook/>

<sup>9</sup>[www.thinknpc.org/wp-content/uploads/2018/07/IMWG\\_Measuring-Impact1.pdf](http://www.thinknpc.org/wp-content/uploads/2018/07/IMWG_Measuring-Impact1.pdf)