WORKING PAPER

Investing for Financial Inclusion: Four Enablers for Outcomes Measurement and Management

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CGAP

1818 H Street, NW, MSN F3K-306
Washington, DC 20433
Website: www.cgap.org
Email: cgap@worldbank.org
Telephone: +1 202 473 9594

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This paper is the result of a comprehensive research effort designed to inform CGAP about potential new areas of its work by taking stock of impact investor IMM practices related to financial inclusion outcomes. CGAP conducted a literature review to identify prevailing IMM practices, outcome indicators used by impact investors, and the latest developments in impact investing and financial inclusion ecosystems. This was supplemented by interviews with over 30 impact investors and other stakeholders. Furthermore, CGAP commissioned research to gain a deeper understanding of IMM practices among three funder managers with a focus on how each is progressing toward measuring and managing financial inclusion outcomes. Two roundtable discussions were held to sense-check findings: the first with 18 fund managers and Development Finance Institutions (DFIs), and the second with five Financial Service Providers (FSPs).

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Executive Summary

IMPACT INVESTORS AT THE IMPACT measurement and management (IMM) frontier are seeking to prioritize the measurement and management of development and intermediate outcomes of financial inclusion investments. Two critical factors are influencing impact investors to focus on these types of outcomes. Firstly, there is a push for impact transparency stemming from the increased awareness of global challenges such as climate change and geopolitical conflicts, and the urgency to achieve the sustainable development goals (SDGs). The market is increasingly asking for clear, verifiable, and comparable data on the social and environmental effects resulting from investments. The bar for impact investing is expected to rise, demanding measurable and intentional outcomes beyond the current focus on sustainable investing and environmental, social and governance (ESG) practices. Secondly, impact investors recognize that failing to address negative outcomes can pose significant reputational, and financial risks. Certain lending practices by financial service providers (FSPs) have drawn criticism for over-indebtedness and exploitative behavior. Impact investors are also increasingly aware of the dangers of overstating impact performance—referred to as “impact washing” —which can undermine credibility and lead to further scrutiny from both the public and media.

In this context, it is quite timely for financial inclusion impact investors to adapt their IMM practices to focus more explicitly on development and intermediate outcomes, referred to in this paper as “outcomes-focused IMM”. Outcomes-focused IMM is a comprehensive approach that involves measuring, understanding, and reporting on the effects of investments. It specifically focuses on the actual development and intermediate outcomes experienced by customers, including women, which are enabled by financial inclusion investments. This approach integrates outcomes data into the investment decision-making process and helps manage impact risks.

Impact investors who are further along their IMM learning journey —referring to their organizational readiness to collect, interpret, and use outcomes data — have innovated in their approaches to be more outcomes-focused. Initiatives in the financial inclusion ecosystem are also enabling some impact investors and FSPs to measure and manage for outcomes. These include the 60 Decibels’ Clients Survey and Microfinance Index, and Cerise+SPTF and the European Microfinance Platform Investors Action Group’s outcomes framework and questionnaire.

However, according to CGAP’s research, measuring and managing outcomes performance, including with 60 Decibels and/or Cerise+SPTF integrated into IMM frameworks, is not mainstream practice. The status quo remains largely to measure and manage for outputs and use proxy measures for outcomes. Even among those innovating on outcomes-focused IMM, once-off surveys are typically used to make definitive claims about outcomes performance. A focus on outputs persists because they are more straightforward and quicker to measure than outcomes.

CGAP hypothesizes that better alignment across the capital value chain—from limited partners (LPs) to general partners (GPs) to FSPs—can significantly advance the measurement and management of financial inclusion outcomes. CGAP proposes four key enablers, which if addressed, can significantly align interests and actions across the capital value chain:

Enabler 1: Building a shared understanding of outcomes-focused IMM use cases. A lack of clarity on objectives, deployment timing, and roles, including funding responsibilities, hinders adoption. Stakeholders in the capital value chain need to collaborate to define clear use cases, strategies, and responsibilities. This collaboration is crucial for aligning interests and ensuring that outcomes-focused IMM practices are effectively implemented according to use cases.

Enabler 2: Overcoming methodological and operational constraints. Methodological challenges, such as data reliability and operational inefficiencies, can be addressed by applying innovative technologies like Natural Language Processing, machine learning, and integrated software platforms. The effectiveness of these technologies depends on their alignment with specific use cases, and concerns such as data security, privacy, must be managed.

Enabler 3: Creating conditions for integrating outcomes data into decision-making. To make outcomes data as influential in decision-making as financial metrics, there is an opportunity to create conditions that foster alignment and collaboration among all stakeholders across the capital value chain, starting with LPs. This includes setting clear expectations with LPs during fundraising, enhancing strategic leadership and capacity within GPs and FSPs, and reinforcing governance structures and organizational culture to ensure that outcomes-focused IMM is systematically integrated into all key processes.

Enabler 4: Enhancing transparency in outcomes data. To ensure comprehensive and publicly accessible reporting, it is essential to standardize outcomes indicators, including those measuring developmental outcomes. These indicators can be supported by quality reporting standards that present both positive and negative outcomes, fostering greater accountability and trust. Strengthening impact verification processes to focus not only on alignment with impact management principles but also on the actual outcomes achieved will further enhance the credibility of impact claims. Lastly, improving and integrating existing data infrastructure, both public and private, is critical for facilitating the analysis and sharing of outcomes data. This can enhance transparency, comparability, and trust across the sector.

Building on the key four enablers, this paper offers strategic opportunities for stakeholders to advance outcomes-focused IMM within the financial inclusion sector. These high-level priorities should be viewed as a foundation for future work and are intended to stimulate further dialogue, research, and collaboration among stakeholders as they work to advance outcomes-focused IMM. While some of these efforts are already underway, further commitment and acceleration will be essential for broader sector-wide impact.

Development outcomes are valuable longer-term and/or broader outcomes to which financial inclusion directly and meaningfully contributes. These can be client or collective benefits such as women's economic empowerment, poverty reduction, access to essential services, jobs and entrepreneurship, economic growth and financial stability, and climate action. Development outcomes represent the ultimate impact of investments, demonstrating their contribution to significant social and environmental goals. Investors can align their impact objectives with these long-term outcomes to ensure that their investments create meaningful and lasting change.

Intermediate outcomes are shorter-term benefits for clients including increased opportunities, increased resilience, and increased agency. Financial health/financial wellbeing outcomes are considered intermediate outcomes. Measuring intermediate outcomes allows investors to track progress towards achieving significant development outcomes, providing a clear indication of whether the investment is on the right path.

Source: adapted from CGAP's forthcoming Impact Pathfinder platform

SECTION 1

Addressing demand for transparency and risk management through outcomes

THROUGH FINANCING AND STRATEGIC support to financial services providers (FSPs), impact investors – those with the intent to create positive, measurable, social and environmental impact alongside a financial return (GIIN 2019) – can contribute to driving development and intermediate outcomes for end beneficiaries of financial services (see Box 1 for outcomes definitions). Financial inclusion is particularly attractive to investors seeking to achieve impact as it is associated with intermediate outcomes such as improved resilience, increased opportunities, leading to developmental outcomes such as poverty reduction and women's economic empowerment (El-Zoghbi, Holle and Soursourian 2019). In 2022, international funding from development finance institutions (DFIs) and private investors down the capital value chain[1] to FSPs was estimated at US$60 billion, accounting for 80 percent of the total committed to international funding for financial inclusion (Tolzmann 2024).

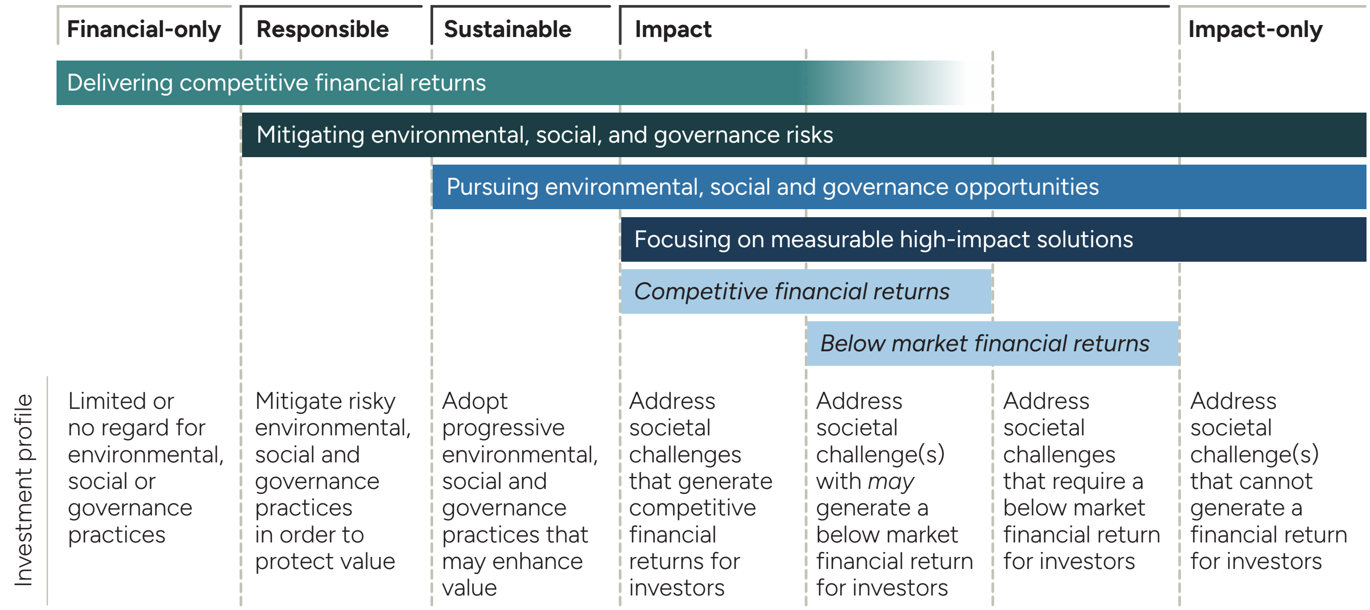
Two critical factors influence impact investors to focus on development and intermediate outcomes.

Firstly, there is a push for impact transparency stemming from the increased awareness of global challenges such as climate change and geopolitical conflicts, and the urgency to achieve the sustainable development goals (SDGs). As such, regulators, investors, the general public, and civil society are increasingly asking for clear, verifiable, and comparable data on the social and environmental effects resulting from investments. This is evidenced by recent regulatory frameworks that mandate detailed sustainability disclosures, which push for higher transparency standards. Current efforts largely focus on responsible and sustainable investing, including a broad range of risk and return strategies (see Figure 1), as well as environmental, social, and governance (ESG) practices. However, expectations for higher standards in impact investing are likely to rise. For instance, recent regulations in the United Kingdom have introduced a regulated impact investing label, requiring asset managers to demonstrate and measure their contributions to real-world outcomes (FCA 2023).

Secondly, impact investors recognize that failing to address negative outcomes can pose significant reputational and financial risks. Certain lending practices within financial inclusion have faced criticism from external observers, particularly practices involving

1 The capital value chain is defined as Limited Partners (LPs), General Partners (GPs), and Financial Services Providers (FSPs). LPs can be institutional investors, DFIs, donors, family offices, or high-net-worth individuals who provide capital to investment funds. GPs, which can include DFIs when they act as direct investors, manage these funds. GPs, including DFIs in this role, are responsible for making investment decisions, managing portfolios, and driving impact measurement and management (IMM) practices across the value chain. GPs provide capital to FSPs largely through debt and equity. FSPs deliver financial services and can embed IMM practices in their strategy and operations to inform decisions.

FIGURE 1. **The spectrum of capital: Investor financial and impact objectives**



Source: Bridges Impact and the Impact Management Project (Structured Finance in Brief 2020).

abuses by FSPs, some of which are backed by impact investors, as seen recently in Cambodia. Reports of over-indebtedness and exploitative practices, documented by human rights organizations and highlighted in media outlets such as The Guardian (2023) and Al Jazeera (2022), have sparked debate and concern, leading to reputational risks for impact investors. Some academic research and reports from non-governmental organizations (NGOs) have criticized specific lending practices within the sector highlighting shortcomings in borrower protection. Civil society campaigns and the introduction of stricter government regulations have further amplified public scrutiny of these practices. Negative outcomes such as over-indebtedness have also led to higher loan defaults, regulatory penalties, increased operational costs, and reputational damage, collectively eroding the financial performance of FSPs and reducing returns for investors across the sector. These concerns have led to important debates and efforts to enhance borrower protection and accountability across the sector. In addition, impact investors are increasingly aware of the dangers of overstating impact performance—referred to as "impact washing"—which can undermine credibility and lead to further scrutiny from both the public and media.

BOX 1. **What are financial inclusion outcomes?**

Considering different levels of outcomes in impact measurement and management (IMM) frameworks and systems allows investors to capture the full range of longer-term effects, make more informed, nuanced, and strategic decisions, manage risks, ensure accountability with enhanced transparency. Yet, the use of different definitions of outcomes levels in the financial inclusion ecosystem contribute to the complexity of adopting an approach to IMM focused on outcomes.

Outcomes are positive or negative changes in individuals, households, micro and small enterprises, organizations, systems, and the environment. Realization of outcomes does not follow a linear progression but rather involves complex, interrelated causal factors, which increase in significance the further removed the outcomes are from the direct output. With the aim of delivering longer-term sustainable developmental outcomes for end beneficiaries, realizing intermediate outcomes, as well as outcomes related to the provision and use of financial services, organizations, and ecosystem, are plausible "impact pathways".

Development (~3-5 years)

Definition: Valuable longer-term and/or broader outcomes to which financial inclusion directly and meaningfully contributes. These can be client or collective benefits such as women's economic empowerment, poverty reduction, access to essential services, jobs and entrepreneurship, economic growth and financial stability, and climate action.

Investor Relevance: Development outcomes represent the ultimate impact of investments, demonstrating their contribution to significant social and environmental goals. Investors can align their impact objectives with these longer-term outcomes to ensure that their investments create meaningful and lasting change.

Intermediate (~1-3 years)

Definition: Shorter-term benefits for clients including increased opportunities, increased resilience, and increased agency. Financial health/financial wellbeing outcomes are considered intermediate outcomes.

Investor Relevance: Measuring intermediate outcomes allows investors to track progress towards achieving significant development outcomes, providing a clear indication of whether the investment is on the right path.

Ecosystem (~3-5 years)

Definition: Broader macro-economic and environmental changes such as socio-cultural norms, policies and regulation, infrastructure, etc., that influence financial services and their provision, adoption and use

Investor Relevance: A favorable ecosystem can significantly enhance the effectiveness and reach of investments. By understanding ecosystem outcomes, investors can nuance their understanding of longer-term and scalable impact.

Provision/Use of Financial Services (~6-12 months)

Definition: Improvements in the provision and usage of financial services so that there is a fair, efficient and competitive financial markets (supply-side) and informed and safe use of financial products/service (demand-side).

Investor Relevance: Monitoring these outcomes helps investors gauge the initial success and effectiveness of their investments, providing early signals of potential issues or successes that will influence longer-term outcomes.

Organizational (~1-2 years)

Definition: Organizational improvements of an FSP including improvements in their processes, policies, procedures, governance so that so that the provision and use of financial services is delivered sustainably and responsibly.

Investor Relevance: By understanding and supporting organizational improvements, investors can ensure that their investments are managed effectively, responsibly and sustainably, ultimately enhancing the likelihood of achieving desired intermediate and development outcomes.

Source: Adapted from CGAP's forthcoming Impact Pathfinder platform.

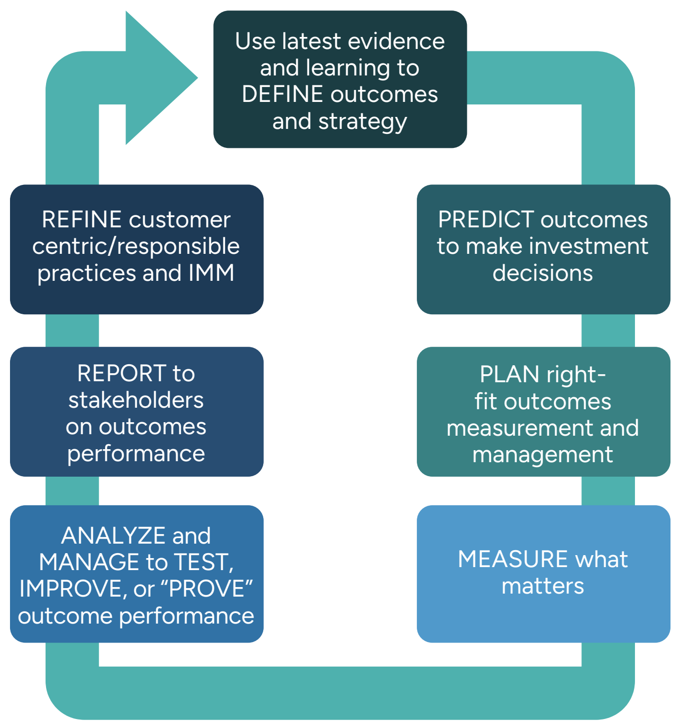
In this context, it is quite timely for financial inclusion impact investors to adapt their impact measurement and management (IMM) practices to focus more explicitly on development and intermediate outcomes, referred to in this paper as "outcomes-focused IMM". Outcomes-focused IMM is a comprehensive approach that involves measuring, understanding, and reporting on the effects of investments. It specifically focuses on the actual development and intermediate outcomes experienced by customers, including women, which are enabled by financial inclusion investments. This approach integrates outcomes data into the investment decision-making process and helps manage impact risks.[2] By contrast, the status quo for IMM practice is to measure, manage and report on outputs – i.e. the immediate effects of investments, such as reach of financial services and improved access by intended beneficiary groups – and when outcomes are explicitly considered, the mainstream approach is to use proxies to estimate outcome performance.

GPs must manage a double bottom line, balancing financial and impact objectives. This encompasses a range of strategies, with each GP determining their own priorities depending on their strategies for impact versus financial objectives and who funds them (see Figure 1). IMM can be refocused to help GPs navigate and balance these diverse objectives by providing a structured approach that comprises the strategy, systems, and processes needed to generate evidence on whether, and how outcomes objectives are:

1. Likely to be realized – *"Predict"*;
2. Have clarified and validated a new business model or a new product's impact potential – *"Test & Pilot"*;
3. On track to being achieved and determine actions to be taken to improve performance – *"Improve"*; and
4. Have definitively been realized – *"Prove"*.

Figure 2 provides a summary of this positive, self-reinforcing cycle of outcomes-focused IMM, where each stage builds upon the previous one to enhance the effectiveness of GPs in navigating and balancing diverse objectives and managing impact risks. The right-fit evidence required to support each outcomes performance measurement purpose varies depending on the specific research question at hand. There is no applicable standard for what counts as good evidence. At a minimum, for an FSP or GP to make more definitive statements about outcome performance, particularly statements about causality of the investment, generally accepted minimum good practice involves being transparent about the approach used, and triangulating different evidence sources,

FIGURE 2. **Virtuous cycle of outcomes-focused IMM for financial inclusion**



Source: Authors.

2 Impact Frontiers, an initiative that helps organizations integrate impact considerations into financial decision-making, defines impact risk as the potential for actual outcomes to differ from what was intended, and that the difference will be material from the perspective of those who experience impact. It identifies nine distinct impact risks, ranging from uncertainty in supporting evidence (evidence risk) to potential misalignment between stakeholders and investors (alignment risk). These risks span various aspects of project execution, external influences, and stakeholder involvement, all of which require careful assessment and management to ensure that the desired impact is achieved and sustained. More information is available at: https://impactfrontiers.org/norms/five-dimensions-of-impact/impact-risk/

rather than relying on just one (Posthumus and Wanitphon 2015). It is essential to acknowledge that some approaches and methods are more suited than others to provide evidence in response to different research questions (Nutley, Powell, and Davies 2013).

GPs who are further along their IMM learning journey—referring to their organizational readiness to collect, interpret, and use outcomes data—have innovated their IMM approaches to be more outcomes-focused. For example, Oikocredit conducts an annual client self-perception survey and uses the resulting insights to guide in making evidence-based decisions (see Box 2). Global Partnerships integrate outcomes data as a core element of business intelligence, using it as a key driver for achieving impact throughout each stage of the investment cycle. This data informs investment strategy, portfolio construction, and portfolio management, playing a central role in decision-making and in their engagement with investee partners and fund investors (Lahaye, Clarke and Kiamba, 2024). Some GPs, such as Incofin and BlueOrchard, are in the early stages of organizational readiness for measuring and managing outcomes. They are currently taking initial steps to test and experiment with different approaches to outcomes-focused IMM.

Innovations in the financial inclusion and wider impact investing ecosystem are also enabling some GPs and FSPs to focus more outcomes. The 60 Decibels client survey generates data to inform outcome performance insights on FSPs, and the derived Microfinance Index allows investors to compare and benchmark this performance to other FSPs worldwide and regionally. Cerise+SPTF and the European Microfinance Platform Investors Action Group' developed an outcome measurement framework and questionnaire through a consultative process. Both initiatives focus primarily on measuring intermediate outcomes of financial services. In addition, the Global Impact Investing Network (GIIN)'s IRIS+ system has supported the build out of a financial inclusion thematic evidence base. Box 3 provides more details on these specific initiatives.

BOX 2. **Oikocredit's client self-perception survey**

Initiated in 2021, the survey helps FSPs understand and improve their impact on clients. It captures the perceived changes in clients' lives over the past 12 months due to the services provided by FSPs with 23 questions on resilience, risk, and opportunity from the clients' perception of change. In 2023, the survey was conducted in partnership with 34 FSPs, leveraging their local knowledge and client relationships. Data was collected through a digital questionnaire, available in nine languages, ensuring inclusivity and accessibility. Clients were randomly selected to participate, aiming for a high confidence level with at least 700 respondents per FSP.

Survey dimensions include:

- Wellbeing: Perceived influence of FSP services on clients' overall wellbeing.
- Income: Changes in income, reasons for increases or decreases, and the impact of extreme weather on income stability.
- Savings: Changes in savings and the ability to sustain basic needs using savings.
- Business development: Business growth, including increased sales, new product or service offerings, and employment changes.
- Housing and basic facilities: Improvements in housing and access to basic facilities like electricity and water.
- Health and food access: Ability to meet health needs and food security.
- Digital access: Internet and smartphone usage for economic activities.

Source: Oikocredit 2024.

BOX 3. **Outcomes measurement initiatives related to financial inclusion**

The 60 Decibels end-customer perception survey is a solution that was developed using a wide-ranging stakeholder engagement process. It comprises a standardized set of outcome indicators and outcome-level questions. More than 20 impact investors are using this solution. Following use by more than 114 FSP partners, 60 Decibels now offers the Microfinance Index, now in its third year (60 Decibels 2023). The index offers a means for FSPs and investors to benchmark their customer user-experience and outcomes performance at global and regional levels.

The framework developed by Cerise+SPTF and the European Microfinance Platform Investors Action Group comprises a minimum set of actionable outcome indicators derived from the SDGs and can be used by FSPs, investors and third-party data collectors to track financial inclusion outcomes (Cerise+SPTF and European Microfinance Platform 2022). This work builds on more than twenty years of Cerise+SPTF's experience developing the Universal Standards for Social and Environmental Performance Management, which focus on organizational practices to help create an environment where positive customer-level outcomes are more likely (Cerise+SPTF). Questionnaires, with accompanying guidance, are publicly available, and were designed incorporating experiences of more than 30 investors and 20 FSPs. A network of local experts is available to support implementation. Currently, 11 investors and 14 FSPs have used the framework with support from experts in the network.

GIIN's IRIS+ system has supported impact investors to collect data and assess the evidence base of financial inclusion (IRIS+ System, a). It provides a standardized set of metrics and user-adaptable thematic IMM frameworks and benchmarks. It is used by 78 percent of impact investors for IMM (Hand, Sunderji, and Pardo 2023). However, the IRIS+ system has not yet fully supported a focus on outcomes measurement. CGAP's analysis of its financial inclusion-thematic indicators shows that only four out of 68 relate to intermediate outcomes[a], and these are neither included in the IRIS+ Financial Services Impact Performance Benchmark nor typically self-reported by investors (IRIS+ System, b).

a CGAP's analysis identified financial health captured in the IRIS+ catalog of metrics as an intermediate outcome with four indicators: (i) Account increased in value during the reporting period; (ii) Account decreased in value or stayed the same value during the reporting period; (iii) Clients with an increase in their savings balance; and (iv) Percentage of clients increasing spending on basic services.

However, according to CGAP's research, measuring and managing outcomes performance in financial inclusion, including with 60 Decibels and/or Cerise+SPTF integrated into IMM frameworks, is not mainstream practice. The status quo remains largely to measure and manage for outputs and use proxy measures for outcomes. Even among those innovating on outcomes-focused IMM, once-off surveys are typically used to make definitive claims about outcomes performance. A focus on outputs persists because they are more straightforward and quicker to measure than outcomes. This type of data is often immediately available in GP and FSP management information systems, therefore there is no need to engage with end beneficiaries, nor any requirement to consider causality by other factors. Furthermore, relying solely on insight reports from a client survey to make claims of outcomes performance has become a standard practice as many investors lack the conceptual clarity, expertise, tools, and resources required for robust outcomes measurement. For example, approaches to improve rigor include triangulating survey insights with different data sources, engaging a survey provider on a repeat basis, enabling a more robust "before-after" form of "cohort study", and/or sampling their portfolios for investing in measurement according to the research question.

CGAP hypothesizes that better alignment across the capital value chain—from LPs to GPs to FSPs—can significantly advance the measurement and management of financial inclusion outcomes. This alignment begins with LPs setting expectations and offering incentives for more rigorous outcomes evidence from GPs, which would in turn influence FSPs. However, CGAP's research reveals that this influence is currently limited, as many LPs remain satisfied with ESG and output data likely due to their own challenges in balancing financial returns with impact objectives. The diversity of LP priorities, which can range from strong developmental mandates to more commercially driven motivations, further complicates this situation (see Figure 1). This creates a scenario where the demand for robust outcomes data is insufficiently prioritized, hindering the broader adoption of outcomes-focused IMM practices.

These double bottom line tradeoffs at the LP level cascade down through GPs and FSPs, creating significant challenges. For example, the resources required for rigorous outcomes measurement can conflict with the pressure to deliver strong financial returns, leading both GPs and FSPs to struggle to meet these competing expectations. In addition, when GPs are backed by LPs with differing priorities and FSPs are funded by multiple GPs, this divergence exacerbates the misalignment. For instance, GPs often request different outcomes data from FSPs, use varying metrics frameworks, and require data at different times without coordinating with other GPs involved with the same FSP, creating a significant reporting burden. This problem is further compounded by internal capacity constraints, differing organizational cultures, and varying levels of commitment to outcomes-focused IMM. These issues highlight the complexity of aligning outcomes-focused IMM practices across the capital value chain, and demonstrate why this alignment needs to be improved.

Based on this hypothesis, this paper identifies four enabling factors to drive wider adoption of outcomes-focused IMM and align interests and actions within the capital value chain. These enablers are explored in detail along with strategic directions and high-level priorities to guide stakeholders in building a financial inclusion impact investing ecosystem that not only delivers meaningful outcomes but also enhances transparency and proactively manages risks. The goal is to raise awareness and stimulate further dialogue, research, and collaboration among stakeholders as they work to advance outcomes-focused IMM.

SECTION 2

Four key enablers for aligning interests and actions across the capital value chain

THIS SECTION EXPLORES FOUR outcomes-focused IMM enablers identified by CGAP's research, summarizing the key elements that are critical to each. While each enabler addresses distinct challenges and opportunities, they are interconnected. Together, they form a cohesive framework with opportunities to align interests and actions in the capital value chain to measure and manage for financial inclusion outcomes.

Enabler 1: Building a shared understanding of outcomes-focused IMM use cases, strategies, systems, and funding responsibilities

Clearly defined use cases are crucial for advancing the adoption of outcomes-focused IMM. They provide a framework for addressing various scenarios and select the most appropriate strategies, methods, metrics, and processes for implementing each specific use case. This clarity helps balance priorities such as impact and financial returns, and operational considerations. It also helps determine who should fund what —whether LPs, GPs, or FSPs— and makes the value proposition clearer, reducing general reluctance to invest in outcomes-focused IMM. Without well-defined use cases, stakeholders will continue to face challenges such as limited budgets and unclear benefits. This can lead to the status quo practice and many GPs to default and rely on outcome estimates and ad-hoc insights for every use case, as described in section 1.

Aware of these shortcomings, financial inclusion LPs, GPs, and FSPs are keen to understand how and when outcomes-focused IMM should be deployed. They are asking:

- "How do outcomes-focused IMM strategies vary depending on investment strategy?";
- "What should we do if we are early in our learning journey?";
- "How does outcomes-focused IMM vary at different stages of the business or investment cycle?"; and
- "Who is responsible for funding outcomes-focused IMM based on these variations?".

To address these questions and define use cases, there are several interconnected variables to consider, and build a common understanding of their interactions to develop a more nuanced approach to outcomes-focused IMM. They include:

- **Specific objectives:** such as *"Predict"* impact performance to make investment decisions; *"Test & Pilot"* to understand and validate a new business model or a new product's impact potential; *"Improve"* to optimize portfolio performance; or *"Prove"* to scale up.
- **A GP's or an FSP's organizational readiness** or the stage on its learning journey to collect, interpret and use outcomes data.
- **A GP's or an FSP's business model** or fundamental structure and operational model including the type of financial instruments a GP uses (e.g., equity, debt, or blended finance) and the design of the fund (such as its focus, duration, risk-return profile, LP profiles), and the nature of operations of an FSP's business (e.g. delivery approach, service offerings) and its funding structure.
- **An FSP's stage in the business cycle**: referring to the various phases an FSP goes through in its development, including the maturity of its business model and the introduction of new products or services, even within a proven model.

The following hypothetical and simplified scenarios illustrate how these variables might interact in different contexts, influencing decision-making, shaping the approach to outcomes-focused IMM and highlighting the important of right-fit strategies.

Scenario 1: *An experienced impact LP—a DFI—is considering scaling up their investment in a GP who is setting up a new financial inclusion-focused investment fund targeting mature microfinance institutions (MFIs). The GP's first fund invested in MFIs serving the hardest to reach beneficiary segments, and this new fund will invest in the same geography, and likely scale-up investments in the same MFIs. In the first fund, the GP collected some end-beneficiary survey data. But for the new fund, the LP requires a more robust level of outcomes evidence to "prove" MFIs' impact before committing a major new investment, and therefore commissions and funds an impact evaluation. This decision reflects the LP's focus on specific objectives and their need for stronger data to validate the impact before scaling up the investment in a mature business cycle, focusing on scaling proven models rather than piloting new ones. Box 4 explores the role of impact evaluations in IMM, particularly how DFIs use them to "prove" impact performance and raises questions about their broader relevance for GPs.*

BOX 4. **Impact assessment and evaluation in IMM – a parallel track or part of the toolbox?**

Impact evaluations are designed to assess the extent to which an intervention has caused or contributed to intended outcomes—establishing causality, rather than focusing on tracking progress towards achieving intended outcomes. In the realm of international development, impact evaluations are a standard tool for donors (e.g., bilateral, multilateral, foundations) to understand the effectiveness of their interventions. Typically, these evaluations are budgeted separately from ongoing program monitoring, which focuses on tracking progress and adapting management for better results.

In the impact investing ecosystem, however, DFIs primarily commission and fund impact evaluations, due to their unique mandate and structure. DFIs, accountable to the public and operating as both LPs and GPs, use these evaluations to "*prove*" impact performance and to inform future investment decisions, such as whether to reinvest in a particular sector or geography. Unlike DFIs, other GPs typically do not have the mandate or the budget to commission such evaluations, although they may use them as evidence to inform their broader impact strategies.

This distinction raises critical questions about the broader role of impact evaluations in the impact investing sector: Should impact evaluations remain a specialized tool used primarily by DFIs, or should they be integrated more broadly into the IMM toolbox across the impact investing sector? What are the economic implications of such integration, particularly in terms of costs, resource allocation, and potential returns on investment? This is an open discussion and addressing these questions requires consensus on the role and value of evaluations in right-fit outcomes-focused IMM strategies, as well as clarity about who should bear the costs.

Scenario 2: *An experienced venture capital GP is investing in an early-stage FSP that is in the initial stages of its product development journey. The FSP is focusing on developing and testing new features, pricing, and value propositions for its targeted client segment. The GP's objectives are centered on "Test & Pilot" and given that the FSP is early in its business cycle, the IMM approach will focus on validating these objectives through learning and adaptation. This includes gathering feedback to inform product development, reduce risks, and ensure the product aligns with client needs. The GP emphasizes measuring outcomes on two fronts: (i) Product and service outcomes—such as user satisfaction and trust, accessibility, and usability of the product's features; and (ii) Organizational outcomes – such as adherence to a policy on responsible finance, implementation of systems to identify and manage risks associated with the new service. Tracking these metrics will help the FSP and GP identify risks early and make necessary adjustments to optimize the product. This example highlights the importance of aligning IMM strategies with both the learning journey and the specific stage of the business cycle. Box 5 provides the example of a GP that has supported FSPs at different stages of this journey and that has adapted to the specific needs and capacities of each organization.*

BOX 5. **Incofin's approach to supporting FSPs on their learning journey in outcomes-focused IMM**

An investors' relationships with FSP investees provide opportunities to support them on their learning journeys to ensure meaningful progress in outcomes measurement and management. Incofin Investment Management (Incofin) –an emerging markets-focused impact investment manager– has established the Outcomes Measurement Project, which exemplifies a commitment to supporting FSPs on their learning journeys for outcomes-focused IMM. The project was launched in 2020 to support FSPs in developing the knowledge, methodologies, and systems for outcomes-focused IMM and building an outcomes-focused organizational culture through targeted technical assistance. Additionally, improved outcomes measurement and management would enhance Incofin's own investment decisions, impact performance management, and reporting, as well as impact and reputational risk management. As such, the project offered tailored support, recognizing three stages of readiness among FSPs:

(i) Early Stage: For FSPs at an early stage in their learning journey, the objective is to ensure that FSPs have solid social performance management (SPM) processes and procedures in place, providing a strong foundation for future outcomes measurement and management. This includes developing a clear Theory of Change and social strategy that is embraced by the board of Directors and the management of the organization, defining outcomes objectives, and an understanding of how and when to collect outcomes data.

(ii) Intermediate Stage: For FSPs with a strong SPM foundation, the aim is to build FSPs' capacity to analyze end-client data on outputs (and potentially on outcomes) using existing data sources.

(iii) Advanced Stage: For FSPs that are more advanced in their processes and procedures, the objective is to build their capacity to measure end-client outcomes by collecting and analyzing new data captured through field research studies.

Nine investees participated in the project, pushing each of them further on their learning journey by building systems and processes, and capacity to measure and manage outcomes. For example, one FSP, at a more advanced stage of its learning journey, received support through the project to develop and conduct client surveys and more in-depth telephone interviews to understand client experience and outcomes. This included client profile data, use of financial products, satisfaction, perception of client protection, and outcomes such as perception of changes in production, income, profits, assets, job creation, financial

BOX 5. **Incofin's approach to supporting FSPs on their learning journey in outcomes-focused IMM** (continued)

management, and empowerment. The FSP developed a dashboard to analyze and triangulate the results across existing management information system (MIS) data, survey, and interview data. The survey results have been used to refine its impact thesis and improve product and service design, and the overall company strategy. Since the support from the project, the FSP regularly conducts outcomes surveys and shares results with its board members, who value hearing the "voice of the clients."

For any institution, whether a GP or an FSP, the concept of its "learning journey" is crucial when seeking to deploy outcomes-focused IMM. This journey encompasses the organizational readiness to collect, interpret, and use outcomes data effectively. Recognizing where an institution is situated on this journey is essential for right-fit outcomes-focused IMM.

Enabler 2: Overcoming methodological and operational constraints with innovative solutions

Measuring outcome performance to *"prove"* claims, to *"improve"*, or *"test & pilot"* can require a more complex measurement approach, as compared to *"predict"*, and can therefore be resource-intensive and time-consuming, potentially slowing down decision-making processes. Organizations must find a balance between collecting the necessary and sufficient evidence (both primary and secondary) to measure outcomes performance and make performance claims aligned with specific use cases, while maintaining operational efficiency. But when the capital value chain isn't aligned, there is a risk of inconsistent and fragmented measurement practices, creating significant methodological and operational obstacles.

CGAP's research has found that in operationalizing outcomes-focused IMM, GPs often face a myriad of methodological and operational challenges. One major issue is the lack of trust in various methodologies employed, particularly those relying solely on perception data self-reported by end beneficiaries. Such data can often be perceived as unreliable to evidence change caused by investments, when it is not verified or triangulated. Such skepticism surrounding data quality raises valid concerns regarding the representativeness and accuracy of reported results, which in turn undermines the perceived credibility of outcomes data.

Challenges in data collection processes further compound these methodological constraints. Issues such as sampling respondents, designing questionnaires, and navigating cultural and other sensitivities including privacy concerns, pose significant risks to the quality of datasets. According to CGAP's research, some GPs perceive that outcomes-focused IMM needs to be systematized and standardized across all investments, in the same way quantitative output key performance indicator (KPI) metrics frameworks are designed. However, expecting to use standardized processes and frameworks for managing and monitoring outcomes across various contexts, particularly with large or complex investment portfolios, is often an insurmountable endeavor and can lead to inertia within organizations. This fosters a belief that the implementation of outcomes-focused IMM initiatives is too challenging. Consequently, there is a reluctance to embark on piloting or targeting outcomes-focused IMM within portfolios on a sampled and iterative basis, according to varying use cases (see Enabler 1 on use cases) leading to missed opportunities for valuable insights on outcomes performance and actions to improve.

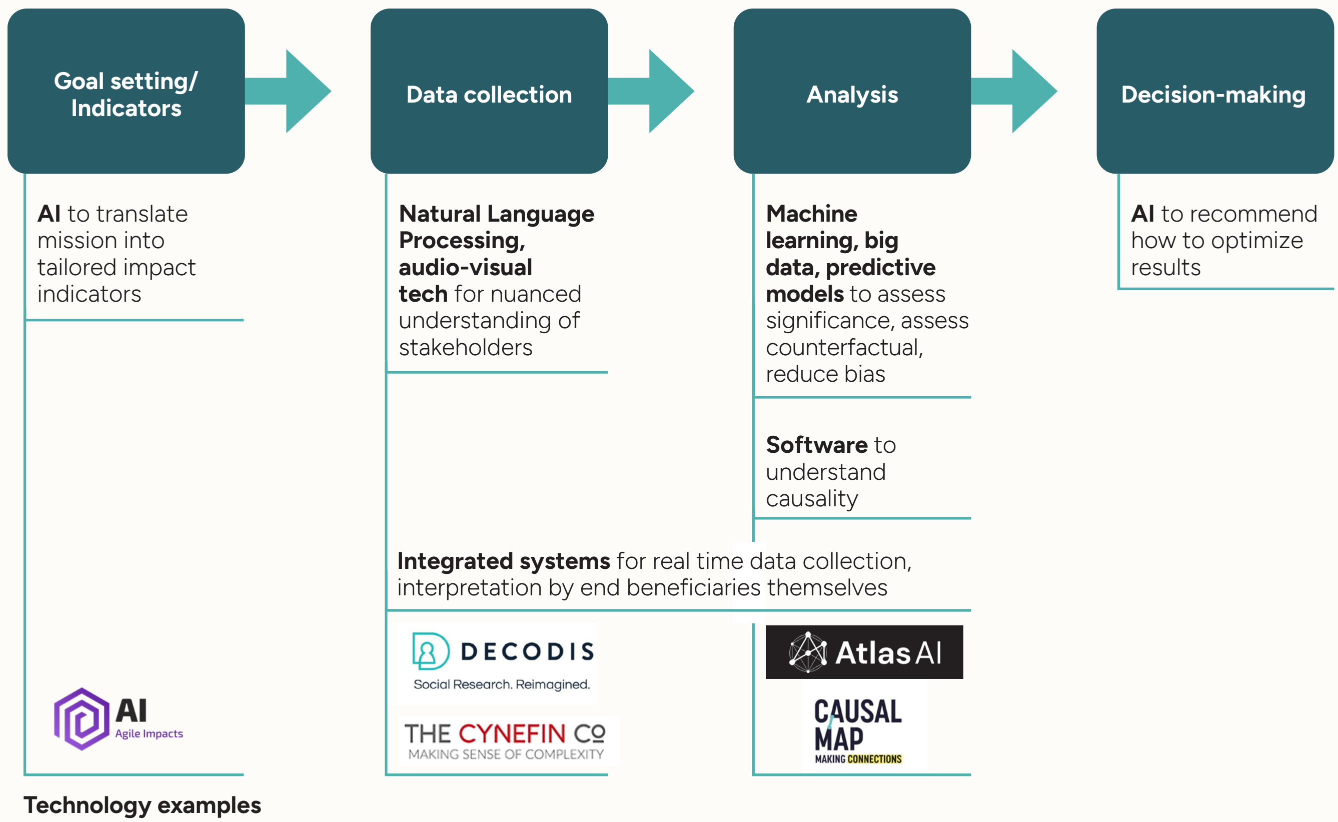
Additionally, challenges associated with software and technology further exacerbate the challenges. Notably, an over-reliance on Excel-based systems for data management, rather than purpose-designed software solutions, even among GPs with large portfolios of up to $1 billion in assets under management. This practice leads to significant inefficacies and risks, including data storage, analysis, interpretation, and presentation functionality. This underscores the pressing need for more sophisticated, purpose-designed software solutions.

To overcome these methodological and operational challenges, partnering with innovative technology providers offers promising solutions for gathering outcome data, gaining insights into stakeholder perspectives, reducing biases, and enhancing efficiency. Box 6 provides illustrative examples of how various technologies could potentially be integrated into outcomes-focused IMM.[3] By leveraging tools like Natural Language Processing, machine learning, integrated software platforms and blockchain, organizations can enhance the accuracy, efficiency, and depth of their outcomes measurement. These technologies, while still emerging in their application to IMM, have the potential to not only streamline data collection and analysis but can also offer new ways to interpret and visualize complex data, ultimately enabling more informed decision-making and stronger impact claims.

While technology offers potential benefits for outcomes-focused IMM, its effectiveness in overcoming methodological and operational challenges depends on how well it supports the different use cases for right-fit strategies and systems. This alignment ensures that technology serves not just as a tool but as an enabler that amplifies the strategic objectives of GPs and FSPs. Furthermore, investors remain cautious about perceived technology risks, including concerns around data security and privacy vulnerabilities; the potential for inaccuracies or global north biases often inherent in algorithmic decision-making and the imperative of ensuring regulatory compliance. Finally, there is a need to determine whether technology reduces costs or presents additional expenses for organizations to consider. This makes the exploration of the role of technology in delivering solutions for outcomes-focused IMM a frontier topic.

3 This research didn't specifically focus on identifying applications of technology in the financial inclusion sector. However, we did find some relevant examples in this area, which are described in this paper.

BOX 6. **Examples of how technology could enhance outcomes-focused IMM**



Source: Authors.

The following examples highlight a range of technologies that have the potential to be integrated into outcomes-focused IMM. These examples are intended to illustrate the types of tools available and their possible applications. They are not endorsements of specific products or providers. The effectiveness and suitability of each technology will vary depending on the specific use cases and contexts in which they are deployed.

Natural Language Processing (NLP) applications, such as Decodis (Decodis), streamline the analysis of textual data sources, extracting key themes and sentiments. Audio-visual technologies capture outcome data in richer formats, enhancing understanding of the issues among decision-makers, and expediting data collection processes. Machine learning, big data analytics, and predictive modeling can assess significance of outcome performance, evaluating counterfactual scenarios, and reducing bias in data interpretation. Atlas AI integrates geographically mapped monitoring data with economic welfare data, employing machine learning algorithms to assess change and causality and predict future changes (Atlas AI). Additionally, software designed to unpack causality, such as Causal Map (Causal Map), enables organizations to evaluate causal relationships from qualitative data. Causal Map employs algorithms to analyze qualitative information and the causal factors driving outcomes. SenseMaker is another innovative tool enabling organizations to collect qualitative data directly from stakeholders through narrative stories (The Cynefin Company). Stakeholders upload and interpret their own data in real-time, which can result in more diverse perspectives and contextual insights being accurately captured, thereby reducing analysis biases. For example, Alterfin partnered with Voices That Count to use SenseMaker to hear the voices of farmers and microfinance beneficiaries, collecting and analyzing

BOX 6. **Examples of how technology could enhance outcomes-focused IMM** (continued)

story fragments to explore complex social patterns to provide a comprehensive view of the impact on beneficiaries' activities and well-being (Alterfin).

Integrated technology solutions could also address these issues by allowing for direct and real-time data integration and offering efficiencies through automated workflows and advanced analytics. These technologies help organizations streamline data collection, analysis, and decision-making. For example, Lendable uses a proprietary technology platform to supports its due diligence and ongoing monitoring processes by providing real-time, verifiable insights into borrower portfolios, revenue, and outputs (Lendable). It is currently piloting the collection, analysis of customer-level outcomes and financial data, with the plan to further integrate the data in its platform. Oikocredit uses Microsoft PowerBI to provide real-time access to client data from its client self-perception survey, enhancing the efficiency of their data management processes and enabling quicker, more informed decision-making (European Microfinance Week 2022). In addition, blockchain technology could further enhance outcomes-focused IMM by providing a secure and unchangeable record for storing outcomes data, ensuring transparency and traceability throughout the entire process. For example, a blockchain-based system could be used to verify and audit outcomes data in real-time, ensuring that all stakeholders have access to consistent and trustworthy information.

Enabler 3: Creating conditions for integrating outcomes data into decision-making

Successfully integrating outcomes data into decision-making processes hinges on a clear alignment of outcomes-focused IMM strategies and systems according to specific use cases (as discussed in Enabler 1). Once a use case is agreed upon, LPs, GPs, and FSPs can align their decision-making processes to ensure that outcomes data informs and guides their strategic and operational choices.

Currently, outcomes data often lacks strategic integration into the key processes of LPs, GPs and FSPs. For LPs and GPs, this includes strategy development, screening and due diligence, portfolio monitoring, and exit strategies. For FSPs, this corresponds to strategic planning, market analysis, product and service monitoring, and lifecycle management. To elevate outcomes data to a strategically critical level alongside financial and output data, organizations must address broader challenges. These include challenges related to aligning strategic priorities, optimizing resource allocation, and fostering a culture of adaptability and continuous improvement.

The alignment of LPs and GPs during fundraising is crucial. Clear communication of outcomes, alongside economic considerations like expected returns and risk-return tradeoffs, can help align a fund's strategic goals with LP expectations. However, this alignment requires more than just communication. It necessitates ongoing dialogue where both sides discuss and refine their priorities, ensuring that outcomes and financial objectives are mutually understood and agreed upon. A similar opportunity for dialogue exists between fundraising FSPs and their respective GPs, facilitating better alignment and reducing the potential for conflicting expectations.

LPs, especially those with strong development mandates, have a unique opportunity—and responsibility—to support GPs in implementing outcomes-focused IMM practices. This influence could be exercised through careful selection of GPs during due diligence; setting specific outcomes targets in investment mandates; offering outcomes-linked incentives and requiring regular outcomes performance reports with periodic reviews to assess progress and discuss corrective action if needed. The influence of LPs can cascade through GPs to FSPs, creating a chain of accountability that strengthens outcomes-focused IMM across the investment process. GPs, in turn, can collaborate with FSPs to co-develop clear expectations and performance indicators for outcomes data collection and use. This collaboration between GPs and FSPs not only ensures effective outcomes data integration but also enhances the shared understanding and alignment of broader impact goals. Regular performance reviews and feedback loops further support alignment with broader impact goals, fostering continuous improvement.

Finally, robust governance and a supportive organizational culture are essential for the successful integration of outcomes data. LPs can shape these elements within GPs, and GPs can further influence them through FSPs. Effective governance mechanisms, such as dedicated committees or protocols for regular impact assessments, ensure that outcomes data is integrated into decision-making processes alongside financial metrics. The Universal Standards for Social and Environmental Performance Management, particularly Dimension 2 and Standard 8, provide a critical foundation for these governance practices.[4] Box 7 provides early lessons on effective governance for outcomes-focused IMM.

BOX 7. **Three emerging factors for effective governance to drive decision making based on outcomes evidence**

Based on CGAP's deep-dives on Incofin and Global Partnerships' outcomes-focused IMM experience, governance is emerging as a crucial component in embedding outcomes-focused IMM within an organization. Effective governance structures not only promote accountability but also drive strategic alignment and facilitate the integration of outcomes data into decision-making processes.

From these two examples, we identify three emerging factors that make governance effective in outcomes-focused IMM:

(i) Board engagement and oversight: Active engagement of the board is essential for the success of outcomes-focused IMM. For example, Incofin's experience supporting FSPs on their learning journey emphasizes the role of the board in regularly reviewing outcomes data, which helps to make informed decisions and to align strategies with social objectives. One of its investee partners shares outcomes survey results with its board members, who value hearing the "voice of the clients". Similarly, Global Partnerships reports aggregated outcomes data to its board on a quarterly basis as part of key impact performance (KPI) indicators, enabling oversight and discussion of strategic performance. Using dashboards to visualize outcomes data, Global Partnerships facilitates access to critical insights for both top management and board members, enabling them to assess performance, make strategic adjustments, and align organizational actions with impact goals.

(ii) Establishing dedicated governance structures: Establishing dedicated committees or departments to oversee social and environmental performance can enhance the focus on outcomes. For example, an FSP, supported by Incofin, developed a Social and Environmental Performance Management (SEPM) committee to improve implementation of Universal Standards, and monitor progress through customer data collection protocols and the development of an outcomes dashboard. This committee plays a pivotal role in tracking progress and ensuring alignment with the organization's mission.

(iii) Supporting continuous learning and improvement: Governance structures should support a culture of continuous learning and improvement. Both Incofin and Global Partnerships emphasize the importance of ongoing engagement with investees and stakeholders to facilitate learning and adapt strategies over time. This approach helps organizations stay aligned with their social missions and respond effectively to evolving challenges and opportunities.

4 The Universal Standards for Social and Environmental Performance Management are a set of best practices designed to help organizations achieve their social and environmental goals. Dimension 2 emphasizes the necessity of board, management, and employee commitment to social goals, ensuring that governance structures are actively engaged in achieving these objectives. Standard 8, within the Client Protection Pathway, further underscores the importance of aligning governance and operations with the organization's social mission. While primarily focused on social performance management, these standards lay the groundwork for the integration of outcomes data by establishing governance structures, data-driven decision-making, and a commitment to social goals that are essential for effective outcomes measurement and management.

Cultivating a culture that values outcomes data and views impact and financial returns as complementary objectives, helps organizations navigate tradeoffs more effectively, ensuring balanced pursuit of both goals.

Enabler 4: Enhancing transparency in outcomes data

Building on the strategic alignment efforts outlined in Enabler 3, transparency plays a critical role in supporting broader alignment by creating the conditions necessary for LPs, GPs, and FSPs to engage more effectively with outcomes-focused IMM. There are critical components to achieving transparency, including standardized indicators, robust verification efforts, shared data infrastructure, and effective impact reporting. As global regulatory frameworks increasingly mandate detailed disclosures on responsible and sustainable investing and ESG practices, stakeholders face growing pressure to meet these requirements. Proactively enhancing outcomes performance transparency not only prepares stakeholders for these regulatory demands but also mitigates risks and fosters a culture of accountability and trust within the sector. After all, transparency and information sharing have long been crucial ingredients in shaping the microfinance industry, strengthening performance and informing policy dialogue.

Without consistent and comparable measures, it is difficult to ensure that outcomes are accurately reflected in every aspect of IMM. Standardized indicators are therefore essential for creating a unified approach to outcomes-focused IMM, enabling stakeholders to work together effectively toward common goals. Initiatives such as 60 Decibels and Cerise+SPTF have made progress in standardizing indicators for measuring outcomes in financial inclusion, particularly intermediate outcomes that reflect short-term benefits for clients. Yet, there is a growing need to develop and standardize indicators for developmental outcomes, which represent the longer-term benefits for clients. As more evidence emerges, existing indicators may need to be reassessed, and new ones may offer more meaningful measures of intermediate and development outcomes. Enhancing and establishing these outcomes indicators can strengthen IMM, supporting more cohesive and effective practices.

One of the critical areas where transparency and consistency is currently lacking is in impact reporting, which has significant implications for how stakeholders engage with the data. Many reports are perceived as being designed more for marketing and fundraising purposes than for demonstrating accountability to mission, often highlighting only positive outputs, and often limited on outcomes. This approach not only undermines trust, but also prevents stakeholders from fully engaging with the reported data. To address this, Impact Frontiers has launched the Impact Performance Reporting Norms, developed through consultation with industry stakeholders[5]. These guidelines aim to standardize the content, quality, and purpose of impact reports, drawing on frameworks like the International Financial Reporting Standards and European Sustainability Reporting Standards. They have been proposed to generate greater consistency across reports, which would be beneficial for both GPs and LPs, and allow for variations in specific sections where GPs may want to distinguish themselves in relation to IMM ambitions, practices, and performance. While these voluntary norms provide a standardized framework, it is equally important for individual organizations to adopt these standards, and in doing so to commit to greater openness and ensure that

5 Impact Frontiers' reporting norms establish shared expectations for the reporting of impact results by asset managers in private markets. They are designed to guide the creation of impact performance reports shared privately by fund managers with their capital providers under non-disclosure agreements. These norms include sections Content ("What To Report"), Characteristics of Useful Information ("How To Report"), and Primary Users and Objectives ("To Whom and Why"). This facilitates reporting of positive and negative information, including information not publicly sharable. They may also guide the creation of public reports, recognizing that confidential information may need to be excluded. More information is available at: https://impactfrontiers.org/work/impact-performance-reporting

both positive and negative outcomes are transparently reported. Such efforts are crucial for creating a culture of accountability and trust, which is essential for achieving broader stakeholder alignment.

In addition, robust system of verification can enhance transparency in outcomes data. Impact verification, which independently assesses impact strategies, practices, and performance, is a growing aspect of IMM. By independently assessing these elements, impact verification ensures that all aspects of impact management are transparent, credible, and aligned with industry standards. This has been driven not only by the challenges of impact washing described earlier, but the need for greater transparency, as highlighted by Principle 9 of the Impact Principles[6]. However, current verification efforts have primarily focused on verifying the alignment of practices with the Impact Principles to comply with the Impact Principles, rather than rigorously assessing actual outcomes data. While these efforts have improved the adoption of impact management practices, they do not yet widely focus on performance.

Finally, shared data infrastructure that supports the collection, analysis, and sharing of large datasets on outcomes can also play a key role in improving transparency. The experience of the Microfinance Information Exchange (MIX) illustrates how access to publicly available and comparable FSP data on financials, operations, products, and social performance helped attract investments and set sector-wide reporting expectations (CAF Venturesome 2011). Today, outcomes data infrastructure already exists with some private solutions and solutions designed for the public good, albeit with limitations (see Box 8 for examples of current solutions). While private solutions offer important contributions to building the practice of outcomes-focused IMM, they may risk creating data silos and fragmenting information sources. In contrast, public solutions may better facilitate alignment by providing open access, promoting standardization, and building trust. However, their sustainability often relies on long-term subsidies, which past examples show can be challenging to maintain (El-Zoghbi 2015). Moving forward, the sector would benefit from greater clarity on how to make these solutions more inclusive, transparent, sustainable, and adaptable to future needs.

BOX 8. **Examples of outcomes data infrastructure**

60 Decibels provides benchmarks but offers limited transparency, given that not all participants in the benchmark identify themselves. Additionally, the full dataset is available via subscription fee only, and a public report summarizing the benchmark data is published annually, therefore not openly accessible to benefit the market as a public good.

ATLAS is an online platform that centralizes data on the financial and social performance of FSPs; it is starting to aggregate any outcomes data FSPs can report (ATLAS). It provides benchmarks allowing users to analyze and compare these metrics. However, access to the data, including benchmarks, is limited to paid subscribers.

In terms of solutions designed for the public good, SPI Online platform from Cerise+SPTF provides tools for assessment, and benchmarks on social performance management on more than 1,000 audits and starts including more outcomes data (SPI Online). The IRIS+ Financial Services Impact Performance Benchmark does not include the outcomes indicators. Investors do not self-report on those indicators at this stage, but could ultimately offer another solution designed for the public good.

6 The Impact Principles consist of nine voluntary principles designed to guide impact investors in integrating impact considerations throughout the investment lifecycle. They focus more broadly on aligning investment strategies with impact goals, monitoring progress, and ensuring transparency through independent verification of impact management systems. More than 160 GPs and other impact investors have adopted them, reflecting a growing commitment within the industry.

SECTION 3

Key priorities for paving the way forward in outcomes-focused IMM

IMPACT INVESTORS AT THE FOREFRONT OF IMM are beginning to shift their focus towards measuring outcomes in financial inclusion investments. Current efforts by GPs and various initiatives that support the deployment of outcomes-focused IMM are encouraging. However, measuring and managing outcomes performance is not yet mainstream practice. The status quo remains largely to measure and manage for outputs and use proxy measures for outcomes.

Accelerating progress in outcomes focused IMM is important. This will enable the impact investing sector to anticipate and better prepare for evolving demands for impact transparency, manage negative outcomes, and drive more effective outcomes for end beneficiaries of financial services.

Building on the four enablers, the following represents strategic opportunities for stakeholders to advance outcomes-focused IMM within the financial inclusion sector. These high-level priorities should be viewed as a foundation for future work and are intended to stimulate further dialogue, research, and collaboration among stakeholders as they work to advance outcomes-focused IMM. While some of these efforts are already underway, further commitment and acceleration will be essential for broader sector-wide impact.

Build a shared understanding of outcomes-focused IMM use cases and the right-fit strategies, systems, and responsibilities. There is an opportunity for LPs, GPs and FSPs and other stakeholders such as standard setters to work together to define and agree on clear use cases for outcomes-focused IMM. This includes developing associated strategies and systems for effective implementation, as well as establishing a clear understanding of roles and responsibilities—particularly regarding who bears the costs.

Continue collaborating to advance key standardized indicators to measure developmental outcomes. These indicators need to be informed by evidence from ongoing initiatives and designed to enable benchmarking beyond metrics such as access, use, and intermediate outcomes. These standardized indicators can be incorporated into sector-wide surveys or used by individual organizations. By actively engaging in and supporting these efforts, stakeholders—including LPs, GPs, FSPs—can contribute to a more unified and coherent approach to measuring and managing development outcomes across the sector.

Foster dialogue on data infrastructure. Stakeholders, including LPs, GPs, FSPs, data providers and standard setters can collaborate to explore ways of improving existing solutions to ensure they meet the needs of all stakeholders and benefit the wider market. This coordinated effort can focus on making these solutions more inclusive, trusted, and sustainable, fostering collaboration even when data access and contributions vary.

Encourage transparency and integrity in impact reporting. LPs and GPs can actively participate in the ongoing development of the Impact Performance Reporting Norms and consider adopting these standards as they are finalized. Doing so will help ensure that impact reports provide a balanced view that transparently addresses both successes and challenges in achieving outcomes performance.

Enhance the focus on outcomes in impact verification. LPs have an opportunity to encourage independent assessments that focus not only on impact management practices but also on the actual outcomes achieved. GPs, in collaboration with standard setters, can support these efforts by working with impact verification providers to broaden the scope of impact verification to include assessments of outcomes performance.

Strengthen strategic engagement through leadership and dialogue and share lessons. Enhanced strategic dialogue between LPs, GPs, and FSPs can help align outcomes expectations with economic considerations, ensuring that all parties are working toward shared objectives. LPs can collaborate with GPs in setting strategic directions for IMM practices that focus on outcomes, while GPs can work together with FSPs to co-develop clear expectations and performance indicators for outcomes data. Additionally, LPs and GPs can actively shape and participate in governance structures, instilling a culture and emphasis on outcomes data-based decision-making. Sharing insights and lessons learned can contribute to building a stronger practice.

Support and enhance capacity for outcomes-focused IMM across GPs and FSPs and share emerging practices. Capacity building efforts can focus on enhancing organizational readiness, strengthening governance structures, and cultivating leadership that prioritizes outcomes data to inform decisions, learn, and improve accountability. Expanding these efforts and creating mechanisms for sharing knowledge and emerging practices can amplify their impact. Collaborative efforts from LPs, GPs, and other stakeholders can amplify and accelerate these initiatives.

Explore the role of technology through research. Research institutions and industry associations can lead efforts to better understand the technology applications to enable progress on outcomes-focused IMM. Future research should focus on understanding the potential benefits and limitations of various technologies, identifying emerging practices for their integration into outcomes-focused IMM systems. This research can lay the groundwork for future testing and piloting and ensure that the technology is an enabler of outcomes-focused IMM and more than a tool. LPs and GPs can fund these research activities.

Surface and solve for operational and methodological challenges by harnessing technology innovation. GPs and FSPs can explore new methodologies and operational approaches, leveraging partnerships with technology providers. This includes experimenting with innovative technologies for outcomes data collection, analysis, and interpretation. By testing these approaches and sharing lessons learned, GPs and FSPs can help the sector avoid common pitfalls, elevate emerging practices, and contribute to the continuous improvement of IMM systems. LPs can fund these pilots and support knowledge generation efforts.

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