Examining Development Impact Measurement: A case of South African Impact Investors

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by

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God is Love.

ABSTRACT

Over the past decade impact investing has gained much traction as a lucrative category of investments that strive for positive social and environmental impact alongside financial gains. Measurement of the intended impacts is gaining importance as this field of investing grows, requiring increased focus on non-financial performance of investment portfolios by impact investors. Improved measurement practises allow impact investors to not only understand and manage the social and environmental impacts effected through conscious intentions, but also provides an opportunity to proliferate existing positive impact.

This report provides empirical insight into the impact measurement techniques employed by South African public and private institutional impact investors, using data collected through over 20 semi-structured research interviews, as well as publicly available impact measurement methodologies. In addition, it contributes to a limited collection of impact data and research that is critical in evidencing the most effective impact investments. Growing this area of research aids in the decision-making of development finance capital allocation to the most impactful investments – particularly those significantly contributing to achievement of the Sustainable Development Goals (SDGs) and the National Development Plan (NDP).

A single case-study method was employed in analysing the empirical findings of the primary data sample, with South Africa as the case analysed. The general inductive approach was applied in the analysis of primary and secondary data collected. Categorisations of the data were made using the code-to-theory model. Furthermore, the logic model was employed as a theoretical lens to study the context of the measurement frameworks utilised by participants. The study also investigates the level of transparency in measurement and reporting within South Africa's growing impact investing industry, for knowledge-sharing and recognition of positive impact.

The findings demonstrate that South African impact investors are less inclined to use internationally recognised impact measurement tools such as IRIS and GIIRS rating systems. They currently utilise customised metrics and indicators as well as ESG risk and opportunity identification in measuring and tracking their impact. It also provides evidence of the influence of funders in driving the impact objectives and measurement practises employed by impact investors. The findings further show that there is greater focus on the shorter-term outputs and outcomes of investments, and less consideration of long-term sustainable impact. Recommendations made to South African impact investors include clearly articulating impact goals through application of the theory of change and logic model frameworks, as well as selecting measurement metrics that align closely to the intended short, medium and long-term impact objectives.

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GLOSSARY OF TERMS

CGAP	Consultative Group to Assist the Poor
DFI	Development Finance Institution
ERBD	European Bank for Reconstruction and Development
ESG	Environmental, Social and Governance
GIIRS	Global Impact Investing Reporting Standards
ICT	Information and Communications Technology
IFC	International Finance Corporation
Impact	A change in an aspect of society and/or the environment as a result of investments
Impact Investment	An investment that aims to generate financial returns alongside an intended positive social and/or environmental impact
Impact Measurement	The act of quantifying social and environmental impact
IRIS	Impact Reporting and Investment Standards
MFI	Microfinance Institutions
NDP	National Development Plan
PRI	Principles of Responsible Investing
SDG	Sustainable Development Goal
SRI	Socially Responsible Investing

1. INTRODUCTION

1.1. Research Area

The analysis of traditional financial investments comprises rigorous estimations of financial returns, as well as various risk assessments. The risk-return dichotomy in modern portfolio theory underpins fundamental concepts of measuring investment risk and returns, and informs investment decisions (Holthausen, 1981). However, the measurement of environmental and social risks and returns is a concept that is becoming more important to investors and investment managers, as prevalence of impact investing grows in the finance industry (Emerson, 2003; Social Impact Investment Taskforce, 2014).

Emerson's (2003) "Blended Value Proposition" emphasises the need for an integrated approach that encompasses environmental, social and financial value. Impact investing encompasses this blended approach, defined as investments that aim to generate financial gains as well as intended measurable social and environmental impact (Giamporcaro & Dhlamini, 2015; Jackson & Harji, 2012; Schiff, Bass, & Cohen, 2016).

Therefore, impact investors are individuals, organisations, or institutions in both the public and private sectors, that purposefully invest in funds, projects or businesses that intend to effect positive social and environmental change in addition to financial returns (Mudaliar, Pineiro, Bass, & Dithrich, 2017; The Impact Measurement Working Group, 2014).

The Global Impact Investing Network's (GIIN) 2017 Annual Impact Investor Survey found that the total impact investing assets under management worldwide amounted to USD 114 billion at the end of 2016 (Mudaliar, Schiff, Bass, & Dithrich, 2017). Geographically, 40% of global impact investments were allocated in the US and Canada, and 10% were allocated in Sub-Saharan Africa (Mudaliar, Schiff, et al., 2017).

South Africa is recognised as the largest Southern African market for impact investing where approximately 76% of the impact capital distributed in the Southern African region is allocated within South Africa (Global Impact Investment Network & Open Capital, 2016). Despite high levels of inequality and unemployment, South Africa has great potential to become a leader in impact investment and measurement. Currently measurement of impact is customised based on the particular project implemented, where few impact investors follow standardised metrics such as the Impact Reporting and Investment Standards (IRIS) and Global Impact Investing Reporting Standards (GIIRS) (Global Impact Investment Network & Open Capital, 2016).

Much of the academic and practitioner research conducted in the field of impact investing in the past decade emphasises the importance of impact measurement for improved social and

environmental development (Jackson, 2013; Reeder & Colantonio, 2013; Reisman & Olazabal, 2016; So & Staskevicius, 2015). Industry experts recommend the use of uniform and standardised metrics and measurement techniques in order to quantify, monitor, evaluate and compare impact (The Impact Measurement Working Group, 2014).

Although, the available academic and practitioner research on the largest impact investing market in Africa, i.e. South Africa, provides insight into the amount of capital being invested (Giamporcaro & Dhlamini, 2015; Mudaliar, Schiff, et al., 2017), it provides limited empirical insight into how impact is being measured in practise, as well as the methods and frameworks employed in the impact measurement. This paper contributes to the available research on development impact measurement within the context of South Africa.

This report will be structured as follows:

The first chapter introduces the research topic and describes the problem statement, research questions and provides an explanation of the purpose of the research. This chapter also includes a summary of the research assumptions. The second chapter includes a review of available academic and practitioner literature in the impact investing and measurement research arena.

The third chapter details the research approach and methodologies employed in collecting and analysing the primary and secondary data samples. It also discusses the extent of the reliability and validity of data within the study, as well as its limitations and delimitations. This is followed by Chapter 4, which presents the findings of the research conducted and includes an analysis of the major themes drawn from the data analysis. Lastly, the fifth chapter provides a summary of the conclusions to the study as well as recommendations for future research to be conducted.

1.2. Problem Statement

In 2014, the Rockefeller Foundation reported investments of nearly $50 million over seven years in support of building the impact investing field (Rodin, 2014), and more recently, in 2017, the Ford Foundation has committed an additional $1 billion in an effort to advance the market for impact investing, which is to be phased in over ten years (Cinelli, 2017). Therefore as investor interest into impact investing grows, not only in developed markets but also in Sub-Saharan Africa (Global Impact Investment Network & Open Capital, 2016), an important question asked by academics and practitioners is whether the intended impact is actually being achieved (Brest & Born, 2013a; Cash & Plotsky, 2018; Jackson, 2013; Olsen & Galimidi, 2008). Investor goals are not only aimed at financial gains but also intended positive impact for sustainable socio-economic development, which highlights the importance of measuring and tracking intended impacts (Jackson, 2013). Failure to adequately do so means that funds intended for positive

change might not actually be achieving its intended impacts (Brest & Born, 2013a; Cash & Plotsky, 2018; Jackson, 2013; Olsen & Galimidi, 2008).

According to research conducted by the Global Impact Investing Network and Open Capital (2016) there is no clear indication of how Southern African impact investors are currently measuring and quantifying the impact that their investments generate. It is also not clear how these methods can be improved to better demonstrate and evidence impact. Furthermore, once impact is reported on more effectively, it can also be used to drive greater impact through more effective resource allocation (Ernst & Young, 2014).

There is also limited transparency and standardisation in impact metrics and measurement techniques used by impact investors to track a vast array of impact investment initiatives (Global Impact Investment Network & Open Capital, 2016; Social Impact Investment Taskforce, 2014).

In addition, there is a strong need for data collection in impact measurement and tracking (Brest & Born, 2013a; Social Impact Investment Taskforce, 2014), especially in emerging markets such as South Africa, where the data is currently limited (The Impact Measurement Working Group, 2014). The scarcity of impact data in emerging markets means that investors cannot adequately compare and assess the viability of impact investment opportunities (Brest & Born, 2013a; United Nations Development Programme Regional Service Centre for Africa, 2015). This hampers further expansion of the industry as a mainstream investment category in regions where positive social and environmental impact is needed the most (United Nations Development Programme, 2015). Although a limited market consensus exists regarding the need for best practise guidelines for impact measurement and assessment, much still needs to be done in terms of formalising, adopting and further improving these guidelines (Daggers & Nicholls, 2016).

This lack of consensus brings into question whether South African impact investors are having noteworthy positive impacts on society and the environment, how South African impact investors are measuring their impact, and the level of transparency and availability of impact data.

Gaining a better understanding of the aforementioned areas within South Africa's impact investing industry will provide a foundational insight into the strengths and weaknesses in current measurement practises. This insight will allow greater capacity to pave a way forward for further improvement by streamlining and standardising impact investing and measurement tools in South Africa and hence bring about greater positive change.

Therefore, this research study asks one overarching question, with two sub-questions, as described in the following section.

1.3. Research Questions and Objectives

1. How are South African impact investors measuring their impact?
    1.1. How are they evaluating whether their impact objectives are being achieved?
    1.2. How transparent are South African impact investors in the way that they measure the impact of their investments?

The research objective is to determine how organisations that identify as impact investors are actively measuring and tracking their intended impact. A secondary objective of this paper is to provide insight into the extent of transparency in impact metrics and measurement methods amongst impact investors and other market participants.

1.4. Purpose and Significance of Research

Thus far, much of the research conducted in impact measurement and tracking has been done in developed countries such as the United States and the United Kingdom (Daggers & Nicholls, 2016). Therefore, available data and research on impact measurement within impact investing in developed countries has improved over recent years (Huppé & Silva, 2013). However, reliable and consistent research on African impact investors, and their methods used to monitor and track impact is lacking (Huppé & Silva, 2013; United Nations Development Programme Regional Service Centre for Africa, 2015). This study contributes to academic and practitioner literature and data collection on South African impact measurement by providing insight into the current measurement processes applied, as well as the current level of transparency, in reporting impact metrics and findings amongst South African impact investors.

This study also contributes empirically on how impact is being measured and the types of frameworks applied, particularly of organisations (e.g. asset managers, private equity firms and development finance institutions) taking up impact investment opportunities in South Africa (Maxwell, 2008; Mudaliar, Pineiro, et al., 2017). Furthermore, it allows for collation of the different methods of measuring impact that are currently being used by these impact investors, so that industry players may use the insights presented to improve their current impact measurement practises.

In addition, impact measurement allows for impact investors to assess their contributions to achievement of the National Development Plan (NDP) and the Sustainable Development Goals (SDGs) (Mudaliar, Pineiro, et al., 2017; National Planning Commission, 2012). Therefore, a better understanding of impact measurement techniques, and how they are applied in both

public and private sector impact investment capital allocation, is important for monitoring progress in achieving the objectives set out in the NDP and SDGs.

In addition, managing and improving the effectiveness of the impact investments undertaken for sustainable and inclusive development is equally important (PricewaterhouseCoopers, 2015; Schiff et al., 2016). Fostering greater impact and generating increased social and environmental value will improve the quality of life of marginalised communities and help catalyse long-term sustainable development.

1.5. Research Assumptions

This study was based on the following key assumptions:

- South African impact investors are measuring their intended impacts, i.e. those that identify as impact investors are applying impact measurement practises within their investment process.
- Impact investors in this study consist of public and private institutional impact investors such as asset managers that manage, e.g. impact funds, development finance institutions (DFIs), private equity firms, and for-profit and non-profit organisations. This includes both larger as well as smaller-sized impact investors that aim to generate financial as well as social and environmental impact. The rationale for this assumption is to include various types of entities that identify as impact investors and to reduce limitations in terms of entity-type and size.
- Institutional impact investors are assumed to be more inclined to invest the necessary resources into formalised impact measurement practises and processes, to manage larger portfolios of impact investments, and to be more easily accessible than individual investors. Therefore, only institutional impact investors were included in the study as it allows easier access to the qualitative data required, given the limited time and available resources.
- Impact investors were assumed to identify as such if they stated their intention (on their website or other marketing material) to generate social and/or environmental impacts (e.g. improving access to affordable housing or reducing carbon emissions) in addition to financial returns.

2. LITERATURE REVIEW

Introduction

Prior to the concept of impact investing, the initiatives implemented to effect positive social and environmental change stemmed predominantly from government policy and spending, civil society, gift-giving and donations. The idea of effecting positive social and environmental development was traditionally viewed as separate and often conflicting with the idea of financial returns and wealth creation (Ormiston, Charlton, Donald, & Seymour, 2015). However, over recent decades these concepts have gradually merged to form the field of impact investing and impact measurement (Loveridge, 2016; Ormiston et al., 2015). This literature review highlights how the concepts of impact investing and the measurement thereof were conceived, the variations in the definitions that hinder progress in the industry, how it could contribute to achieving the Sustainable Development Goals (SDGs), and concludes with the main frameworks used in measurement. These frameworks include the logic model and theory of change, the five dimensions of impact and the social impact creation cycle (Epstein & Yuthas, 2014; Nicholls & Emerson, 2015). Furthermore, it identifies themes and shortcomings in the field of impact measurement since its inception, that relate to this study.

2.1. Defining impact investing

The term “impact investing” was first conceived by the Rockefeller Foundation in 2007 (Daggers & Nicholls, 2016), and defined as investing characterised by an intent not only to achieve financial returns but also positive social and environmental impact (Loveridge, 2016; Olsen & Galimidi, 2008). This concept was born out of investors identifying with a desire to effect positive social and environmental impact through their investment, viewing their capital as a means to effect the desired change (Jackson & Harji, 2012; Olsen & Galimidi, 2008).

However, the idea of investing for positive social outcomes is not a new concept (Höchstädter & Scheck, 2015); multilateral and bilateral development finance institutions such as, *inter alia*, the International Bank for Reconstruction and Development (IBRD) and the European Investment Bank (EIB), founded in 1944 and 1958 respectively, were initially created in order to rebuild European countries after World War II (Sagasti, Bezanson, & Prada, 2005). These and other DFIs have evolved worldwide to work towards investing in social and infrastructure projects for development, and generate a profit in order to remain self-sustaining (Luna-Martínez, 2017; Sagasti et al., 2005).

The Global Impact Investing Network (GIIN) was created in 2009, supported by, *inter alia*, the Rockefeller Foundation and USAID (Global Impact Investing Network, 2009). GIIN has been instrumental in building the impact investing industry and devised the following definition for

impact investing as part of its ongoing industry-building initiatives (Mudaliar, Pineiro, et al., 2017, p. 61):

"Investments made into companies, organisations, and funds with the intention to generate social and environmental impact alongside a financial return. They can be made in both emerging and developed markets and target a range of returns, from below- market to market-rate, depending on the investor's goals. A hallmark of impact investing is the commitment of the investor to measure and report the impact of underlying investments".

The main factor that distinguishes impact investing from other forms of investing is argued to be the element of "intentionality", where positive social and environmental impact objectives are set alongside profit-seeking objectives (Bouri, Mudaliar, Schiff, Bass, & Dithrich, 2018). Furthermore, there is a spectrum of approaches to financial return objectives that apply within impact investing, i.e. finance-first impact investing versus impact first impact investing (Monitor Institute, 2009). Critics question whether financial and impact returns can be achieved simultaneously. Brest and Born (2013b) postulate that an investment can only have true impact when the social and environmental value exceeds what would ordinarily have been achieved.

Furthermore, the Social Impact Investment Taskforce (2014), established under the United Kingdom's presidency of the G8, published an Impact Investment Report that discusses the importance of "the Third Dimension". This is a relatively new element added to the measurement of risk and return which underpins traditional performance measures in finance (Social Impact Investment Taskforce, 2014, p. 28). It involves the measurement of the social and environmental impact generated by impact investing. Evaluating and understanding this "impact" in impact investing, i.e. measurement of "the Third Dimension", is important because it evaluates the extent to which impact investing makes a positive difference in the underserved communities and environments that it aims to benefit (Jackson, 2013; Saltuk, 2012; Social Impact Investment Taskforce, 2014).

The UN Principles of Responsible Investing (PRI) (2018) adds a further distinction to the impact investing definition, defining it as either traditional impact investing that is "usually associated with the theory of change, the concept of additionality and purpose-driven companies", or mainstream impact investing that "focusses on liquid and mature businesses that deliver products or services to benefit society and the environment" (Morriesen, 2018, p. 8).

Academic scholars and practitioners are in agreement that the definition of impact investing encompasses the dual intentions of generating financial returns alongside non-financial social and environmental impacts (Höchstädter & Scheck, 2015; Jackson & Harji, 2012). However, there is disagreement on whether the definition of impact investing includes the need for measurement of these social and environmental impacts (Höchstädter & Scheck, 2015). There

is also a lack of consensus in what constitutes "impact", the definition for which can change based on the method of impact measurement employed (Höchstädter & Scheck, 2015). For example, impact investors that use the theory of change and logic model frameworks (discussed in section 2.3.) will make clear distinctions of outputs, outcomes and impacts (Epstein & Yuthas, 2014). Whereas those using impact metrics and indicators such as the IRIS or GIIRS metrics may not make these distinctions between outputs, outcomes and long-term impact and instead focus on the output level (So & Staskevicius, 2015). However, Höchstädter & Scheck's (2015) dimensions of impact show that impact investors could focus on shorter-term positive change in their quest for long-term impact.

Various academic and practitioner literature also highlights that impact investing is different from socially responsible investing (SRI) in that the former intentionally seeks to generate positive social and environmental impact, while the latter applies a screening process to potential investments that eliminates those that may create negative social and environmental effects (Barman, 2015; Bugg-levine & Emerson, 2011; Giamporcaro & Viviers, 2014).

Höchstädter and Scheck (2015) provide a broader perspective to the difference between impact investing and SRI, demonstrating that there are varying views on how impact investing differs from SRI (if at all). Some view impact investing as a sub-type of SRI, others view SRI as a sub-category of impact investing while others use the terms inter-changeably (Höchstädter & Scheck, 2015). Thus showing the heterogenous nature of the definitions of impact investing and SRI.

Furthermore, definitions of impact focus on positive effects, i.e. "positive bias" (Reeder & Colantonio, 2013). There is limited evidence of impact measurement practitioners discussing, measuring and managing potential negative impact. It is unclear whether measurement and tracking of negative impacts and externalities should be incorporated into measurement practises as well as the extent to which these should be included (Höchstädter & Scheck, 2015; Reeder & Colantonio, 2013). Therefore, more needs to be done to address these inconsistencies in the definitions within impact investing in order for the industry to further develop.

For the purposes of this research paper, the GIIN definition of impact investing (cited previously) is used as it is the most widely recognised definition used by investors that self-identify[1] as impact investors. It incorporates investors in emerging and developed markets and encompasses the full spectrum of return targets, i.e. it includes investors seeking returns which are below, at, or above market-related returns (Mudaliar, Pineiro, et al., 2017).

[1] This refers to investors that are familiar with the concept of impact investing and identify themselves as impact investors. Relevant research findings are demonstrated in section 4.1.1. in Chapter 4.

2.2. Logic model and theory of change

The logic model forms the basis of numerous concepts used in impact investing and was devised by the Unites States Agency for International Development (USAID) in the 1960s, initially intended for use in evaluating social improvement initiatives (W. K. Kellogg Foundation, 2004). It provides a methodical and structured depiction of the stages of implementing a project from inception to the final stages of evaluating the outcomes (W. K. Kellogg Foundation, 2004).

The theory of change originated from the need to demonstrate and assess; 1) the intended social change created through a program or initiative and 2) how the desired change is brought about by social intentions and projects within program theory (Funnell & Rogers, 2011; Jackson, 2013; Rossi, Freeman, & Lipsey, 1999). Program theory is a model with historical origins dating back to the 17th century and is applied in the evaluation of social programs and interventions, i.e. assessing its effectiveness in generating specified social and environmental outcomes (Funnell & Rogers, 2011). The concept of theory of change was formalised in the 1990s and developed within program theory, in that it explains how specified output, outcomes and impact are accomplished (Clark & Anderson, 2004; Funnell & Rogers, 2011).

However, there is a lack of consensus on the definitions of the logic model and theory of change, and how they differ, if at all. The theory of change has a similar purpose to the logic model, as it sets out the various stages of implementing a process that is intended to produce outcomes and long-term positive impact. The two concepts provide a roadmap describing how inputs and activities will be applied and implemented in order to achieve specific short, medium and long-term outcomes and impact (Bullen, 2013; Funnell & Rogers, 2011; W. K. Kellogg Foundation, 2004).

Debate in literature on the two concepts:

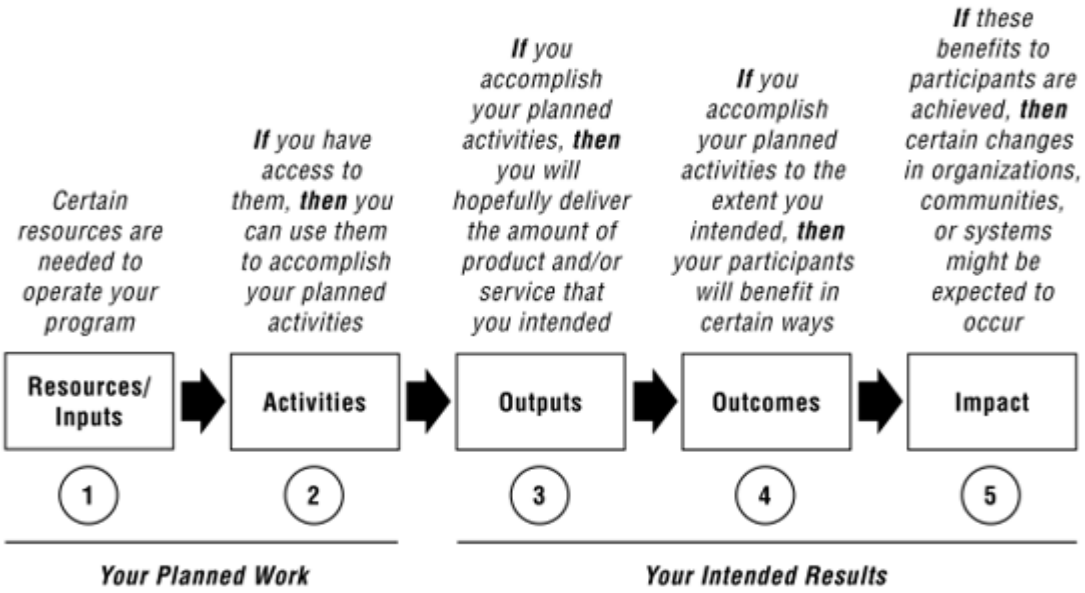
However, there are opposing schools of thought as to whether there is a clear distinction between the logic model and the theory of change (Bullen, 2013). Some argue that the terms should be used interchangeably; whereas others postulate that the theory of change takes a macro view that is more comprehensive as it includes all possible pathways to achieving specified goals as well as how and why these goals have been set (Bullen, 2013; Clark & Anderson, 2004).The logic model takes a narrower view and includes only the pathway employed by the specific entity or project (Bullen, 2013; Clark & Anderson, 2004).

Epstein and Yuthas (2014) propose that a theory of change theorises the actions or steps to be taken to bring about the desired change, and identifies the problem, underlying reasoning and assumptions as well as the expected solutions or results (Epstein & Yuthas, 2014). The authors posit that it differs from the logic model, which they argue “helps flesh out the theory of change”,

meaning that it details how the change is going to be implemented (Epstein & Yuthas, 2014, p. 106).

Key elements of the logic model and theory of change summarise the flow as well as the relationships between inputs, activities, outputs, outcomes and impact which are presented in Figure 1 below (W. K. Kellogg Foundation, 2004).

Figure 1: How to read a logic model



Source: W.K. Foundation Logic Model Development Guide

Ebrahim and Rangan (2014) highlight the logic model in measuring the impact of social sector organisations and differentiates between outcomes and impact in stating that outcomes show a change in the well-being of individuals, whereas impact affects a community over the long term. The intended use of the logic model includes measuring how effective an initiative is at achieving its goals, as well as finding ways to generate greater long term impact (Ebrahim & Rangan, 2014).

In addition, Jackson (2013) states that the theory of change should be added to the definition of impact investing as it forces impact investors to define their intended outcomes and impacts of allocated capital and then measure and track the process of change they intend to bring about. Furthermore, he hypothesises why the logic model and theory of change are crucial in the evaluation and measurement of impact (Jackson, 2013):

- The multifaceted processes of inputs, outcomes and impacts in impact investing requires “systematic, disciplined and continuous analysis”;
- it helps investors better understand the impact that they are intending to produce, while the measurement strategy is adaptable;

- it can be incorporated into additional impact evaluation methods at various stages of the investment.

However, Ebrahim (2013) postulates that conducting in-depth impact assessments and applying frameworks such as the logic model and theory of change over extended periods of time is not always practical for impact enterprises in the early stages of the business life cycle. Organisations such as the non-profit impact investment fund Acumen and the US grant-making foundation Robin Hood do not measure longer term impacts, but opt to focus on tracking outputs and outcomes (e.g. counting the number of bed-nets disseminated in malaria prone regions or tracking school attendance and test scores in education) without employing resources to apply theory of change and the logic framework to their operations for longer term impact measurement. The reasons are as follows (Ebrahim, 2013; Reeder & Colantonio, 2013):

- It is time consuming and costly;
- the personnel allocated to the initiative are not skilled in in-depth longitudinal studies on impact;
- and there is not always commitment to conduct impact assessments that span over numerous years.

Furthermore, Epstein and Yuthas (2014) also highlight logical frameworks or “logframes” as a more detailed logic model used in impact evaluation. The logframe works backwards and starts by identifying the intended impact and the target population, and then the outcomes that would be required within that population. This is followed by naming the outputs to be generated by the organisation, subsequently the activities required to create the specified outputs and then the indicators and metrics to be used in measurement (Epstein & Yuthas, 2014, p. 109).

However, irrespective of the distinctions made in the definition of theory of change versus the logic and logframes models, the importance lies in impact investors taking the time and resources to articulate their intentions and identify the kind of impact they intend to have on the society in which they operate; this will assist in the development of an impact measurement strategy along with the relevant metrics to be used in the process of monitoring outputs, outcomes and impact at various stages of the investment lifecycle (Epstein & Yuthas, 2014).

2.3. The five dimensions of impact

Impact investors advocate for improving the quality of life of marginalised sectors of society through seeking positive social and environmental change through their investments (Schiff et al., 2016). Therefore, setting impact objectives is important as it provides direction and vision for the change investors wish to catalyse (Reeder & Colantonio, 2013).

Höchstädter and Scheck (2015) highlight the five dimensions of impact which summarise the various strategies employed by impact investors in setting their impact goals. Figure 2 provides a brief outline of the five dimensions, namely demography and geography, sector, impact objectives, organisational processes and financial or organisational structure (Höchstädter & Scheck, 2015):

Figure 2: Five Dimensions of Impact

Demography & Geography	Relates to the target population or end beneficiaries of the investment and their geographic location.
Sector	High level categorisation of the economic activity, e.g. agriculture, renewable energy, water and sanitation, finance, education, healthcare and housing.
Impact Objectives	Indicates how impact objectives are achieved through generated outputs, e.g. jobs created, number of houses developed, and amount of taxes paid to government by investee companies.
Organisational Processes	Operations and procedures that create value for key stakeholders within investee companies.
Financial or Organisational Structure	Relates to the financial and organisational layout of the investor company, which invests in the creation of social and/or environmental good.

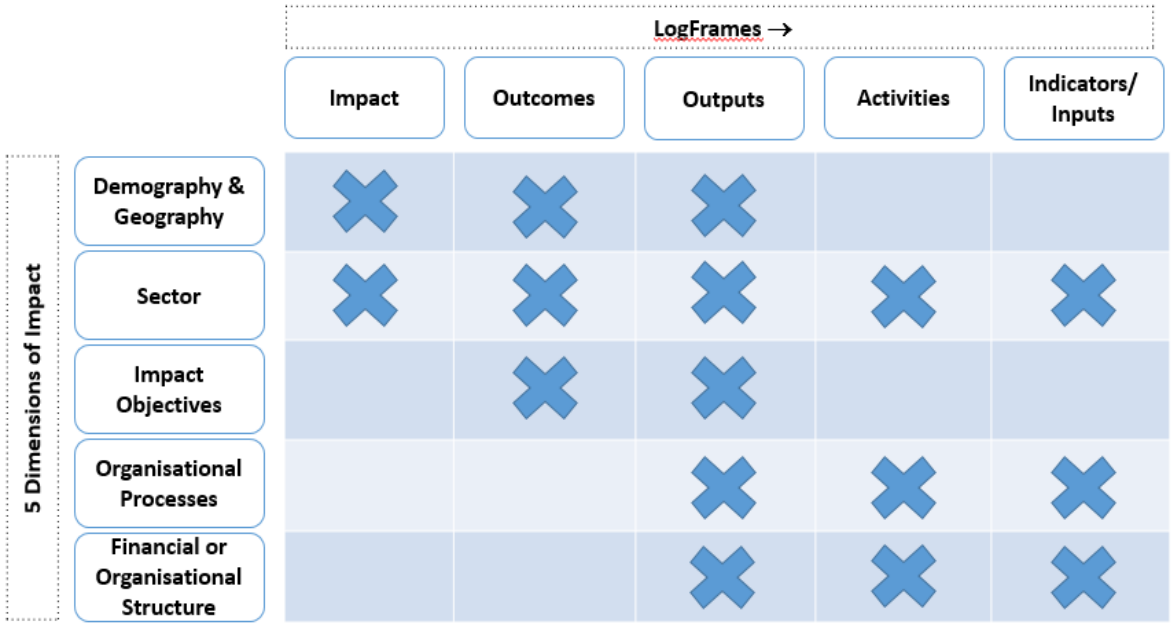
Source: Author's own adaption of Nicholls and Emerson (2015) explanations of the five dimensions of impact

The five dimensions, as described in Figure 2 above, are an adaption of the dimensions of impact devised by Nicholls and Emerson (2015); and provides insight into the various ways that impact investors may identify their social and environmental impact. The definitions for each dimension are adapted to portray the perspective of the impact investor (as opposed to the investee). It shows that impact is not always described as long-term sustainable change, but can also pertain to the shorter-term segments depicted in the logic and logframe model, such as "activities" (i.e. organisational processes), "outputs" or "outcomes" (i.e. impact objectives) and "impacts" (i.e. demography and geography) (Epstein & Yuthas, 2014, p. 109; Höchstädter & Scheck, 2015; Nicholls & Emerson, 2015).

The matrix in Figure 3 below combines the five dimensions of impact and the logframes model and shows how the various dimensions of impact relate to the logframe segments. Some impact dimensions or identifiers are particular to a few logframe segments, such as "impact objectives"

that pertain to “outputs” and “outcomes”, while the “sector” dimension pertains to all segments of the logframes model (Epstein & Yuthas, 2014; Höchstädter & Scheck, 2015).

Figure 3: Five Dimensions of Impact vs Logframes Model



Source: Author’s own adaption of Nicholls and Emerson (2015) dimensions of impact versus Logframes Model

This study shows how the five dimensions of impact apply to South African impact investors (see chapter 4) as well as how the predominant impact themes identified in the primary and secondary data relate to the logframes model. In other words, it will provide insight into how South African impact investors identify their impact.

2.4. Impact Measurement and the Sustainable Development Goals (SDGs)

The intended positive social and environmental objectives of impact investments have immense potential to align with, not only South Africa’s national development agenda (such as the objectives set in the National Development Plan), but also with the global Sustainable Development Goals (SDGs) set by the United Nations (National Planning Commission, 2012; United Nations, 2016). These goals include eradicating poverty, improving the social, economic and environmental welfare of all living beings, and fostering inclusive and environmentally-conscious economic growth and development (National Planning Commission, 2012; United Nations, 2016).

The United Nations Conference on Trade and Development (UNCTAD) estimates that achieving the SDGs by the year 2030 requires investments of between $5 trillion to $7 trillion, with a current funding gap of $2.5 trillion in developing countries (Niculescu, 2017). Impact investing serves as a lucrative mechanism to mobilise private sector capital for sustainable development (Pineiro, Dithrich, & Dhar, 2018).

Critics of the SDGs argued that the list of SDGs lacked focus and are too broad to provide effective solutions to global developmental issues (Kumar, 2017). However, the GIIN (2016) has profiled cases of impact investors that are contributing to achieving developmental impact through alignment of their business strategy to SDGs. They have found that participating impact investors that identify with specific SDGs (which align with their existing impact objectives) are rejuvenated by the renewed focus and perspective that is inspired by SDGs (GIIN, 2016). In addition, alignment to all 17 goals is not necessary to have lasting impact. Selecting and focussing on a sub-set of the goals is proving effective (GIIN, 2016; Kumar, 2017). This has resulted in new ways of articulating impact to various stakeholders, and aids in attracting new private sector capital to sustainable development initiatives (GIIN, 2016; Kumar, 2017).

Therefore impact investors that influence macro-level, i.e. “system-level”, social, environmental and financial development objectives through their portfolio-level transactions are important catalysers of positive change in achieving national and global development goals throughout the investment life cycle (Burckart, Lydenberg, & Ziegler, 2018; Pineiro et al., 2018).

Measurement and evaluation of these impacts is important because it provides insight into the efficacy of impact investment strategies in achieving intended impacts and systemic goals (Jackson, 2013; Reisman & Olazabal, 2016). It also provides the opportunity to contribute to the current body of impact data, as well as review and further improve strategies for future, greater impact (Reisman & Olazabal, 2016). Over time, an established track record of effective impact measurement would serve to inform future capital allocation decisions of both public and private sources of financing for development, where high impact sectors are allocated more capital in order to foster further development (Burckart et al., 2018).

However, Nieuwenkamp (2017), Chair of the OECD Working Party on Responsible Business Conduct, cautions against “SDG Washing”, a recently identified occurrence amongst businesses which choose to align themselves to particular SDGs. In these instances, they highlight the intended positive impact they aim to achieve, while deliberately ignoring negative impacts (Nieuwenkamp, 2017). Therefore, businesses need to pay particular attention to their due diligence in identifying possible negative social and environmental impacts when striving to contribute to achieving the SDGs, so as not to impede progress in realising these development goals (Mudaliar, Pineiro, et al., 2017; Nieuwenkamp, 2017).

2.5. Impact measurement: Guidelines and frameworks

The lack of clear and consistent measurement guidelines continue to stifle growth of the impact investing industry in both emerging and developed economies worldwide (United Nations Development Programme Regional Service Centre for Africa, 2015). The Social Impact

Investment Taskforce's Working Group on Impact Measurement (2014) has compiled a report that provides guidelines on how impact investors can measure the impact of investments.

As part of the study, more than 60 industry reports were evaluated, and 45 industry experts were interviewed. The interviewees were both within and external to the Working Group and comprised mostly of participants from organisations in developed markets. The report's underlying aim of impact measurement is in-line with many other industry experts' intentions. These intensions include, *inter alia,* monitoring the effectiveness, and finding ways to increase the impact of these investments, as well as devising a standardised framework for measurement practises (The Impact Measurement Working Group, 2014). This is expected to result in greater market transparency and accountability in generating impact (The Impact Measurement Working Group, 2014).

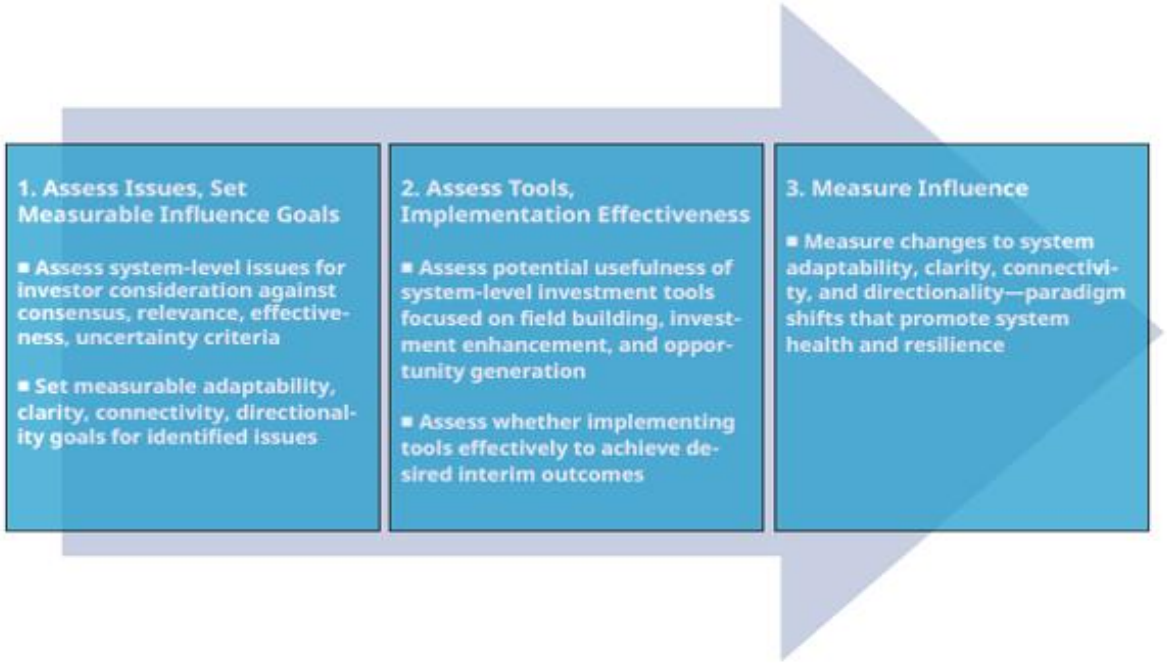
Increased data collection and centralised data reporting systems and metrics such as IRIS and GIIRS are important for measuring and quantifying impact. The aforementioned report details the following seven guidelines to developing an impact measurement framework (The Impact Measurement Working Group, 2014):

1. Setting goals as to the specific social or environmental problems it aims to address,
2. Developing and selecting metrics to be used,
3. Collecting and storing data, followed by
4. Validating,
5. Analysing,
6. Reporting the data based on the metrics, and then
7. Reviewing the process and outcomes based on participants' feedback for further impact improvement.

However, it is important to ensure that the metrics employed in impact evaluation are not over-complex and bombarded with excessive amounts of data. The metrics and processes should be kept as simple as possible without waning on accuracy (Flynn, Young, & Barnett, 2015). The Working Group's report provides five case studies intended to provide insight into the practical application of the guidelines (The Impact Measurement Working Group, 2014). However, of the five cases presented, one is based in African markets and the rest focus on entities more experienced in developed markets in the US and Europe, thus providing limited insight into application of the guidelines in Africa. Furthermore, although the cases provide empirical background on the impact objectives of the respective impact investors, it does not demonstrate how the guidelines would be applied in each scenario (The Impact Measurement Working Group, 2014).

Contrary to the aforementioned measurement guidelines for portfolio, fund or company-specific impact, Burckart, Lydenberg and Ziegler (2018) of The Investment Integration Project (TIIP) provide a guideline on how impact investors may measure their wider "system-level" impact. TIIP emphasises the interconnectedness of the investment market and its impacts on broader social, environmental and financial systems, and aims to help institutional investors to understand and manage the interactions between the two spheres (Burckart et al., 2018). The guideline, entitled "*The Roadmap to Assessing System-level and SDG Investing",* provides a blueprint for measuring the efficacy of institutional investors strategies to achieve systemic goals (Burckart et al., 2018); a summary of which is depicted in Figure 4 below:

Figure 4: Summary of TIIP measurement guideline



Source: The Investment Integration Project (TIIP)

Application of the above guideline has immense potential to contribute significantly to development objectives that align with the SDGs (as mentioned previously in Section 2.1.).

The Social Impact Creation Cycle devised by Epstein and Yuthas (2014), provides another holistic approach to developing an impact measurement strategy that maximises social impact. It summarises findings obtained through interviews with industry experts at more than 50 organisations and outlines the following five questions that impact investors should ask themselves as they devise their measurement strategy (Epstein & Yuthas, 2014):

Figure 5: Social Impact Creation Cycle

Source: Epstein & Yuthas (2014)

This process is holistic in that it incorporates all aspects of the impact identification and measurement process, including considerations regarding the financial resources that will be used to drive impact. It begins with identifying the resources to be invested, followed by clearly defining the problem that will be addressed as well as the success of solving the problem, the actions that will be undertaken to address the problem, formulating a framework for measuring and tracking success and then finding ways to drive greater impact (Epstein & Yuthas, 2014). It incorporates the comprehensive theory of change and logic model concepts into this larger framework to support the process of mapping actions to intended impacts and vice versa (Epstein & Yuthas, 2014). However, as stated previously, applying the theory of change and logic models is not always practical for impact investors with limited capacity and financial resources (Ebrahim, 2013).

Furthermore, the Global Impact Investing Network's (GIIN) impact measurement and management (IMM) survey (2017) provides a summary of the most commonly used measurement tools and frameworks available to impact investors in Figure 6. The study surveyed 169 impact investors across geographies, including US and European development markets as well as South American, Asian and Sub-Saharan African emerging markets.

Findings of the survey show that IRIS, the SDGs and B Analytics/GIIRS are the most commonly used measurement frameworks amongst impact investors worldwide. It further deduces that a larger proportion of emerging market impact investors use IRIS and the SDGs, compared to their developed market counterparts who are more prone to using the B Analytics/GIIRS measurement tool (Mudaliar, Pineiro, et al., 2017).

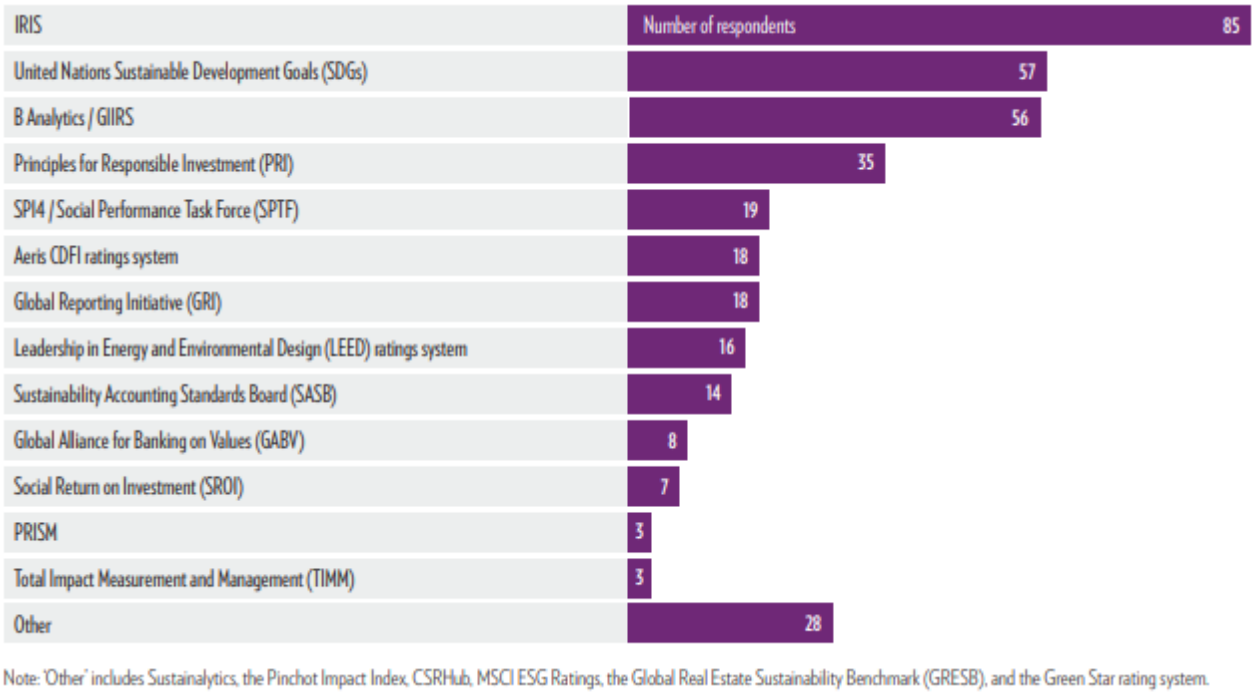
Luckscheiter (2013) found that the majority of the 23 South African impact investors interviewed make use of the IRIS metrics and indicators to measure social and environmental impact. The

study also highlights that the wide variety of IRIS metrics (over 200 at the time) bring up a wide variety of data (that focuses on outputs as opposed to long-term outcomes and impact) (Luckscheiter, 2013). This requires that impact investors applying these metrics have a clear indication of their intended impacts prior to beginning their impact measurement process so that only relevant metrics are selected for use (Epstein & Yuthas, 2014; Luckscheiter, 2013).

However, although Luckscheiter (2013) aimed to provide insight into how IRIS "resonates in the South African context" (Luckscheiter, 2013, p. 41), the findings do not indicate the extent to which the framework was adopted by, for example, providing the number of interviewees using it versus those that were not using it. Furthermore, there is no indication of the types of impact measurement frameworks used by those that were not using internationally recognised frameworks.

More recently, McCallum (2018) conducted research on South African impact investors' ability to channel private sector capital to address water purification challenges. His research findings demonstrate that research interviewees prefer use of "bespoke metrics" as opposed to internationally recognised measurement frameworks (McCallum, 2018, p. 106). Participants indicated that customised impact metrics are preferred as they are tailored to the specific context and investment to which it is being applied, and that standardised metrics are "restrictive and limiting" (McCallum, 2018, p. 106).

Figure 6: Summary of impact measurement tools and frameworks



Source: GIIN Impact Measurement and Management (IMM) Survey 2017

However, of the 169 GIIN IMM survey respondents, 80 percent are headquartered in developed markets and 17 percent in emerging markets. Therefore, the coverage of Southern African impact investors, which makes up a smaller proportion of the study's emerging market coverage, is significantly limited. Furthermore, the study's methodology includes only those respondents that have "a) committed at least USD 10 million to impact investments since their inception and/or b) made at least 5 impact investments" (Mudaliar, Pineiro, et al., 2017, p. 9). This further excludes smaller African-based impact investors that have entered the market in recent years, thus limiting the insights regarding Southern African impact investors and their measurement practises.

Furthermore, the survey shows that 35 respondents apply the UN Principles of Responsible Investing (PRI) in their investment strategies, which involves impact investors incorporating environmental, social and governance risks and opportunities into their investment strategies (Mudaliar, Pineiro, et al., 2017). Adoption of environmental, social and corporate governance (ESG) principles by South African investment practitioners has grown significantly over the past decade, with a total of 58 South African signatories recorded on the PRI signatory directory at the time of writing (UN PRI, 2019). This is compared to 27 South African PRI signatories recorded at the beginning of March 2009 (Giamporcaro, 2011). South Africa also has the largest number of PRI signatories amongst BRICS countries (UN PRI, 2019). Thus, showing that ESG integration has gained prominence in South Africa in the realms of SRI and impact investing, and that it has become a leader in integration of ESG risks and opportunities amongst emerging market economies.

This paper will provide impact measurement and management themes and insights specific to a sub-set of that market, i.e. South African impact investors, which is attracting the largest proportion of impact investing capital in the region (Global Impact Investment Network & Open Capital, 2016).

2.6. Benefits and limitations of measurement

Schiff et al. (2016) conducted interviews with 30 practitioners operating in the impact investing field across North and South America, Europe, Africa and Asia; comprising of 23 impact investors, 6 investee companies and 1 service provider. It summarises the following benefits of effective impact measurement practices and evaluation: revenue growth, operational efficiency, better-informed investment decisions, opportunities for marketing as well as establishing sound reputation and trust, and the ability to monitor the progress of achieving impact goals and mitigating risk of failure (Schiff et al., 2016).

However, numerous risks and limitations exist in measuring impact. It can be costly as well as time and resource intensive to measure impact, and is often encouraged more to meet

accountability and reporting standards of institutions such as government and ratings agencies, and not so much to increase transparency and generate greater impact (Ebrahim & Rangan, 2014).

There are also the risks that the intended impact is not achieved, or that the intended impact causes negative externalities to other stakeholders within a particular society; or worse yet that only unintentional negative impacts result (Brest & Born, 2013b; Bridges IMPACT+, 2014).

Furthermore, a lack of consensus on the definition of impact (Global Impact Investment Network & Open Capital, 2016; Höchstädter & Scheck, 2015), as well as a lack of clarity on the intended impacts and the inability to clearly articulate it are major limitations amongst investors that intend to incorporate impact strategies into their investment mandates. There is also significant consensus, amongst the research reviewed, that without clear impact definitions and objectives it becomes difficult to identify the correct metrics and processes required in order to measure the intended impact (Epstein & Yuthas, 2014; Global Impact Investment Network & Open Capital, 2016; Luckscheiter, 2013; McCallum, 2018; Reisman & Olazabal, 2016).

However, the presence of these risks and limitations highlights the importance of effective impact measurement, and emphasises the need for better monitoring and evaluation of impact in order to produce more positive change, which can be achieved with better understanding and insight into current measurement practises (Schiff et al., 2016).

2.7. The importance of transparency

The Impact Measurement Working Group (2014) postulates that measuring impact will result in, *inter alia*, increased transparency and greater accountability for intended impacts. However, it cannot be assumed that a more open and accountable impact investing market would result automatically. It would require support such as government regulation that makes measurement of impact and disclosure of reporting (either to the public or specific stakeholders) compulsory, or set as a requirement by investors and donors (Mudaliar, Pineiro, et al., 2017).

Contrary to encouraging transparency by compulsion, it could also be encouraged through certification of impact by accredited organisations, where impact investors are incentivised to disclose such verification of its impact, not only to internal stakeholders, but also to the wider public and allow recognition for successful achievement of intended impact (Social Impact Investment Taskforce, 2014). This could be taken a step further by recognising top performing impact investors by verifying and rating their impact, such as the *Best for the World Funds* which uses the GIIRS Impact Rating System and honours those impact investors that uphold transparency and accuracy in their impact measurement practises (Gilbert, 2017).

Transparency on the impact of investments motivates not only employees of impact investing firms, but also encourages customers to support businesses that create positive sustainable change, thus fostering industry growth (Social Impact Investment Taskforce, 2014). Therefore, growth in impact investing increases the amount of capital and resources flowing to developmental economic sectors such as inclusive and sustainable agricultural practises, affordable housing and health services, microfinance to small and medium enterprises and renewable energy (Mudaliar, Pineiro, et al., 2017).

Furthermore, openness in the way that impact investors are measuring impact provides the advantages of peer-learning and knowledge sharing. So and Staskevicius (2015) recommend sharing of impact measurement techniques and lessons learned, through a central database or clearing house, which would serve as a point of reference for impact investors facing challenges in measuring their impact. This proposed framework provides not only transparency and accountability in the approach to impact measurement but also a better understanding of measurement techniques through sharing of information (So & Staskevicius, 2015). McCallum's (2018) research findings demonstrate that there is significant reluctance to share knowledge and insight on impact measurement practises amongst South African impact investors (McCallum, 2018). The main reason provided for this finding is the lack of coordination and consistent definitions within the impact investment industry, which serves as a barrier to further growth of the industry (McCallum, 2018).

2.8. The case of South Africa

South Africa's political history contributed significantly to its uptake of impact investing (Giamporcaro & Viviers, 2014). Against the backdrop of high unemployment and social inequality amongst race groups in post-apartheid South Africa, the government devised ambitious developmental plans such as the Reconstruction and Development Programme (RDP) in 1994 (Government of South Africa, 1994), the Growth, Employment Redistribution (GEAR) macroeconomic policy in 1996 (South Africa. Department of Finance, 1996) and the National Development Plan in 2013 (National Planning Commission, 2012). These government policies were intended to curtail rising unemployment and redistribute wealth to non-white civilians that were economically and socially disadvantaged during apartheid (Giamporcaro & Viviers, 2014; Luckscheiter, 2013).

Giamporcaro and Viviers (2014) demonstrate how South Africa's investment industry evolved to incorporate socially conscious themes into its investment strategies on a national level, before the terms SRI and impact investing existed, in order to catalyse equality and social justice (Giamporcaro & Viviers, 2014). SRI principles were incorporated into investment practises through guidelines such as the King Codes of conduct, the Financial Sector Charter (FSC), the

Code for Responsible Investing by Institutional Investors in South Africa (CRISA) as well as the United Nations Principles of Responsible Investing (UN PRI) (Giamporcaro & Viviers, 2014; Institute of Directors Southern Africa, 2011; Morriesen, 2018).

The field of impact investing began to gain traction in South Africa with the launch of the South African Impact Investing Network (SAIIN) in 2008, and continues to grow in the public and private sectors of the economy (Giamporcaro & Viviers, 2014; Luckscheiter, 2013). The findings of this study show that the dominant impact themes that South African impact investors strive toward today - i.e. job creation and infrastructure development - are in line with the developmental goals set by national government after the end of the apartheid regime in the early 1990s.

As stated previously, research conducted by the Global Impact Investment Network and Open Capital (2016) has found that approximately 74% of the impact capital distributed in Southern Africa has been allocated in South Africa. In addition, the third edition of the Africa Investing for Impact (AIFI) Barometer – a survey compiled from fund managers' self-disclosed public information for South Africa, Kenya and Nigeria, states that 0.5% of the funds managed in South Africa have been implemented with an impact investment strategy, with South Africa as the country leader amongst the three countries featured (Giamporcaro & Dhlamini, 2015). Although the AIFI Barometer provides insight into the value of impact capital flowing into the respective countries, it does not provide insight into how the intended impacts are measured or whether the investments are effective. Measurement and continuous monitoring and evaluation of impact provides evidence that the capital flows to these regions are achieving intended developmental impact objectives and are a significant enabler in fostering growth in the South African impact investment industry when positive impact is evident (Jackson & Harji, 2012; Mudaliar, Pineiro, et al., 2017; Schiff et al., 2016).

According to a study of the South African impact investing industry conducted by the Global Impact Investing Network and Open Capital (2016), South Africa has approximately 36 impact investors head-quartered in South Africa, and an additional 26 impact investors with regional offices operating in South Africa (Global Impact Investment Network & Open Capital, 2016). This provides an estimate of the current size of the South African impact investment industry.

South Africa's National Development Plan (NDP) aims to decrease poverty and inequality through, *inter alia*, improving access to employment and increasing developmental investments (National Planning Commission, 2012). This includes investments relating to improving infrastructure and access to affordable housing, while being cognisant of the environmental effects of these interventions – striving for more sustainable means of implementation (National Planning Commission, 2012).

South Africa's National Task Force for Impact Investing was formally launched in October 2018, consisting of public and private industry players (made up largely of the financial services sector), and aims to change the mindset of deployers of public and private sector capital by emphasising the importance of social and environmental impacts on society in addition to financial returns (Buthelezi, 2018). The task force highlights the important role that impact investing plays in achieving the NDP and SDGs and will work to provide further clarity in the definitions of impact investing, whether to align with international definitions or devise its own, as well as how impact should be measured (Buthelezi, 2018). Furthermore, the task force goals include working towards having the JSE Top 30 companies measure and publicly report their impact investments and increase the number of high impact funds operating within South Africa (Buthelezi, 2018). This could be achieved by, *inter alia,* standardising impact measurement, fostering greater transparency and creating an enabling environment through partnerships and collaboration with industry leaders (Buthelezi, 2018; Impact Investing South Africa, 2018)

Conclusion

Overall, the literature reviewed provides insight into how the impact measurement landscape has developed over the past decade. It also highlights the value that impact investing and measurement adds in achieving local development goals, as well as the global SDGs and the added benefits of information-sharing and accountability that come with increased transparency. In addition, it shows the preliminary work already undertaken in terms of setting best practice guidelines on impact measurement as well as the risks and limitations to be aware of. However, the reviewed literature reveals a limitation in empirical evidence on how South African enterprises are measuring impact. This raises questions regarding the types of metrics and guidelines applied by South African investors in measuring impact. Additionally, it raises questions about the complexity faced by impact investors and their willingness to demonstrate impact transparently.

This study aims to fill this gap by documenting South African impact measurement techniques in a detailed and systematic manner. Furthermore, it will contribute to the body of research on impact measurement in South Africa, and allow for comparison to aforementioned US-based impact measurement studies such as those conducted by Ebrahim and Rangan (2014) and So and Staskevicius (2015). In addition, the findings of this study highlight common themes drawn from participants during the research interview process. This includes insight on the challenges faced in measuring impact, the role of DFIs in fostering greater sustainable impact within the private sector, as well as the prevalence of alignment to the SDGs in setting and articulating impact objectives.

A better understanding of impact measurement processes, along with transparency in sharing these insights with the broader industry, provides the opportunity to better understand the extent of the impact that is being realised by impact investments as well as to validate whether the impact is truly positive. It also allows for continuous review and improvement of these measurement processes, so that greater impact and a larger number of positive development objectives can be accomplished in years to come. Continued growth in impact investing coupled with sound measurement practises will aid in more effective allocation of development capital, as well as attracting additional financing for development and improving the prospects for achieving local development objectives and the global SDGs by 2030.

3. RESEARCH METHODOLOGY

3.1. Research Approach and Strategy

The aim of this research study is to determine whether organisations that identify as impact investors are actively measuring and tracking their intended impact, and to gain insight into the impact measurement methods, processes and metrics currently being used by South African impact investors. Additional aims of this research are to provide insight into whether intended impacts are being achieved, and the extent and level of transparency amongst South African impact investors.

Therefore, to achieve these research objectives, the following questions are asked:

1. How are South African impact investors measuring their impact?
    1.1. How are they evaluating whether their impact objectives are being achieved?
    1.2. How transparent are South African impact investors in the way that they measure the impact of their investments?

These research questions are qualitative in nature, as they ask the question "how" and aim to broaden understanding and provide insight into impact measurement techniques used in South Africa (Leacock, Warrican, & Rose, 2015). Therefore, exploratory research is an appropriate type of research as it strives to determine "how" a particular phenomenon is occurring, where organisations (i.e. institutional impact investors) are the unit of analysis (Leacock et al., 2015; Maxwell, 2013; Yin, 1994). In addition, this method of research is deductive in nature as it applies theory to test outcomes and findings of the research (Leacock et al., 2015; Maxwell, 2013), as opposed to inductive research which aims to generate a generalisable theory (which is not the aim of this research paper) (Leacock et al., 2015).

3.1.1. Single case study: South Africa

The research method implemented within the exploratory research design is a single case study approach, with South Africa's impact investing industry as the case analysed (Baxter & Jack, 2008). As highlighted in the literature reviewed, the AIFI Barometer (2015) features South Africa, Nigeria and Kenya as forerunners in investing for impact amongst African economies. It highlights South Africa as the country committing the largest amount of capital to impact investing strategies amongst these three (Giamporcaro & Dhlamini, 2015). Therefore, the South African impact investing industry was selected as the single case to be analysed, with the aim of providing insight into how impact investors in a forerunning African impact investing economy measure and evidence the impact generated by their investments (Baxter & Jack, 2008; Giamporcaro & Dhlamini, 2015; Jonker & Pennink, 2010). A multiple-case study approach

comprises analysis of differences between cases as well as within the identified cases, and allows for comparison to highlight similarities, trends and differences (Baxter & Jack, 2008). However, within the context of this study, the multiple-case study approach would have required collection of data across additional geographies. Due to the time and resource constraints for data collection and analysis, the single case study approach was more appropriate (Baxter & Jack, 2008; Leacock et al., 2015).

3.1.2. Unit of analysis

Institutional South African impact investors served as the unit of analysis to be analysed within the single case study context (Baxter & Jack, 2008; Maxwell, 2013). As stated in the research assumptions in section 1.5, the unit of analysis was limited to institutional impact investors operating in South Africa as they are relatively easier to access (compared to individual investors) and are more inclined to invest the necessary resources into formalised impact measurement processes, as well as managing larger portfolios of impact investments. South African impact investors also possess the insights required in order to address the research questions (Adams, Khan, Raeside, & White, 2007).

Participants were interviewed using a semi-structured interview approach as it allows for more in-depth and detailed collection of data that may be difficult to standardise across various respondents interviewed, as opposed to conducting surveys that would not allow the same kind of in-depth collection of less uniform data (Leacock et al., 2015). Other interview methods include a structured interview approach which comprises of standardised questions in a uniform context for all interview participants; as well as an unstructured interview approach which has no standardisation or uniformity in the interview process (Adams et al., 2007). Semi-structured interviews were most appropriate as the methodology provided structure to the questions asked but also allowed participants to provide detailed explanations and additional clarity where it was required (Adams et al., 2007; Leacock et al., 2015).

Similar to the study conducted by Mudaliar, Pineiro, et al. (2017), the types of data collected included summaries of the methods used to measure or quantify impact. This data was collected in the form of verbatim transcribed interview notes for each participant. Examples of the impact measurement methods included identifying ESG risks and opportunities, references were made to the application of Principles of Responsible Investment (PRI), IRIS metrics, and other customised impact indicators – all of which comprised of qualitative data (Mudaliar, Pineiro, et al., 2017).

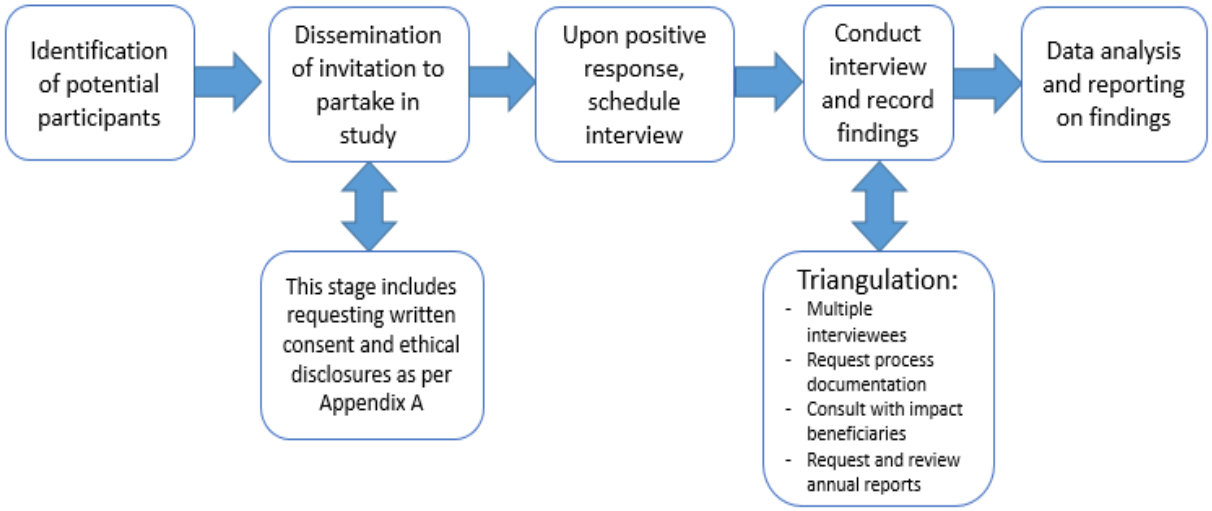
Data collected also comprised of secondary data collated through desktop research, and included reports, news articles and company websites disclosing impact measurement metrics, frameworks and methodologies.

3.1.3. General inductive approach to data analysis

The primary and secondary data was analysed using a general inductive approach (Thomas, 2006), characterised by a systematic examination of qualitative data through reviewing transcripts and other forms of text data in order to draw out themes and categories. This inductive approach allows research findings to be drawn from the frequent and recurring themes that emerge through analysis of gathered qualitative data (i.e. transcribed interview notes as well as reports, news articles and company websites) without the constraints imposed by deductive analysis which often involves hypothesis testing and is more relevant to quantitative data analysis (Leacock et al., 2015; Thomas, 2006). Furthermore, the general inductive approach was used as it allows for a large amount of qualitive text data to be categorised and grouped in a systematic and succinct manner (Thomas, 2006).

Figure 7 below summarises the steps applied in the data collection, analysis and reporting process and are discussed in more detail in the sections that follow:

Figure 7: Process flow diagram - Data collection, analysis and reporting



Source: Author's own construct

3.2. Identification of potential participants

The UCT Graduate School of Business (GSB) Bertha Centre for Social Innovation and Entrepreneurship publishes the AIFI Barometer annually. It compiles public information on the impact investing industry in various regions of Africa (Giamporcaro & Dhlamini, 2015). Access to contact details of potential representatives of impact investing firms was requested from the

Bertha Centre to gather a sample of interviewees for participation in the study. This access was granted and served as a main reference point for impact investors contacted for participation in this study. The AIFI Barometer list comprised of 30 Southern African potential participants, made up of 22 private equity firms, 4 asset managers, 2 private DFIs and 2 state-owned entities that identify as impact investors.

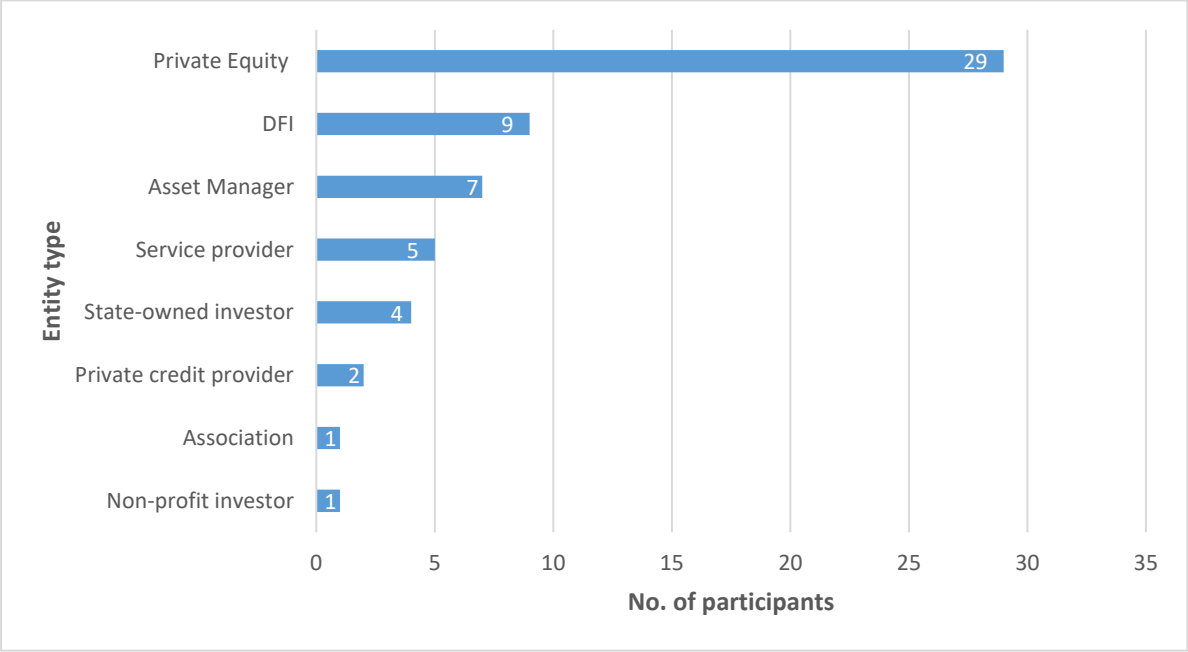
Furthermore, the Global Impact Investing Network (GIIN) information sources, such as the Annual Impact Investor Survey, GIIN ImpactBase and published reports, provided insight into the impact investing industry globally, in terms of, *inter alia,* investment activity, asset allocation, impact investor profiles and impact measurement. GIIN researchers were contacted for permission to access data and the contact details of South African impact investors that have contributed to GIIN research papers, or who are listed on these databases. Although access to these data-sets was not obtained for this study, the GIIN's published papers provided guidance in terms of desktop research for impact investors operating in South Africa.

In addition, the Southern Africa Venture Capital and Private Equity Association (SAVCA) Members Directory was accessed. Listed companies were researched through desktop searches and those members who identified as impact investors explicitly or implicitly in terms of driving social and environmental impact agendas in addition to financial returns were shortlisted as potential participants. Contact was made with the relevant individuals within prospective organisations using either the contact details provided on the SAVCA member's directory, or through contact details provided on the company websites. These additional contact details were particularly helpful when the contact details obtained through the AIFI Barometer list were ineffective in receiving responses from potential participants (as there was a degree of overlap in the two lists).

Prospective participants were also contacted through networking at seminars and events hosted by industry leaders. This included the 2018 Western Cape Funding Fair, hosted by the Western Cape government's department of Economic Development and Tourism in partnership with Deloitte, as well as the launch of the 2017 and 5th Edition of the African Investing for Impact Barometer at the University of Cape Town's Graduate School of Business. Industry experts were approached through networking and invited to participate in the study. A total of seven potential participants were invited in this manner.

A detailed contact list of 58 potential impact investors and associations was compiled and maintained through the interview scheduling process. Figure 8 below provides a breakdown of the contact list, sorted by entity type, and shows that 29 of the 58 potential participants identified are private equity firms, i.e. 50 percent of the total list.

Figure 8: Breakdown of contact list by entity type



Source: Author's own

The 5 service providers comprised of financial service providers with demonstrated impact goals alongside their financial objectives, and consulting firms that impact investors contract with for assistance in impact measurement processes (including setting impact objectives, setting strategies for data collection and analysis for measurement and tracking of impact, as well as impact reporting).

Representatives of the organisations (involved with the firm's impact measurement protocol) were contacted telephonically or by email, in order to schedule interviews which were conducted in-person, by telephone or video-conference (Leacock et al., 2015). Of the 58 potential participants contacted, 55 could be reached, 23 responded positively to the invitation to participate, and 21 finally participated in the research interview. One of these entities agreed to participate in two separate interviews (with different interviewees) for the purposes of triangulation.

Where impact measurement methods are already documented and publicly available, this was used as secondary data and included in the sample. This added an additional 6 participants to the list.

3.3. Dissemination of invitations

Permission was requested from the 58 prospective respondents, to participate in the interview process, to voice-record conversations and for the use of data and information obtained. Respondents are granted anonymity in the interview process, therefore their identity was not

revealed in the write-up of this dissertation (Leacock et al., 2015). Further details regarding ethics and requesting consent is included in the *Information Sheet and Consent Form* included in Appendix A.

Invitations to participate in the study were sent by email correspondence. Where telephone contact details were available, prospective respondents were called and invited to participate in this manner. Telephonic contact was also attempted to follow-up on unanswered emails that had been sent.

3.4. Data gathering

The data gathering process was conducted over a period of 8 months. Once permission was granted in writing, primary data was collected by conducting semi-structured interviews with impact investors currently active within the South African market in order to understand, *inter alia*, how impact is measured. Therefore, a guide of questions was prepared beforehand to drive the conversation. However, the semi-structured approach allowed respondents to add additional insights as they related to questions asked. It also allowed for clarification and confirmation of any responses, concepts or occurrences explained by participants during the interview (Adams et al., 2007; Leacock et al., 2015).

The research questionnaire in Appendix B was constructed to correspond with the research study questions in section 3.1 above. The introductory questions allowed participants to describe, *inter alia*, the organisation which they represented and their role within the organisation. Questions 2 to 6 guided conversations on whether the participating organisation identifies as an impact investor, the nature of the intended impact objectives as well as the methods, frameworks and processes employed in impact measurement. Questions 7 to 12 encouraged discussion on the difficulties faced by participants in the impact measurement and reporting processes, and the extent of transparency in reporting on the impact measured and reported to relevant internal and external stakeholders.

The 22 research interviews were recorded electronically through voice recording. The duration of an interview averaged 35 minutes, with a total of 13 hours of audio collected and transcribed in Microsoft Word® as primary data. Verbatim transcription was applied for all recorded findings (Leacock et al., 2015). The data was then analysed, coded and categorised as specified in Section 3.6.

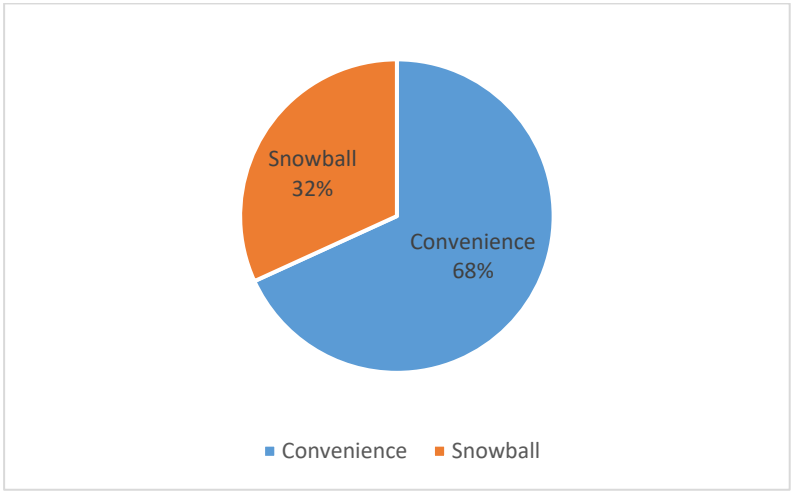
Over the 7-month period of data gathering, secondary data was also collected when researching the list of 58 potential participants. This comprised of impact reports, sustainability reports, annual reports, news articles, and brochures. Data for a total of 6 entities was gathered in this way, making up the secondary data sample. These entities were invited to participate in the research interviews, but either declined the invitation or did not respond at all.

3.5. Sampling

This study utilised a convenience sampling approach, which is a form of non-probability sampling that involves drawing a sample of participants that are readily accessible (Adams et al., 2007; Phua, 2011). The impact investing industry is still relatively small within South Africa, and this sampling method allows for easier and less time and resource-intensive data collection (Phua, 2011). Hence, this approach was used to gain access to a population that is not easy to reach and subsequently obtain permission for participation.

Snowball sampling was also used, where interviewed participants recommended potential new participants from their networks and contact lists, providing access to industry experts in similar roles at other organisations active in the impact investment industry (Crouse & Lowe, 2018). Figure 9 demonstrates the proportions of the primary data (i.e. 22 research interviews) that were secured through convenience sampling and snowball sampling, i.e. 68% and 32% respectively.

Figure 9: Primary data sampling mix

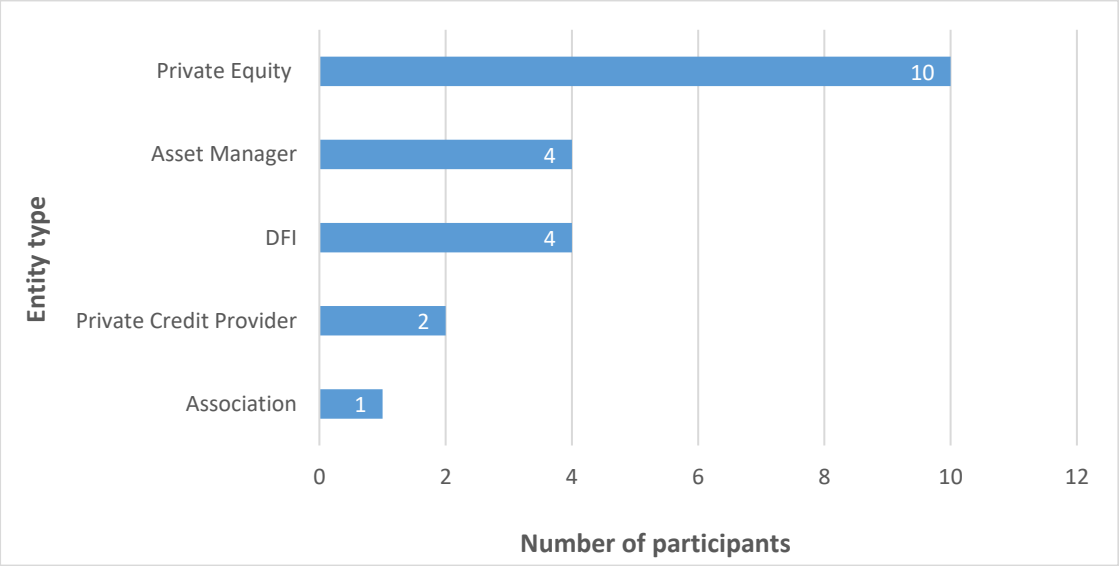


Source: Author's own

Invitations to participate in the study were disseminated to the list of 58 potential respondents. Therefore, the study aimed to include as large a sample as possible, where interviews were conducted with as many respondents (who had consented to participation) as was possible relative to the available time and resources.

Out of the 58 potential participants contacted, 21 responded positively and agreed to participate in the research interview. Figure 10 below provides a summary of the participants interviewed, sorted by entity type.

Figure 10: Summary of participants interviewed



Source: Author's own

The above diagram shows that the majority of participants were private equity firms. The sample also included 4 asset managers and 4 DFIs; 2 were private DFIs and 2 state-owned. The 2 private credit providers were financial service providers that provide private credit with social and environmental impact objectives incorporated into their business models. The association provides support to impact investors in setting impact objectives within specified guidelines, as well as in impact measurement and tracking procedures.

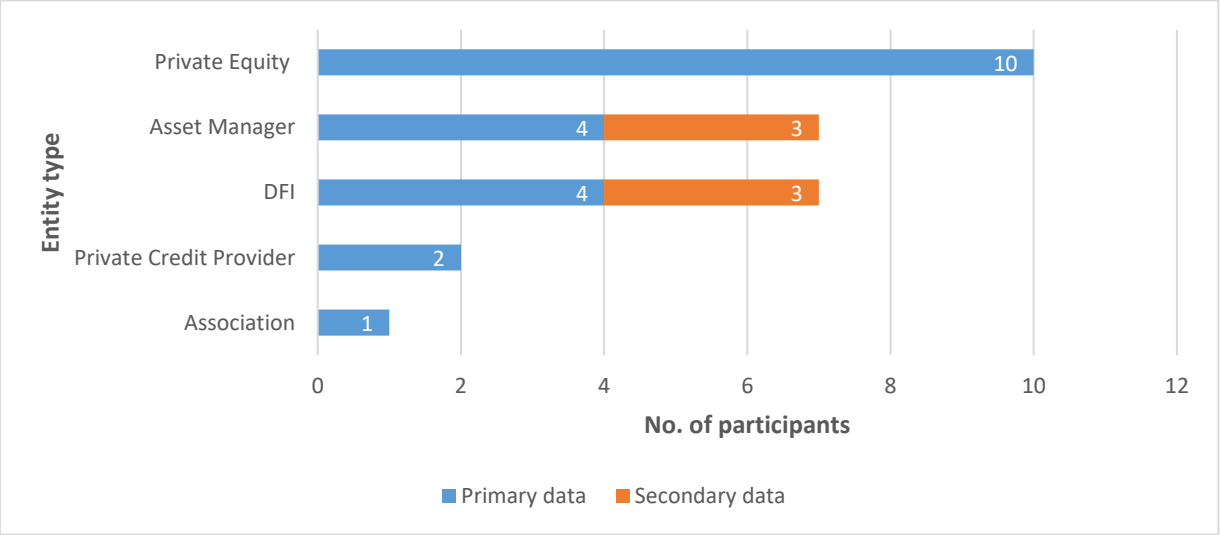
However, of the 21 entities interviewed, one entity provided two separate interviews with two employees within the same organisation, while all the other entities agreed to only one interview. Therefore the 21 interviews were with 20 impact investors and an interview was conducted with the association. This made up a total of 22 research interviews.

The geographic spread of participants was not restricted to any particular region of South Africa. Furthermore, the unit of analysis was not restricted to larger impact investment enterprises. Smaller-sized impact investment firms were included in an attempt to shed light on the methods used, as well as any challenges faced in impact measurement, which may not be applicable to the larger enterprises.

The total sample of South African impact investing enterprises included asset managers, private equity firms, public and private development finance institutions, private credit providers as well as an association that is out-sourced by impact investors to assist in devising impact measurement processes.

Secondary data included in the sample made up of those entities that published reports on their impact measurement framework and the processes employed but were unavailable to participate in research interviews.

Figure 11: Primary vs Secondary data collected



Source: Author's own

Publicly available information on an additional 6 impact investors were identified and included in the sample, as demonstrated in Figure 11 above. The secondary data comprised of 3 private development finance institutions, and 3 asset managers.

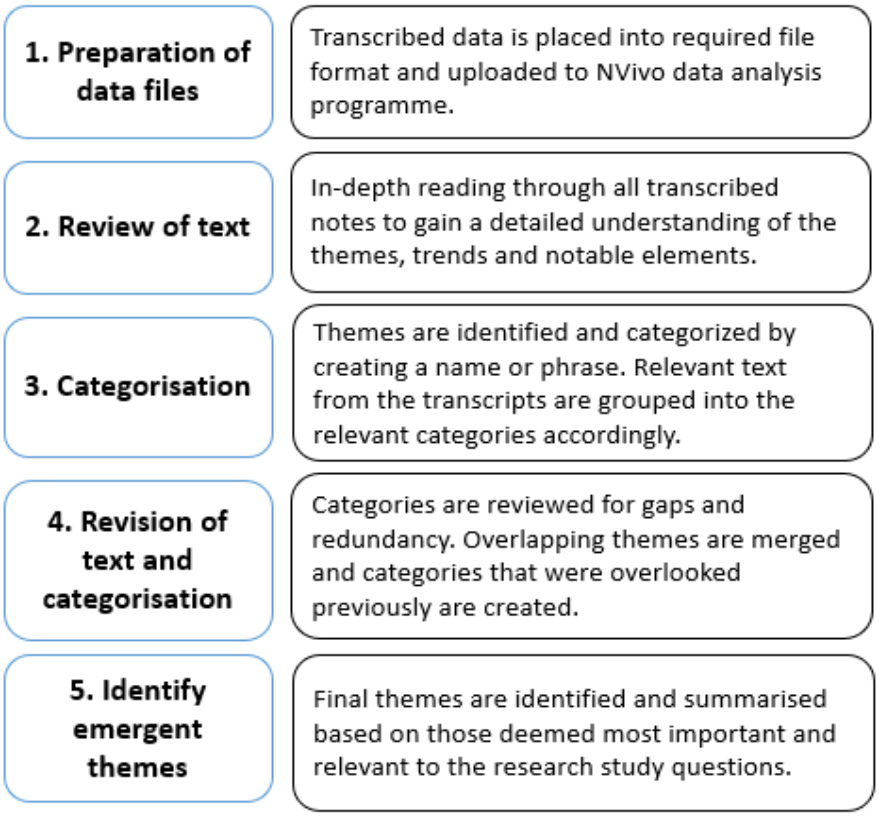
3.6. Data analysis and reporting

The single case study approach was used to delineate South Africa as it is an African leader in allocating capital to impact investing strategies (Baxter & Jack, 2008). South African impact investors are the unit of analysis in order to gain access to the data and insight required to understand how impact is measured as well as the level of transparency in impact reporting (Baxter & Jack, 2008).

3.6.1. General inductive analysis

Therefore, once the data was collected and primary data transcribed, it was uploaded to NVivo® and analysed using the general inductive approach described in section 3.1.3 above (Thomas, 2006). This process is summarised in Figure 12 below and involved converting the transcribed data into the required file format and reading the text to gain a detailed understanding of the themes that emerge through the collated review process.

Figure 12: Procedure for inductive data analysis



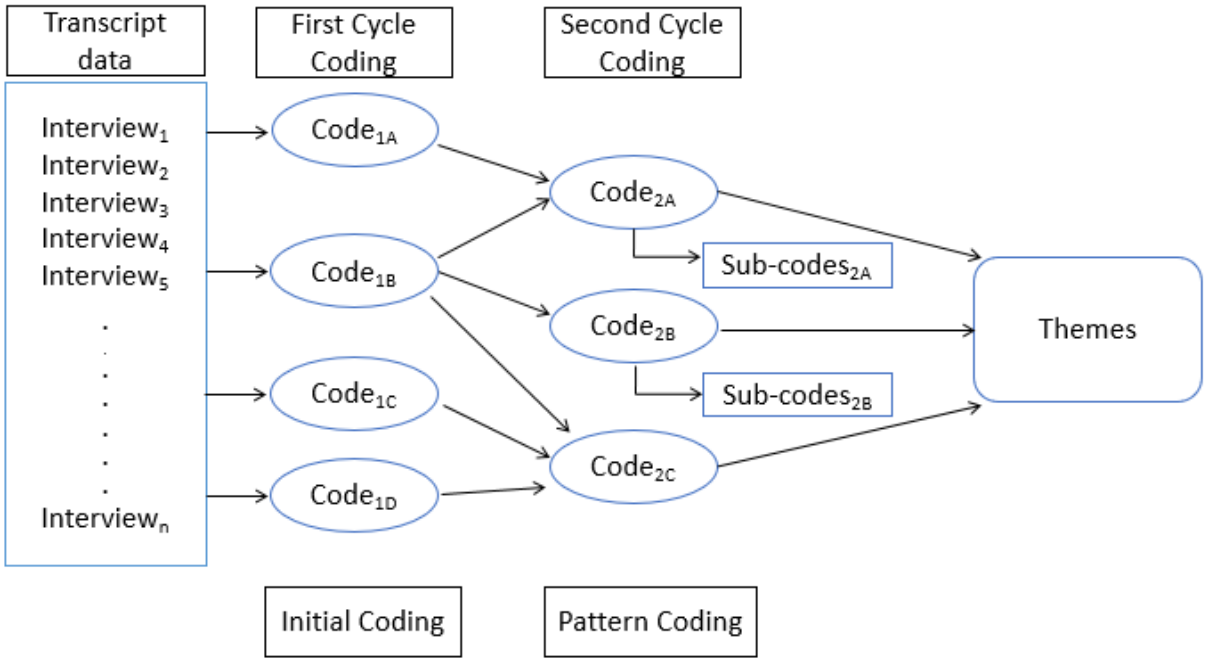
Source: Author's own adaption of David R. Thomas' (2006) procedure for general inductive analysis

The identified themes were categorised by names and phrases and all illustrative quotes from the interview transcripts were grouped into relevant categories (i.e. step 3). Further revision of the transcripts and categorisations allowed for identification of redundant grouping as well as the addition of categories that were not noticed in the initial review stage. At the final stage themes were drawn from the categorised data.

3.6.2. First and second coding cycles

The categorisation of the transcribed data (as described using the inductive process) was implemented using the first and second coding cycles of the codes-to-theory model summarised by Silvana (2016) for qualitative research inquiry. This model was adapted to apply to this study, although the aim was to draw themes from the coded data, and not develop a generalisable theory (Saldaña, 2016). Therefore, the inductive analysis approach and the codes-to-theory models were used to inform the methodology of this research study (particularly to inform the methodology used to create the categorisations of themes).

Figure 13: Codes-to-theory model



Source: Author's own adaption of Saldaña's (2016) Codes-to-theory model

As shown in Figure 13 above, the coding framework consists of two coding cycles, namely first cycle coding and second cycle coding. The first cycle coding was conducted using Initial Coding; which is applicable as an open-ended approach to exploratory research analysis and allows the researcher to see where the data takes the study in seeking further direction (Saldaña, 2016). Initial coding involves examining qualitative data by breaking it down into separate components or categories and comparing the various components for similarities, differences as well as interesting elements that stand out (Charmaz, 2014; Saldaña, 2016). It is useful in the preliminary stages of data analysis because of its open-ended nature, and allows for provisional categorisations of data that could be amended at later coding cycles, if required (Saldaña, 2016). The process of coding according to the responses to the research questions, as mentioned previously, formed part of this first coding cycle.

The Pattern Coding method was used for the second cycle coding process. It involves identifying similar codes in order to find themes (Saldaña, 2016). In doing this, the categories created in the first cycle coding were summarised, and those categories were grouped into smaller categories and themes (Saldaña, 2016). These codes were named using explanatory words and phrases that provide inferences and themes to the coded data (Saldaña, 2016). In addition redundant or repetitive categories were removed or merged with existing grouping to avoid double-counting (Thomas, 2006). The analysis was taken a step further by attempting to consider reasons and explanations for the themes identified, either within reviewed literature or within the transcribed data.

In this way, patterns, commonalities as well as differences and contrasts in the respective responses provided were identified across the four groupings (Leacock et al., 2015). The impact measurement method used by each respondent was identified and documented. Those participants using similar measurement methods were grouped together. The approach was useful as it provided insight into how South African impact investors are measuring their impact, as well as how they are evaluating the success of achieving intended impacts, and it highlights the extent of transparency in reporting on impact.

After the initial and pattern coding, the primary data was categorised into the following sub-groups based on the data collected on each participant:

- DFI-funded Fund Managers
- Non-DFI Funded Fund Managers
- DFIs
- Other

These categories were selected because a major theme drawn out through the coding process is that research participants (i.e. the unit of analysis) are influenced by their funders when selecting and implementing their method of impact measurement employed. In particular, DFIs have more stringent impact measurement and reporting requirements than other types of funder (e.g. compared to asset managers that were funders). Therefore, the final categories to be included in the discussion of findings are according to whether the unit of analysis is funded by a DFI. The composition of each category is depicted in Figure 14.

Figure 14: Categorisation of primary data

Source: Author's own

DFI-funded fund managers comprise of 6 private equity firms that have development finance institutions as investors. Non-DFI-funded fund managers do not have development finance institutions as investors and comprise of 4 asset managers and 2 private equity firms.

The DFIs include two state-owned and two private institutions. Furthermore, the "other" category comprises of two private credit providers and 2 private equity firms for whom it is undisclosed

whether they are funded by a DFI. Therefore, both sub-groups do not fall into any of the other three categories and have been grouped into a separate category.

The secondary data was not categorised according to the aforementioned methodology (i.e. the four groupings depicted in Figure 14) due to the small sample-size (i.e. 6 entities) and the lack of available information on the funding structures of the entities included in the sample. However, the first and second coding cycles were applied to the secondary data collected as far as possible according to the sub-sections outlined below.

The following sub-groups were made in each of the four categories of participants in the primary data sample, as well as the secondary data sample, and are elaborated upon in Chapter 4:

- Articulated impact themes, i.e. those impact goals and intentions articulated by participants through the research interview process
- Impact measurement methodologies employed
- Challenges experienced in the impact setting and measurement process
- Themes and concepts drawn through the analysis
- The level of transparency in reporting on impact metrics and findings

Furthermore, the data was reviewed and compared for any characteristics that the respective methods may have in common, or ways in which they differ. Common traits and differences were documented and compared to aforementioned guidelines that may already be in place. This review also assessed whether a standard technique of measuring impact can be applied to some, most, or all of the participants (Maxwell, 2013). In this way, the data was analysed and various themes were drawn from the data set, where specified themes were categorised by naming each in a short phrase (one or two words) that best describes what is being portrayed by the data (Corbin & Anselm, 2008).

Common themes were grouped in the same category; however, the findings of each participant were documented within NVivo and categorised, even if it did not have any commonality with the other groupings, and the findings (such as the methods and processes of measurement and the instances of transparency amongst participants) were documented and incorporated into the report (Corbin & Anselm, 2008). These themes form the basis of the findings of the report, which details the methods of impact measurement applied.

In addition, quantitative analysis was incorporated into the findings by counting the number of participants identifying particular impact themes and the respective methods of impact measurement used. For example, this is depicted in Figures 16 to 21, showing the most and least used impact themes and methods of measurement, thus giving an indication of the more common and less common practises applied amongst the sample of South African impact investors (Leacock et al., 2015). This form of descriptive diagrams provides additional depth

and understanding of the ways in which impact investors are measuring their impact and providing context in terms of the types of practises applied amongst participants (Corbin & Anselm, 2008; Leacock et al., 2015).

3.7. Research Reliability and Validity

Threats to validity and reliability exist as the participants might provide inaccurate information in the research interviews conducted, resulting in the collection of inaccurate data. These threats were addressed by triangulation of data sources. Triangulation involves obtaining information from multiple sources in order to confirm the validity and reliability of the data obtained in interviews, and to ensure that the data collected is reliable and accurate (Golafshani, 2003). This was applied by either interviewing more than one person involved in impact measurement within the participating organisation and verifying that the impact measurement process outlined is the same; or by obtaining information in impact measurement techniques from written documents provided by the companies interviewed, or through desktop research. This is done in order to verify the details obtained in interviews for consistency (Golafshani, 2003).

Out of the 21 entities interviewed, only one agreed to a second interview for the purpose of triangulation. The rest of the primary and secondary data required triangulation by obtaining supporting information from interviewees or through desktop research. Two interview participants provided additional literature which confirmed impact objectives and measurement processes described in the research interview. Website content for an additional 8 interview participants were obtained through desktop research, in the form of impact and sustainability reporting, webpages, product brochures, and online articles and reports, and fund fact sheets. The primary data of the remaining 10 interview participants could not be verified by triangulation. As stated previously, the secondary data included impact reports, sustainability reports, annual reports, news articles and brochures.

Non-response bias occurred during the data collection phase, meaning that a low response or co-operation rate amongst potential interviewees contacted was experienced (Alhassan, 2017; Leacock et al., 2015). In this case new potential participants were identified through desktop research and networking at the events mentioned in section 3.2. and new invitations disseminated for participation in the study. In order to further reduce non-response bias, the invitation to participate in the study included broader practises and processes applied in impact investment and did not solely focus on measurement processes and techniques. In this way those impact investors that might not have a clearly articulated and practised measurement process were not excluded from the study.

Furthermore, the risk of not being able to remember all aspects of discussions in interviews, also known as recall bias existed (Leacock et al., 2015). Therefore, the method of recording responses and preparation for interviews by the interviewer was well-planned. The use of a voice-recorder further mitigated the risk of recall bias, as each interview was successfully voice-recorded (Leacock et al., 2015).

The risk of inaccurately interpreting the findings and explanations obtained from respondents also existed (Atieno, 2009). This was minimised through the interview process and by confirming understanding of findings throughout the discussions.

3.7. Limitations

The themes drawn from the research conducted with the primary and secondary data sample cannot be generalised across all South African impact investors. It also cannot be generalised to apply to all other African countries. This shows a limitation in the generalisability of the themes highlighted in the research findings, and the inability to generate a theory that is widely applicable to impact investors in various markets (Leacock et al., 2015; Saldaña, 2016).

The secondary data could not be categorised according to the four groupings (i.e. by type of funder) as the primary data set; as the funder information of the units of analysis in the secondary data sample was not accessible. Therefore, the themes drawn from the secondary data are not as detailed as the primary data set. However, the data was coded according to the information relating to the research questions as far as possible. This was done to allow for a comparative analysis based on the sub-groups, including impact themes, impact measurement frameworks and methodologies, challenges and other emergent themes identified.

This method of research was time and resource intensive (Alhassan, 2017). After potential participants were identified and invited to partake in the study, there was a waiting period for their responses. Therefore, obtaining the necessary permission and confirmation of participation in the study often took a significant amount of time, potentially limiting the amount of participation in the study. Attempts to reduce this waiting period included actively following-up with potential participants by telephone and email correspondence in order to obtain feedback.

In addition, obtaining access to and getting in touch with potential participants proved difficult. Therefore, every effort was made to obtain access to impact investor databases such as the aforementioned AIFI Barometer and the GIIN databases.

Data that is inaccurately reported by participants reduces its reliability and validity and can result in inaccurate findings. Reported data collected from participants were difficult to verify independently, and the findings obtained from interviewees were mostly taken at face value. However, as stated in the previous section, at least one method of triangulation was attempted,

and although the data for 10 participants could be verified through secondary data sources, the findings of 10 participants could not be verified in any way due to a lack of willingness by participants for additional interviews, as well as a lack of publicly available information from which to verify the primary data (Pasek, 2012).

3.8. Delimitations

Institutional investors were assumed to be more inclined to invest the necessary resources into formalised measurement practises and processes in tracking the impact of funds allocated, therefore this study focussed on public and private enterprises (i.e. institutional investors) with intentional impact objectives. Institutional investors were also more accessible for conducting research and obtaining contacts for interviews, whereas the contact details and research of individual investors were less readily available in the public domain. Owing to this, individual impact investors were not included in the sample of impact investors interviewed.

As stated previously, the contact list of potential participants also included independent consulting firms that are out-sourced by impact investors in order to measure and track the impact of their investments. The combined primary and secondary data sample comprised of one association of this nature.

4. RESEARCH FINDINGS, ANALYSIS AND DISCUSSION

This section of the report presents findings collated from the analysis of a primary data sample assembled through research interviews conducted with 20 impact investors and 1 association operating in the impact investing industry. These entities operate within the public and private sectors of South Africa. Additionally, a secondary data sample was collated through related desktop research including publicly available impact measurement frameworks and reporting of an additional 6 impact investors.

The semi-structured research interviews conducted included questions regarding whether participants identify as impact investors, the kinds of impacts that they aim to achieve, how their impact is measured as well as the challenges faced in measurement and reporting of impact.

As described in the research methodology, participants were grouped into the following four categories for the primary data analysis:

- DFI-funded fund managers
- Non-DFI funded fund managers
- DFIs
- Other

The secondary data was not grouped according to the aforementioned categories due to a lack of available data, however it was reviewed on similar themed topics as the primary data. The following sections summarise the findings of primary and secondary data analysis, i.e. reviewing the transcribed responses to research interview questions, as well as literature collected through desktop research. It provides further insight into the patterns, trends, commonalities, differences and additional learnings identified through the analysis and coding of collected data.

The findings presented will also include illustrative quotes to further demonstrate evidence and the rationale for interpretations of the data analysis process.

4.1. Primary data analysis

4.1.1. Identifying as an impact investor

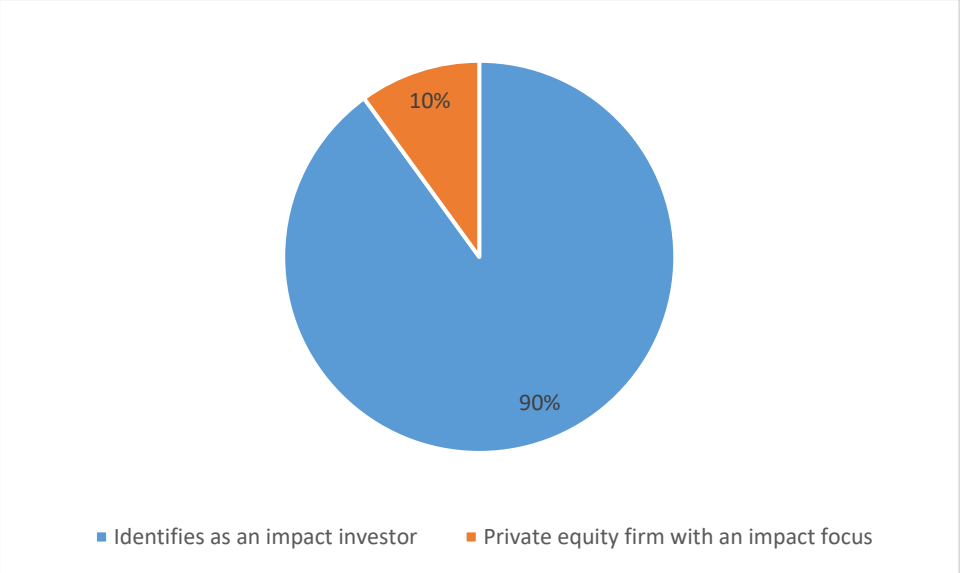
Figure 15 shows that 90 percent (i.e. 18 out of 20 impact investors) of the study participants identify as impact investors and align themselves with the definition of impact investing. The following illustrative quote demonstrates an asset manager's response when asked whether the organisation identifies as an impact investor:

> *"We identify as an impact investor, so our team mandate is to commit to both financial returns and providing investors with social impact returns."*

The remaining 10 percent did not call themselves impact investors but identified themselves as private equity firms with a strong impact focus. One of these private equity firms was part of the DFI-funded fund managers category and the other private equity firm did not disclose its funders and therefore forms part of the "other" participants category.

Reasons provided for the latter rationale, i.e. where they do not identify as impact investors, included that they were finance-first investors and positive returns were mandatory and could not be sacrificed to achieve positive impact (showing a potential lack of understanding or disagreement with the GIIN impact investing definition). Another reason given was that the impact investor definition did not provide sufficient clarity on the need for financial returns, not only for investors but also for the end beneficiaries of the investments. Therefore, they chose not to wear the impact investor title.

Figure 15: Participants that identify as an impact investor



Source: Author's own

However, all participants confirmed that they measure and track their impact, including those participants that do not identify themselves as impact investors. This provides empirical evidence that verifies the research assumption made in chapter 1; wherein South African impact investors are assumed to measure and track their impact.

4.1.2. Articulated impact themes

The impact themes and objectives articulated by participants refer to the intended impacts that they described when asked about their social and environmental impact goals, presented in the four categories mentioned previously. Note that no response was categorised for the same participant more than once.

DFI-funded and Non-DFI-funded fund managers (FMs)

The impact themes referenced[2] by both DFI-funded and Non-DFI-funded FMs are summarised in Figure 16. It shows that job creation was the dominant impact theme articulated by participants interviewed for both categories. Illustrative quotes of the job creation impact theme for DFI-Funded and Non-DFI-funded FMs, respectively, are as follows:

> *"…we do an annual ESG report. It sums up portfolio-wide as well as individually, showing jobs at the start and jobs when we finished… we've got the big impacts on jobs."*

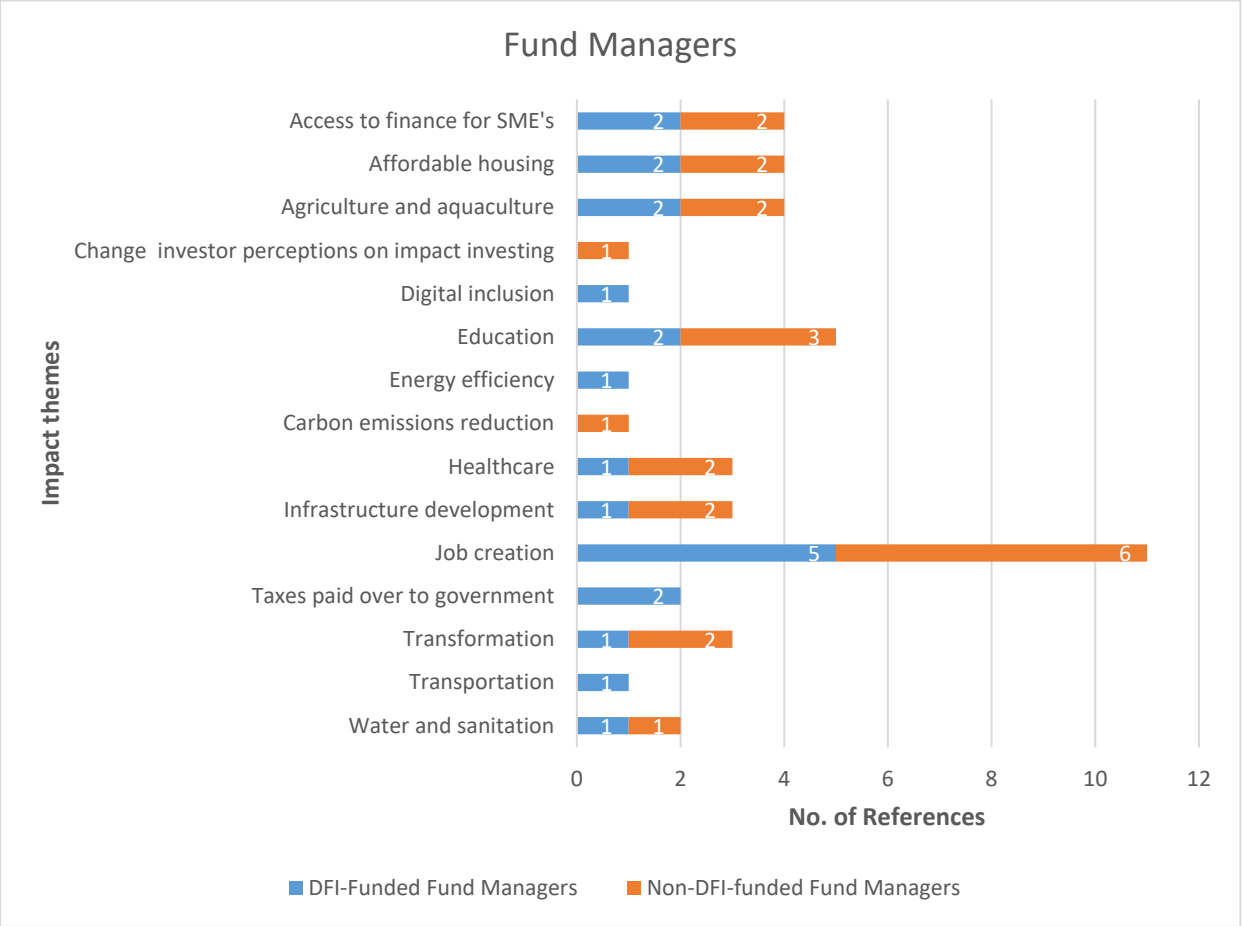
> *"…on an overall basis, we track jobs created…we report on (it) anyway because it's quite easy to measure. And it's a form of economic impact, or socio-economic impact rather."*

Other impact themes that were equally referenced by both categories include access to finance for small-to-medium enterprises (SME), development of affordable housing, and agriculture and aquaculture.

Education and taxes paid to government are two additional themes mentioned by DFI-funded managers. However, infrastructure development and improving access to education were more common impact themes amongst non-DFI funded FMs compared to the DFI-funded FMs. Infrastructure development was referenced by one DFI-funded private equity firm and two Non-DFI-funded asset management firms.

[2] References refer to the answer (e.g. impact objective or impact measurement method) provided by a participant in response to the research questions. If one participant made the same reference (i.e. provided the same response) multiple times in the interview, it was only included in the relevant category once. This was done in order to ensure that the findings were not distorted with multiple references made by the same participant.

Figure 16: Impact themes - Fund Managers



Source: Author's own

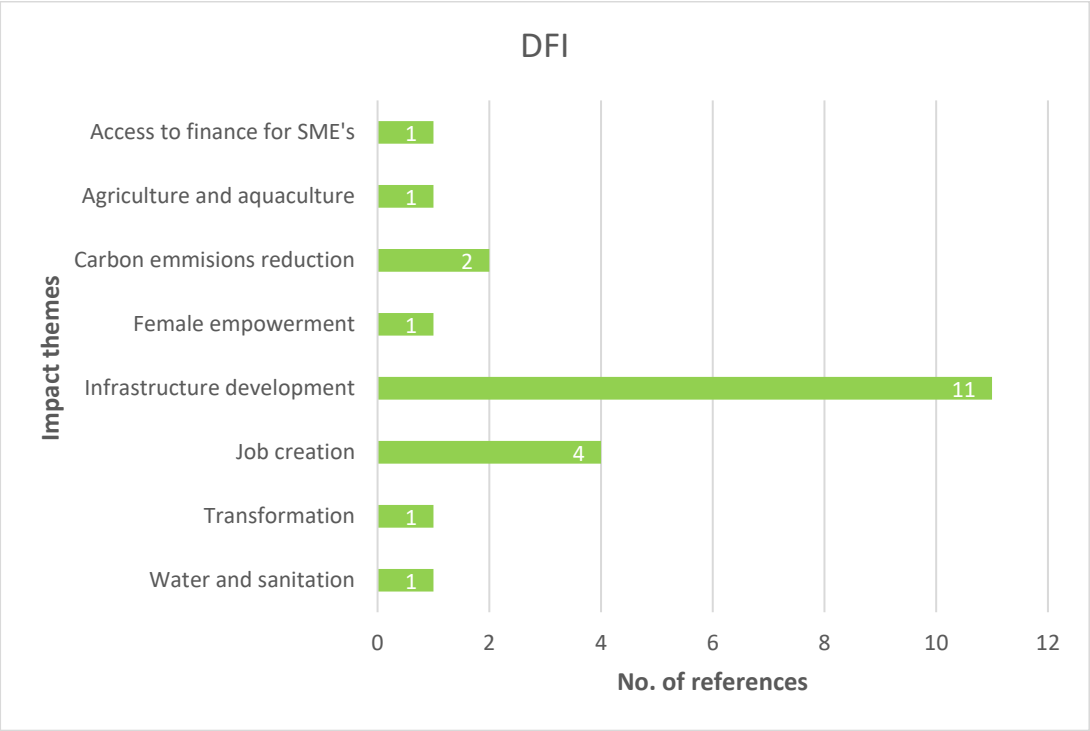
Development Finance Institutions (DFIs)

The main impact theme articulated by the four development finance institutions was infrastructure development, as portrayed in Figure 17 below. The nature of the infrastructure development included energy projects, access to transportation infrastructure, and improving roads and other bulk infrastructure. All four DFI participants referenced at least one type of infrastructure development as one of their impact objectives when asked about the intended social and environmental impacts that it aims to achieve. This was followed by the need to see an increase in job creation through their investee companies. A response by a state-owned DFI is shown below and illustrates several themes mentioned:

> *"It will be social impacts in terms of the developmental impacts of our infrastructure interventions on the continent… we look at things like jobs, households impacted and so on. And then sectorally we look at particular measures like the number of roads tarred. And then we also look at the environmental impacts as well. We're particularly interested in looking at issues like $C0_2$ emissions."*

Furthermore, two DFIs mentioned intensions to reduce carbon emissions through the infrastructure projects invested into in both the public and private sectors, e.g. through clean energy and energy efficiency projects, as well as the need to begin devising ways to measure and track the amount of carbon emissions emitted into the environment. This is particularly interesting given the impending carbon tax bill that is still in the discussion phase at national government (National Treasury, 2010, 2018).

Figure 17: Impact themes - DFIs



Source: Author's own

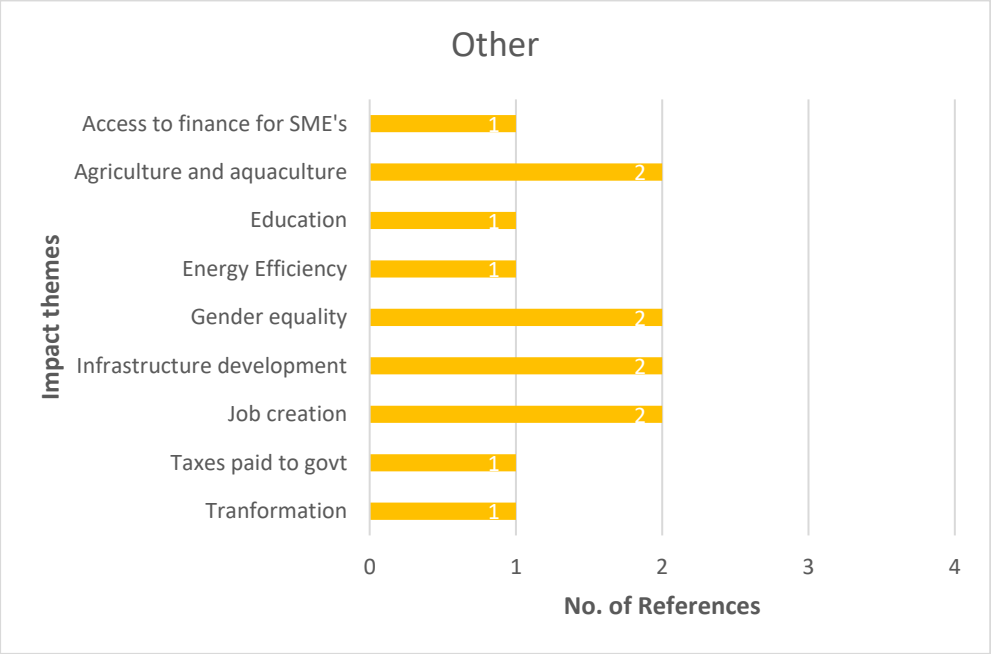
Participants categorised as "Other"

Agriculture and aquaculture, gender equality, infrastructure development and job creation are equally referenced within this category, with two references for each of these impact themes. These are demonstrated in the quotes as follows, which were made by a private credit provider and a private equity firm, respectively:

> *"It really is aiming to give people equal opportunities to do tertiary education while having an impact on their life both pre-study, during study and post study."*

> *"…our Pan African Impact Fund has seven SDGs that it focuses on, you're always going find gender equality, and you'll almost always find job creation, it's got energy efficiency in it, it's got the agricultural into it. So those become measurables in the business."*

Figure 18: Impact themes - "Other" entities



Source: Author's own

Overall, job creation and infrastructure development are the most common impact themes articulated across the four categories identified. This is followed by agriculture and aquaculture, education, affordable housing, and access to finance for SMEs.

Categories that were least mentioned by participants include changing investor perceptions on impact investing and digital inclusion. The former impact theme was described by a participant (i.e. an asset manager) as an important task that is required amongst investors in order to clarify misconceptions on the perceived greater risk of impact investments in its ability to generate market-related investment returns. Furthermore, digital inclusion was described by a private equity participant operating within the ICT sector, aiming to provide greater access to affordable network infrastructure across lower-income markets in Africa.

The impact themes identified through the research interview process were verified by cross-checking the impact themes articulated on participants websites, annual reporting and marketing material. There were no instances of inconsistencies in the information provided in the research interviews versus information found on webpages, annual reporting and marketing material.

4.1.3. Methods used in impact measurement

Impact investors use various processes, tools and frameworks in measuring their impact. This section will provide a summary and comparison of the impact measurement methodologies and tools applied by participants in this study, broken down into the four categories as follows:

DFI-funded and Non-DFI-funded fund managers (FMs)

The methods of measurement employed by DFI and Non-DFI-funded FMs are depicted in Figure 19. The collated primary data shows that customised metrics and indicators are the predominant method of tracking and measuring intended social and environmental impact objectives in both categories. The following response was received from a DFI-funded FM (operating in the agriculture sector) and a Non-DFI-funded FM, respectively:

> *"We'll send them a spreadsheet each quarter, they'll fill it in and send it back to us. They keep their own systems for job tracking and number of outgrows, etc, that they use. They just extract it, put it in a spreadsheet and send it back to us… we've got outgrowers, SMEs impacted, farms impacted, taxes etc."*

> *"So, we report on numbers of people (within investee companies) who are accessing healthcare, as well as people who are in education and literacy programs or in management training."*

This shows that these participants prefer to utilise self-devised metrics to keep track of their impact; e.g. counting the number of jobs created by a particular investee company over a specified time period, counting the number of female staff members when aiming to create a more diversified workforce, or counting the number of people accessing healthcare in a given period.

Identifying and analysing ESG risks and opportunities was the second most common method of measuring impact within both DFI and non-DFI funded categories. The five entities that applied ESG analysis applied it as a risk-based approach along with customised metrics and indicators to keep track of impact themes. This response was made by a non-DFI-funded FM:

> *"…we track ESG issues, risks and opportunities from day 1. So, from when we start looking at a new investment, all the way through exits, all the way through to due diligence, then the implementation, monitoring, and exit of an investment. We've always looked at these issues, but now it's a formalised system where we document everything. We document any risk and opportunity of an investment, that we see. And we track the monitoring of it as well."*

Figure 19 also includes the following internationally recognised impact measurement frameworks and includes illustrative quotes from participants:

- CGAP metrics and toolkits – The Consultative Group to Assist the Poor (CGAP) provides resources and toolkits to, *inter alia*, assist in customer centric impact measurement within the field of financial inclusion.

  "CGAP also has interesting ones (metrics). We've previously used CGAP, especially for MFIs. They've kind of set the standard for measuring the performance of MFIs really well…they have very good indicators for MFIs."

- IFC Edge Standard – A set of guidelines devised in partnership with the IFC for project developers to have their buildings and infrastructure utilize 20% less "resource intensity in energy, water and embodied energy in materials" in order to combat the effects of climate change.

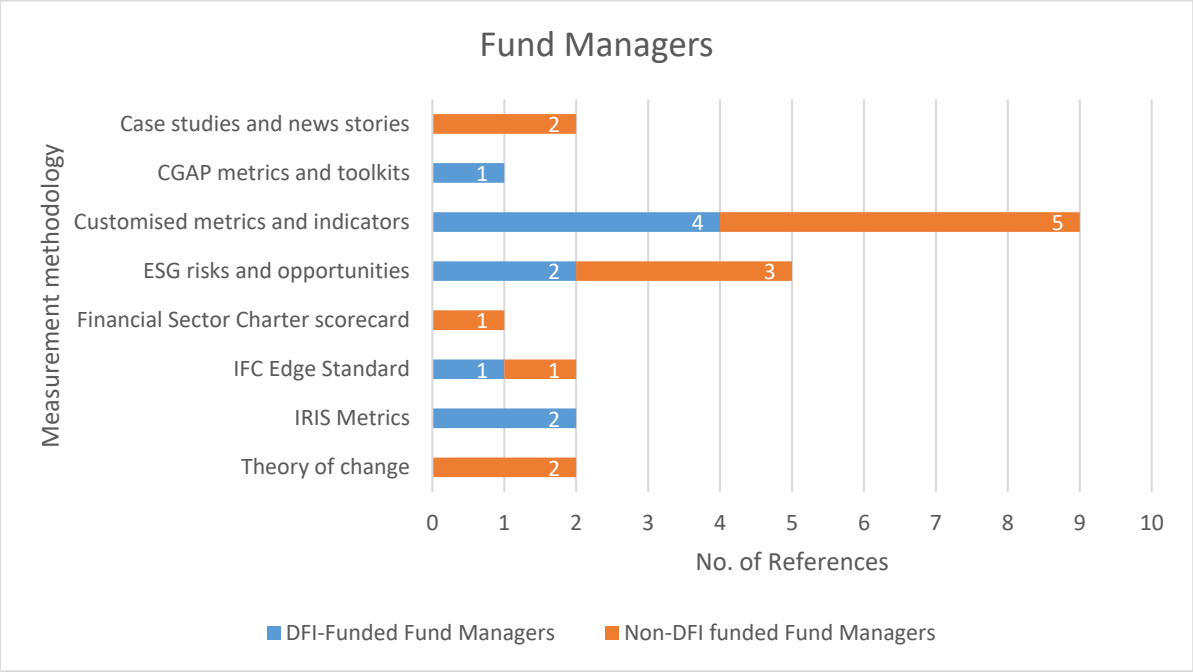
  "*I don't know if you've ever come across the IFC Edge Standard… we worked quite closely with them in developing it. It's a measure for measuring the greening of affordable housing…we submit our projects to the Green Buildings Council for accreditation pre-construction and post-construction. And we actually also measure the impact through comparing green projects to non-green projects, and reporting to our investors. So that's a very big part of what we do."*

- IRIS metrics – Impact measurement metrics and indicators designed to assist in measurement of the intended social and environmental impacts.

  "*IRIS is amazing. We use a lot of IRIS. We use UNPRI and I think those are the two most frequent ones that we use."*

CGAP and the IFC Edge Standard are both divisions of the World Bank, and IRIS is an initiative of the Global Impact Investing Network (GIIN). GIIN is a non-profit organisation to which a diverse array of impact investors are members, including international development finance institutions such as the IFC, CDC Group and ERBD. All three of the aforementioned measurement frameworks are applied by DFI-funded FMs. In addition, one non-DFI funded asset manager utilises the IFC Edge Standard in ensuring that the affordable housing units developed are green initiatives. The non-DFI-funded FMs are more inclined to use customised metrics and indicators along with ESG analysis. Thus, providing empirical evidence that DFI-funded FMs utilise impact measurement frameworks devised by their funders (i.e. DFIs) and that their measurement processes are influenced by their funders.

Figure 19: Measurement methodologies - Fund Managers



Source: Author's own

The Financial Sector Charter (FSC) scoring system is employed by a non-DFI-funded asset manager. This participant described the Financial Sector Charter as one of South Africa's first government initiatives (initially implemented in 2004 through the Financial Sector Charter Council, and later rebranded to the Financial Sector Transformation Council) intended to create a more inclusive financial services industry that aims to provide affordable financial services to previously disadvantaged members of society (*Financial Sector Transformation Council*, 2018).

Case studies and news stories as well as theory of change are two additional methods of measuring impact utilised by non DFI-funded FMs. The former was referenced by one asset manager and one private equity firm, and theory of change was mentioned by two asset managers in their descriptions of measuring intended impacts in the research interview process.

Development Finance Institutions (DFIs)

DFI participants of the study described their impact measurement methodologies as portrayed in Figure 20. Similar to the most common method explained in the previous section for DFI and non-DFI funded FMs, customised metrics and indicators also had the most references amongst the DFIs interviewed, followed by ESG risks and opportunities. The two DFIs that referenced ESG analysis utilised it in conjunction with customised metrics and indicators for tracking social and environmental impacts.

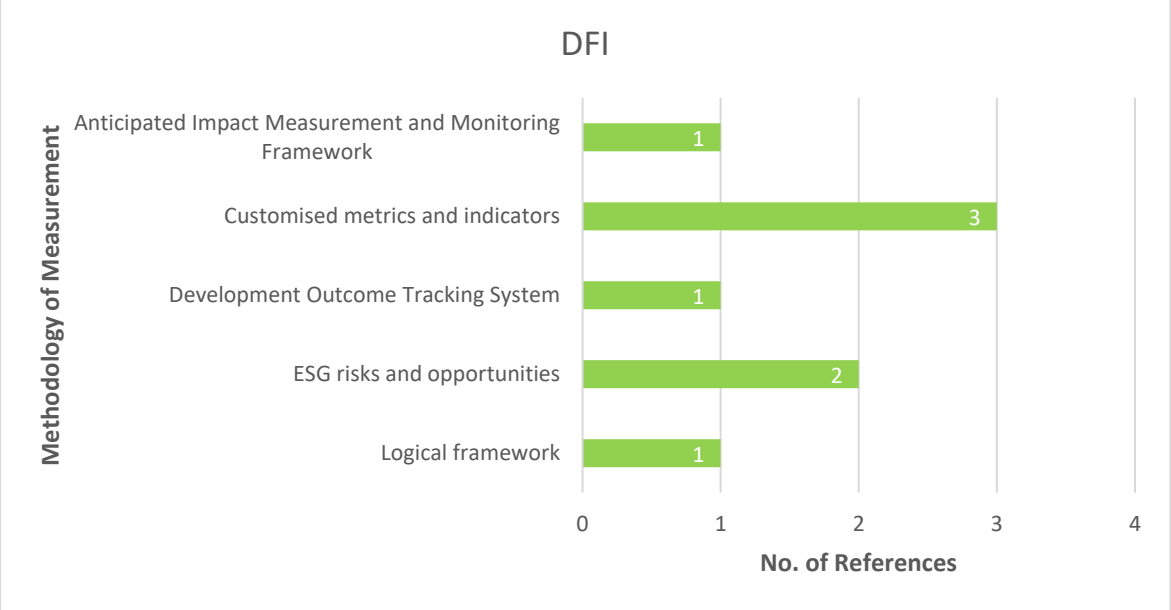
In addition, two DFI participants described internally developed impact measurement frameworks, namely the Anticipated Impact Measurement and Monitoring Framework and the

Development Outcome Tracking System. The logical framework is utilised by one DFI participant, who described the process of mapping out the input, activities, output, outcomes and long-term impacts as follows:

> *"…if you look at our appraisal report you have a results-based logical framework. Where you have the inputs, the outcomes and the expected overall impacts of the actual project in itself. And there we usually try to include indicators that could be environmental or social if it's for instance an infrastructure project."*

In comparison to the DFI-funded and non-DFI-funded FMs' impact measurement methodologies, two out of the four DFIs interviewed developed their impact measurement frameworks internally; thus, providing evidence that DFI have more time and resources in order to devise their own measurement frameworks.

Figure 20: Measurement methodologies - DFIs



Source: Author's own

Participants categorised as "Other"

Two private credit providers and two private equity firms with undisclosed funders make up the "other" participants category. As shown in Figure 21, customised metrics and indicators, ESG risks and opportunities and IRIS metrics are equally referenced within this category of the sample. The two private credit providers referenced use of the IRIS metrics, along with ESG analysis.

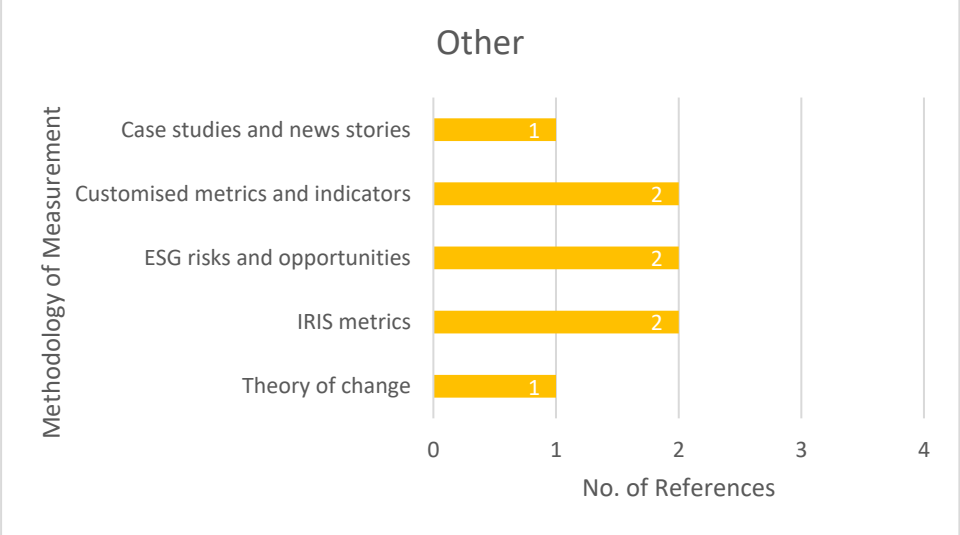
One of the two private credit providers demonstrated use of theory of change in its impact measurement methodology in its impact report. This report also included case studies and news

stories in order to further evidence impact, and also provided a means of triangulation for the information provided in the research interview.

> *"So, what we did is just a global industry practise is, once we've got our objectives, we have what we call our theory of change. We offer funding for the students, so that's our biggest input…they have access to top class education…that's essentially what the output is…we've broken down our outcomes to short-term, medium-term and long-term…Some of them start their own companies, some of them start giving back, and they successfully pay off their student loan."*

Furthermore, the two private equity firms highlighted use of customised metrics and indicators along with ESG analysis.

Figure 21:"Other" participants - Measurement Methodologies



Source: Author's own

Overall, customised metrics and indicators is the most common method used by participants across the four categories. This is usually implemented in conjunction with ESG analysis, which serves as a more risk-based approach to identifying potential social and environmental risks as well as strategies to mitigate any risks identified.

A comparison of the DFI-funded versus non-DFI-funded FMs show that those that are funded by a DFI utilise internationally recognised impact measurement frameworks, all of which have an affiliation to a DFI either through its development in partnership with a DFI (i.e. CGAP and IFC Edge Standard) or having a DFI as a member of the affiliated association (i.e. IRIS metrics and GIIN). This provides evidence that the impact measurement and tracking implemented by fund managers is influenced by the funders from whom investments are received. In addition, DFIs have shown that they employ internally developed impact measurement frameworks in conjunction with customised metrics and indicators and ESG analysis.

These findings were triangulated through additional resources obtained either through desktop research or from interview participants. One participant employed by an asset manager provided the impact metrics template used in the impact measurement process, i.e. the excel document that is disseminated to investee companies when collecting impact data that feeds into the impact and sustainability reporting. This provided an additional means of triangulation of the impact measurement process employed by this particular participant. However, for the rest of the primary data sample, additional available resources for verification of primary data were obtained from the websites of participants.

4.1.4. Challenges in impact measurement and reporting

Table 1 below summarises the list of challenges in impact measurement highlighted by the participants during the research interview process. The full list of challenges did not apply to all participants. Therefore, the table shows the breakdown of those challenges relevant to the respective categories, namely, DFI-funded FMs, non-DFI-funded FMs, DFIs and "other" entities.

Table 1: List of challenges identified in impact measurement

Challenges referenced by interview participants	DFI-funded FM	Non-DFI-funded FM	DFI	Other
Data collection and ensuring accuracy of data	✖	✖	✖	
Investee companies are often not impact focussed	✖			✖
Inability to emphirically evidence impact	✖			
Investors each have their own preferences for reporting	✖	✖		
Lack of standardisation in measurement of impact	✖	✖	✖	✖
Resource and skills shortage in staff that have expertise in impact measurement	✖	✖	✖	✖
Theoretical nature of theory of change makes it difficult to apply in practise		✖		
Measuring and verifying quality of jobs created is difficult in hybrid economy with formal and informal sectors		✖	✖	
Attribution of impact outcomes		✖		

Source: Author's own

Data collection

Collecting accurate impact data from investees, in a timely manner was a challenge referenced by DFI-funded FM, non-DFI funded FM and DFI participants. A common reference made by these interviewees included the difficulty experienced in collecting accurate impact data from reporting by investees. An example is illustrated below:

> *"I think data collection is quite difficult. And I would say, especially with the schools, setting targets going forward. Education impact is the most important thing for us, to improve the quality of education in South Africa… data collection and how to tell the story, because you*

are doing this good and you are investing and there is impact, but you have to tell the story and make sense of it and put it out to market."

This in turn leads to confusion and lack of clarity as to whether the investments made are having the intended positive impact. DFI-funded and "other" participants also highlighted the fact that investee companies are often not consistently impact focussed and lose interest in reporting on their impacts after they've received investment funding, thus augmenting the difficulties in collecting accurate impact data. One of these participants purported as follows:

"in some SME's their businesses are less sophisticated, and so there is a tendency to be a little bit lacks daisy in reporting."

Impact measurement process

Selecting and devising suitable and relevant impact metrics, indicators and processes to implement as part of impact measurement is challenging. A DFI-funded FM referenced that empirically evidencing their impact is challenging. Other participants referenced similar challenges and provided the following reasons:

- DFI and non-DFI-funded FMs pointed out that their various funders each have their own reporting requirements, which means that they have to report their impact findings in different formats and apply differing frameworks, as required by each funder. This is often time-consuming and expensive for smaller players in the industry who are operating with limited resources. The following statement was made by a private equity firm:

  "…the challenge for us is that we have investors each with their own requirements and…we also have some bespoke reporting to our investors. And private equity investors are by nature usually quite small firms and you end up spreading your capabilities in terms of measuring and reporting on these things quite thin, and then you end up only being able to do a really surface-level sort of report."

  DFIs did not mention this as a challenge. One rationale for this is that they are often the entities imposing the impact reporting requirements on fund managers (i.e. their investees).

- The lack of standardisation in impact measurement processes and reporting, as well as the shortage of appropriate skills amongst the staff compliment of impact investors, are challenges referenced by all four categories of participants. These comments were made by two DFI-funded private equity firms, respectively:

  "So, the biggest challenge faced is that there is no standard…it is developing a set of agreed formalised metrics."

"It's really difficult. Which is part of the reason why we got PRI and Ibis involved. Because we haven't got a clue. We'd have to get someone who sees these problems on a day-to-day basis."

- Two non-DFI-funded fund managers stated that they've started looking into applying the theory of change in their impact measurement process, but that the theoretical nature of the concept often makes it difficult to apply in practise, and further described the ambiguity and assumptions that needs to be made when attempting to differentiate and then track outputs, outcomes and impacts of their investments. One of these participants stated the following:

  "my initial engagements with the theory of change was that it is very theoretical. It's a challenge…you need to be able to distil it into something more digestible by a non-specialist at an asset-level, who can actually go and run with collecting the information and running the actual process. And it's that step away from the deep theory, to a practical, useable method for a non-specialist."

- Furthermore, two non-DFI-funded FMs and two DFI-funded FMs expressed the importance of verifying the sustainability and quality of the jobs they were tracking over time. All of these participants highlighted the difficulty in conducting the verification of jobs created because of the temporary nature of some of the investments (e.g. construction of road infrastructure where the project is executed over a set period with a pre-specified end date) or due to the informal nature of the businesses that are receiving microfinancing (e.g. funding provided to informal traders for expansion).

  "…we prefer to take the approach of verifying job creation. Now obviously it's not feasible to verify all one hundred jobs…the job needs to last. We don't just want to create a job that's going to be there for three months and then the person is out on the street again. Sustainability is important, and decent employment. We want to create jobs where people are earning above the minimum wage."

Attribution

Two non-DFI-funded asset managers highlighted attribution as a challenge, as they find it difficult to determine whether the positive social and environmental impacts identified were directly attributed to their investment, especially if one investee is funded by more than one impact investor. The response provided by one of these participants is as follows:

"Then another challenge is the attribution piece. Some things are quite easily attributable to your investment…we can report on the gross number of jobs. Some stuff is not so easy. For example, health and safety record for example. There you can't just apply your

percentage shareholding to your number in terms of health and safety record because it's illogical. Mathematically it doesn't make sense. So, you've got to somehow articulate a fair representation of you input, support and influence which may have resulted in that positive outcome."

4.1.5. Themes drawn from primary data analysis

This section provides a summary of the main themes drawn from the qualitative data collected in the research interview process. Table 2 shows a breakdown of the main themes per category of participant.

Table 2: Summary of themes drawn from research interviews

Themes and concepts drawn from research interviews	DFI-funded FM	Non-DFI-funded FM	DFI	Other
a.) Alignment to SDG's and NDP				
Impact themes aligned to SDGs	✖	✖	✖	✖
Strategy aligned with government developmental impact focus			✖	
b.) Participants' views on impact measurement				
Participants try not to overdburden investees with rigorous impact measurement	✖	✖		
Employing resources to impact measurement is costly and time intensive	✖	✖	✖	
South African investees are better at reporting on impact than non-SA investee entities	✖	✖		
Private sector investees are better at reporting on impact than public sector investee entities (e.g. municipalities)			✖	
c.) Funders' influence on participants impact focus				
Impact intentions and measurement focus adopted from funders	✖			
Investee companies are requested to appoint an ESG or Impact Analyst internally	✖			
Third party consultants are used in measuring S and E impacts		✖		✖
Participants are working to improve and integrate impact measurement methods and reporting as per requirements by different funders	✖	✖		
d.) Setting and assessing impact objectives				
Pre-determined impact reporting requirements are set in deal mandates	✖	✖	✖	✖
Greater focus on post investment analysis and appraisals of a project			✖	
Participants are working on improving systems used in capturing impact data	✖	✖	✖	✖
Participants incorporate measurement of negative impacts and externalities		✖	✖	
e.) Sustainability of impact				
Strong focus on measuring outputs than longer-term sustainable impact	✖	✖	✖	✖
Retaining jobs is important in job creation		✖	✖	

Source: Author's own

a.) Alignment to SDGs and NDP

Participants in all four categories have referenced alignment to the SDGs in their impact themes identification and impact measurement processes.

The SDGs referenced amongst these participants include:

- SDG 3 – Good Health and Well-Being
- SDG 4 – Quality Education

- SDG 5 – Gender Equality
- SDG 8 – Decent Work and Economic Growth
- SDG 11 – Sustainable Cities and Communities

The most common SDG of the aforementioned list is SDG 8, "Decent Work and Economic Growth". This is illustrated by the follows statement made by a private equity firm with undisclosed funders:

> *"…for example, we're always saying, we'll take all 17 SDGs for example, then our Pan African Impact Fund has seven SDGs that it focuses on. You'll always find gender equality, and you'll almost always find job creation, that's got energy efficiency in it, it's got the agricultural into it."*

This is in line with the most common impact theme identified in section 4.1.2 above, i.e. job creation. However, the two state-owned DFIs interviewed confirmed that they align their developmental impact themes and intentions to South Africa's national development agenda, and did not mention the SDGs:

> *"…because of our developmental mandate, one of the main things that we look for which is part of development, is job creation. Not that all deals we make have to create jobs, but the reason why we are so focussed, because remember our focus is basically aligned to government strategy."*

b.) Participants' views on impact measurement

DFI and non-DFI funded FMs articulated that they strive not to over-burden investee companies with rigorous impact measurement procedures. This is due to the lack of time and resources available to investees to implement in-depth measurement frameworks and processes, e.g. mapping out a detailed theory of change and updating progress on achieving set impact objectives on a regular basis. These participants have also emphasised implementing a collaborative approach wherein investees are given the space to demonstrate their impact without the additional pressure that comes with potential legal consequences contingent upon potential breaches of mandated requirements. This is illustrated by the following comments made by a DFI-funded private equity firm when discussing the difficulties faced by investees:

> *"So, they're focussed on really getting the product out there and working out there, and you don't want to overburden them with very complicated and hectic procedures around measuring impact. So, we try as much as possible to work with the business and see what is easy for them to collect or provide in terms of indicators. And so, it's not a matter of coming up with indicators and 'you have to report them'. It's more of a collaborative kind of process."*

DFI and non-DFI funded FMs find that South African investees are better at reporting on their impact than non-South African counterparts. A lack of resources, skills and expertise were some of the reasons provided by participants. However, DFIs expressed the view that private sector investees are better at measuring and reporting on their impact than public entities such as state-owned entities and municipalities. Here are two separate comments made by one state-owned and one private DFI, respectively:

> *"Once you have a project, it's getting that monitoring information, that's where the key problem for us currently lies. Because we put together the indicators, we know what we want to measure. At municipal level it's really difficult to gather the information on monitoring of projects. On private sector projects it's a lot easier. It's gathering of the information consistently at the municipal level in the public sector which is the most problematic for us."*

> *"…usually when you deal with public sector the capacity isn't as strong. And it might be more difficult to collect the data and get a good baseline data already from the beginning to ensure adequate reporting throughout. Whereas when you have private sector clients, they typically have more enhanced capacity because they might have more financial resources etc. So, you might actually get more, and better data from them."*

c.) Funders' influence on participants impact focus

DFI-funded FMs disclosed that having impact objectives and measurement thereof is required in order for them to receive funding from DFIs. This was expressed by three DFI-funded FMs as one of the reasons for their impact focus, and for the method of impact measurement employed. Two DFI-funded private equity firms made the following statements when asked about intended social and environmental impacts that it aims to achieve:

> *"…we primarily target returns but then we have this impact edge to us, we care about impact because of who our investors are. We have a lot of Scandinavian development finance institutions...these guys care about impact."*

> *"…we raise most of our money from big multinational DFIs and these guys want a double bottom line as they call it. They want social and environmental impact, and they want a return. So, our business case is based on the impact of providing housing, providing green housing, creating employment, health and safety."*

These participants also highlighted that they had recently appointed an internal ESG specialist to focus solely on tracking ESG risks and opportunities, and track specified and customised impact metrics through close liaising with investee companies. One DFI-funded private equity firm further mentioned that appointing an internal resource has helped significantly in streamlining the ESG analysis and reporting process:

"I think bringing in our internal ESG Manager has made a fantastic difference. She's gone to every company all over Africa to see them, to build relationships with them. And I think she's got a lot of respect from them. And when we put an in-house ESG guy there, whose job is 100% ESG then it's easy."

However, Non-DFI funded FMs and "other" participants disclosed that instead of appointing an ESG specialist internally, they utilised a third party ESG consultant to assist with ESG analysis and strategy.

DFI-funded and non-DFI-funded FMs are striving to integrate and improve their impact measurement processes and align to the requirements set out by their funders. Furthermore, participants in all four categories mentioned that they were working on improving their data collection process (e.g. through developing online portals to which investees will enter their impact data) and adopting better processes to align with their funders reporting requirements. Here are comments made by one DFI-funded and one non-DFI-funded FM:

"We have a full list of development funders who are very interested to see impact…We have these (measurement) conversations with our investors on a regular basis. In fact, we're meeting with the impact team of one of our investors here in the next couple of weeks. So, what we've said is let's try and work together to deepen the way in which we measure these things."

"So, the next step is to scale on the excel-based system and it is difficult…We're actually in a program right now of putting in an ESG data capturing management system. Which is an online system, where our assets will be able to put their data in themselves directly online. So that's kind of our next step. And then it's the reporting of that. And there's various ways that you can analyse and package the data.

d.) Setting and assessing impact objectives

Participants across all four categories set impact objectives in the deal mandates issued to their investee companies. Therefore, the intended impact themes and objectives articulated by investees are written into the legalese of deal documentation drawn up by their investors (i.e. participants to this study). This is done in order to hold investees accountable for their impact objectives and to provide clarity on their impact reporting requirements. This statement was made by a DFI-funded private equity firm:

"…job creation metrics are built into loan and credit agreements as legal covenants, terms and conditions and as a condition of receiving financial support. Thereafter, SMMEs are required to submit their payroll records to the fund that tracks the number of permanent employees within the organization. This is then compared to the number of employees employed at the date the financial support was given to the SMME."

In addition, DFI participants highlighted that they have moved towards a greater focus on post investment analysis and appraisals of the projects they invest in. Historically, there has been more focus on pre-investment analysis on the estimated impact that a particular project is expected to generate, with less focus on the actual outcomes at the post-investment stage. Three of the four DFIs interviewed expressed a need for resources allocated to assessing impact at the post-investment stage. The following statement was made by a DFI:

> *"But we also have a unit…called the Post-Investment Monitoring department. That unit's role is exactly that, post-investment. So, they are managing both in terms of investing the money, getting the money back, but also monitoring all the conditions that need to be met. So, they visit the client, I know that the minimum standard is for them to visit the client at least once a year. And just make sure that everything is going according to plan, conditions are being met and those sort of things."*

In addition, one non-DFI-funded FM and one DFI emphasised the measurement and tracking of negative impacts and externalities on their investments. None of the other participants interviewed referenced tracking of negative impacts and focussed on positive outcomes. The following statement was made by a DFI:

> *"The other element that we are trying to add to our framework is, before the framework was trying to capture direct impacts of our project. But now what we are trying to do increasingly is to try to estimate or measure the indirect impact."*

e.) Sustainability of impact

One non-DFI funded FM and one DFI emphasised the importance of sustainability in jobs created. In tracking the number of jobs created through a particular investment, the duration of the employment contract is important to them, and they work actively to keep track of how long the jobs created last, as well as the long-term effects of the quality of life of the employees. The non-DFI funded FM mentioned that the level of sustainability is tracked through surveying and interviewing a sample of employees:

> *"We look at permanent jobs…so the job needs to last. We don't just want to create a job that's going to be there for three months and then the person is out on the street again. Sustainability is important…We try and pick a handful of those beneficiaries to interview. So, we try and gather what their personal journeys are, where they're from, how they ended up landing a job with the investee company, how that job has managed to change their life."*

Participants across all four categories focus on the output level of the impact they generate, i.e. the number of outputs created through their investment. Most participants utilise customised

impact metrics and indicators to measure their impact by counting, e.g. the number of jobs created, the number of affordable homes constructed, the number of female staff employed in management roles, or the value of investment flows to finance impact-focussed SME's. Overall, there is limited focus on the longer-term impact and sustainability of their positive social and environmental impact.

4.1.6. The level of transparency amongst participants

Impact investors that are transparent in their reporting on impact metrics and findings catalyse industry growth through disclosure of the positive change that is fostered through their investments. The responses to question 12 of the research interview questionnaire are summarised in Table 3, which provides insight into the levels of transparency for each category of participants interviewed.

Table 3: Transparency indicators

Transparency in impact reporting	DFI funded FM	Non-DFI-funded FM	DFI's	Other
Impact reporting only shared internally	4	2		2
Impact reporting shared publically	2	4	4	2
Total	6	6	4	4

Source: Author's own

DFI-funded FMs comprise of 6 private equity firms, and a common response to questions regarding public disclosure of impact reporting within this grouping included that impact metrics were only shared with investors and not made available publicly, in order to maintain confidentiality and competitive advantage.

Non-DFI funded FMs comprise of 4 asset managers and 2 private equity firms. Three out of the 4 entities that publicly disclose their impact reporting are asset managers, indicating a greater willingness for transparency amongst asset management firms. Furthermore, all 4 DFIs publicly disclose their impact reporting to the public. Thus, demonstrating that DFIs are the most transparent in sharing information on their impact reporting.

Furthermore, it must be pointed out that the publicly available impact reporting is collated and provides high-level indications of the progress made in terms of achieving intended impacts. This allows for anonymity amongst the entities involved and avoids breaches of confidentiality.

4.2. Secondary data analysis

This section of the report presents the findings of the secondary data analysis, which involved reviewing online content collected through desktop research such as the webpages, articles, impact reporting and sustainability reporting of 6 impact investors. These findings will be used in conjunction with the primary data analysis findings in a combined review that will be summarised in section 4.4. below.

4.2.1. Identifying as an impact investor

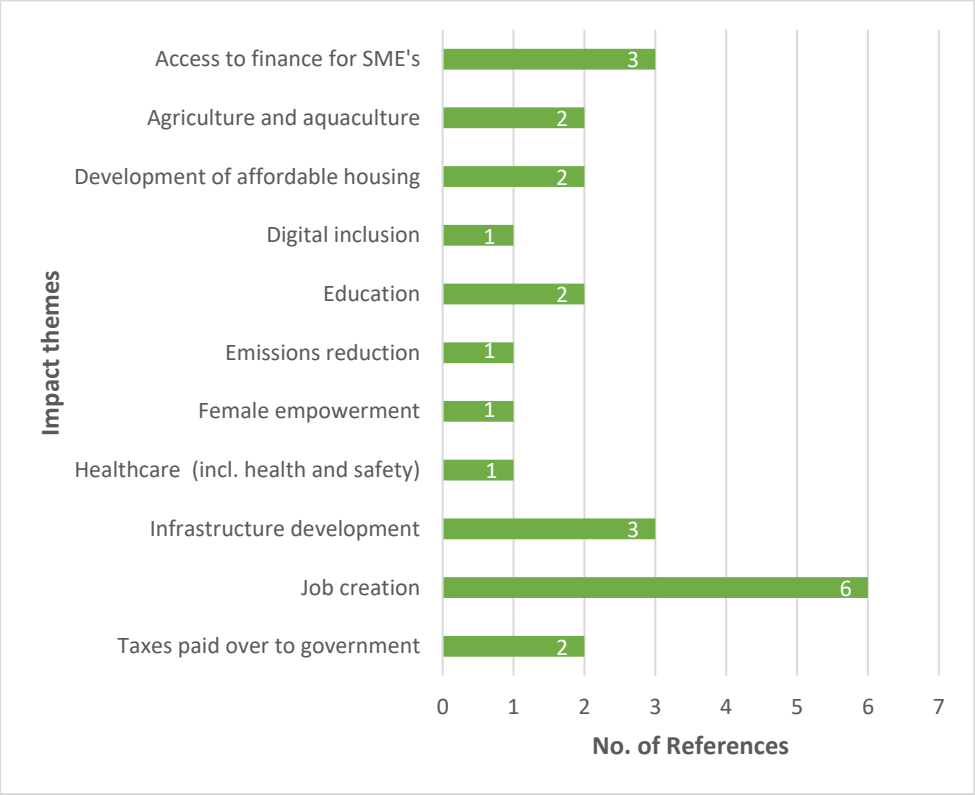
Upon reviewing the secondary data collected, evidence was found to confirm that all of the 6 entities earmarked for secondary data inclusion in this study identify as impact investors. All 6 entities describe the pursuit of social and environmental impact goals in addition to financial returns. The secondary data provided sufficient evidence that all 6 entities measure and track their impact, which will be described in the sub-sections that follow. Illustrative quotes are included as follows, and are anonymous quotes from two DFIs and one asset manager, respectively:

> "*We also aspire to be the pioneering impact investment firm in the region with impact data assurance and application of blockchain technology to record and verify our impact.*"
>
> *"The investments have concentrated on Renewable Energy (RE), Financial Institutions (FI) and agriculture (agribusiness investments are classed as Industrial Partnerships (IP) together with some other high impact direct investments). In addition, Small and Medium Sized Enterprise (SME) funds constitute a separate investment area to support the development of local small and medium-sized enterprises across a range of sectors."*
>
> *" Our vision is to positively impact low- and middle-income households in emerging and frontier economies in areas such as job creation, food and agriculture, housing, and energy."*

4.2.2. Articulated impact themes

The impact themes and objectives articulated in the secondary data are summarised in Figure 22. As per the primary data analysis, the references collated for each theme demonstrate the number of times each theme was articulated in the literature reviewed; where one participant may have mentioned an impact theme more than once, but no theme was categorised for the same participant more than once. The data shows that job creation and infrastructure development were referenced the most in the literature reviewed. This was followed by improving access to finance for SME's, and then agriculture and aquaculture, development of affordable housing, education and taxes paid to government.

Figure 22: Secondary Data - Impact Themes

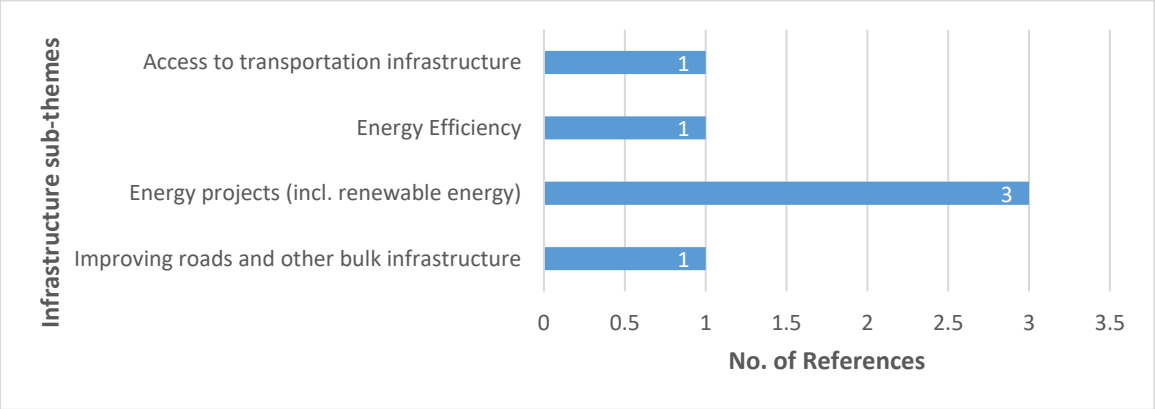


Source: Author's own

The two entities that referenced taxes paid to government both mentioned these metrics as indicators of indirect impact, and as an indication of the positive effects of the investment on the livelihood of end beneficiaries.

Although the secondary data provided less specific detail for each theme than the primary data, it provided some specificity in the types of infrastructure development implemented by the sample. This is depicted in Figure 23 below, showing that the development of energy projects is the most referenced amongst the types of infrastructure development invested into by the sample.

Figure 23: Secondary Data - Infrastructure sub-themes

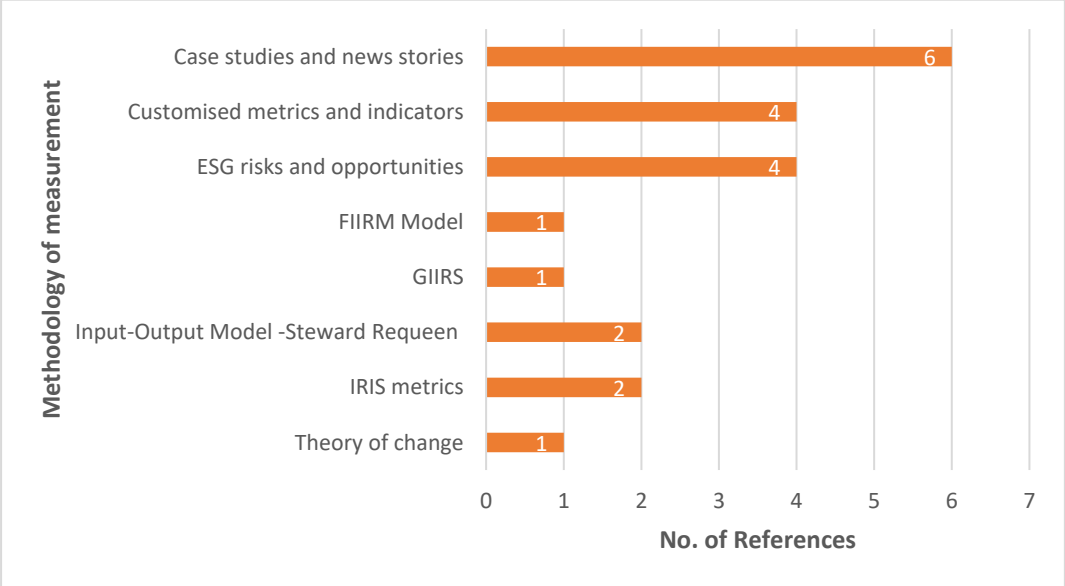


Source: Author's own

4.2.3. Methods used in impact measurement

In reviewing the literature for the methodologies applied in measuring impact, case studies and news stories came through in all 6 of the entities. One entity in the sample articulated in its measurement methodology report that evidencing impact through storytelling is one of the most convincing ways in which readers can understand complexity, particularly information of a qualitative nature. It also provides an opportunity to describe context, which other methods of demonstrating impact do not allow for as easily. Case studies are often presented within impact reports, or on the company websites with photographs and transcribed interviews or comments from investees or end-beneficiaries.

Figure 24: Secondary Data - Methods of measurement



Source: Author's own

Customised metrics and indicators as well as ESG risks and opportunities are also a common method of measurement, where, similar to the primary data participants, the two methods are

used together. IRIS metrics are referenced by two entities, also used in conjunction with ESG risk and opportunities assessments.

The input-output model was referenced in 2 out of the 6 entities reviewed and involves measurement of direct and indirect social and environmental impacts. Furthermore, it utilises client impact data reported and macro-economic statistics which feed into input-output tables, and are used to:

a.) track the flows of cash and goods through an economy, and
b.) demonstrate the connections and inter-dependencies between the various economic sectors within an economy; i.e. the connections between suppliers and consumers.

Both entities reviewed mention job creation as a direct impact that is tracked by this model; and taxes, salaries and profits as an indirect impact. In addition, there are intended impacts which are unique to each, such as greenhouse gas emissions reduction and semi-skilled versus unskilled employment.

The less common methodologies in the sample include the FIIRM model, which is an impact measurement framework with key performance indicators across Financial, Impact, Innovation and Risk Management dimensions, devised by a profit-with-purpose enterprise for the financial services sector. It also includes the Global Impact Investing Ratings System (GIIRS) fund rating methodology, which is a third-party assessment that can be completed by an employee of the impact investor, and covers measurement in three main focus areas, namely the:

1.) overall business model and its ability to create positive social and environmental impact,
2.) overall impact within operations; i.e. within governance, workers, community and environment,
3.) measurement of the funds' impact intentions.

Lastly, theory of change was referenced by one entity as a means of identifying and articulating upstream and downstream impacts across the value chains within which it operates, and across economic sectors.

4.2.4. Challenges in impact measurement and reporting

The challenges articulated through the secondary data are summarised as follows:

Firstly, the ex-ante impact assessments often differ from the ex-post evaluations that provide evidence of the actual impact realised. In particular, the input-output methodology provides rigorous statistical estimations of direct and indirect impacts that are often done prior to investment; this can differ significantly from the impact metrics and findings demonstrated post investment.

Secondly, the accuracy of the impact metrics and indicators depends significantly upon the quality of the data reported by investees and other data sources utilised in the various methods of measurement. Verifying the quality of data collected is challenging as impact investors often do not have the resources to implement additional checks and controls in order to verify and correct any inaccurate data collected.

Lastly, one entity in the secondary data sample referenced the difficulty in measuring the long-term impact on end beneficiaries, articulating this as measurement of "the last-mile impact". Due to the various external factors affecting and influencing whether long-term impact is achieved, it is difficult to determine the extent to which a particular investment, or portfolio of investments, contributes to achieving long-term sustainable impacts of targeted end beneficiaries.

4.2.5. Themes drawn from secondary data analysis

a.) Alignment to the SDGs and NDP

In analysing the secondary data for references to the SDGs, 5 of the 6 entities in the sample highlighted their alignment to the SDGs. The most commonly referenced goal was SDG 8 (Decent work and Economic Growth), which was referenced by 3 out of the 5 entities. This coincides with the most common impact theme that emerged in section 4.2.2.; i.e. job creation. The SDGs mentioned by more than one of the 5 entities include:

- SDG 1: No Poverty
- SDG 3: Good Health and Well-Being
- SDG 5: Gender Equality
- SDG 7: Affordable Clean Energy
- SDG 8: Decent Work and Economic Growth
- SDG 9: Industry, Innovation and Infrastructure

Furthermore, one entity made reference to aligning with the NDP, emphasising the importance of infrastructure development, and improving access to affordable housing and education. They provided case study evidence of the projects developed within these sectors.

b.) Distinction made between output, outcomes and impact

The theory of change makes clear distinctions between input, activities, outputs, outcomes and impact (further explained in section 2.3. of the Literature Review). Four of the 6 entities reviewed make these distinctions in their impact reporting; one of them makes reference to the logical framework.

c.) Client satisfaction surveys

One entity in the sample made reference to conducting client satisfaction surveys in order to determine the level of satisfaction that investee companies experience. According to the literature reviewed, this is an effective method of obtaining feedback regarding the strength of the partnership between the impact investor and the investee company(ies). However, no other entities in the sample referenced methods of monitoring the engagement between impact investor and investee companies.

4.2.6. The level of transparency amongst participants

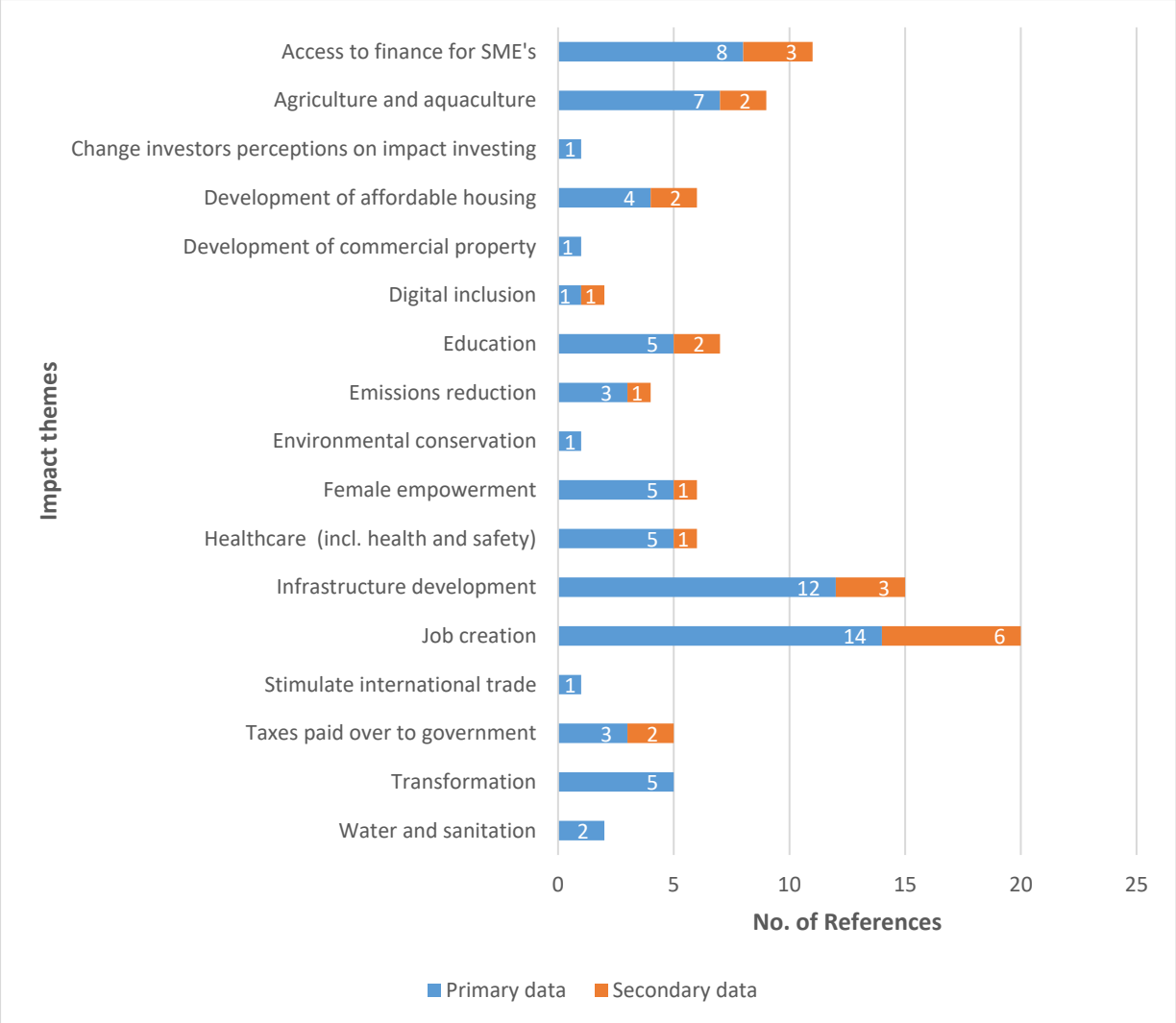
All of the 6 entities that make up the sample of secondary data have publicly disclosed their impact metrics as well as elements of their impact measurement methodologies. Some of the methods are disclosed in more detail than others, and those that mention globally recognised standards of measurement such as the IRIS metrics and GIIRS fund rating system provide further insight into its usage amongst South African impact investors.

4.3. Discussion of findings

This section compares the primary and secondary data findings in order to demonstrate similarities, differences and other notable elements evident in the analysis. It summarises the impact themes that South African impact investors strive toward, as well as the impact measurement methods used. In addition, it compares concepts and frameworks highlighted in the literature review to the findings of the research study, to show whether South Africa's impact measurement practises differ from those applied in developed markets.

4.3.1. Primary vs Secondary data findings

Figure 25: Impact themes - Primary vs Secondary data

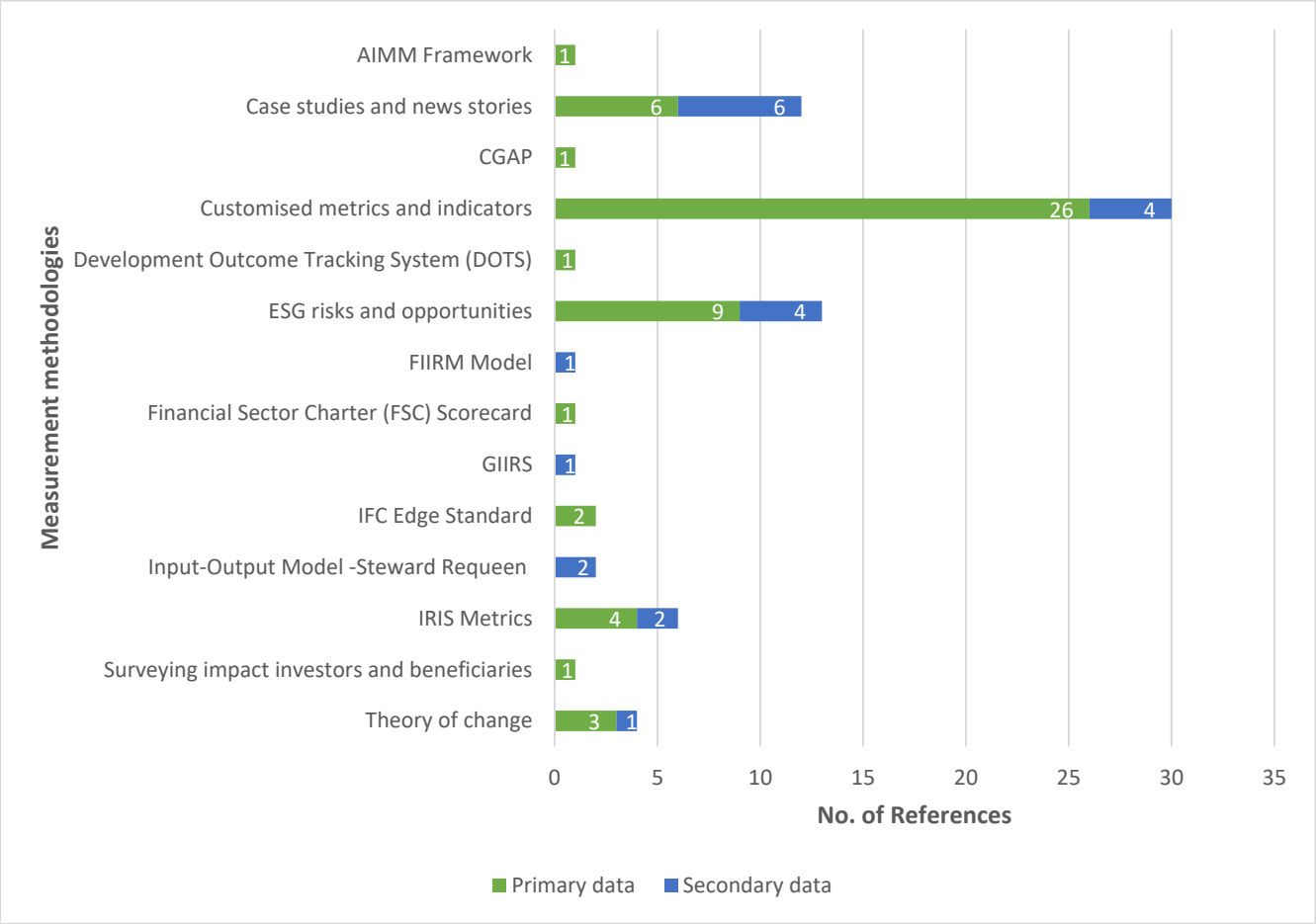


Source: Author's own

Job creation was the most common impact theme in both the primary and secondary data. This shows that South African impact investors view job creation as an important catalyser for positive impact. This is also evidenced by the fact that the most common SDG referenced in both the primary and secondary data samples was SDG 8, i.e. decent work and economic

growth. Furthermore, analysis of the primary and secondary data samples reveals a common theme, namely that participants align their impact intentions to the NDP and SDGs, showing a conscious attempt by South African impact investors to contribute to achieving local and global developmental goals. Access to finance for SME's and infrastructure development are the other two dominant themes for both primary and secondary datasets. These themes are consistent with the objectives set in the NDP as well as the SDGs.

Figure 26: Measurement methodologies - Primary vs Secondary data



Source: Author's own

Customised metrics and findings as well as identification of ESG risks and opportunities are the dominant methods of impact measurement in both the primary and secondary data, with 10 out of 20 participants in the primary data sample operating as signatories of the PRI when applying ESG analysis in their impact measurement processes. The ESG principles are applied alongside the use of customised metrics and indicators that relate to the targeted impact themes. This is consistent with the findings demonstrated by the UN PRI (2019) and McCallum (2018) within the literature reviewed in section 2.5 of chapter 2. IRIS metrics are used by 4 participants in the primary data sample (2 DFI-funded FMs and 2 private credit providers within the "other" category of participants), while 2 entities in the secondary data sample reference the

use of IRIS metrics. One entity in the secondary data sample referenced the use of the GIIRS as their method of measuring impact. However, case studies and news stories as a means of evidencing impact was the most common method of measurement in the secondary data sample.

A comparison of these findings with the Global Impact Investing Network's (GIIN) impact measurement and management (IMM) survey (2017) shows that South African impact investors are less inclined to use internationally recognised impact measurement tools, particularly the IRIS metrics, which is the most commonly used impact measurement tool cited in the findings of the GIIN IMM 2017 survey. However, the PRI is a more commonly used ESG measurement tool amongst South African impact investors and is referenced by 35 out of 165 respondents in the GIIN IMM 2017 survey. Additionally, similar to the GIIN IMM survey respondents, South African impact investors are aligning to the SDGs, and use them as a guideline in the targeted impacts that they intend to contribute towards through their impact investments.

4.3.2. Strong focus on tracking outputs as opposed to long-term impacts

The theory of change was referenced by few participants in both the primary and secondary data samples, i.e. 3 and 1 references respectively, showing that not many participants utilise in-depth analysis of inputs, activities, outputs, outcomes and impacts as a means of measuring impact. There is more of an emphasis on measuring and tracking outputs through identifying relevant customised impact metrics and collecting the metrics data from investees, along with tracking ESG risks and opportunities. This is in line with the Ebrahim's (2013) school of thought in the literature reviewed in chapter 2, which postulates that implementation of theory of change is often time-consuming, expensive and impractical - where counting outputs is a more viable means of tracking impact.

Furthermore, the primary data shows that 2 participants (one non-DFI-funded FM and one DFI) made reference to sustainability in the jobs created through their investments. So and Staskevicius (2015) posit that impact metrics such as IRIS and GIIRS focus more on the output level of the theory of change, thus encouraging more focus on shorter-term impact goals. This detracts from impact investors focus on striving to achieve longer-term sustainable impact. Although measuring impact by tracking outputs is notable progress, more needs to be done in order to foster sustainable impact. This can be done through standardised regulation on impact measurement, that requires provision of short and long-term evidence to demonstrate the impact an investment has had on society and the environment.

4.3.3. Funders influence on impact investors

The findings of the primary data analysis provide empirical evidence that DFI-funded FMs employ the impact measurement tools, frameworks and methodologies devised by their DFI funders. Therefore, it can be inferred that the impact measurement processes implemented by DFI-funded FMs are influenced by their funders. Three out of 4 DFI-funded FMs referenced use of an impact measurement tool or methodology devised by a DFI and highlighted the fact that use of these methodologies is required by their DFI-funders. These funders set specific impact measurement and tracking objectives within deal mandates and require periodic reporting on the impact of their investments.

4.3.4. Positive bias in impact measurement

Reeder and Colantonio (2013) discuss the prevalence of positive bias in impact measurement, where negative impacts and externalities are not incorporated into measurement processes and frameworks applied in practice. The primary data analysis brought to light that 2 participants (one non-DFI-funded FM and one DFI) referenced tracking negative impacts and externalities in addition to positive impacts, showing a potential positive bias within the primary data sample, where a large proportion of the sample did not consider this as an important element of their impact measurement process. The secondary data reviewed made no reference to the tracking of negative impacts.

Nieuwenkamp's (2017) concept of "SDG washing" emphasises the need to be cognisant of potential unintended negative impacts of investments. Alignment to SDGs by participants was a common theme that came through in both the primary and secondary data samples of this study. Therefore, South African impact investors need to evidence that the negative impacts of their investments are well considered and minimised as far as possible.

4.3.5. Application of the Five Dimensions of Impact

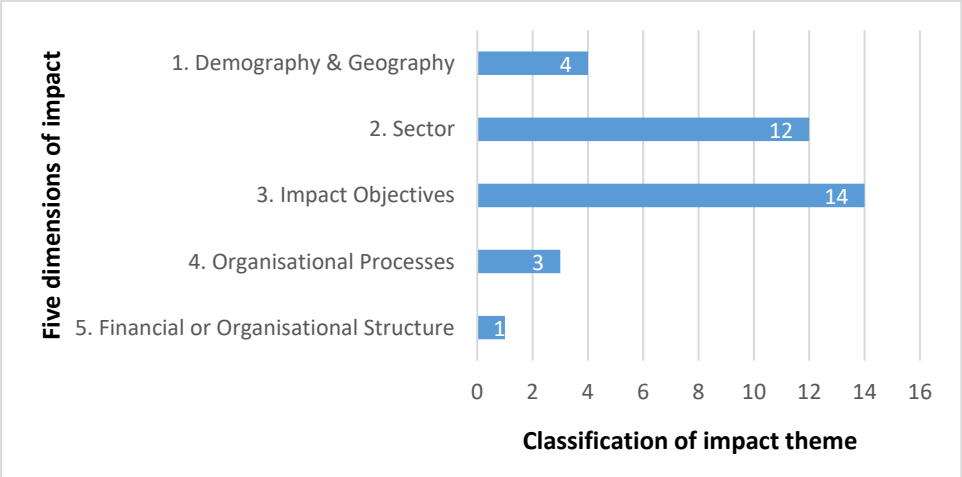
The five dimensions of impact described in section 2.3 of the literature review were applied to the impact themes described by research interview participants within the primary data collected. However, the secondary data collected did not provide sufficient detail in order to make these categorisations.

The responses to question 2 of the interview questionnaire provided much of the applicable data, which was categorised into the five dimensions as depicted in Figure 27 below. Each participant could have more than one dimension applicable to their impact themes, e.g. one participant could describe their impact in terms of "impact objectives" (such as taxes paid to government) and in terms of economic "sector" (such as agriculture or healthcare); but no participant was categorised within the same dimension more than once. The categorisations

show that “impact objectives” is the most common dimension used by impact investors when describing their impact, followed by “sector”; with 14 and 12 participants falling into these two categories respectively. This means that South African impact investors identify and describe their impact through the outputs and shorter-term outcomes that their investments generate, such as jobs created, the number of female staff that promotes gender equality in the workplace, or the number of affordable housing units accessed by low income individuals.

Four out of 20 participants made reference to long-term sustainable impacts that relate to end beneficiaries and wider social demographics in the descriptions of their impact themes. Indicating that fewer South African impact investors are considering the longer-term effects of their impact intentions and how these affects the end beneficiaries and societies that they operate in.

Figure 27: Application of five dimensions of impact to primary data

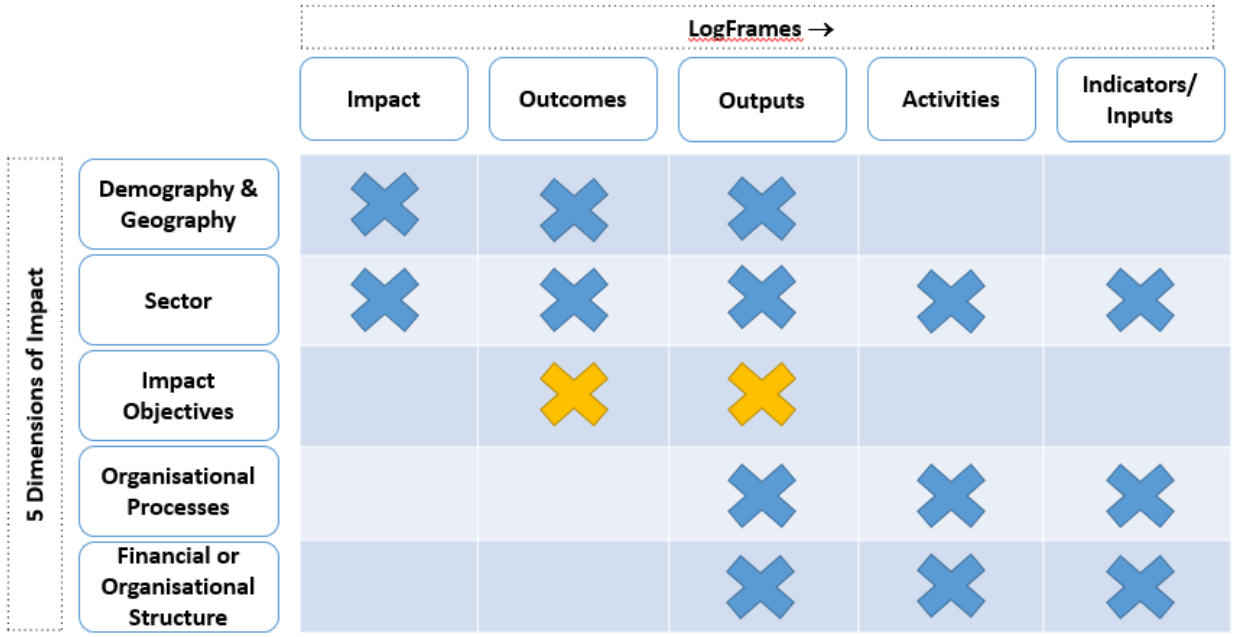


Source: Author's own

4.3.6. Application of the Logframes Model vs Five dimension of impact

The predominant method of measuring impact within the primary data sample (which is the larger sample of data) is the use of customised metrics and indicators. The indicators are used to count the outputs of impact investments, which include counting the number of female staff, the number of jobs created, or the number of people accessing healthcare or education. This provides empirical evidence that South African impact investors are highly focussed on tracking outputs and the shorter-term outcomes of their investments, as opposed to considering the longer-term impacts in their impact measurement practises.

Figure 28: Application of the Five Dimensions of Impact vs Logframes matrix



Source: Author's own

Figure 28 above portrays the predominant dimension of impact versus the predominant segment of the logframes model applicable to South African impact investors based on the findings of the primary data collected (highlighted by the yellow data points). This shows that tracking outputs and outcomes are the most common unit of measurement and impact objectives are the most applicable dimension of impact (amongst the five dimensions of impact) highlighted by Höchstädter and Scheck (2015) as explained in section 2.3. of the literature review. This is consistent with the challenge highlighted in the secondary data analysis relating to the difficulty of measuring the “last-mile” impacts of an investment.

5. CONCLUSIONS AND RECOMMENDATIONS

5.1. Conclusion

The main objective of this study was to investigate how South African impact investors are measuring and tracking their impact; while the secondary objective was to provide insight into the extent of transparency practised by local impact investors. The academic and practitioner literature reviewed covered predominantly developed markets, with limited academic or practitioner research available on the impact measurement techniques applied within emerging markets such as South Africa. The rationale for these limitations in available research include the difficulty in collecting the necessary data (The Impact Measurement Working Group, 2014); as well as the time- and resource-intensive nature of collecting and collating data for research purposes, which are significant obstacles in developing markets where the resources themselves are limited (United Nations Development Programme Regional Service Centre for Africa, 2015).

South Africa's socio-political history provides context to the focus on job creation and infrastructure development as the predominant impact themes that South African impact investors currently strive toward (Giamporcaro & Viviers, 2014; Luckscheiter, 2013). Since the abolishment of the apartheid regime, the South African government has made a concerted effort to implement developmental policies aimed at creating a more inclusive and equal society (Luckscheiter, 2013).

South African impact investors are aligning their impact objectives to the themes of these developmental policies. As demonstrated in the aforementioned "Discussion of Findings" in Chapter 4, these impact objectives include, *inter alia*, job creation, infrastructure development, transformation and gender equality. Measurement and tracking of these impact objectives are important to ensure that the intended impact is achieved in order to foster long-term sustainable development.

This study aimed to provide empirical evidence of the impact measurement practises employed by impact investors operating in South Africa, by collecting primary and secondary data as described in chapters 3 and 4 above. The findings of the research reveal that South African impact investors apply customised metrics and indicators in their impact measurement procedures, along with identification of ESG risks and opportunities through use of the PRI, and strive to implement strategies to mitigate the recognised risks.

Internationally recognised impact measurements frameworks such as IRIS metrics, GIIRS ratings systems, CGAP, IFC EDGE Standard and the logic model and theory of change are less readily used by South African impact investors. The primary data analysis revealed that participants were more inclined to focus on tracking outputs and the shorter-term outcomes of

their impact investments, as opposed to applying in-depth measurement frameworks and detailed analysis of their impact objectives.

In terms of intentionality, South African impact investors demonstrate their commitment to striving toward contributing to national and global social and environmental development objectives by aligning their investment strategies with the NDP and SDGs. This is evident in both the primary and secondary data samples. However, their efficacy in proving their intended impacts on end beneficiaries and the communities in which they operate over the long-term is not well demonstrated. There is an admitted shortage of resources and skills required for devising and implementing more efficient impact measurement processes.

There is also limited transparency in disclosure of impact measurement methodologies utilised, as well as of the impact metrics and findings reported to shareholders. Few South African impact investors allow public access to impact and sustainability reporting and the related impact measurement processes and methodologies. This is particularly evident with private equity firms and private asset managers that self-identify as impact investors; whereas DFIs investing in South African markets are more inclined to publicly disclose the aforementioned information on their websites. The primary and secondary data also show that DFIs have the necessary time and resources required to develop their own impact measurement methodologies and frameworks.

5.2. Recommendations to South African impact investors

Based on the findings of this research report, South African impact investors are encouraged to clearly articulate impact goals at the outset of their investment. The logic model and the theory of change are useful frameworks that would assist impact investors in the articulation of the immediate, medium-term and long-term impacts that they strive toward. Relevant impact measurement metrics should be selected that align to the intended short, medium-term and long-term impact objectives (Epstein & Yuthas, 2014).

Investors should not only go beyond the output level and consider longer term impact, but also consider (potential and actual) positive and negative externalities that arise within their investment life-cycle. The research findings demonstrate a strong positive bias within participants' impact measurement processes, where negative outcomes and externalities are disregarded (Nieuwenkamp, 2017; Reeder & Colantonio, 2013). These negative and positive externalities should be incorporated into the impact reporting in a quantitative or qualitative manner. Participants have demonstrated the efficacy of using case studies and news stories in articulating impact. This qualitative method of demonstrating impact could be used to report on the unintended negative impacts, in addition to positive impact. It can then be taken further by including strategies to mitigate negative impact risks going forward.

Upskilling staff on measurement processes will also be worthwhile as impact investing becomes more prevalent. South African impact investors have highlighted that sourcing employees with the necessary expertise is challenging. Therefore, providing staff with the necessary training would significantly improve measurement processes and the reliability of impact reporting.

Lastly, openness on measurement frameworks and processes amongst impact investors is encouraged to allow for more peer-learning and knowledge-sharing (McCallum, 2018; So & Staskevicius, 2015). This would assist in the aforementioned training and upskilling of staff on impact measurement. It would also foster greater transparency, as well as contribute to standardisation of processes and accountability amongst impact investors in evidencing their intended impacts (Epstein & Yuthas, 2014; So & Staskevicius, 2015).

5.3. Recommendations for future research

Future research on the ways in which impact measurement techniques can be standardised and incorporated into regulatory frameworks as a mandatory requirement, with legal consequences for noncompliance, would provide significant progression and growth in the impact investing industry (Emerson, 2003; Jackson & Harji, 2012).

The use of robo-advisor investment platforms in SRI and impact investing investment strategies also serve as a notable area of future research (Salampasis, 2017). Salampasis (2017) highlights that, with the use of Artificial Intelligence and Machine Learning, robo-advisors are able to recommend socially conscious investment portfolios, as well as the relevant measurement indicators which apply to SRI and impact investments. Further research into measurement of the outcomes and impact of these investment strategies would significantly contribute to current academic and practitioner research in the field of impact measurement.

In addition, the use of blockchain technology in tracking impact is another worthwhile area for further research in years to comes, as blockchain technologies become more readily utilised. The ixo Foundation is a South African software development foundation that aims to, *inter alia*, optimise the way that impact data is collected and verified (Franz, 2017). It is making significant strides in developing technology that assists in collating reliable impact data that supports achievement of the SDGs for long-term development impact (Franz, 2017).

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APPENDIX A

INFORMATION SHEET & CONSENT FORM – [name of target company]

Understanding South African Impact Investments

Good day,

My name is Erin Bennett and I am a student at the University of Cape Town's Graduate School of Business, conducting research towards a master's degree in Development Finance. I am researching the practices of impact investors and would like to invite you to participate in the project.

I aim to understand the practices and processes followed by impact investors in achieving their intended social and/or environmental impact. Therefore, as part of my research, I would like to interview employees or contractors of impact investors.

This research has been approved by the UCT Commerce Faculty Ethics in Research Committee. Please understand that your participation to this study is voluntary. If you choose not to participate, there will be no negative consequence. If you choose to participate, but wish to withdraw at any time, you will be free to do so without negative consequence. However, I would be grateful if you would assist me by allowing me to interview you, as it will contribute greatly to the current body of impact investment research.

Interviews will be conducted either face-to-face or telephonically (e.g. via Skype) and will cover questions on how impact investment is practised and conducted on a daily basis. The discussion should not take more than an hour of your time, although more of your time may be allowed only at your expressed consent. Please also provide permission to voice-record the discussion for the purposes of the study.

All findings will be kept anonymous. No costs will be incurred by you as the interviewee. All data collected will be used only for the purposes of this study, and will not be available for re-use by any other party outside of this research project. The final report can be made available to you once it is completed.

Please sign below to confirm your participation in the study as per above, and I will be in contact with you to confirm a meeting time.

Name of participant …… Date ……

Signature of participant ……

APPENDIX B

Sample Interview Questions

1. Introductory questions:
   - What is your name and what is your role at **[name of company]**?
   - How long have you been in this role?

2. Does **[name of company]** identify as an impact investor? What are the social/environmental impacts that **[name of company]** aims to achieve?

3. How is the intended impact achieved?

4. Does the company track its intended impact at all?

5. How does the company go about tracking impact? What is the process?

6. If not, why not?

7. Are there challenges faced in tracking (or attempting to keep track of) impact? Can you explain some of the main challenges?

8. Is the company achieving its intended impacts?

9. Are impact metrics/findings reported to shareholders or market participants at all?

10. If not, why not?

11. Are there challenges faced in reporting impact metrics/findings to shareholders or market participants? Can you explain some of the main challenges?

12. Does the company disclose its impact metrics to the public? If so, how is the information disclosed and why? If not, why not?