



Global Partnerships Case Study: Measuring and Managing Financial Inclusion Outcomes

October 2024 • Estelle Lahaye, Charlotte (Charley) Clarke, Elizabeth Kiamba

Context

Impact investors at the impact measurement and management (IMM) frontier are seeking to prioritize the measurement and management of development and intermediate outcomes of financial inclusion investments. Two critical factors influence impact investors to focus on outcomes. Firstly, there is a push for impact transparency, stemming from the increased awareness of global challenges and the urgency to achieve the sustainable development goals (SDGs). The market is increasingly asking for clear, verifiable, and comparable data on the social and environmental effects resulting from investments. The bar for impact investing is expected to rise, demanding

measurable and intentional outcomes beyond the current focus on sustainable investing and environmental, social and governance (ESG) practices. Secondly, impact investors recognize that failing to address negative outcomes can pose significant reputational, and financial risks. Certain lending practices by financial service providers (FSPs) have drawn criticism for over-indebtedness and exploitative behavior. Impact investors are also increasingly aware of the dangers of overstating impact performance—referred to as “impact washing”—which can undermine credibility and lead to further scrutiny from both the public and media.

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

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

Source: adapted from CGAP’s forthcoming Impact Pathfinder platform

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

Impact investors who are further along their IMM learning journey—referring to their organizational readiness to collect, interpret, and use outcomes data—have innovated in their approaches to be more outcomes-focused. Initiatives in the financial inclusion ecosystem are also enabling some impact investors and financial services providers (FSPs) to measure and manage for outcomes. These include the 60 Decibels Client Surveys and Microfinance Index (60 Decibels), and Cerise+SPTF and the European Microfinance Platform Investors Action Group’s outcomes framework and questionnaire (Cerise+SPTF and European Microfinance Platform 2022).

However, according to CGAP’s research, measuring and managing outcomes performance is not mainstream practice. The status quo remains largely to measure and manage for outputs and use proxy measures for outcomes. CGAP hypothesizes that better alignment across the capital value chain can significantly advance outcomes-focused IMM (Lahaye, Clarke and Kiamba 2024).

Within this context, this case study presents a comprehensive overview of Global Partnerships’ approach to measure and manage for outcomes as part of its IMM practice across its affiliated debt funds. It describes how Global Partnerships integrates and uses outcomes data and evidence throughout its investment process to drive decisions. As such, the case study

provides insights into how a fund manager can build and implement a fully integrated outcomes measurement and management approach. It extracts lessons learned for other investors seeking to implement outcomes-focused IMM and improve their practice.

Global Partnerships’ mission and investment philosophy

Global Partnerships is a nonprofit investment fund manager dedicated to expanding opportunity for people living in poverty. Recognizing that poverty is multi-dimensional, Global Partnerships’ affiliated funds invest in social enterprises across different opportunity areas, including economic livelihoods, education, health, housing, energy, food, water, and sanitation. Investments in FSPs in these opportunity areas constitute most of the capital deployed (approximately 96 percent of debt fund loans outstanding as of 3/31/24). As of March 2024, Global Partnerships managed more than US\$200 million (total gross assets of all active Global Partnerships affiliated funds) across five debt funds and one equity fund.

Global Partnerships’ stated strategic objectives to deliver impact through investment include seeking to:

- Broaden opportunity across different facets of poverty including, but not limited to, economic livelihoods, education, energy, health, housing, food, water, and sanitation.
- Deepen inclusion of poorer and underserved people, including women and the rural poor.
- Serve millions through sustainable and scalable solutions that can positively impact the lives of millions of people.
- Improve lives by empowering people to earn a living and meet their basic needs.

As an impact-first investor, Global Partnerships aims to pursue high levels of social impact while seeking to preserve capital with a modest financial return for fund investors.¹ It sources fund capital from various investors

¹ This approach is distinct from financial return-first impact investing, which prioritizes risk-adjusted financial returns while aiming to generate positive social and/or environmental impact.

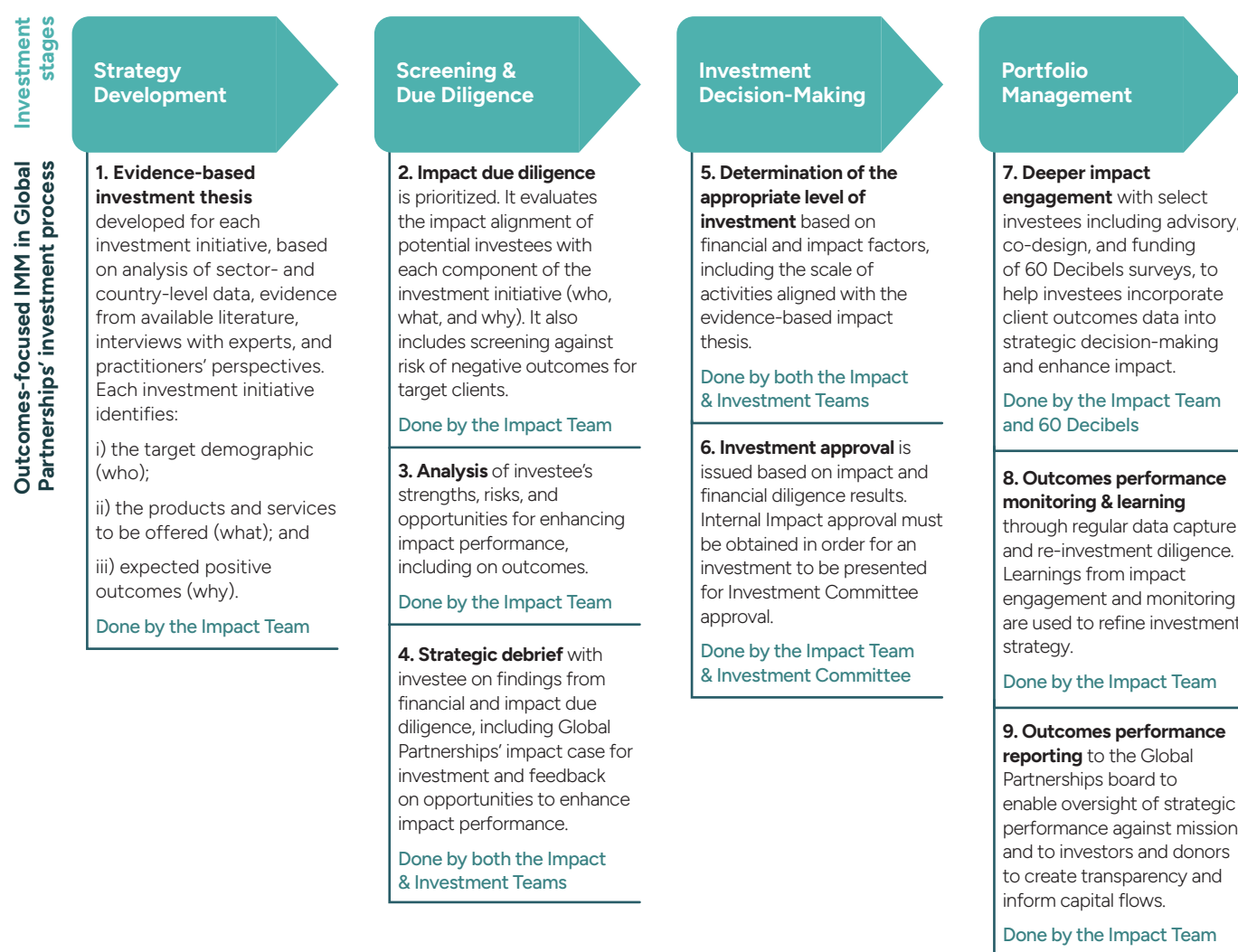
such as development finance institutions, foundations, faith-based institutions, family offices, and individuals. As a non-profit organization, Global Partnerships is also able to access philanthropic capital from individuals and institutions. This diversity helps Global Partnerships source a flow of resources to support impact goals and invest in robust impact measurement systems and practices.

Integrating outcomes data throughout the investment cycle to inform decisions

Outcomes data is core to Global Partnerships' business intelligence and is a key driver for achieving impact. It

is embedded into each stage of the investment cycle, informing investment strategy, portfolio construction, and portfolio management. It also plays a central role in the organization's decision-making process and its engagement with its social enterprise partners and fund investors. This approach to integrating outcomes data throughout the investment process has been the result of years of dedicated efforts and resources, iterative learning, and continuous refinement. Figure 1 provides a visual summary of Global Partnerships' outcomes-focused IMM, which is explained in more detail in this section.

FIGURE 1. Summary of Global Partnerships outcomes-focused IMM



Source: Global Partnerships

DEVELOPING EVIDENCE-BASED INITIATIVES AS AN INVESTMENT STRATEGY

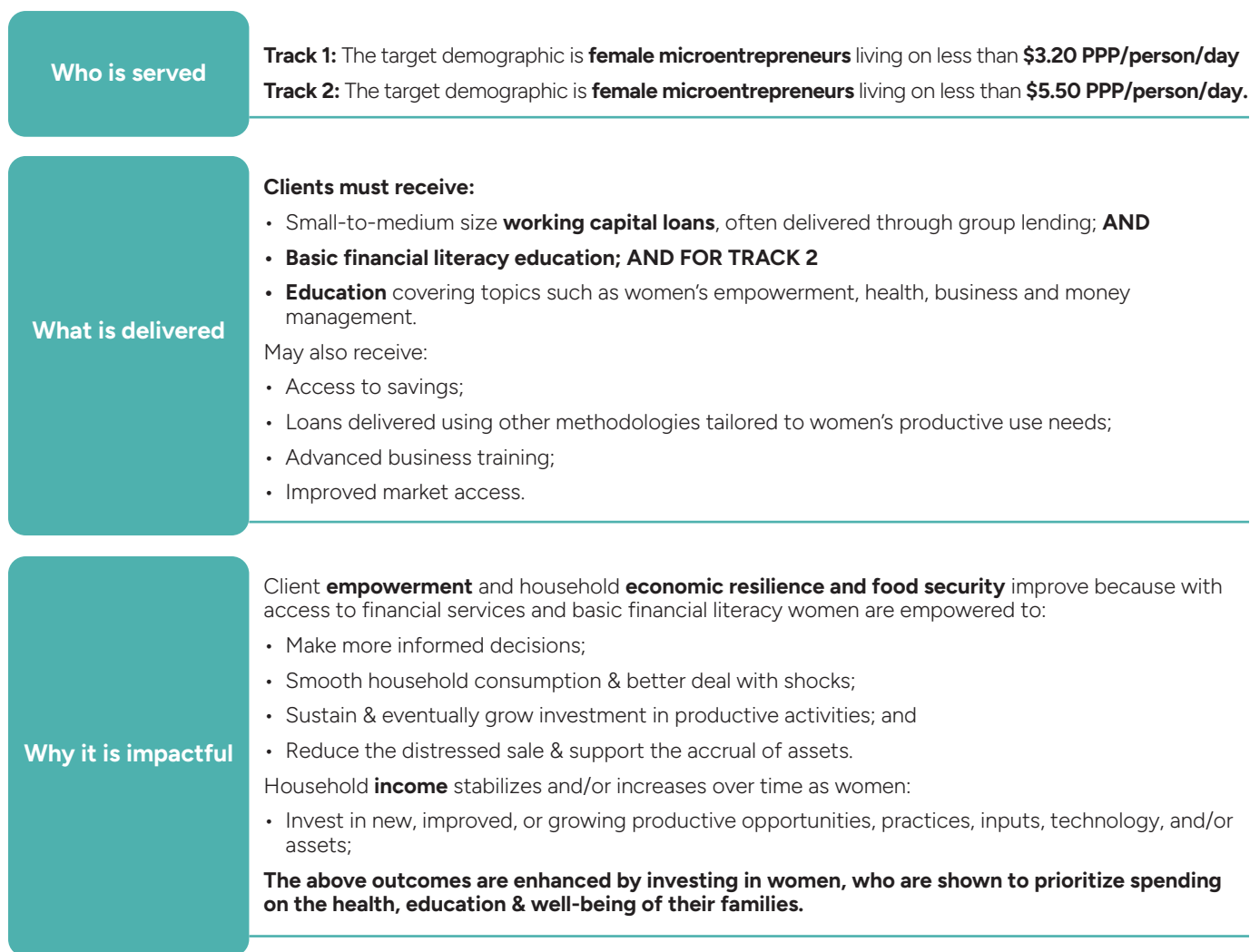
Global Partnerships-affiliated funds' investments are anchored in a range of investment initiatives designed to address various facets of poverty, with outcomes defined at the level of each initiative.

The Impact Team is responsible for developing the investment thesis and specifying expected outcomes for each initiative. This thesis is based on research including analyses of sector- and country-level data, evidence from available literature, interviews with experts, and gathering the perspective of practitioners from social enterprises to adjust for what is feasible in practice.

The research culminates in an initiative-specific investment thesis that identifies:

- **Who is served (the target client profile):** e.g., female microentrepreneurs living on less than \$5.50 per person per day.
- **What is delivered (specific products/services):** e.g., small- to medium-sized working capital loans delivered through group lending, together with basic financial literacy education.
- **Why it is impactful (positive outcomes enabled in clients' lives):** e.g., empowerment and improved household economic resilience and food security.

FIGURE 2. Women-Centered Finance with Education initiative



Source: Global Partnerships

Within financial inclusion, Global Partnerships' initiatives include Women-Centered Finance with Education (WCFE), Rural-Centered Finance with Education, Women-Centered Finance with Health, Home Improvement Finance, Microentrepreneur Growth Finance, Productive Asset Finance, and Microinsurance. Figure 2 provides an example of the impact thesis for Global Partnerships' Women-Centered Finance with Education initiative.

CONSTRUCTING PORTFOLIOS WITH EVIDENCE-BASED INITIATIVES AND IMPACT DUE DILIGENCE

Global Partnerships focuses its deal origination where evidence indicates that fund investment can reach and enable positive outcomes for target clients. Driven by its evidence-based investment initiatives, Global Partnerships searches the market for social enterprises that serve the target demographic with the products and services outlined in its initiatives. This early screening of alignment then informs its approach to initiative-specific underwriting.

When assessing new potential partners, impact due diligence is typically initiated ahead of financial due diligence. This is done to assess the impact alignment of a social enterprise, indicating the overarching priority that impact is given over financial return. Only investment opportunities found to meet impact investment criteria may be presented for approval before the investment committee. As such, impact due diligence includes assessing both the potential for positive outcomes, as outlined in each investment initiative's thesis, as well as the risk of negative or unintended outcomes for end clients. In conducting its impact due diligence, Global Partnerships aims to be both disciplined and agile, leveraging proprietary, initiative-specific tools (such as scorecards that assess alignment with its investment theses), as well as industry standards and best practices where appropriate. These may include for example, the Client Protection Standards (Cerise+SPTF), Five Dimensions of Impact (Impact Frontiers) and IRIS+ metrics (IRIS+ System).

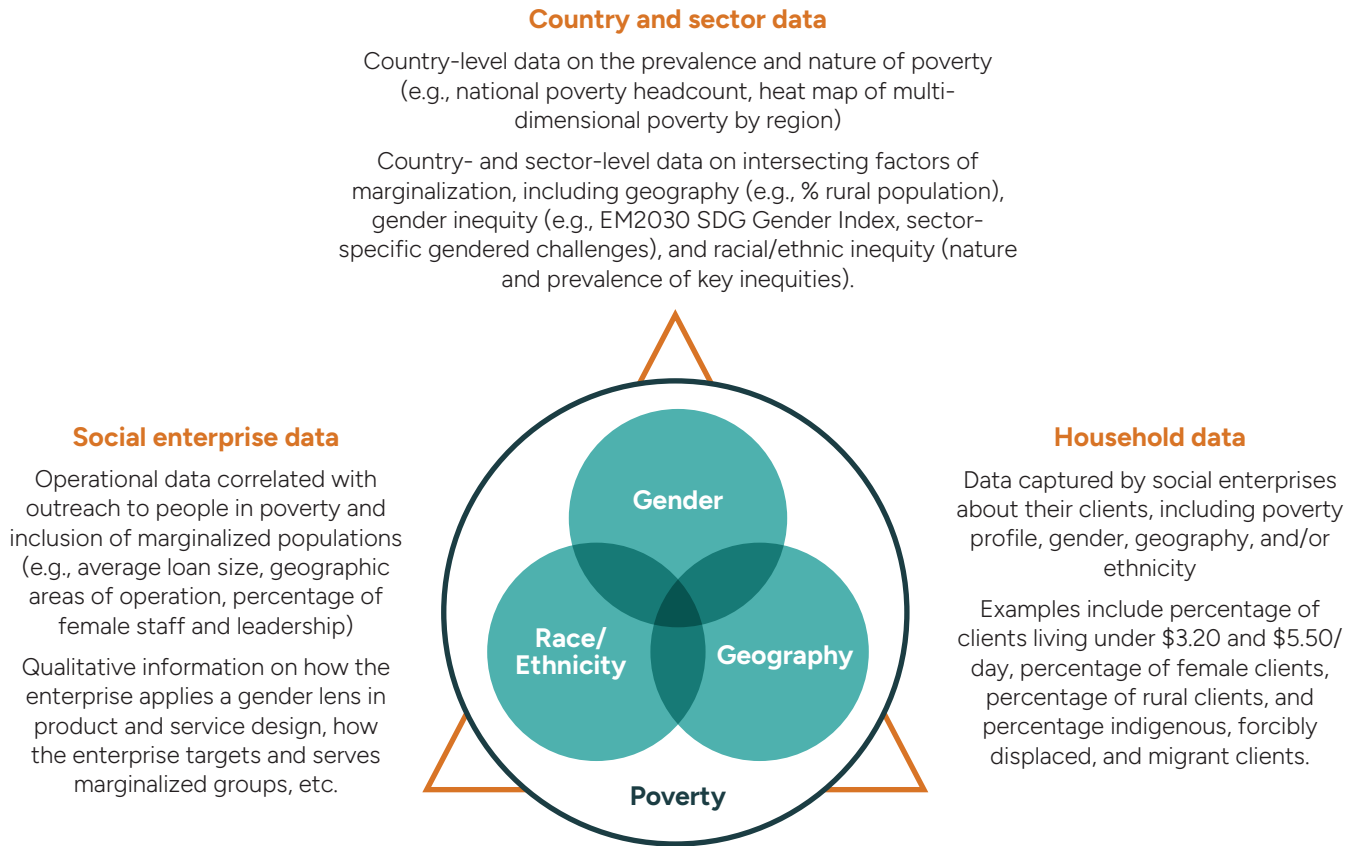
The tools and practices used are designed to answer three key questions: (i) Who is served; (ii) What is delivered; and (iii) Why it is impactful. A mixed-methods approach to data is taken, analyzing quantitative and qualitative data at the country, sector, social enterprise, and client or household level, and triangulating to assess the impact alignment and performance of the social enterprise with confidence.

More specifically, data analyzed during due diligence includes:

- **(i) Who is served:** An intersectional approach is implemented that considers multiple, interconnected factors of marginalization, including poverty, gender, geography, and race or ethnicity. Global Partnerships analyzes different types of data at the household, enterprise, and country and sector levels to gain confidence in the nature and scope of the enterprise's outreach to the target market. Figure 3 provides details about specific data analyzed to understand the client profile of the potential investee.
- **(ii) What is delivered:** Initiative-aligned products and services are assessed to gain confidence in a social enterprises' ability to enable intended outcomes. For example, within the WCFE initiative, financial products and services (details of savings and credit products and number of clients receiving each) and educational services (content, design, and delivery features of education offered, percentage of clients trained, etc.) are assessed.
- **(iii) Why it is impactful:** Client-level outcomes data is reviewed whenever such data is available. Potential investee social enterprises are asked to share any available outcomes data. In the absence of historical outcomes performance data, Global Partnerships assesses its confidence in likely future outcomes performance based on the above "who" and "what" analysis, together with general evidence on "why" collected through its initiative research process.

An assessment of the risk of negative or unintended outcomes is integrated into the impact due diligence.

FIGURE 3. **Assessing who is served through an intersectional, triangulated approach**



Source: Global Partnerships

In financial inclusion, efforts to mitigate negative impact risk include analyzing:

- Adherence to the International Finance Corporation (IFC) Performance Standards 1 and 2, that is, Assessment and Management of Environmental and Social Risks and Labor and Working Conditions, respectively.²
- Adherence to Client Protection Principles. This entails assessing how well the practices of the social enterprise adhere to Cerise+SPTF's Client Protection Pathway³ standards and providing feedback on potential areas for improvement.
- Compliance with Global Partnerships' internal policy on responsible pricing in microfinance. This annual percentage rate analysis is conducted to increase the probability of enabling positive outcomes, while mitigating the risk of its affiliated fund investments supporting practices associated with a higher risk of negative outcomes for end clients.

2 IFC Performance Standards are a set of guidelines to manage environmental and social risks and impacts in the projects it finances. These standards are designed to help partner institutions avoid, mitigate, and manage risks and impacts in a structured way and to improve their business performance. They are widely recognized as a benchmark for environmental and social risk management in the private sector. There are eight Performance Standards, and more information is available here: <https://www.ifc.org/en/insights-reports/2012/ifc-performance-standards>

3 Cerise+SPTF's Client Protection Pathway is a framework designed to help FSPs ensure that they treat clients fairly and responsibly. This pathway focuses on embedding client protection principles into the operations and culture of financial institutions, particularly those serving low-income and vulnerable populations. The Client Protection Pathway provides a structured approach for institutions to assess, improve, and monitor their client protection practices. More information is available here: <https://cerise-sptf.org/client-protection-pathway/>

A recommendation is made outlining whether the social enterprise meets the impact alignment criteria for investment. For Global Partnerships' affiliated funds to invest, due diligence must be completed with respect to the impact of potential investees. If residual risks are identified, Global Partnerships and the enterprise develop an environmental and social action plan, and Global Partnerships monitors the execution of the action plan on an ongoing basis post-investment.

For potential investees that meet impact alignment criteria for investment, Global Partnerships also uses findings from impact due diligence to determine the appropriate level of investment to align with the scale of activities contributing to its evidence-based impact thesis. This practice is referred to as "credible use," reflecting the amount of investment capital that could credibly be used to support thesis-aligned activities, but without restricting the social enterprise's use of proceeds. For example, if the impact due diligence indicates that 60 percent of the enterprise's clients are female microentrepreneurs living under US\$5.50 per person per day, and 75 percent of those low-income female clients are receiving working capital loans and education, Global Partnerships limits aggregate affiliated fund investments to the amount of working capital needed to serve that 45 percent of clients.

In addition to impact due diligence, a full financial due diligence is conducted to analyze the enterprise's management and governance, asset quality, balance sheet strength, earnings and cash flow, and country and external risks. First-time financial due diligence typically includes a several-days-long on-site visit and is used to answer any remaining impact questions. Where possible, it includes visits to a select sample of clients to deepen understanding of who is served and capture direct feedback on their experiences with the social enterprise. Investments are approved by an Investment Committee

based on a recommendation by the Investment Team. Final investment approvals are only given with respect to those social enterprises that successfully meet both the impact and financial investment criteria.

MONITORING AND ENGAGING WITH SOCIAL ENTERPRISES TO DRIVE STRONGER OUTCOMES PERFORMANCE

Global Partnerships aims to build long-term partnerships with social enterprises, often across multiple affiliated debt funds, using its investment relationship to provide thought partnership and insight on outcomes management. The partnership begins early in the investment cycle, with a strategic debrief with the social enterprise's senior leadership, summarizing Global Partnerships' impact case for investment and the findings of its due diligence. The Impact and Investment Teams lead these conversations to discuss the social enterprise's strengths, risks, and opportunities. As part of these conversations, the teams aim to surface strategic questions for the social enterprise's consideration and help them identify opportunities to enhance outcomes management, measurement, and performance. This pre-investment discussion lays the groundwork for ongoing monitoring and collaboration on outcomes measurement and management between Global Partnerships and the social enterprise.

To monitor outcomes performance, Global Partnerships captures data on a regular basis, leveraging annual impact data requests and re-investment diligence.⁴ An annual impact data request (AIDR) is carried out to solicit data from social enterprises and generally includes who is served, key innovations in the enterprise's offering (what is delivered), and why it is impactful (outcomes). For example, past AIDRs have requested information on poverty outreach, changes to the education and/or training offering, any new aspects of gender- and climate-informed product and service design, and/or reports from any new outcomes assessments that the enterprise

⁴ Global Partnerships also monitors output-level performance on a quarterly basis. Social enterprises report operational and financial data to its Investment Team. The Impact Team monitors key metrics that can offer insight into outcomes-related aspects of partner social enterprises' outreach and product delivery, such as number of total, female and rural clients, and average loan size.

may have conducted (e.g., 60 Decibels surveys, which include client-level outcomes such as changes in business income, economic resilience, and household well-being). Given that many social enterprises do not regularly collect client-level outcomes data, Global Partnerships leverages data on “who” and “what,” combined with the evidence gathered in developing its investment initiatives, to gain directional insight on outcomes performance. Follow-on and renewal investment decisions are used to repeat the impact diligence outlined above. This repeat, deep-dive analysis enables Global Partnerships to monitor outcomes performance over time, when data is available, and share observations with its investees.

To strengthen outcomes performance, Global Partnerships conducts deeper impact engagement with select social enterprises. This subset of portfolio companies is currently 10+ per year, among a debt fund portfolio that fluctuates in size.⁵ It comprised 79 social enterprises as of March 31, 2024. The engagement includes advisory support, co-design, and funding of mobile-based client surveys conducted by 60 Decibels, a third-party impact measurement company.⁶ Leveraging its deep knowledge of the social enterprise, Global Partnerships advises on the timing, sampling methodology, and design of the survey and then supports the enterprise in interpreting the results and implications.

Through its impact engagement and advisory support, Global Partnerships helps social enterprises incorporate client-reported outcomes into strategic decision-making. This improves the enterprise’s ability to measure performance against its impact objectives and identify opportunities to refine strategy, operations, and/or products and services to create stronger positive outcomes for end clients, including those living in

poverty. Textbox 1 provides two examples within the WCFE initiative that illustrate how social enterprises have used outcomes data for decision-making.

USING OUTCOMES DATA TO REFINE STRATEGY, INFORM BOARD OVERSIGHT AND ENHANCE ACCOUNTABILITY

To inform the ongoing learning and refinement of its investment strategy, Global Partnerships triangulates outcomes data from 60 Decibels surveys with data on enterprise practices and secondary evidence from the relevant sector and geography. This applies both at the level of its strategy with particular social enterprises, as well as to refine its impact thesis for a given investment initiative or geographic region. This approach enables sharper discernment of the nature and depth of outcomes achieved, for which segments of clients, by what set of products, services, and practices.

For example, data and insights derived from 60 Decibels surveys helped validate refinements made to the WCFE initiative as Global Partnerships expanded investments from Latin America (LAC) to sub-Saharan Africa (SSA). In conducting impact due diligence of prospective investments in SSA, Global Partnerships observed material differences between the two regions, both in terms of the typical profile of microfinance borrowers and the set of products and services social enterprises offered. Social enterprises in LAC were more likely to serve clients living below US\$5.50 per person per day, with working capital loans and regularly occurring, post-disbursement educational sessions on a range of financial and non-financial topics. In SSA, social enterprises tended to serve clients living in deeper poverty (under US\$3.20 per person per day) who were

5 Global Partnerships selects portfolio companies for this support based on the following criteria: (i) the prospects of the social enterprises’ ongoing relationship with Global Partnerships; (ii) the social enterprise’s capacity to leverage client-level data in strategic decision-making and thus improve impact performance over time; (iii) the potential for thematic, context, and/or fund-specific learning through concentration of studies in certain Global Partnerships initiatives, regions, and/or funds; and (iv) the availability of Global Partnerships financial and human resources to support assessments.

6 Global Partnerships launched this engagement activity in 2018. As of March 31, 2024, it had funded 60 Decibels assessments with 44 social enterprise partners in 21 different countries. During that time Global Partnerships was a founding partner in the development of the 60 Decibels Microfinance Index, which provides industry benchmark data on client-reported outcomes. Global Partnerships’ investment initiatives continue to inform the survey tool and they play an ongoing and active role in recruiting partners and funding assessments.

BOX 1. Examples of Global Partnerships' investee partners using outcomes data to refine strategies and operations

Friendship Bridge, an FSP operating in Guatemala and serving low-income women with financial and non-financial services, uses various data collection methods to understand its clients and assess its impact.

It combines several internally managed and externally commissioned primary data collection methods to understand who it serves and its contribution to outcomes. Friendship Bridge designs and deploys onboarding, telephone, and exit surveys directly, while also using the Poverty Stoplight tool^a for in-person data collection. It gathers insights from a client advisory committee, which comprises women clients who are elected by their peers annually to represent all clients in the region. Friendship Bridge also commissions surveys from 60 Decibels to gain insights into outcomes performance and identify improvement opportunities.

By triangulating data gathered from these different sources, Friendship Bridge can minimize bias and evidence risks. For example, a comparison between the Poverty Stoplight tool, which uses a Multi-Dimensional Poverty Index (MPI), and the 60 Decibels study, which uses an income-based Progress out of Poverty Index (PPI), revealed discrepancies in reported poverty levels. The MPI often indicated a lower poverty level, leading to internal discussions about the broader and more nuanced nature of poverty beyond income. These conversations highlighted the importance of addressing various dimensions of quality of life, such as health and living conditions, rather than focusing solely on income generation.

As a result of these insights, Friendship Bridge has created interventions that address specific, non-financial needs identified by participants. For example, clients recognized through the Poverty Stoplight tool that they lacked proper waste management practices or facilities and wanted this area to be prioritized. In response, Friendship Bridge organized an Earth Day campaign with trash clean-up days and developed a curriculum to help clients manage waste effectively in the absence of collection services. These efforts also led to the development of a broader institutional environmental strategy.

BRAC International Microfinance, a network of FSPs operating in seven countries in Asia and Africa serving mostly women, has a longstanding practice of engaging with clients to gather insights about their needs and the impact of BRAC's services. To further this practice, the network has been using 60 Decibels since 2019 to annually collect end client data. This data allows BRAC to set and adjust targets for reaching vulnerable populations, measure its impact, and refine its strategies and operations accordingly.

Despite clients citing notable improvements in each outcome area—quality of life, financial resilience, self-employment and livelihood opportunities, women's economic empowerment, and household welfare, the data showed that improvements were not substantial year on year. This led BRAC to conduct an impact framework refresh in 2023 to enhance its social impact further. BRAC engaged in an internal brainstorming process with its network FSPs to identify outcome areas needing more intensive efforts. It examined each outcome area and listed activities that needed to be started, improved, or scaled.

The review revealed that certain solutions, such as financial literacy and improvements to savings products, were crucial in intensifying impact across multiple outcome areas, leading BRAC to prioritize these. BRAC focused on refining and scaling its financial literacy curriculum, informed by 60 Decibels 2022 survey data which included a focus on clients' training needs. In its deposit-taking institutions, BRAC improved its transactional savings accounts, encouraging regular deposits alongside loan installments to build better savings habits. It is also introducing new or modified savings products, such as term deposits and accounts with limited free withdrawals, to help target clients to save towards specific goals. These changes are expected to contribute to intensifying improvements across multiple outcome areas, a hypothesis that BRAC will seek to validate with outcomes data in the future.

^a The Poverty Stoplight tool is a comprehensive and participatory poverty assessment methodology developed by Fundación Paraguaya. It enables individuals and families to self-diagnose their level of poverty across various dimensions. By completing a survey that covers indicators related to income, education, health, housing, and more, respondents not only identify specific areas for improvement but also play a central role in setting priorities for their own development. The tool generates a visual "poverty map" that categorizes households into different levels of poverty severity, empowering communities to prioritize actions and collaboratively work towards improving their living conditions.

accessing formal financial services for the first time, with working capital loans alongside basic, pre-disbursement financial literacy training. These observations, together with findings from a literature review and conversations with experts and practitioners, led Global Partnerships to develop a second “track” within its WCFE initiative (see Figure 2 for the second “track”). The thesis of this second track was that for a more vulnerable client profile, a more basic product and service offering could enable the same desired outcomes in clients’ lives. Leveraging insights from six 60 Decibels studies across SSA and LAC that Global Partnerships funded in 2019, Global Partnerships found that despite regional differences, both initiative tracks successfully achieved intended outcomes for clients, despite the differences in target client segments and product and service offerings. In the ensuing years, Global Partnerships continued to build the evidence base for both tracks of its WCFE initiative, enabling a more nuanced understanding of the specific enterprise practices that contribute to better outcomes for end clients. This ongoing process is informed by data gathered from investees, impact due diligence, and an emerging body of evidence. Additionally, Global Partnerships has continued to conduct 60 Decibels assessments with increased capacity to analyze data across those assessments it funded and compare such data to industry benchmarks.

Global Partnerships reports quarterly on outcomes to its board as part of key impact performance indicators to enable oversight of strategic performance and fulfillment of mission. The organization’s current five-year plan contains goal metrics and targets for each of its impact-first objectives – broadening opportunity, deepening inclusion, serving millions, and improving lives, while aiming to preserve capital for fund investors. Aggregate portfolio data on each objective is reported quarterly, including client-level outcomes data for the “improving lives” objective, specifically the percentage

of surveyed clients reporting improvement in quality of life.⁷ Aggregated data is supplemented by periodic deep-dive features that offer more nuanced insights into outcomes results within a given investment initiative, geography, or cross-cutting theme.

Reporting on outcomes data helps create transparency and inform capital flows. Global Partnerships’ ability to report on who is served and the outcomes enabled in end clients’ lives helps differentiate it from other impact investing funds and attract investors and donors who value outcomes realized and not just intended. For example, one of its fund investors reports that its approach to outcomes management is one of Global Partnerships’ distinguishing factors.

“[...] When it comes to financial inclusion, differentiating among fund managers is very important. Not all FSPs or fund managers are created equal. It is important to us to understand the differences between Global Partnerships and the more general managers investing in tier 1 and 2 FSPs. Global Partnerships’ approach to outcomes management is one of their distinguishing factors. Outcomes data helps us confirm that the underlying FSPs that Global Partnerships is investing in demonstrably reach more challenging communities. [...] Outcomes data helps us allocate more, lower priced capital to the highest impact asset managers.”

–Ceniarth

7 Each quarter, Global Partnerships compiles and analyzes the most recent available data (if any) from each current investee partner on clients’ reported quality of life improvements. This data may come from impact assessments funded by Global Partnerships or other studies provided by social enterprise partners. Only data from studies dated less than five years prior to the reporting date is included in the analysis. Results are not representative of the outcomes achieved by all social enterprise partners but are intended to provide insight into whether investments can reach desired segments and support intended outcomes.

Lessons learned

Global Partnerships has built its outcomes-focused IMM practices over the years through a combination of strategic approaches, enabling factors, and specific conditions including:

Leadership commitment to a strong culture of outcomes focus, and the necessary resources.

A robust culture, instilled by leadership teams and boards, is vital for emphasizing outcomes-focused IMM throughout the value chain. Integrating outcomes data and questions into governance structures incentivizes fund managers to track progress, actively promote alignment, and make informed decisions. Leadership must also prioritize investing in the human and financial resources needed to enable effective outcomes-focused IMM.

Outcomes data as core business intelligence throughout the investment cycle. By incorporating outcomes data from strategy development to portfolio construction to ongoing monitoring, investors can make more informed decisions, driving stronger impact outcomes. Investment theses grounded in thorough research and analysis help clearly define objectives and expected outcomes.

Requiring impact due diligence and approval in addition to financial due diligence. Impact due diligence emerges as a crucial prerequisite before a deal may be brought for investment committee approval, to assess the potential alignment of investments with positive impact objectives and mitigate the risk of unintended negative outcomes. Impact diligence also serves as an opportunity to engage with the social enterprise partner to provide feedback on impact strengths, risks, and opportunities and discuss outcomes measurement and management plans.

Fund investors and donor alignment. Upfront identification of outcome objectives helps align capital providers with the strategic intent of the fund. Attracting and retaining investors that prioritize impact and capital

preservation (versus prioritizing financial returns) can be challenging. However, aligning on intended outcomes and the economics of achieving them helps manage expectations and lays the groundwork for greater impact transparency and accountability.

Facilitating transparent dialogue and collaborations with investees. Building transparent, collaborative relationships with investees fosters mutual understanding and alignment towards shared goals. Advisory support and engagement in strategic dialogues with investees support outcomes data interpretation and use, enhancing their outcomes management practices. This collaboration helps investees understand and leverage the value of outcomes-focused IMM and continuously improve their strategy and products to better meet client needs and achieve impact objectives.

Continuous monitoring, learning, and improvement. Regular data collection, including re-investment diligence, provides touchpoints for monitoring and assessing outcomes performance. Continuous monitoring and engagement with investees facilitates learning and adaptation, enabling investors to refine strategies over time, with a focus on relevancy and effectiveness. Recognizing outcomes-focused IMM as a learning journey, it's essential to meet FSPs where they are on their journey, supporting them toward better practices over time. This iterative learning process allows for strategic adaptation and improvement towards improved performance on impact goals.

Mixed-methods approach to outcomes-focused IMM. Leveraging a mixed-methods approach and triangulating data from multiple sources provides deeper insights into outcomes performance. It is also appropriate and valid to use a logical portfolio sampling approach, to select a representative subset of investments from a larger portfolio in an outcomes-focused IMM strategy.

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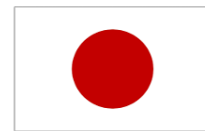
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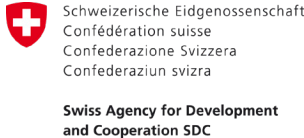
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