



**LEAVING NO  
ONE BEHIND:  
EVALUATION  
for 2030**

2019 National Evaluation  
Capacities Conference

**Demystifying Private Sector Evaluations**

**IEG World Bank Group**

**Raghavan Narayanan**

 [@undp\\_evaluation](https://twitter.com/undp_evaluation)

[#NECdev](https://twitter.com/undp_evaluation)

# TITLE

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# Part 1 – Dynamics of Private Sector Evaluations and Differences with Public Sector Evaluations



# Objectives of DAY 1

This presentation deals primarily with:

- the evaluation of interventions in support of private sector development and
- for comparison purposes reference is also made to public sector interventions



To shows the specificity and dynamics of private sector evaluation, thereby highlighting

- the methodological approaches and
- evaluation practices that are used by multilateral development banks (MDBs) for this type of operations at the institutional and project level

# Why evaluate private sector operations?

- Private Sector is critical for equitable growth, capital provision and service delivery
- Role of the private sector in development has been rejuvenated by Development Partners after
  - Busan 2011 (High Level forum on Aid Effectiveness)  
“Development and business results should be mutually reinforcing”
  - World Bank Group 2013 Strategy  
“Private sector is a key partner to leverage funding, deliver efficient services through public-private partnerships, and act as the engine for job creation.”
  - Addis Ababa Agenda 2015 (Financing for Development)  
“Need to mobilize investments from the private sector”
  - UNDP’s Private Sector and Foundations Strategy 2016  
“Private sector is a transformative partner in implementing SDGs”



Who else is evaluating private sector operations?



Who else is evaluating private sector operations?



## Many pathways and instruments to engage the public and private sector in development

### Private Sector Investment services:

- Equity/loans/Guarantees - in manufacturing, services
- (e.g. banks, funds), extractive industries, infrastructure consortia, etc.

### Public Sector investment services:

- Loans to governments on infrastructure projects, health and education, etc.; structural loans for budget support, etc.

### Advisory services (TA/TC)

- often finance by grant funding (including stand-alone services)

### Guarantees

- Partial Risk, Partial Credit, Political Risk etc.



# Distinction between private and public sector operations

## Private sector Operations

- Relationship usually short-term but can also be long-term
- MDBs must assume the multiplicity of risks in a project
- Private sponsors drive their projects and define their targets
- Less multifaceted and deals with the project of the sponsor
- For MDBs interacting with the private sector you need an entrepreneurial approach: financially sound; risks should be properly mitigated
- Staff often recruited from the Private Sector

## Public Sector Operations

- Relationship mostly long-term
- Normally the MDB obtains government or sovereign guarantees
- Projects are assessed based on developmental objectives and less on market benchmarks
- Usually multifaceted
- Usually the MDB helps setting development-related objectives
- Staff mostly recruited with a development background and public sector experience

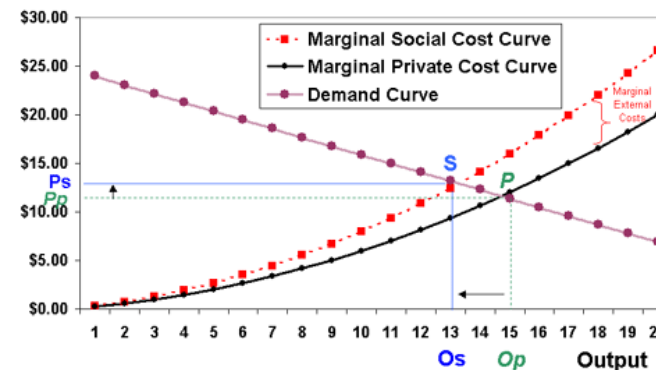
# Understanding private benefits and costs vs. social benefits and costs is key to policy design and prevention of market failures

**Private costs** for a producer of a good, service, or activity include the costs the firm pays to purchase capital equipment, hire labor, and buy materials or other inputs. While this is straightforward from the business side, it also is important to look at this issue from the consumers' perspective.

**External costs**, on the other hand, are not reflected on firms' income statements or in consumers' decisions. However, external costs remain costs to society, regardless of who pays for them.

**Social costs** include both the private costs and any other external costs to society arising from the production or consumption of a good or service. Social costs will differ from private costs, for example, if a producer can avoid the cost of air pollution control equipment allowing the firm's production to impose costs (health or environmental degradation) on other parties that are adversely affected by the air pollution.

**Using Social Costs (Private + External Costs) Results in Higher Prices and Lower Output and Better Resource Use**



**A socially efficient output rate in a competitive market is reached when social costs (both private and external costs) are considered in production and consumption decisions.**

**What do we know about the ECONOMIC RATE OF RETURN (ERR)?**

## Performance of MDBs' private sector operations assessed through a double bottom line

### Financial considerations

### Economic, social and environmental considerations

- For a view on the financial aspect of projects, market reporting mechanisms may suffice, but *for the combined effect, evaluation is indispensable*
- For evaluating both *investment operations* and *advisory services* the double bottom line is crucial
- The Evaluation Cooperation Group (ECG) developed good practice standards for private sector evaluation taking into account this double bottom line

# How do we know if the Private sector has been developed?




JOBs (direct, indirect, induced)



Innovation and Technology Transfer



Capital markets development



But how can  
we attribute to  
the a single  
investment?

- Unless the project leads to the creation of a new market segment or breakthrough innovation, the answer is “Difficult to Judge”
- Alternate way of assessing:
  - Clustering a group of projects within a sector
  - Clustering a group of interventions within a country
  - Complex evaluation techniques (Econometrics)

# Rating system for private sector projects

## Overall project performance based on:

- Financial performance of a project
- Fulfilment of a project's business objectives
- Contribution to MDB/IFI's Mandate objectives
- Economic sustainability
- Environmental and social performance

## MDB/IFI Institutional dimension:

- Investment Profitability
- Work Quality/Bank handling
- Additionality of the Institution



## MDB/IFI Additionality

- As development interventions are intended to overcome market failures, the evaluation framework provides special attention to:
  - the **additionality** of the institution and
  - **what the institution contributes** while financing specific projects, that is, to the unique value they provide,

Thereby one has to answer the following key questions:

- whether the market is willing to provide the financing at reasonable cost; and
- whether the MDB/IFI is not substituting for what other private sector providers can offer at adequate prices



THE ART OF

# Blending

Delicious  
use in  
Pro  
S

Ritchie

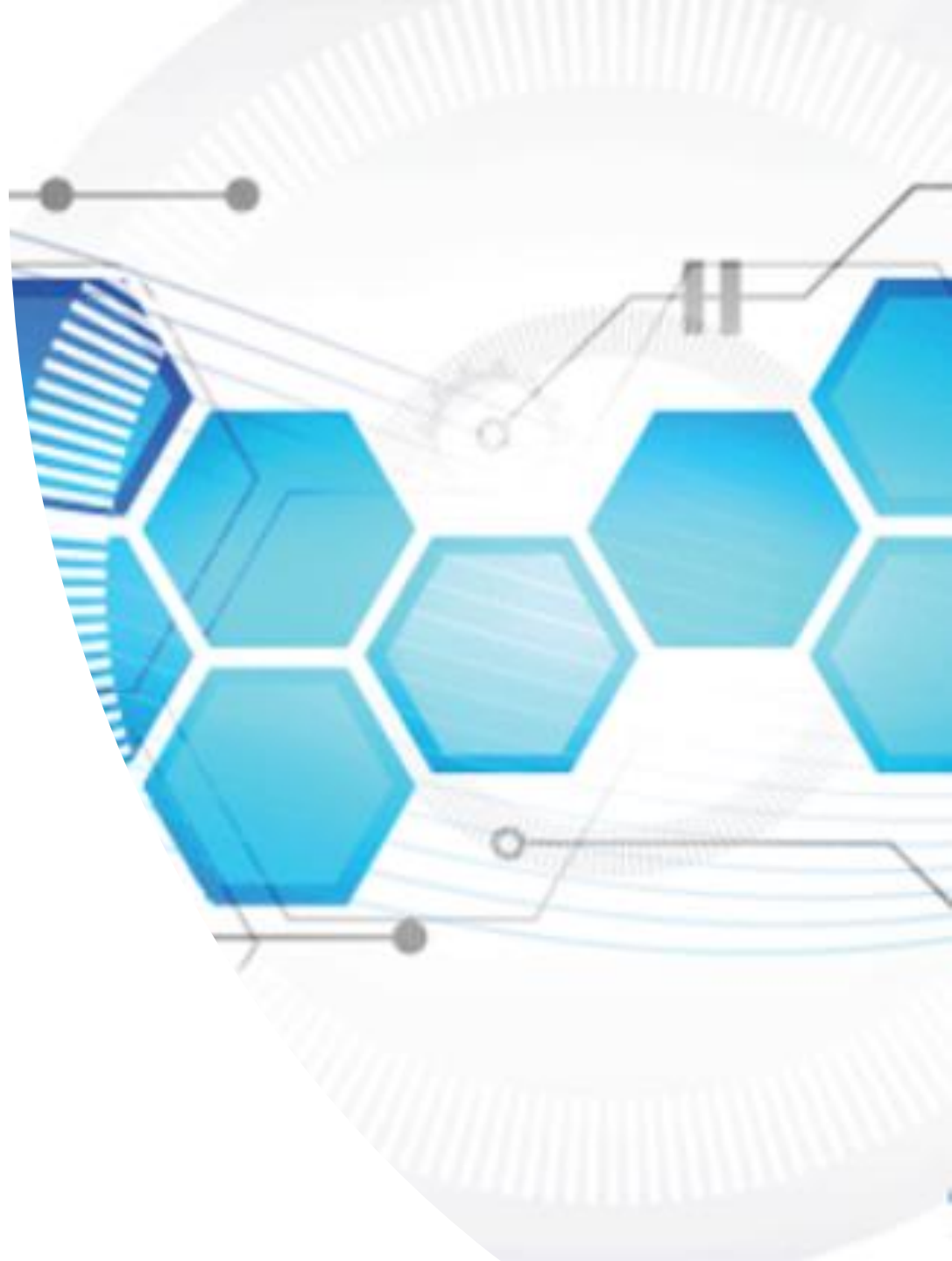
Bringing it  
all  
together...



# Private Sector Evaluation Framework

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- Development Outcomes for the country/sector/beneficiaries
  - Project Business Success
  - Economic returns to the Gov/Economy
  - Environmental and Social Effects
  - Private sector development
- Development Outcomes for the IFI
  - Investment outcome or Loan Performance
  - Role and Contributions
  - Additionality or value-add



# Private Sector Development Evaluation Consortium and Culture



**ECG EFFORTS**



**CULTURE AT IFI**

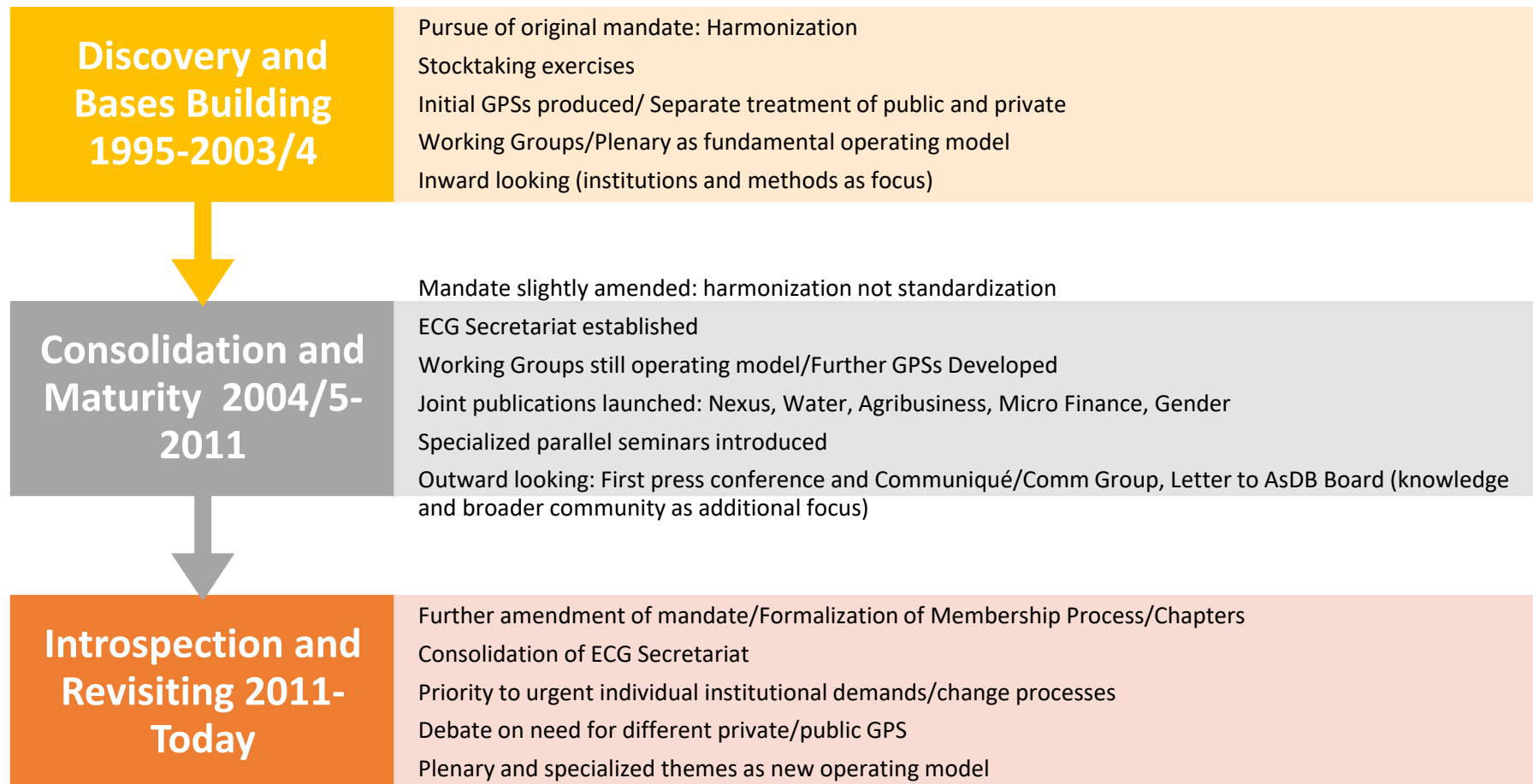
# ECG - Establishment

- ECG was born in 1995/96 (Canberra)
- Founding Members: AfDB, AsDB, EBRD, IADB and WBG (WB AND IFC)
- Later EIB, IsDB, IFAD, IMF and MIGA joined as members
- Observers: BSTDB, CEB, GEF, OECD DAC and UNEG
- **Motivation for ECG's establishment:** anticipated Report of Development Committee Task Force on Multilateral Development Banks in 1996 called

## **SERVING A CHANGING WORLD**

The report urged the five heads of evaluation units to formalise their cooperation, thereby exchanging experience and harmonizing methodologies, indicators and approaches

# ECG - Three Development Phases



# THE EVALUATION COOPERATION GROUP



**Central to its activity was to develop standards that recognized uniqueness and elevated/harmonized evaluation practices**



**The ECG followed a three-step process:**

Take stock of practices  
Develop Good Practice Standards (GPS), Adjust practices  
Benchmark



**Periodically: Adjust standards-adjust practices-benchmark again**



**Promote continuous innovation within its Member Institutions**

# 20 years of innovative process

- **Evaluation of Country Strategy and Programs**
    - Stocktaking – 1999, 2007
    - GPS – 2008
  - **Evaluation of Technical Assistance**
    - Stocktaking - 2006, 2010, 2012
  - **Evaluation of public sector projects**
    - Stocktaking – 2001, 2011, 2013
    - GPS – 2002, 2012
    - Self-Assessment/Benchmarking – 2008, 2013
  - **Evaluation of private sector projects**
    - Stocktaking – 1999
    - GPS – 2001, 2003, 2006, 2011
    - Benchmarking – 2002, 2005, 2010
- 
- **Conducting Peer Reviews**
    - GPS – 2010
    - Peer Review of IFAD – 2010

## ECG's Good Practice Standards (GPS) for Evaluating Private Sector Projects

Roles of independent  
and self-evaluation  
(for all)

Evaluation timing,  
population, coverage  
and sampling (When  
and What)

Instructions, execution  
and validation (How)

Evaluative scope

Annual reporting and  
process transparency

Identification of  
lessons, dissemination  
and ensuring  
application of lessons

# ECG framework for private sector evaluation: measuring performance



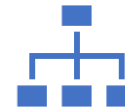
In response to the **market features** previously explained, the framework recognizes the preponderance of internal rates of returns, i.e. the company or financed project must make a **profit with a rate of return above the cost of capital**



Considering the **public nature** of the MDBs investments, the framework incorporates (when possible: for instance in case of capital intensive investments, PPPs, etc.) the **economic rate of return** ;



Mindful of potential negative externalities, the framework gives priority to **environmental and social effects of investments**;



Conscious of the MDBs specific missions, the framework includes the **transitional, development or structural purposes** of such investments.



**Therefore, when evaluating private sector projects these four dimensions become the main determining factors for assessing their development effects, sustainability and contribution and for assigning performance ratings**



# Results from ECG Members: EBRD

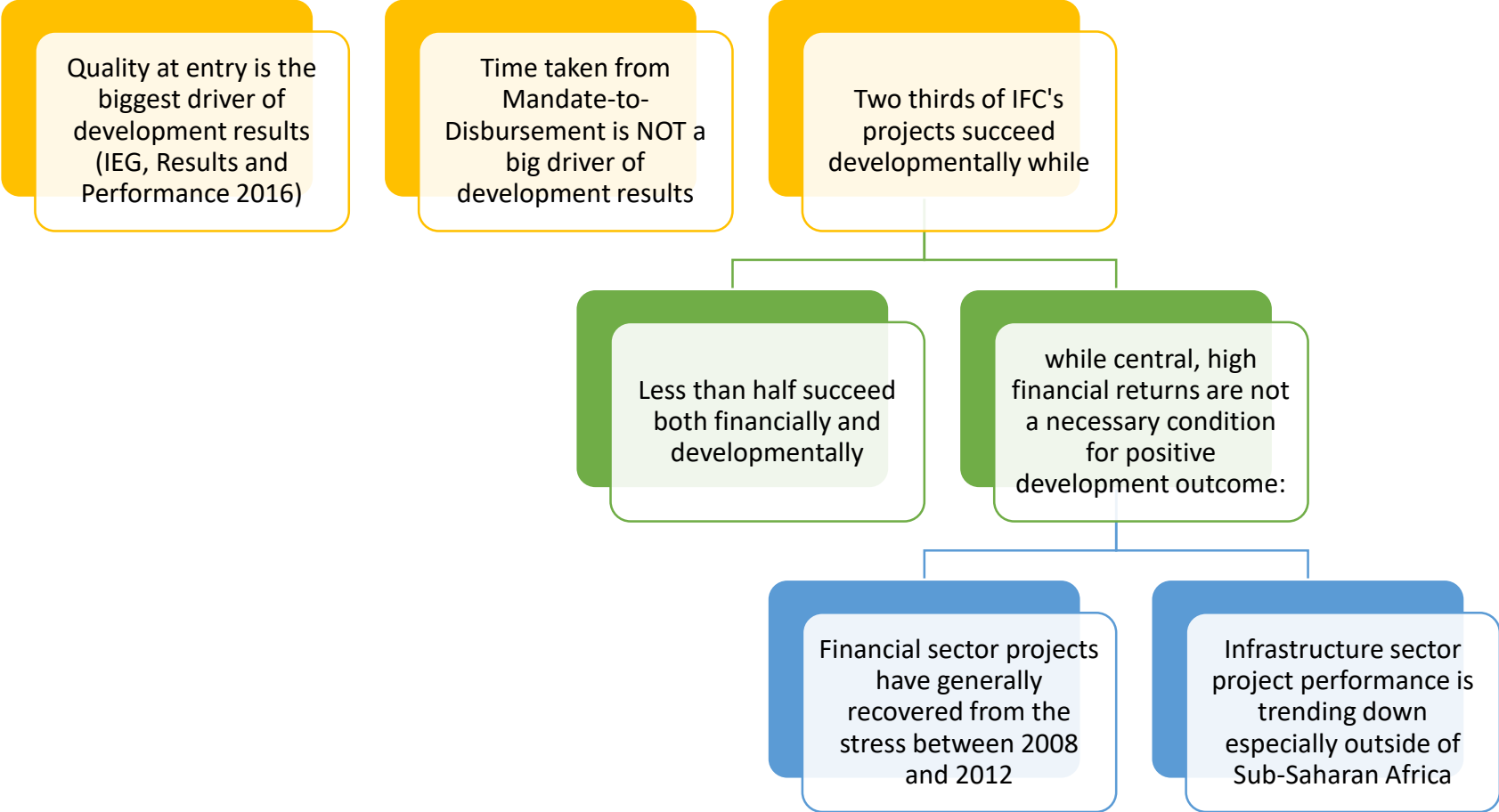
Quality at entry of projects is crucial

- When an investment in a project goes wrong, it is often caused by deficient due diligence which failed to identify the weaknesses of a project at the investment approval stage.

Other findings from a selection of EBRD's successful and failed operations (presented in the AEOR for 2004, 2008 and 2010, have also shown that:

- financial performance and the quality of management were crucial for a project's success
- good governance and transparency were also key factors contributing to projects' good performance
- *therefore, a keen focus of the evaluation function on credit-related aspects (how the project is doing financially) is crucial and is an important source of learning*
- it also requires that the evaluation procedures and practices are adequate to evaluate the business success of operations
- it is essential that the skill mix of the evaluators match the skill mix of the operational staff that prepares these private sector projects.

# Results from ECG Members: IFC



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# Culture





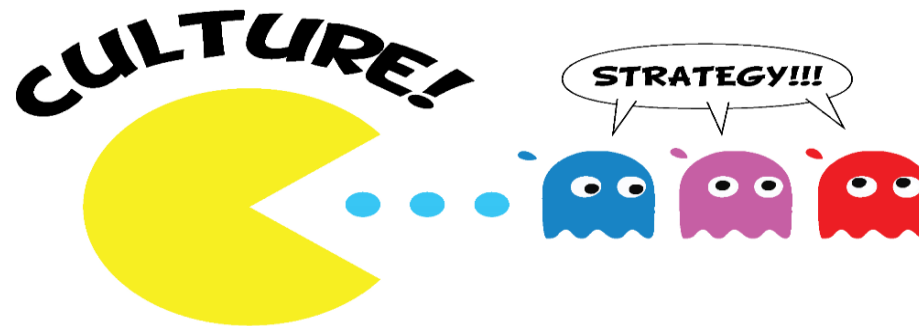
## The art and science of evaluating Private Sector Operations

- Interaction of evaluators with operational staff
- Independent selection of projects for evaluation
- The culture surrounding evaluation of private sector activities
- Frank interaction with Management is essential for learning



## Interaction of evaluators with Private Sector operational staff at MDB / IFIs

- Next to social and environmental issues, pay attention to serious deficiencies in a project's due diligence, transparency of projects' sponsors or unrealistic projections.
- When evaluators come across such deficiencies, an understandable reaction from operational staff involved is to challenge the findings and defend the handling their projects:
  - at times operational staff seem to prefer that evaluators just concentrate on the purely E&S, mandate-related issues as opposed to the more finance- and business-related issues. "Finance is not your expertise" they say....
  - but evaluators involved with private sector operations are usually recruited based on their private sector and banking experience
  - *fraud, lack of business ethics and transparency* can often be important factors affecting the outcome of private sector projects which
  - should become evident during in-depth project evaluation



- An attitude, which is very common when dealing with the private, is for investment officers (IOs) to move from closing deal after deal.
- Looking back and learning lessons is not part of the investment banking culture and as IOs of MDBs responsible for private sector development are often recruited from that sector, adopting lessons does not come easy.
- This attitude may increase the aversion of Management and staff dealing with private sector investments in MDBs toward the evaluation function at the project level.
- A bad evaluation might harm the IO's objective of doing as many deals as possible.
- Furthermore performance-related bonuses might be at risk through the scrutiny of individual projects at evaluation ex post.
- In addition, Management often argues that as on average the majority of the projects in MDB's do well, it is not essential that the institution pays so much attention to the individual bad performing investments, beyond the recovery of the funds.

The score of Unsuccessful projects is high and involves large sums of taxpayers' money and justifies that the evaluation function puts a high emphasis on projects with low ratings for learning purposes.

# The culture surrounding evaluation of private sector activities (cont.)



In EBRD the majority of the projects that were evaluated since the start of the institution in 1991 until 2010 scored Satisfactory or higher however:

about 13% of the projects were categorized as Unsuccessful and 29% as Partly Successful.



**Conclusion:** The score of Unsuccessful projects is high and involves large sums of taxpayers' money and justifies that the evaluation function puts a high emphasis on projects with low ratings for learning purposes.



**Lesson 1:** Experience shows that most of the learning potential is with projects that are not doing very well and the evaluation system should be allowed to place such focus



**Lesson 2:** Thorough evaluation also of the bad performing projects by an independent evaluation function helps the institution and its Board to determine the limits where development can still take place through staying engaged in the operations, even under very risky circumstances, with the aim of fostering real developmental changes, thereby fulfilling the ultimate objective of the institution.



LESSONS LEARNED

- recognize mistakes
- observe what works
- document them
- share them

Interactions between  
Evaluators and Private  
Sector Operational staff

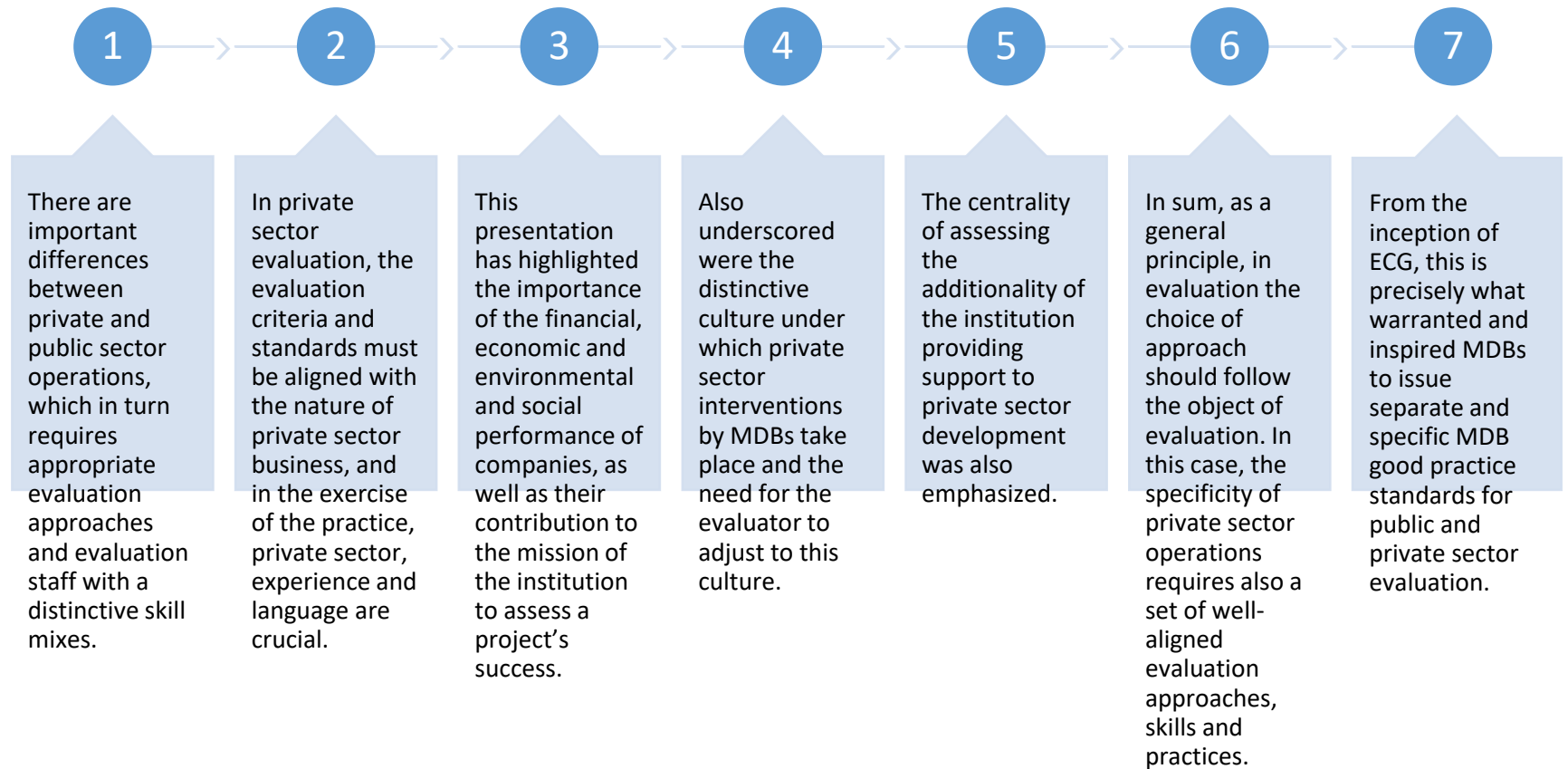
**Lesson 1:** It is important to make sure that the evaluators are not only technically sound as such, but that they are knowledgeable of private sector business.

**Lesson 2:** It is important that there remains an atmosphere in the institution conducive to learning, so that the potential lessons learned of the evaluation process be absorbed.

**Lesson 3:** Especially regarding private sector interventions, *a strong tone at the top*, starting from the Board of Directors, needs to be in place, so that the organizations maintain their focus on the institutional mission as opposed to narrowly on the financial dimension of projects, *as well as to support the evaluation function and its independence*



# Conclusions



# PART 3

Theory to Practice





# Outline

## Load up on Caffeine

- Role of Private Sector (revisit)
- Asiana Fund

## More Caffeine

- Adaptive Learning – the Institutional context
- Rajiristan Ferra Corp
- Lessons of Experience and Reflections



How do we assess Development Outcomes from Private Sector Operations?



- Development Outcome
  - Project Business Success.....IRR, ROIC
  - Economic Sustainability.....ERR, EROIC, qualitative
  - Environmental & Social Effects.....ex-ante and ex-post
  - Private Sector Development.....innovation, demonstration, jobs
  
- Investment Outcome
  - Equity Income
  - Loan Payments
  
- Work Quality
  - Screening, Appraisal and Structuring.....Risk Management!
  - Supervision & Administration.....Risk Mgt, Active vs. Passive
  - Additionality.....Financial and Non-financial



# Case Study

Asiana Fund

# Asiana Fund

## Ex-Ante

Approval in December 2007 in Asiana (IDA Country)

First time fund manager with Silicon Valley background

Expected to invest in country's underfunded sectors and SMEs: hospitality, media, logistics, IT, tourism, FI, MFG

Advisory committee participation available, not taken



- Do you agree with the rationale, strategy ?
- Any thoughts on fund manager, skill sets, geographical or sector focus?
- Any Risks that might keep you up at night?

# Asiana Fund

## Ex-Post

Weak pipeline, so 30% invested in public equities

One success: Travel company (public listed)

Year 6: Two exits and 1 partial exit, net loss of \$250K

50% of portfolio below book value

Fund IRR at 4.5% against projections of 7.5%

15% increase in net jobs from fund portfolio companies



- Do you agree with IFC's decision not to participate in the Advisory Committee for six years?
- Any thoughts on poverty focus, gender mainstreaming, contributions to society?



## How would you rate this project performance at the time of self-evaluation?

Development Outcome: Above or below Successful?

PBS:

ES:

PSD:

Investment Outcome: Above or Below Satisfactory?

Work Quality: Above or Below Satisfactory?

SAS:

S&A:

Additionality:



## How did the IFC team rate this project in Year 6?

Development Outcome: Mostly Successful

PBS: Partly Unsatisfactory

ES: Satisfactory

PSD: Satisfactory

Investment Outcome: Partly Unsatisfactory

Work Quality: Satisfactory

SAS: Excellent!

S&A: Satisfactory

Additionality: Satisfactory

## How did IEG rate this project?

Development Outcome: Mostly Unsuccessful

PBS: Partly Unsatisfactory

ES: Partly Unsatisfactory

PSD: Partly Unsatisfactory

Investment Outcome: Unsatisfactory

Work Quality: Satisfactory

SAS: Satisfactory

S&A: Satisfactory

Additionality: Satisfactory

# Asiana Fund



- Liquidity bubbles distort valuations and can adversely affect investment selection.
- Exits are needed to measure real performance of funds.
- When investing in first-time fund managers, leverage the Advisory Committee position.
- Even very committed first time clients with low in-house technical capacities can be overwhelmed by complex subprojects.

# Recap of Part 1 and Part 2

Why should we care?

- ODA is not enough, Economic Growth, Service delivery

What is Private Capital?

Source, Uses, Allocation, Timing

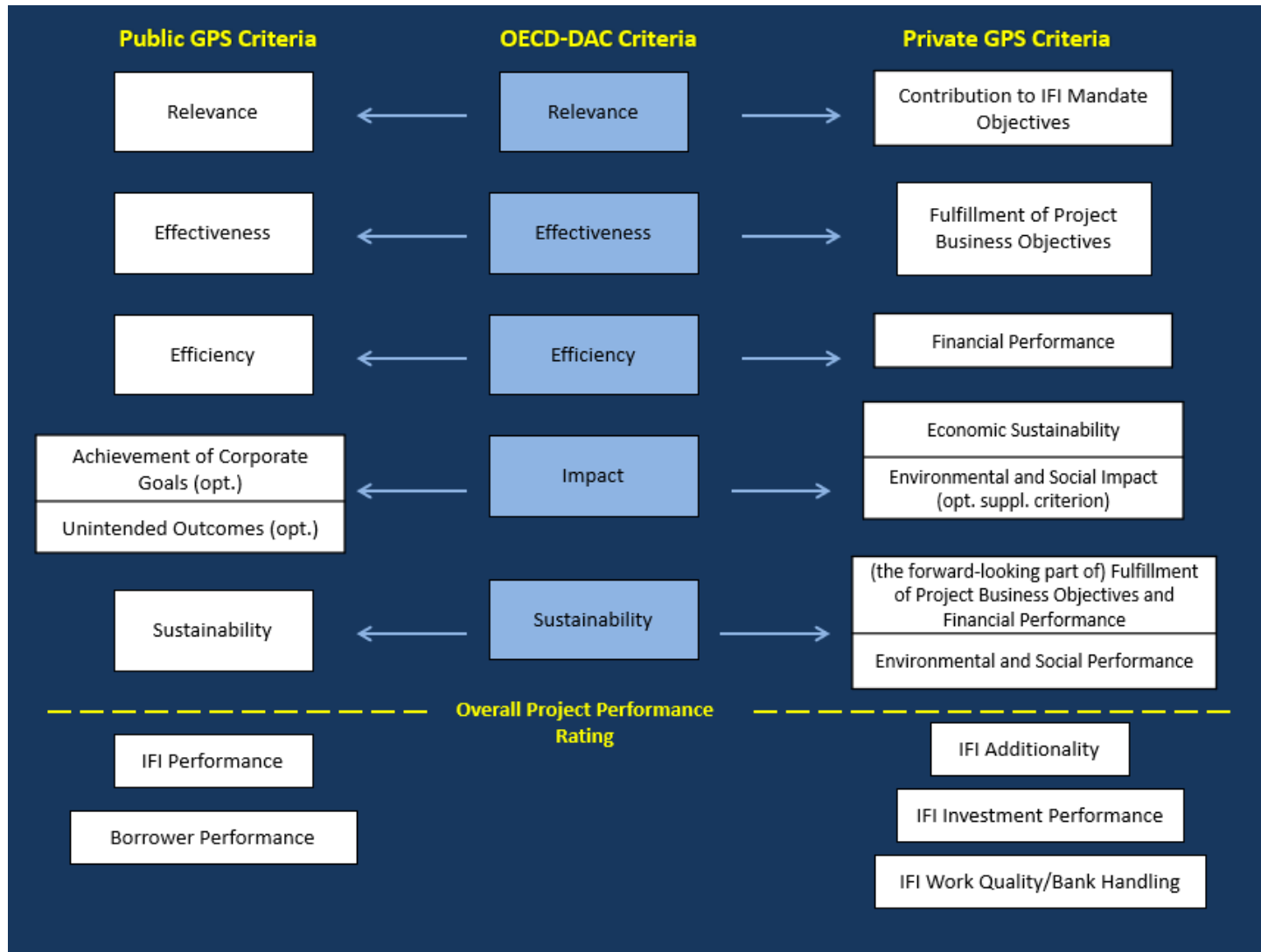
What are the differences with Public sector evaluations?

Culture, Life cycle, Frameworks

How should we think about Private Sector Evaluation frameworks?

Development Outcomes, Role and Contributions of Lending Institution

# Mapping Public sector framework with Private Sector framework



# Commonly used Private Sector Evaluation Methodology

## Country level

Diff-in-diff

RDD

Efficient frontiers

Case-based approach

Political Economy

## Sector level

Input-Output

General Equilibrium Modeling

Clustered projects

Political Economy

## • Project level

- Benchmarking
- Contribution analysis
- Beneficiary surveys

# Risks to consider in private sector projects

(from a Capital Provider, Sponsor perspective)

- **Macro Risks**

- Country and Government
- Currency
- Sector and Regulatory

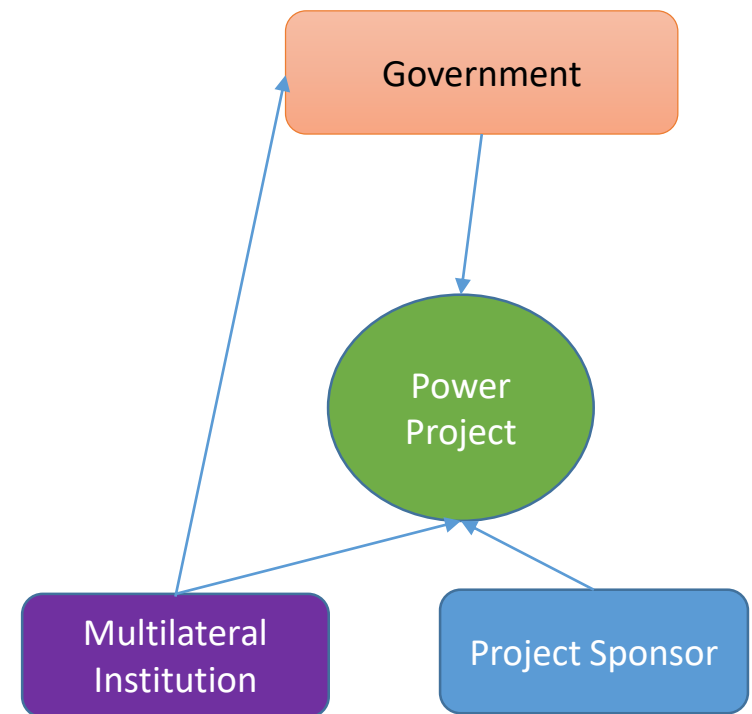
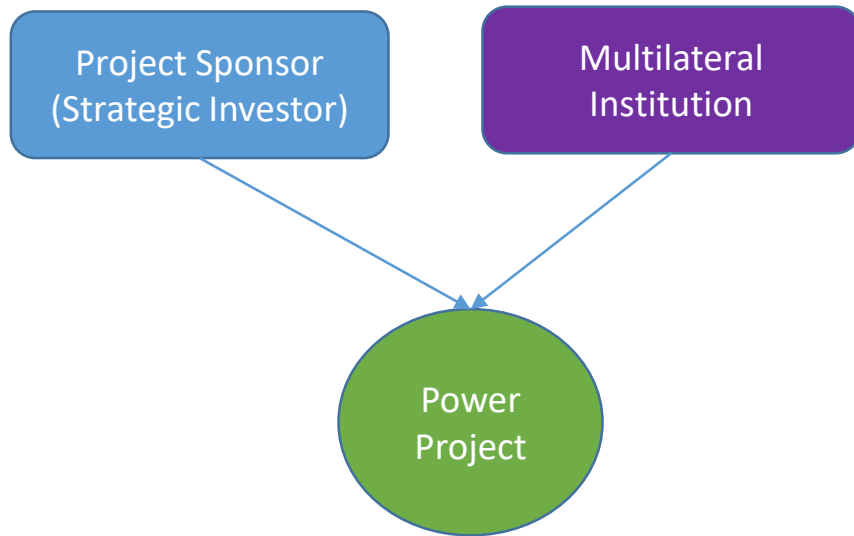
- **Others?**

- Climate, Pandemic and Disasters
- Financial Markets, Trade, Geopolitics

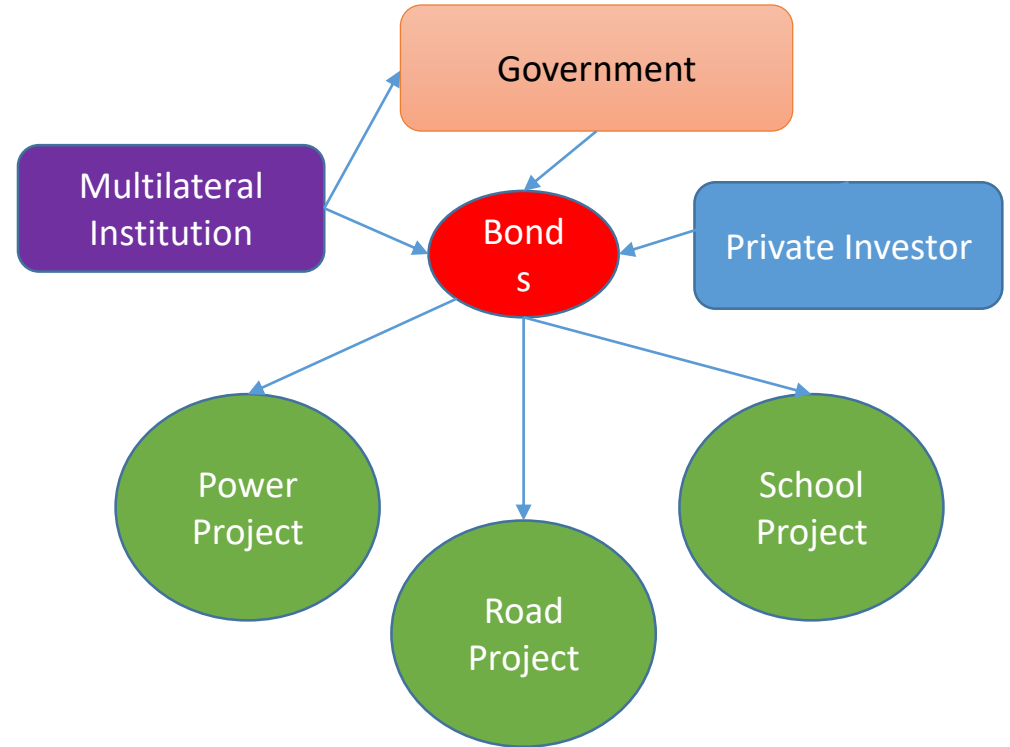
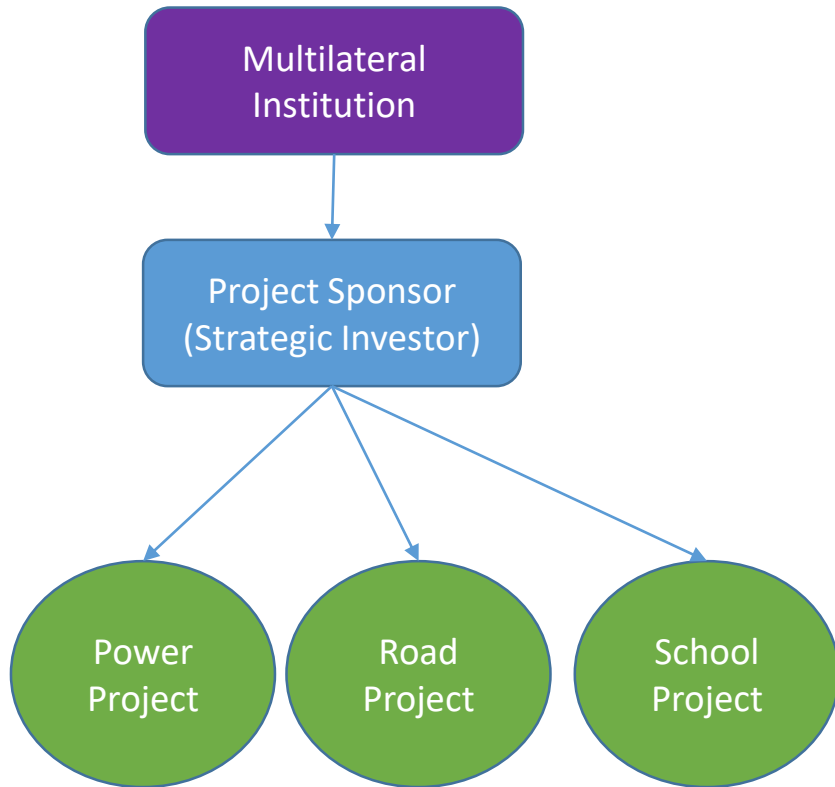
- **Micro Risks**

- Management Quality
- Technology
- Demand / Offtake
- Corporate Governance

# Project Finance vs. Corporate Finance vs. Financial Intermediaries?

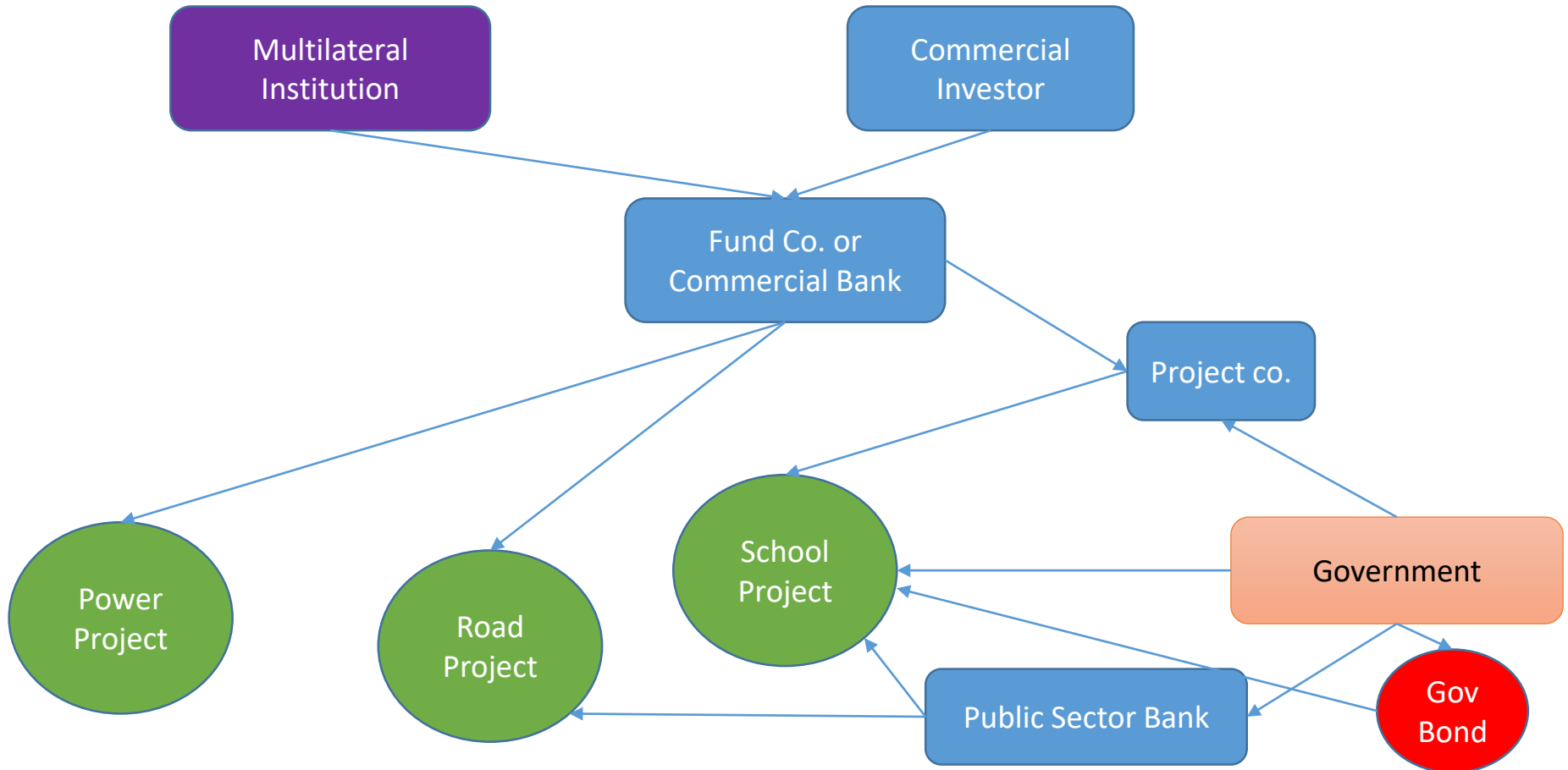


# Project Finance vs. Corporate Finance vs. Financial Intermediaries?





# Project Finance vs. Corporate Finance vs. Financial Intermediaries?





# Case Study

Rajiristan Ferra Corp

# Rajiristan FerraCorp

## Ex-Ante

A-Loan in \$ for Wind farm project expansion in 2007 but structured as a Corporate Loan to the family-owned conglomerate holding co.

Wind-power portfolio was one of the largest in the country, revenues in Rupees

Group is profitable earning in \$ from iron ore exports through subsidiary, meteoric rise in commodity prices



- Do you agree with the loan structure ?
- Could this have been an equity investment?
- Any Risks that might keep you up at night?

## Ex-Post

Wind-project output and revenues below expectations

Covenant Breaches: ESAP and mining reserve audit incomplete; Group provided guarantee on a bridge loan to its shipping affiliate without IFC knowledge; IFC provides advise on shipping business negotiations

Government Policy Shift: Ban on iron-ore mining and exports and Cancellation of subsidies, accelerated depreciation for Wind-farms

Rupee depreciation against the US dollar



- What would you have done as IFC Portfolio Officer at the time of Breaches and Regulatory Policy shifts?
- Could IFC have deployed other instruments from its tool kit? If so, which ones?

## How would you rate this project performance at the time of self-evaluation?

Development Outcome: Above or below Successful?

PBS:

ES:

PSD:

Investment Outcome: Above or Below Satisfactory?

Work Quality: Above or Below Satisfactory?

SAS:

S&A:

Additionality:



## How did the IFC team rate this project in Year 5?

Development Outcome: Highly Unsuccessful

PBS: Unsatisfactory

ES: Unsatisfactory

PSD: Unsatisfactory

Investment Outcome: Partly Unsatisfactory

Work Quality: Satisfactory

SAS: Partly Unsatisfactory !

S&A: Satisfactory

Additionality: Satisfactory

## How did IEG rate this project?

Development Outcome: Highly Unsuccessful

PBS: Unsatisfactory

ES: Unsatisfactory

PSD: Satisfactory

Investment Outcome: Partly Unsatisfactory

Work Quality: Partly Unsatisfactory

SAS: Partly Unsatisfactory

S&A: Partly Unsatisfactory

Additionality: Satisfactory

# Rajiristan FerraCorp



- ❑ Cash flows from one core business activity to finance another business need to be managed tightly with regard to risks.
- ❑ Reputation risk for IFC if investee companies can claim conformance to IFC Performance Standards while breaching covenants.
- ❑ Loan to be in same currency as project revenues.

# Reflections



- Development Outcomes for Financial Intermediary operations are not cookie cutter project financing and not easy to track; Evaluators need not relax the norms
- Development Outcomes for Corporate Finance transactions require deep understanding of Corporate Governance aspects and Financial Analysis; Follow the money trail.

# Part 4 Outline

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1. Bird's eye view of the Impact Investor Universe
2. Impact Investing frameworks and theory of change
3. Case study – Belgian Impact Investor
4. Reflections





# What is the media saying? (Source: FT, Devex,

BBC; Oct 2017)

Social Investment

[+ Add to myFT](#)

## How the next generation is shaping a new future with old money

Justin Rockefeller and other young members of historic dynasties are taking their family offices into the next era

“Ambitious Wealth

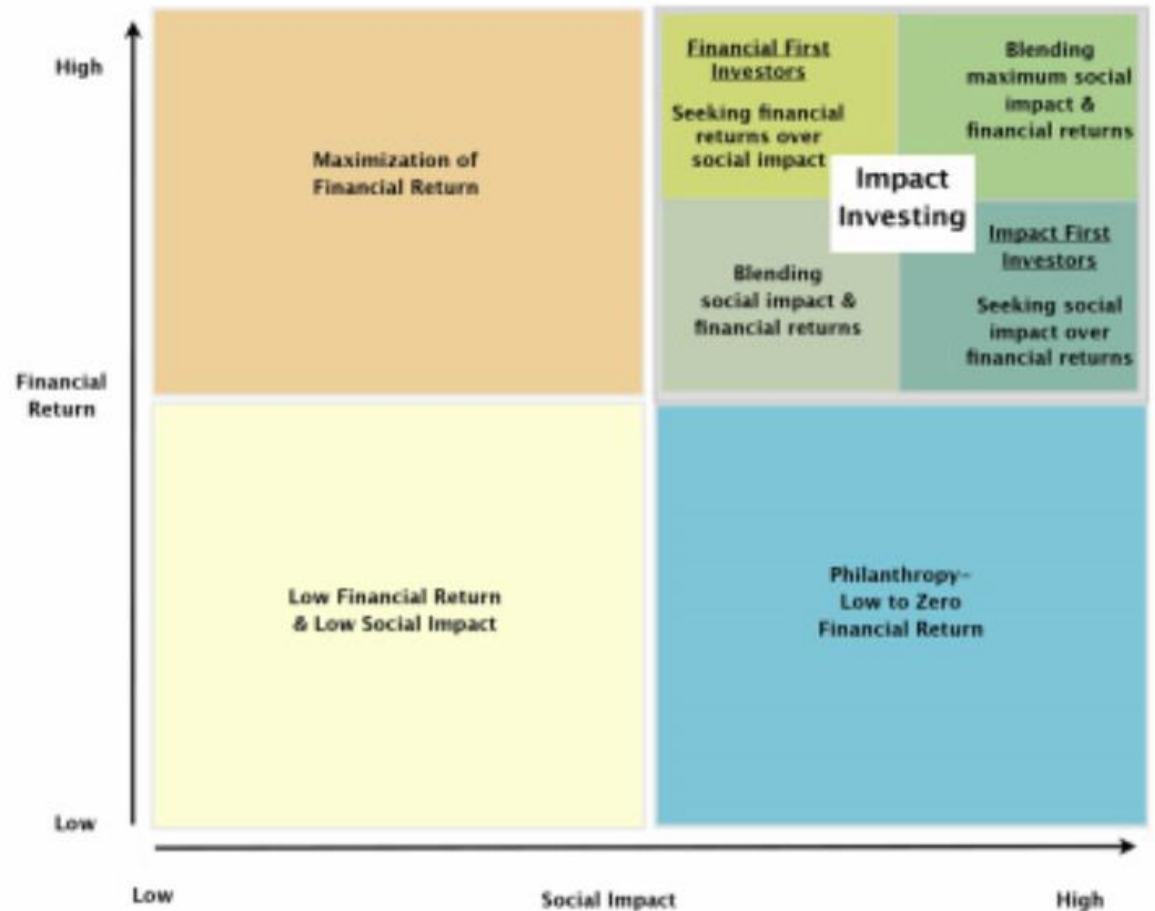
**Panel of impact investing leaders recommend new £2bn UK fund and 'pensions with purpose' to boost businesses which benefit the country**

INSIDE DEVELOPMENT » SOCIAL CAPITAL MARKETS CONFERENCE

**Leveraging impact investing to achieve the  
SDGs**

# Definition of Impact Investing?

- Impact investments are investments made into companies, organizations, and funds with the intention to generate social and environmental impact alongside a financial return.
- Impact investments can be made in both emerging and developed markets, and target a range of returns from below market to market rate, depending on investors' strategic goals.



Difference between Investments with Impacts and Impact Investments?



- Do the project sponsors have a specific intent to provide positive social and environmental impact, as evidenced in loan proposal, internal results matrix and a robust system to monitor their impacts?

(not the MDB/IFI!)

*If YES* → Impact Investment

*If NO* → Investment with Impacts

Consider the concept of “Intentionality”

# The “boomers”

- World Bank / IFC
- African Development Bank
- Asian Development Bank
- EBRD
- EIB

# The “millennials”

- Rockefeller Foundation
- Calvert Investments
- Root Capital
- Africa Platform Capital
- Environmental Defense Fund





## How does the private sector contribute to impacts?

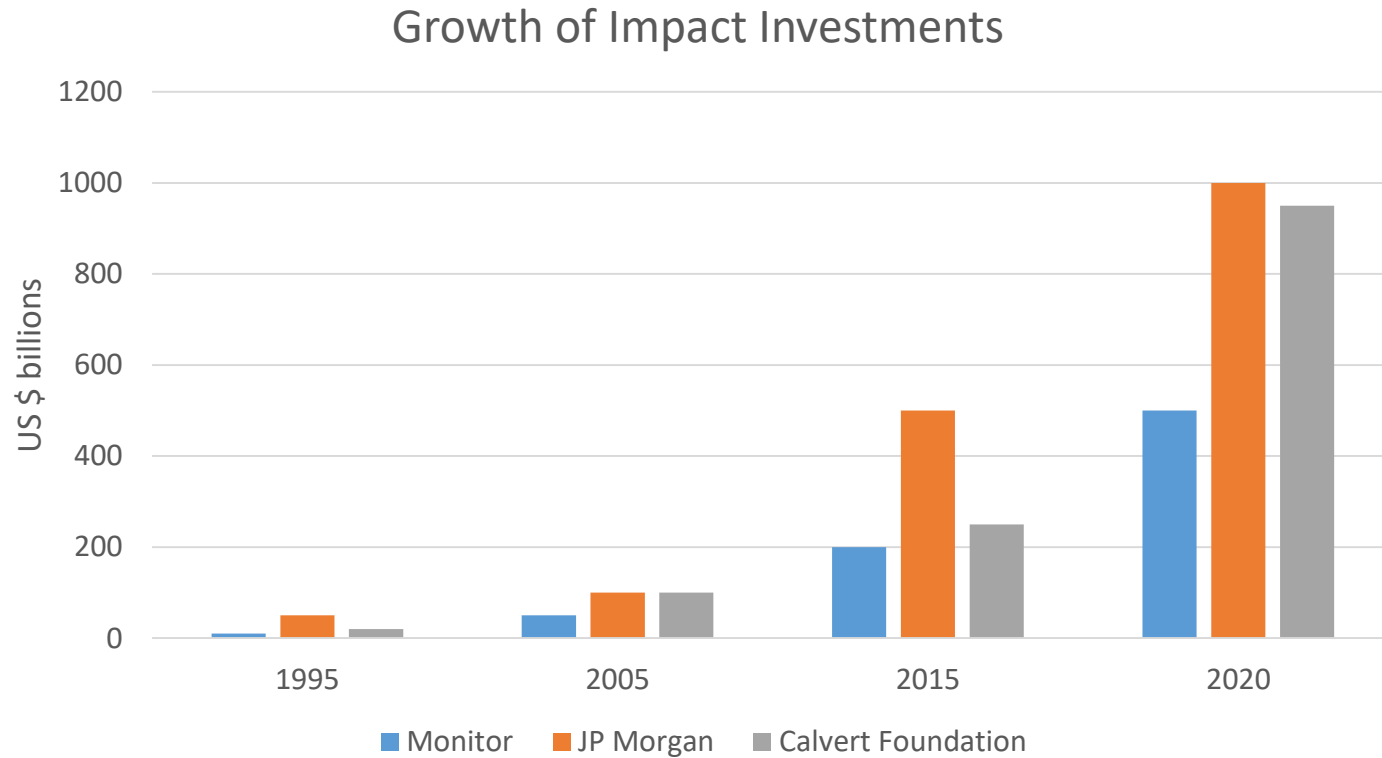
- Impact through capital investments and product delivery, i.e. goods and services produced by the enterprise

For e.g. clean water, financial services, efficient energy, healthcare

- Impact in operations

For e.g. management practices, employee insurance and health programs, environmental effects of its supply chain, social programs supported

# Growing Universe





# Impact investors belong to

- GIIN – Global Impact Investing Network

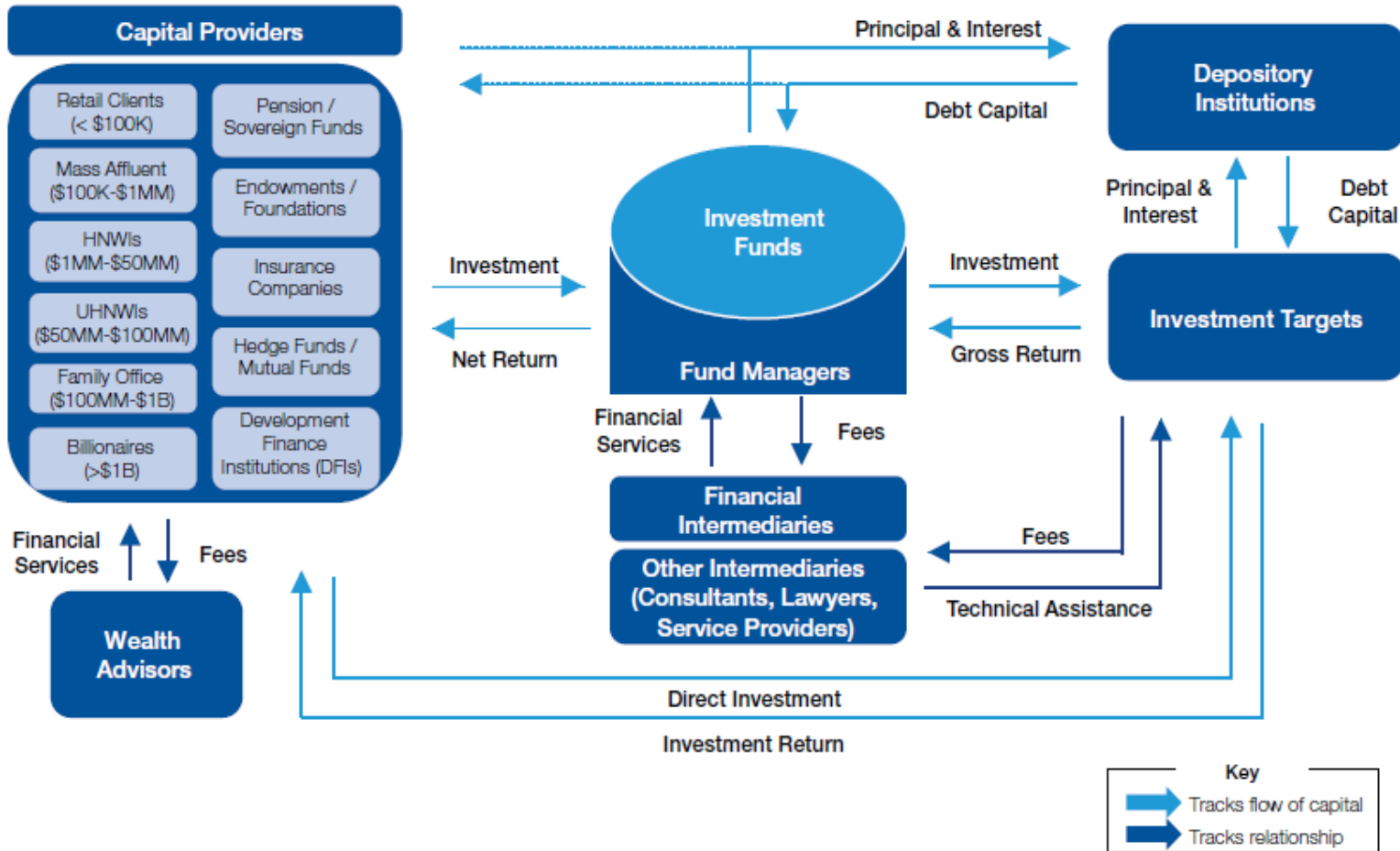
Largest network of private-sector impact investors, 300 founding members, investor's advisory council, reporting in a common standard (IRIS). ([www.thegiin.org](http://www.thegiin.org))

Supported by

- IRIS – Impact Reporting and Investing Standards

Largest repository of data from impact investors in a global database, standards-setting body leveraging existing frameworks, 5000+ organizations reporting using this standard as of 2015. (<http://iris.thegiin.org>)

# How are the “actors” organized?



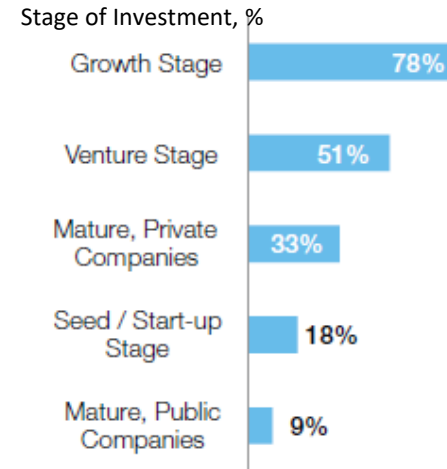
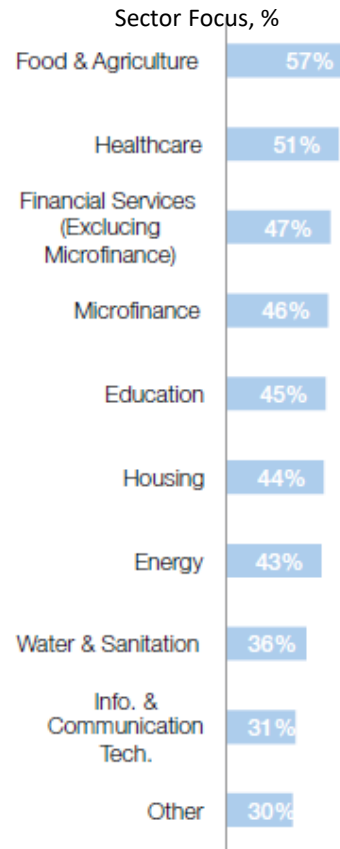
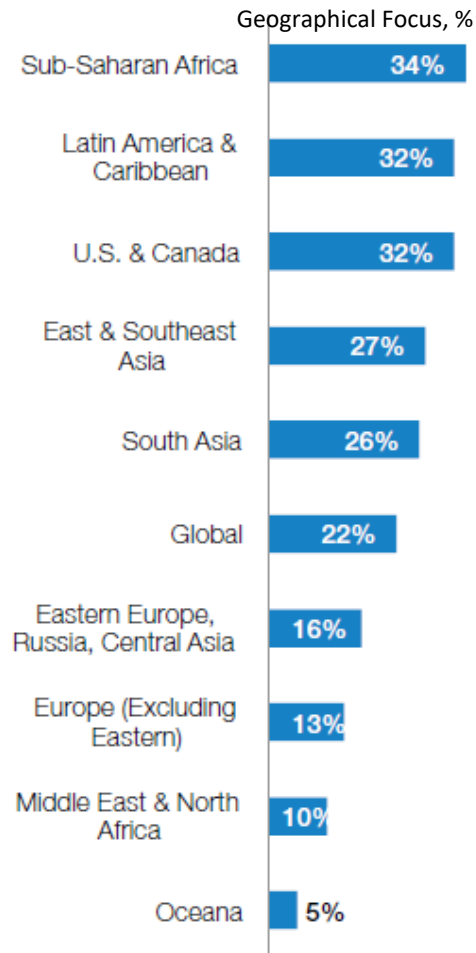


# Monitoring and Evaluation Frameworks leveraged in IRIS



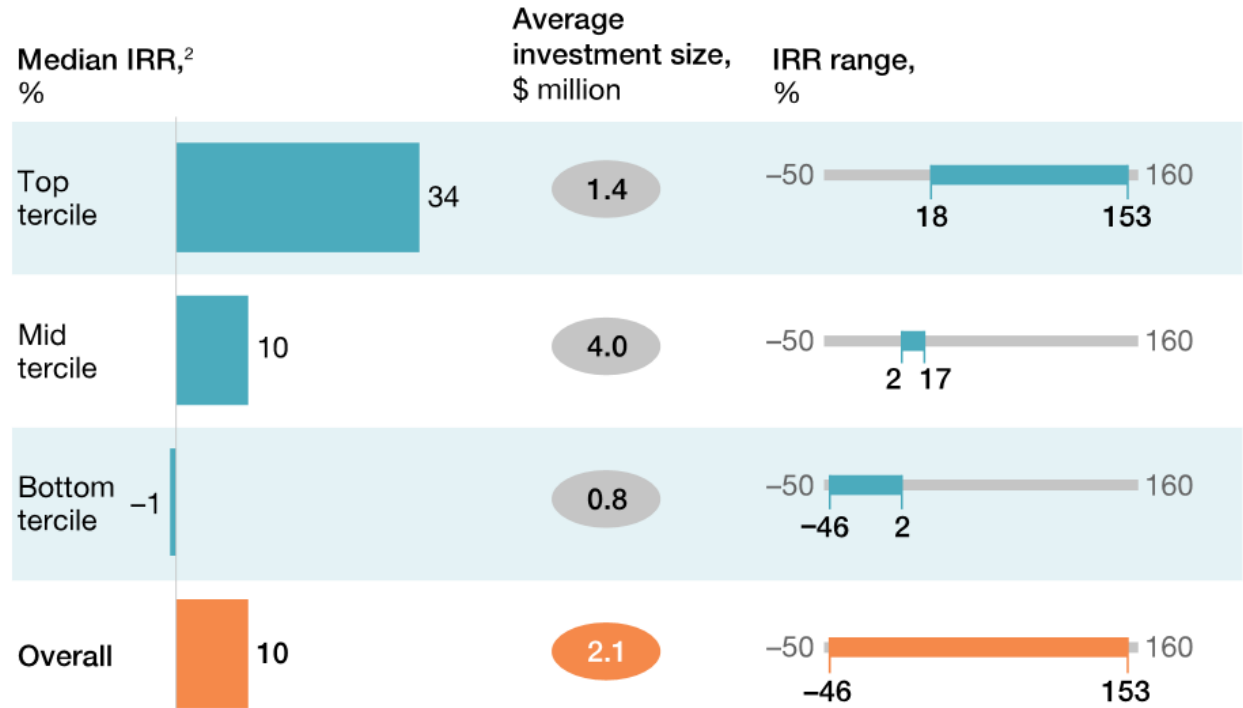
## 2. Impact Investing results frameworks and theory of change

# Focus areas



Source: JP Morgan

## Financial Performance

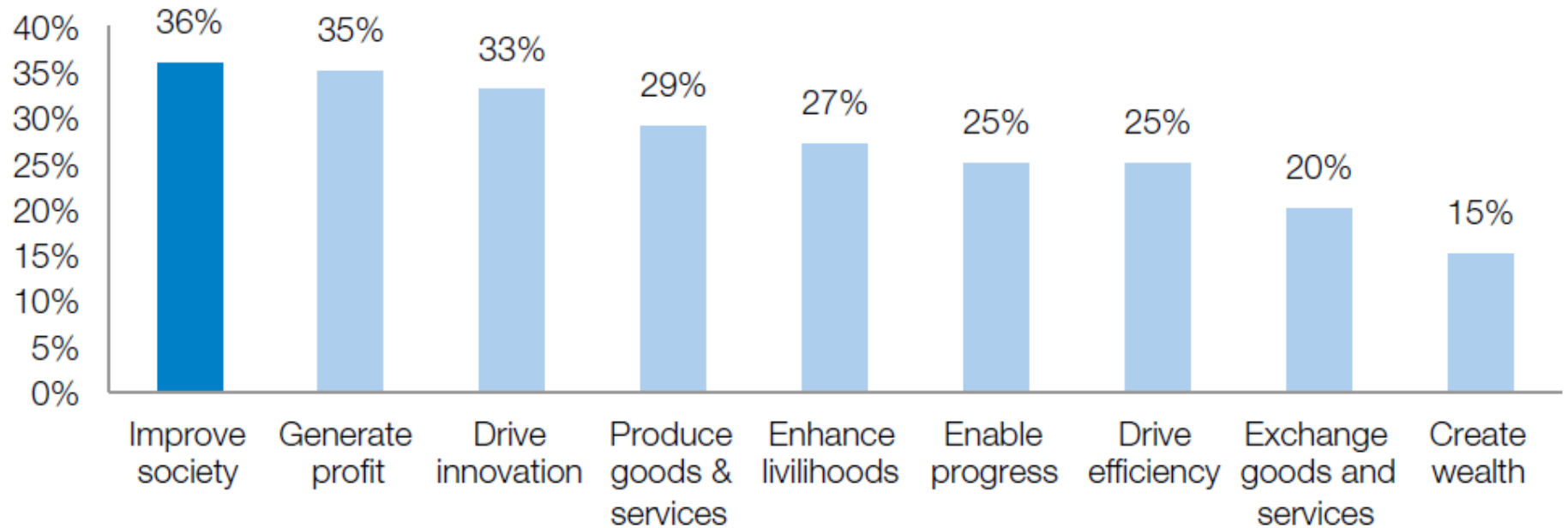


<sup>1</sup>Includes partial exit returns for stake sold.

<sup>2</sup>Overall weighted average internal rate of return (IRR) is ~11%.

Source: Impact Investors Council; VCCEdge; McKinsey analysis

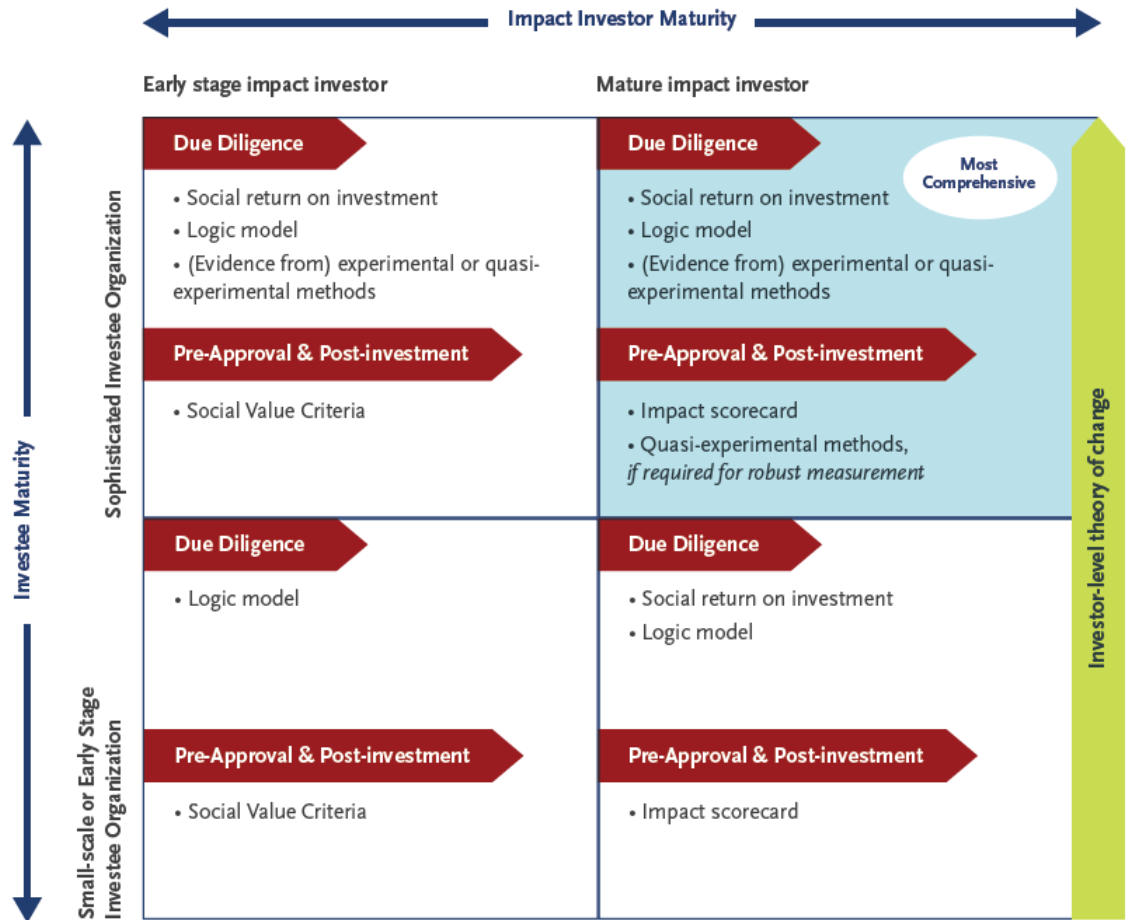
# What is the primary purpose of private sector business?



Source: Deloitte 2016 survey of 900 millennials across 18 developing countries

# Entry point in the Theory of Change





*Note: Investee maturity should be determined by the impact investor based on the investee's size, reach, budget, or years in existence*

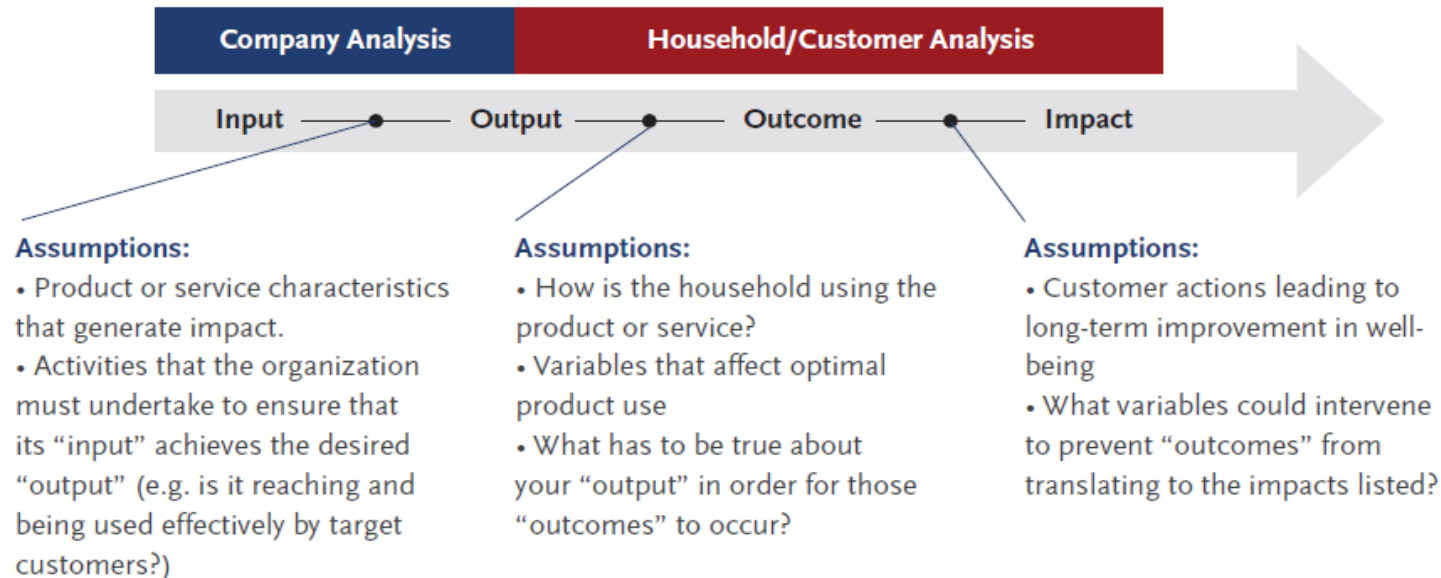
# Theory of Change

**Input:** The primary product(s)/service(s) offered by the organization/initiative

**Output:** The product(s)/service(s) being consumed at the household or customer level (Measurable metrics)

**Outcome:** The result of adopting the product/service expressed as the monetary and non-monetary well-being of the target customers (Measurable metrics)

**Impact:** The longer-term effects on the target customers' household well-being that can be attributed to the good or service. Impact will be (Measurable metrics when possible)





# Theory of Change...

Inputs	Activities	Outputs	Outcomes	Impacts
<p><b>Equipment:</b> peanuts processing factory, transportation vehicles</p> <p><b>Supplies:</b> peanuts / peanut paste, vitamins &amp; mineral mix</p> <p><b>Staff:</b> personnel with expertise on the ground in Haiti, labour force to run factory, international support team</p> <p><b>Partners:</b> institutional programs / demand for RUFs</p> <p><b>Funding:</b> philanthropic support</p>	<p><b>Production of medicines known as RUFs:</b> MFK produces 75mt of fortified peanut based foods (RUFs) per annum</p> <p><b>MFK Agricultural development:</b> MFK conducts 3-5 workshops to teach subsistence peanut growers how to increase yield and quality of harvests, MFK manages 5 demonstration plots and sources 40% of its peanuts locally</p>	<p><b>Products:</b></p> <p>Metric tons of RUFs produced per annum: 75 (2011), 800 (2015e)</p> <p># of products: 2 (2011), 5 (2015e)</p> <p>Metric tons of local peanuts purchased per annum.: 40mt (2011), 400mt (2015e)</p> <p><b>Services:</b></p> <p># of farmers trained in agricultural skills and provided with a stable market at fair prices: 100 (2011), 1000 (2015e)</p>	<p><b>Improve physical well-being: Very strong impact</b></p> <p>In 6-8 weeks, a child treated with RUF has 80% likelihood of recovery. Once severe malnutrition has been treated the child can survive on a local diet. Children cured of severe malnutrition before age 5 perform better at school and develop to be healthier and stronger.</p> <p># patients treated per annum.: 80,000</p> <p># patients treated against severe acute malnutrition: 20,000</p> <p>Children saved from becoming malnourished: 60,000</p> <p><b>Improve social well-being: Strong impact</b></p>	<p><b>Eradicate malnutrition in Haiti</b></p> <p><b>Build food security in Haiti</b></p> <p>Improve material well-being: Low impact</p>

3. Can you solve this case?



# The Mysterious Case of the Belgian Investor

Incofin Investment Management (Incofin IM) is a Belgium based management company with 7 impact investing facilities totaling EUR 325M under management. Incofin IM mainly manages funds that invest in microfinance institutions (MFIs) in developing countries on-lending to agribusiness. MFIs provide **financial services**, such as credits, savings and insurances, to people who cannot have recourse to regular banks. As a specialist in rural microfinancing, Incofin IM's main goal is to reach out to people who live in more secluded rural areas and/or who are active in the **agricultural sector**. From its offices in Belgium, Colombia, Kenya and India Incofin finances and supports organizations in over 40 countries.

## Social Objective

- Access to financial services
- Agricultural productivity

## Sector Focus

- Agriculture
- Financial Services

## The mysterious case of the Belgian investor...

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Please discuss in your small group and come up with monitoring and evaluation Indicators for this impact investor.

# World Bank Metrics for Agribusiness

(source: IFC)

1. Volume of Product (MT)
2. Productivity Improvement
3. Payments to Gov't (\$M)
4. Direct Employment (#)
5. Wages and Benefits (\$M)
6. Indirect Employment (#)
7. Domestic Purchases (\$M)

# and for Micro-finance

1. Access to Finance: New Loans and Outstanding Portfolio/ SME/ Agribusiness/ Access to Finance for Women: New Loans and Outstanding Portfolio/SME
2. Access to Financial Services: Branches, including Frontier or Rural Areas
3. Access to Financial Services: Deposits
4. Access to Financial Services: Lending in Frontier or Rural Areas
5. Access to Insurance and Pensions
6. Acquisition and resolution of distressed assets
7. Direct Employment (#)
8. Direct Female employment (#)
9. Investments into the economy by contractual savings companies (assets under management)
10. Number of MFIs reached

# Solve:

- How many metrics or indicators do you think Incofin monitors, measures and reports to its shareholders?



## 4. Here is what happened...

Number of indicators utilized by  
Incofin:

**93 in total!**

([www.Incofin.com](http://www.Incofin.com))

# Here is what happened...

Incofin Metrics or Indicators are not set based on sectors (such as Agribusiness or Microfinance) but based on higher-order Themes

- Land Administration
- Poverty levels
- Environmental Sustainability
- Geographic settings
- Type of livestock and fisheries
- Health and Safety
- Corporate policies
- Employee Welfare
- Supply Chain Linkages and Local content



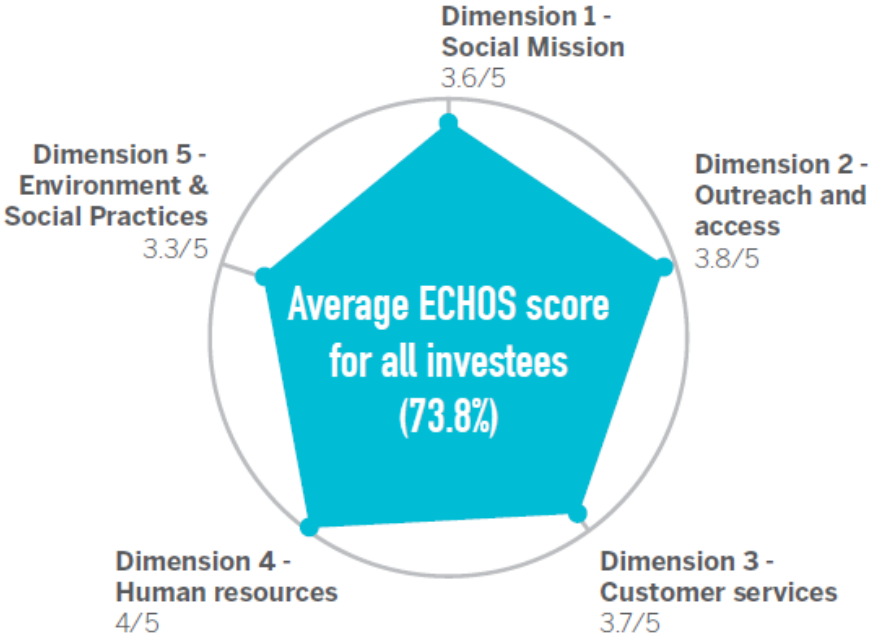
# Incofin's sample metrics

KYC/Market Research on Clients  
Product/Service Certifications  
Products Recalled  
Quality Assurance Mechanisms  
Land Administration and Control (%  
sustainably managed vs. others)  
Percentage Smallholders Sourcing  
Payments  
Producer Price Premium  
Pesticide Usage  
Average Client Agricultural Yield  
Livestock/Fisheries Impacts

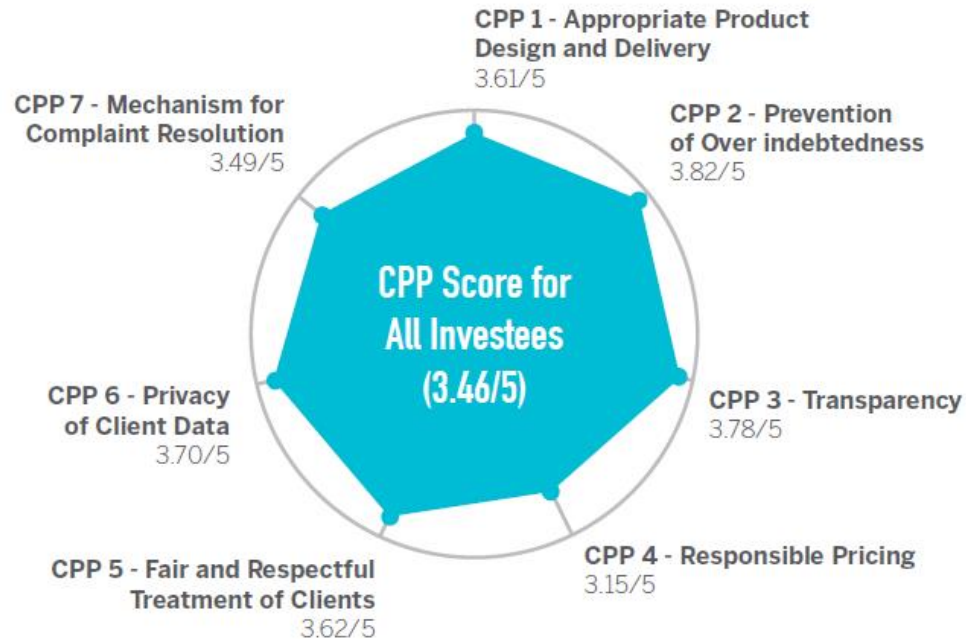
Active Borrowers per loan officer  
E&S Staff Training and Investments  
Fair Hiring / Recruiting Policy  
Permanent Wages and Growth %  
NPL (at Risk)-30 and 90 days  
Number of Voluntary Savings Accounts  
Impaired Assets  
Personnel Efficiency  
Capital Available  
Meeting frequency of Board of  
Directors  
E&S Committee Size and Governance  
Conflict of Interest Policy  
Fair Career Advancement Policy  
Healthcare Benefits

# Incofin's sample metrics framework continued...

Not focused on Financial Returns or IRR as the primary criteria for outcomes



# Monitoring Client (or Beneficiary) Protection Principles through Scoring system



This impact investor (fund manager with 30 employees) may be measuring and reporting more on SDG contributions than most of us at MDBs and IFIs do in this sector

Reflections on the case



The Belgian  
Investor survived...

# Reflections on the case



	Impact Investors	Traditional IFI models
Similarities	Theory of change ... ...	Theory of change ... ...
Differences	Intentionality  Social Returns is the primary indicator  <u>Frameworks by Themes, by Size of Investor and by Size of Beneficiary</u> ...	Additionality  Financial Returns is the primary indicator  <u>Frameworks by Sectors, and size of sponsor or beneficiary is not typically factored in.</u>

# Growing universe...

- Over 5,000 impact investors from around the world are actively monitoring, measuring and reporting their performance to the global database at GIIN/IRIS (<http://iris.thegiin.org>) that supports 600+ indicators across 20 sectors and themes.
- MDBs/IFIs don't create impacts, we usually *co-create* impacts with our clients and partners. How can we tap onto the growing base of Impact Investors from the private sector whose mission (remember "intentionality") is about creating development impact?



# Through the looking glass...

- Geospatial Analysis
  - Drones and GIS
- Text Analytics and Social Media Analysis
  - Facebook, Twitter





**LEAVING NO  
ONE BEHIND:  
EVALUATION  
for 2030**

2019 National Evaluation  
Capacities Conference

**Thank You**

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