HIPSO Harmonized Indicators for Private Sector Operations

2019 ANNUAL MEETING - 30 SEPTEMBER - 1 OCTOBER WHOLE GROUP SUMMARY OF DISCUSSIONS

Rethinking the HIPSO Metrics Amidst a Changing Development Impact Landscape

CONTEXT FOR THE MEETING

- **Background:** The 2018 HIPSO Annual Meeting provided a platform for rich discussions on wide ranging development impact issues, in addition to facilitating the revamping of the HIPSO initiative. During this meeting, one of the fundamental discussion points revolved around the usage of the current metrics by member institutions, and there was a general view from Development Financial Institutions (DFIs) to revisit/revise the HIPSO metrics given the shift in focus/priority areas for DFIs, in addition to the adjustment of their results measurement systems.

  As a follow-up to these discussions, a survey for the Whole Group[1] was launched earlier on this year, and an analysis was done to assess the extent to which the metrics should be revised. Based on the Whole Group's feedback and discussions, HIPSO members widely expressed a desire to broaden and enhance the scope of HIPSO by adding sector/cross-sector indicators, and those that capture market-level effects, in addition to adding increasingly significant thematic indicators for example climate mitigation/adaptation; inclusiveness (youth, base of the pyramid, and rural populations etc.); and gender.

- **Objective of the meeting:** Using the survey recommendations as a basis, the main objective of the meeting was for DFIs to compare notes and to discuss the revised/additional indicators that they suggest being included in HIPSO, based on their respective institution's development impact assessment systems. Additionally, there were updates provided on the progress of other related topics e.g. HIPSO metrics alignment with the Sustainable Development Goals (SDGs) which is critical given the amplified role of the private sector in achieving the SDGs, hence an increased emphasis for HIPSO members to report on their contributions towards the global SDG agenda; and there were discussions around how we can leverage the revised HIPSO indicators to provide a common understanding about what constitutes good practice in results measurement, to complement the Impact Investing Principles with a more consistent approach in the implementation of the measurement aspects of the Principles.

- **Summary of the Key Takeaways and Way Forward**

  1. **Revision of the HIPSO metrics -** There was a general consensus in the Whole Group that the revision of the project-level metrics was of significant importance. Almost all DFIs are experiencing some changes in their impact measurement systems, including the indicators used to substantiate such impacts. **As per the indicators capturing direct effects, t**here is a common view amongst HIPSO members that the revisions can be done fairly quickly building from some of the low-hanging fruit. For example, metrics on gender -sex disaggregated, environment - climate change.

     For gender, there are already existing initiatives like the 2X challenge and the MDB gender working group that are both working towards a common set of gender metrics. There is a need to ensure that DFIs respective gender teams are looped in the discussion to ensure consistency and broad alignment. This would be an ideal starting point for the HIPSO gender metrics.

     In addition, it was agreed that cross-cutting metrics that are not currently in HIPSO focusing on Government, Employment, community, and sustainability issues could be added.

[1] The Whole Group comprises 26 DFIs.

The discussions around sector/sub-sector metrics revealed a need to move beyond access indicators to capture affordability, and quality aspects whenever relevant.

The discussions on market-level metrics were informative and geared towards sharing some experiences on how IFC and EBRD are dealing with these metrics. While other HIPSO members showed great interest, it is not time to move to harmonization as most DFIs do not currently assess market level impact.

<u>Next Steps</u>: The HIPSO Secretariat will take the lead in the drafting of the first set of the additional HIPSO metrics building from the presentations made and circulate to the wider HIPSO group for further inputs, by the end of October 2019.

Indirect/induced job effects – HIPSO members are experimenting different models of capturing these effects. Alongside the IFC model and some efforts in some of the other HPSO members, the European Development Finance Institutions (EDFI) Group, the African Development Bank and FinDev Canada are harmonizing their indirect jobs estimations efforts. IFC made the point that having different models is perfectly fine and would help in terms of peer learning and sharing of experiences. What matters is not the level of complexity or precision of our respective models, but how we can collectively deliver high quality outcomes in a context of heightened scrutiny from our shareholders and other stakeholders. It is therefore important that we get our models right and ensure quality of our tools and assumptions underpinning those models. It was noticed also that it will be quite a challenge to come up with a common model for jobs estimations in the short run within the HIPSO group. This is due to several issues including – (i) HIPSO members have different mandates and strategies when it comes to impact measurement, particularly jobs creation effects; (ii) Not all DFIs involved are equipped or resourced to deliver on jobs and one size fits All may not work; (iii) The level of scrutiny and requirements from shareholders and development partners in terms of impact measurement, particularly job estimations is seemingly not the same among HIPSO members, hence different level of tolerance for unreliable measurement tools/models; (iv) Institutions such as IFC have a Thought Leadership role to play given their global footprint, the amount of knowledge generated internally and the role they are playing in the DFI community. Therefore, it is critical for IFC to develop its own toolkits and systems to strengthen its capabilities and be able to effectively lead by generating knowledge.

Then the focus should be for HIPSO members to cross-fertilize and learn from each other, try to find common ground on jobs estimation methodologies and devise jointly feasible coordination mechanisms towards a common inter-institutional platform. It was highlighted throughout the discussion that robustness of estimation frameworks is critical and there cannot be a compromise on quality, given the increased scrutiny that shareholders and external stakeholders have on DFIs related impact measurement. To that effect IFC shared with the Group the idea to develop a common platform focusing on job estimations methodologies, sharing of information and peer-learning involving the World bank Group and the DFI community. The idea is to have an entity that would bring together all knowledge and information from our respective institutions into one platform which can be accessed and used by different institutions for job estimations, information sharing and the like.

<u>Next Steps</u>: HIPSO members involved in this space will continue engaging in discussions and possibly form a working group to share lessons and possibly work together on methodological issues.

2. **Leveraging the complementarity between HIPSO and IRIS metrics for Impact Measurement -** HIPSO metrics together with IRIS/GIIN could be positioned as the main pillars of the common impact measurement framework. While there is room for further harmonization of metrics between IRIS and HIPSO. There will still be some areas where harmonization may not be possible in the short run. The two sets are seen as complementary because neither of them covers all the

sectors/subsectors. In case in point is the fact that IRIS does not cover infrastructure metrics. Discussions are ongoing on how to make progress in closing the gap between IRIS and HIPSO. It is important that HIPSO through its Secretariat and Steering Group stay engaged with IRIS on this matter.

There is an urgency to move ahead with the increasing demand from impact investors for guidance on how to operationalize the impact investing principles. It is the view of the HIPSO group that these two sets of metrics, could be the core foundation in regard to metrics to be used by impact investors for impact measurement. The current HIPSO/IRIS metrics could be used as a start and adjusted once the revised set of HIPSO indicators is ready.

Next Steps: The Steering Group will engage with IRIS around the possibilities for closer alignment of IRIS with HIPSO.

3. **HIPSO metrics alignment with the SDGs –** Several DFIs have already done or are undertaking some sort of mapping of their respective operations to the SDGs. That is a first step that provides a clear line of sight of HIPSO members' respective contributions to the SDG targets. There is a common view among HIPSO members that there is a need for a common approach on how to assess and report on DFI's contributions to the SDGs. It was also noted that the SDGs involve a multi-stakeholder process bringing together perspectives from different constituencies and leaders, it is therefore timely that a common HIPSO SDG alignment framework be developed to promote the private sector's perspective within the SDG networks.

   It is agreed upon that a HIPSO SDG alignment framework will be developed, and an approach paper providing the thought process of the alignment will be drafted and shared with HIPSO members for their inputs and endorsement. This paper will also take into consideration the approaches being considered for SDG alignment by the Managing for Development Results working group that include MDBs that are part of HIPSO (AfDB, ADB, EBRD, EIB, IADB).

   Next Steps: IDB Invest and IFC will take the lead in the drafting of the approach paper to be delivered by mid November 2019.

4. **Issues that need further attention** – It came out fairly clearly from the discussions that HIPSO is at a crossroads: HIPSO members are asking for more collaboration and learning opportunities. DFIs need to further collaborate and leverage each other through cross-fertilization, exchange of experiences, information and views, joint projects monitoring and learning experiences. There is a need to put in place mechanisms that could facilitate such collaborations. There is no alternative option as our respective shareholders are asking for more collaboration and alignment in our processes and systems. Another emerging issue is that there are some views among DFIs that HIPSO need to move to the next level, broaden its mandate beyond harmonization of metrics and position itself as a network of international development partners which could go beyond current HIPSO members and include other development partners involved in private sector operations.

   The detailed discussions for the different sessions during the meeting are included in the section that follows below.

Summary of Discussions by Session

DAY 1

❖ Member Updates

Members of the working group gave an update of the recent developments related to the metrics they use, ex-ante and ex-post impact frameworks, and monitoring systems. In summary, the majority of the HIPSO members have in place development impact frameworks and most of these use the HIPSO indicators. The institutions that don't have frameworks are currently developing these. Relatedly the SDGs, many of the institutions have done the exercise to align or map the indicators that they collect with the SDGs. On gender some DFIs are part of the 2X challenge, and on climate the focus is increasing. In addition, GHG emissions avoided is being including in the metrics to collect. Another initiative that is increasing among the institutions is the assessment of the economy-wide effects of the projects, especially the estimation of the indirect and induced jobs. Additionally, few institutions intend to start auditing their monitoring systems.

- **IFC**
  - Two years since the start of the implementation of the ex-ante development framework "AIMM".
  - Will start monitoring AIMM in the next calendar year.
  - Revamping the evaluation strategy. Linking it to the AIMM.
  - Started implementing AIMM for Advisory Services.
- **IRIS**
  - Recently released a new version of the IRIS catalog, IRIS+.
- **AfDB**
  - Looking towards forming a strong collaboration with the monitoring business units to enhance the result measurement framework and improve the feedback loop from ex –post to ex ante assessment.
- **ICD**
  - An ex-ante development framework is under development.
- **ADB**
  - Recently released a new strategy and started implementing a new results framework.
  - They have linked the results framework to the SDGs.
  - Next, they will be developing an impact framework.
- **CAF**
  - Are currently developing a private sector strategy, including the indicators.
- **BOAD**
  - Currently working with a consultant to build the measurement tool.
  - Will set up a strategic plan next year.
  - Working on measuring the indirect impact of projects.
- **DCED**
  - Have a monitoring framework to articulate the theory of change of projects.
- **COFIDES**
  - Currently focused on linking their metrics to the SDGs.
  - Impact investing, working alongside IFC.
  - Enforcing their evaluation policy.
  - To start auditing their monitoring system.
- **IDB Invest**
  - The DELTA (ex-ante assessment tool) is fully implemented.
  - SDGs mapping and contribution implemented.
  - Re-vamping the set of indicators, more aligned with HIPSO.
- **NORFUND**
  - New strategy approved.

- Start collecting the data with HIPSO indicators.

- **FMO**
  - Bringing impact measurement from the company level to the deal level.
  - Trying to use the indicators for the project assessment.
  - Working on the indirect job's estimations.
  - Joined the 2x challenge.
- **IFU**
  - Recently stablished and SDG fund.
  - Annual reporting improvements (better collect from the clients, more automatic).
- **Proparco**
  - Focus on jobs, climate.
  - Currently revising the strategy.
  - Alignment with SDGs.
  - Joined the 2x challenge.
- **BIO Invest**
  - Currently working on the alignment with SDGs.
- **CDC Group**
  - Harmonizing the indicators.
  - Climate change initiative which will bring additional metrics.
- **ITFC**
  - In 2016 updated on strategy. In 2017 implemented the development impact framework and updated it in 2018.
  - Working on further align to HIPSO.
- **MIGA**
  - Finalized the pilot year of the IMPACT framework. inworking on refinements based on pilot experience to be implemented during FY20.
  - Working on updated DEIS (monitoring) guidance.
  - Working on updated strategy following current one which focuses on facilitating foreign investment into IDA and FCS countries and climate finance.
- **EDB**
  - Is considering becoming a member of HIPSO
  - Considering updating their metrics.
- **EIB**
  - Developing their gender strategy.
  - Continue doing cases studies on impact evaluation.
- **EBRD**
  - Currently developing further, the ex-ante and ex-post assessment.
  - Working on mapping indicators to SDGs.
- **OPIC**
  - To launch a new development framework which takes the HIPSO metrics and other. Consulted with different institutions.
- **CEB**
  - Currently in the process of aligning their indicators to the SDGs.
  - Started to implement the HIPSO metrics, last year.
  - Have implemented tracking and monitoring systems.

- **OeEB**
  - Social impact, screen projects taking into consideration gender.
  - Challenges on ex-post evaluation.

- **DEG**

  - Continues in using the Development Effectiveness Tool (DERa) - based on HIPSO indicators, 100% portfolio client coverage for DERa monitoring since 2017.
  - Steering with DERa Score (portfolio average score) allows a clear DEG target in "return on development" comparable to portfolio's return on equity.
  - DERa data is disaggregated and allows portfolio as well as single client discussions.
  - DERa provides automatic links to SDG target indicators since 2017.
  - DERa has been successfully sold to and implemented by OeEB - up to speed in half a year (2018) for reporting and steering on impact.

❖ **<u>Session 1. Financial Intermediation</u>**

EIB, OPIC, ICD, FMO, COFIDES, ADB and IFC presented an overview of the metrics used in the financial sector projects, the definitions, the use of HIPSO metrics and other, and the challenges these pose.

- **EIB**
  - On financial sector indicators, it is challenging standardizing and choosing the relevant indicators to collect.
  - There is an increasing demand on using more indicators.
  - Principles: (i) report what is collected (ii) report what is possible and relevant (iii) report only what can be shared (iv) report according to mandate (v) report according to methodology.
  - EIB uses the HIPSO indicators, and other financial sector indicators.
  - In the case of jobs for SMEs and Microfinance it is more difficult because it is usually outside of the scope of the project. For PE is easier because they have more information of the underlying projects.
- **OPIC**
  - Reach smaller companies through financial intermediaries.
  - Various financial intermediary institutions.
  - OPIC uses HIPSO, and other metrics, as well as some from IRIS. They presented the indicators that they collect, as well as those of the other institutions (information taken from the survey). SMEs, gender focused.
  - SME definition could vary across institutions.
  - Need to work on harmonizing inclusion metrics.
  - Consider a common definition of SMEs.
- **ICD**
  - The financial sector projects are increasing in ICD. Need to improve metrics to reflect the development impact.
  - Focus: financial inclusion and access to finance. Still facing some challenges.
  - SME – they take the definition of the country where the project is.
  - Gender disaggregation as possible.
  - ICD uses IFC definition on gender owned SMEs.
  - Challenge getting the data of the sub-projects
  - Intend to provide technical assistance to the financial institutions for them to have a development impact system.
- **FMO**
  - FMO Impact Strategy. Focused on targeting SDGs. The strategy seeks to contribute to economic growth, reduce inequalities and have a material impact on climate. These are the top-level indicators to report on.
  - Furthermore, they have 4 more areas of focus: hunger, gender, clean energy, partnership for goals.
  - They have target groups, and indicators are measured for each one of those groups.

        - They make a differentiation between the company level indicators and the social impact indicators.
        - They use HIPSO and other indicators.
- **COFIDES**
    - Challenge to aggregate indicators from various sectors.
    - COFIDES collects outstanding figures, the year on year change.
    - Target MSMEs and poor households.
    - Use an attribution factor. Use a proportion of their investment.
    - Use HIPSO metrics.
    - On jobs they use jobs sustained not jobs created.
    - There are some challenges: are all the institutions doing attribution, jobs, disaggregation, how to aggregate across sectors.
- **ADB**
    - Focus is on being able to aggregate all the indicators.
    - ADB uses HIPSO and other indicators where possible.
    - Difficulties to monitor the financing gap.
    - There are some indicators that are collected at the individual project level, but they are not used for aggregation later on.
    - Can we use these indicators to measure efficiency and quality of infrastructure? That is a challenge.
- **IFC**
    - Overview of AIMM framework. Alignment of indicators with the different dimensions of the framework.
    - In the financial intermediaries there are various sub-sectors e.g. trade finance, SMEs, Microfinance etc.
    - Focus is on access, affordability and, quality.
    - Use HIPSO metrics and have new illustrative indicators.
    - Tailor indicators based on the projects.
    - New way of looking at the impact from the project side and market side.

❖ **<u>Session 2: Infrastructure Services and ICT</u>**

IDB Invest, AfDB, EBRD, BOAD, ADB and IFC presented an overview of the metrics used in the Infrastructure Services and ICT projects, the definitions, the use of HIPSO metrics and other, and the challenges these pose.

- **IDB Invest**

  DELTA -> Results Matrix -> Monitoring and evaluation plan.

  - DELTA is updated during the project life and at the end of the project.
  - Very restricted in the number of indicators in order to minimize burden on the client.
  - Monitoring and evaluation plan is discussed with the client.
  - Consistent review of indicator list to avoid using two indicators to measure the same thing and/or having unused indicators.
  - Monitoring team visits the project every year, provides information requested on indicators for development effectiveness officers to update DELTA; many times, it is necessary to go back to the client.
- **AfDB**
  - For the moment only ex-ante for private sector operations.
  - Use likelihood, additionality.
  - Core indicators for private sector infrastructure projects are Job Creation, Government/Fiscal
  - Cross-sectoral indicators.
    - Economy-wide effects.
    - Market structure, business practices, demonstration effects.

- Sector-specific indicators.
    - Access, quality, affordability.

Challenges

- Not enough focus on market level outcomes.
- Weaknesses in corporate monitoring and evaluation (absence of coordination).
- Lack of institutional and market information.
- Lack of adequate resources to cover the high cost of data collection.
- Attribution vs contribution.
- Indirect jobs.

- **EBRD**
    - COI (Compendium of Indicators) consists of 137 generic activity level indicators that measure short and longer-term change across six qualities of transition (competitive, well-governed, green, inclusive, resilient, integrated). Because they apply across all sectors, they are quite generic.
    - Additional project-level and market-level indicators.
    - Focus on outcome (transition) rather than output.
- **BOAD**
    - Infrastructure sectoral indicators focus is energy, integration into international trade.
    - Cross sector metrics include human capital.
    - Market-level metrics include fostering domestic economy.
- **IFC**
    - Power, Port and ICT frameworks were presented. These metrics in these frameworks use HIPSO access indicators and there are new additional metrics that capture quality, affordability and cross-cutting metrics e.g. women on boards.

Common themes

- Difficulty of obtaining ex-post information (data collection, verification.
- Difficulty of linking infrastructure investment with development reach, gender and inclusion
    - So far EBRD has avoided making this link unless the project is targeting inclusion, however this is likely to change.
    - Easier to do with household-based services, such as water or electricity, than with others such as transportation.
    - IDB Invest has found it useful to have impact evaluations, e.g. urban transportation (http://ftp.iza.org/dp12019.pdf).
- Difficulty of measuring outcomes, e.g. measuring contribution to market creation, particularly when outcome may depend on several projects.
- How to assess quality and sustainability of investments (environmental and sponsor)
    - Which metrics to use here?
- How to streamline/keep number of indicators low while catering to all types of projects.
- When to stop monitoring/tracking, what frequency to use?
    - IDB Invest: Until repayment (by charter).
- How to avoid double counting.
- Definition of indicators/aggregation methodology.

- **Session 3. Agribusiness, Education, Health, Industries and Services**

  IFC, IDB Invest, FMO, CAF, and ADB presented an overview of the metrics used in the Agribusiness, Education, Health, Industries and Services projects, the definitions, the use of HIPSO metrics and other, and the challenges they have related to these.

IFC

- There are core outcomes for the development assessment.
- Farmers are primary beneficiaries in agribusiness projects. Most of the indicators are aligned with HIPSO.
- Environmental effects indicators.

- Focus on economy wide effects.

IDB Invest

- Four of the indicators are HIPSO, but additional indicators were added as well.
- They have added more indicators related to education and health.
- Currently developing new indicators as new projects come to the pipeline.

FMO

- Have additional indicators to that of the HIPSO metrics.
- FMO focuses on agriculture and food.
- Focus the sustainability of the agricultural production.
- Climate is a focus as well.
- Company-level and social impact indicators.

CAF

- New strategy on private sector development.
- They don’t have specific agribusiness metrics as this is not a focus of the institution.
- A challenge is how to capture in an efficient manner this indicators.
- Education indicators tackle access and quality. One HIPSO indicator.
- Health focus on early childhood and pregnant women.
- Gaps to fill: approach productivity gains, monitoring of achievements and results, gender metrics, and underserved population.

ADB

- Operational priorities are linked to the SDGs.
- Find a way to align the indicators more to the non-sovereign operations.
- In agribusiness HIPSO indicators are used.
- Health indicator is HIPSO as well.

❖ **<u>Overview of IRIS+</u>**

IRIS highlighted the new IRIS+ system, provide and gave an overview on the way forward for IRIS-HIPSO alignment.

- IRIS+ is a system designed to help investors to translate their impact intentions into real impact results. Key features of IRIS+ include the following:
  - Core Metric Sets for investment decision-making, backed by evidence, based on best practices, and standardized to enable comparison of data.
  - Thematic taxonomy based on generally accepted Impact Categories and Impact Themes.
  - IRIS Catalog of Metrics, the generally accepted source of standard social and environmental performance metrics used by leading impact investors.
  - Curated resources and practical how-to guidance to support day-to-day IMM implementation.
  - Alignment with the UN Sustainable Development Goals (SDGs), including both SDG Goals and targets.
  - Alignment with other major frameworks and conventions, including the five dimensions of impact, HIPSO and more than 50 metrics frameworks, standards, and platforms.
  - Interoperability with third-party data platforms and systems that use IRIS metrics.
  - IRIS+ was developed in consultation with 800 stakeholders around the world.
- 2013: Original alignment – 15 out of 27 core indicators.
- 2016: Revised alignment – 19 out of 38 core indicators.
- Indicators aligned (19 out of 38).
- Possible further alignment – to be reviewed (6 out of 38).

<u>DAY 2</u>:

❖ **<u>Measuring Cross-Sector and Thematic Areas</u>**

IFC provided insights on how it measures cross-sector and thematic Areas – GDP & employment, inclusiveness, gender, and environment effects.

- **AIMM Cross-Sector and Thematic Areas**
  - Alignment with HIPSO currently focuses on Direct (e.g. Stakeholder) effects.
  - Alignment can be augmented to Indirect (e.g. Economic) effects.
  - Cross-Sector Thematic Areas are all over Project Outcome (Stakeholder Effects, Economy-wide Effects, E&S Effects e.g. Effects on Suppliers/Distributors.
  - HIPSO indicators for domestic purchases.
  - New indicators: e.g. purchases from domestic SMEs.
  - HIPSO indicators for direct employment in operations and maintenance and construction.
  - New indicators: e.g. Total Value-Added Multiplier; Total Employment Multiplier; Foreign Exchange Revenues; ERR; Trade Diversification.
- **Environmental Effects**
  - Measurement focus includes <u>intent</u> and <u>establishment of clear counterfactual</u> e.g. gender-violence prevention indicator can only be used after assessment and establishment of existence of/potential for gender-violence.
  - New indicators:
    - Climate mitigation, climate resilience and resource efficiency.
    - Land and biodiversity.
    - Contaminations reductions and pollution.
    - Gap vs. intensity (e.g. deforestation).
- **IFC Economic Estimation Framework**
  - Comprises estimation models across different sectors using a variety of estimation methodologies, developed and refined by a dedicated technical team for the past four 3-4 years.

Highlights:

- Intentionality required for indicator categories such as gender-related effects, effects on un/under-served groups.
- Stakeholders have raised the bar at IFC (e.g. are interested in discussing the details of the models).
- Core vs. non-core indicators help with prioritization vs. applicability.
- Monitoring indicators will be based on ex-ante provided indicators, so that all claims made will be monitored.
- IFC will hold consultations towards the end of the year to finalize frameworks, but plan is that documents will be live.
- AIMM benchmarks are drawn from IFC portfolio historical data when sectoral data is not available.
- Incorporate any potential negative effects (e.g. job destruction from increased productivity) into the model, consider mitigation strategies/operational risk/implications for likelihood assessment.
- IFC does not use general equilibrium models because it does not have the resources to do so, nor the data.
- IFC approach is a macro/micro approach which exploits sectoral differences in output and employment at the macro level.
- However, this ignores general-equilibrium-like price adjustments.
  - IFC has tried to compare multiplier models with general equilibrium ones, but even that comparison is not straightforward.

Remaining challenges

- How to assess temporary nature of construction-only job creation.
- How to use definition of pipeline for Private Equity funds to determine for potential for impact.

Lessons learnt

- Simplicity is a desirable characteristics but has usually come at a high cost of over-estimation.
- For example, the average indirect to direct job creation multiplier point-estimate is close to 2.0, however there is a distribution across countries and sectors around it. e.g. attempt to build online platform based on IO/SAMs with over-simplifying assumptions, was quickly taken down; and since then project and context specific issues are looked at in some detail, and models have been improved through a structure research program.
- May be possible to back to the platform from some countries and sectors, however, in many contexts what IFC observes is continued growth, so that there is not a clear plateau in sales following an investment; and therefore technical judgement is needed to decide how to determine the delta, but on the other hand attempt to have a very sophisticated model (EPIQ) was abandoned due to need for more simplicity.
- Within multiplier-based frameworks, error propagation is exponential, and could imply over-estimation effects of various orders of magnitude (observed up to 10-20x).
- IFC continues refining its estimation framework through different activities like:
    - Incorporating lessons learned from use of modeling for IFC and MIGA project assessments, mainly adjusting guidelines regarding project-specific inputs.
    - Conducting research in different areas related to its economic impact modeling efforts.
    - Furthering technical collaboration with WBG teams toward a WBG economic impact estimation framework, with WBG Poverty, Jobs and Research teams; and continued collaboration with MIGA.

❖ **Harmonized Indirect Jobs Model**

CDC Group and FMO provided an update on the indirect jobs model built by FMO, CDC Group Proparco, BIO, and AfDB with Steward Redqueen

- Not all DFIs are reporting on indirect jobs, however the ones which are reporting are using the same methodology.
- Focus is harmonization of portfolio-approach to calculate indirect/induced jobs, i.e. align on modelling options, databases, assumptions and sources for input.
    - Approach: harmonized methodology -> harmonized model -> harmonized input data -> open access.
- By 2020, begin using a harmonized model will allow institutions to calculate indirect/induced jobs in an aligned way.
- Launch the model open-access, i.e. make it accessible to any impact investor interested in aligning methodologies.
- Continue working across institutions to further refine the model.

Methodology

- The model quantifies the gross jobs and value added supported and GHG emissions generated by investees.
- The model uses an input-output methodology, which is ‘fit for purpose’ given the need to capture impact for a portfolio of investments, and limited data availability and resources.
- The model is flexible and can calculate effects at production or at portfolio, include mobilization and attribute/pro rate if preferred. This means impact investors can continue to report to their stakeholders in the same way, while aggregating results and comparing them.
- Output includes confidence level.

- Model is automatically updated and uploads best-available statistics from international databases.
- future functionality will include using the model just by including the percentage contributed to a certain client.
- Model inputs aligned with HIPSO and others.
- Model inputs aligned with or flexible to accommodate results from cross-collaboration from existing multilateral working groups.
- Model actually aggregates five different models (?)
- The ownership of the model stays with private partner, which is also selling it to private corporations.
- Developed in partnership with private sector (tendered bid), which have the original idea and will keep ownership, but model will be open access and DFIs will pay for public institutions will pay for 21k.
- Webinar on November 27th 15:00-17:00 (CET Time) Hosted by FMO, Proparco, and Steward Redqueen.
  http://bit.ly/jim1119
- Presentation on completed model/interface.
- Inputs required to use the model.
- Further details on methodology.
- Details of mechanics of using and collaborating on the model as well as exchanging of ideas.
- Targeted to DFI's, MDB's, impact investors.

Q&A

- Comparison/reconciliation vs. IFC's indirect effect estimation ?
- Exercise is considered as a first prototype to be continuously improved, has been excellent learning exercise.
  - Benchmarking/harmonization of two models?
- This has already been done, expect to continue doing it as model is fine-tuned. Comparisons with the previous individual models that provide the basis for the new framework have shown very large over-estimation, vis a vis IFC estimates.
- Model is also expected to be useful for impact investors and some DFIs. However, IFC in particular has serious technical reservations of the estimates produced by the models Steward Redqueen has produced for these DFIs.
- What is required for a DFI to participate/be able to use the model?
  - Anyone can have access for free, but training is required.
  - Requirement is to show confidence level with reporting.
- How to attribute when multiple DFIs contribute?
  - Working on flexible options to approach attribution, including co-investment.
- Data security?
  - Model does not require to upload data, just input parameters and download output.
- Who has vetted the assumptions of this model?
  - Assumptions come from five models pooled. No technical party, aside from internal Steward Redquin staff, has vetted these models.
- Who has the ownership of the model, given that it has been developed with public funding?
  - The ownership of the model stays with private partner, which is also selling it to private corporations. This is a critical concern for various HIPSO members, and a blocking barrier to advance in technical cooperation and cross-fertilization.

❖ **<u>Panel Discussion on How to Measure Market-level Effects</u>**

IFC and EBRD presented how they asses and what metrics they use to capture the market-level effects at their institutions and discussed how they monitor or intent to monitor these, and the challenges this poses. Both institutions have similar attributes that they look to assess the market-creation.

- **IFC**
  - Market creation for IFC means to develop a non-existing market, as well as significantly improving and upgrading existing markets.
  - IFC looks at markets through five market attributes: competitiveness, integration, inclusiveness, resilience, and sustainability. Not all of these apply to all projects.
  - To assess the market creation, IFC looks to answer two questions: (i) at what stage is the market currently? (ii) what is the expected market movement following the intervention / project.
  - To monitor the market creation the intention is to use some indicator(s) included in the AIMM framework. These can be quantitative or qualitative.
  - Various indicators are being considered to assess the market creation resulting from a given project.
  - IFC wants to build a network of experts that can provide evidence on where markets are and how are markets evolving.
- **EBRD**
  - Since 2016, EBRD has a model that defines a sustainable market economy as having six qualities: competitive, governed, green, inclusive, resilient and integrated.
  - There are various channels of transition.
  - EBRD's investment projects are assessed ex-ante: Expected Transition Impact (ETI); and ex-post: Portfolio Transition Impact (PTI).
  - The EBRD does not monitor directly market level (systemic) effects for each project. They are monitoring at the country portfolio level.
  - Challenges to monitor market level impact: they have moved to country level, and the challenge is to link to sector level effects.
  - During the discussion it was mentioned that projects may have different "project" outcomes but all point and specific market development; and that projects may not tackle all attributes assessed to show the market creation effect.

❖ **Metrics for the 2x Challenge – Financing for Women**

CDC Group and OPIC provided an overview of the progress of the 2X Challenge.

- This joint effort by CDC Group FMO and GIIN involved:
  - Mapping existing approaches to gender impact measurement identifying synergies and variances-GFC members.
  - Developing 2x-aligned indicators towards goal of gender data harmonization.
  - Developing practitioner guidance on adopting indicators demystifying common gender measurement challenges.
  - Engaging wider stakeholders, e.g., 2X, EDFI, GIIN / IRIS to ensure our efforts aren't duplicative.
- 2X Challenge indicators now an IRIS+ Aligned Standard, with backing of EDFI.
- Next Steps:
  - Methodological Note / How-To Guidance.
  - Consultation.
  - EDFI to formally endorse indicators & guidance note in Jan.
  - Supporting uptake of indicators and guidance note.
  - Feeding into wider 2X initiatives to aggregate and report 2x-qualified investments /databank.

❖ **HIPSO Alignment with the SDGs**

IDB Invest and IFC presented a common framework on HIPSO metrics alignment with the SDGs.

- Proposal: a HIPSO indicator is aligned to an SDG if it measures progress along one of the established SDG targets.
- But context matters when aligning the HIPSO indicators to the SDGs. SDGs were set up to cover public sector interventions, and this may partly justify the challenges in the alignment.

- A number of DFIs currently have their own approach in mapping their respective operations to the SDGs. Regardless of the expected common alignment matrix, individual institution may decide to go for a conservative vs a more elaborated methodology.
- The HIPSO SDG alignment framework will be fine-tuned, and an approach paper providing the thought process of the alignment would be drafted and shared with the Whole Group for their sign-off. This paper will also take into consideration the approaches being considered for SDG alignment by the Managing for Development Results working group that include MDBs that are part of HIPSO (AfDB, ADB, EBRD, EIB, IADB).

❖ **Impact Investing Principles**

IFC gave an update on the recent developments in the implementation of the of the Impact Principles. EIB and IFC discusses some lessons learned related to Impact principles. Most of the HIPSO members have signed up to the principles.

- The strong value of the principles is breaking the bridge between the institutions and the investors.
- This can contribute to get more data from the client easier.
- Most of the HIPSO members have signed up to the principles.
- HIPSO members contribute significantly to the private sector investments. To get from millions to trillions we need to maintain the financial returns.
- *Investment for Impact* was launched in October 2018.
- Principles 4 and 6 focus on measuring.
- It is important to define what we are going to measure from our projects in advance.
- Impact measurement: clarity, credibility and comparability.
- Three emerging archetypes (impact measurement systems): (i) Target, (ii) Rating, (iii) Monetization. The use of these depends on the purpose. These are not exclusive. There is no hierarchy within the measurement systems.
- It is necessary to describe, assess and monitor, and built into evidence.
- Most of the institutions are applying a rating approach to assess their projects impact. The approach and methodologies vary by institutions.
- When you are using a ratings system, you must explain more, the narrative must be more explicit. When you use a target approach the explanation is less.
- Monetization approach is related to economic value. Monetize the externalities.
- Investors have shown interest on learning of the indicators and impact systems that the different institutions use for reporting.
- The principles do not specify when to stop monitoring.
- The impact assessment tools help investment officers to find more evidence related to the development impact that the projects could have.
- HIPSO could be used as the foundation of metric for impact investors.
- Key message: ***indicators alone are not enough for assessing the development impact of the projects.***
- “Foro Impacto” presented a brief of their initiative. They are the secretary of the working group for social impact investment in Spain.

❖ **Lessons from ICD on Building Results Measurement Capacity for Clients**

ICD highlighted a case study how to support our clients/partners to build their own development impact systems.

- Impact networks make Technical Assistance more efficient and effective.
- HIPSO and IRIS metrics were extensively used to facilitate the indicators selection.
- From 600+, selection of 46 indicators including 21 for which the bank can generate data from the existing administrative records.

- Think big but start small. Adaptation to the existing processes and systems in the short term (pragmatic approach): selection of indicators based on the existing strategy – Impact based on the current strategy.
- Transformation in the medium and longer term: Strategy based on Impact.

List of Participants:

Gloria Paniagua (ADB); Manfred Kiefer (ADB); Patrick Mabuza (AfDB); Sandrine Alissoutin (AfDB); Rudolphe Petras (AfDB); Jeremie Gross (BIO Invest); Damit Serge Didier Amany (BOAD); Patrice Gbaguidi (BOAD); Miguel Angel Ostos (CAF); Alex MacGillivray (CDC Group); Aneese Lelijveld (CDC Group); Ebru Yuksel Bayramoglu (CEB); Alice Bordreuil (CEB); Jose Carlos Villena (COFIDES); Nuria Rodriguez Aller (COFIDES); Beatriz Morant (COFIDES); Cristina Bravo (COFIDES); Julian Frede (DEG); Jim Tanburn (DCED); Ardak Tashenov (EDB); Irene Rosa Di Ciommo (EBRD); Anita Taci (EBRD); Claudio Cali (EIB); Georg Weiers (EIB); Nina Fenton (EIB); Kaisa Alavuotunki (FINNFUND); Rick Van der Kamp (FMO); Giulia Debernardini (FMO); Laura Fernandez (Foro Impacto); Leticia Emme (GIIN); Ibrahima Thierno Lo (ICD/IsDB Group); Mohammad Hafiz Emrith (ITFC/IsDB Group); Viviane Azevedo, IDB Invest; Camilo Mondragon-Velez (IFC); Christian Rosenholm (IFC); Alan Lukoma (IFC); Issa Faye (IFC); Andreas Brogaard Buhl (IFU); Lars Christian Oxe (IFU); Ulrike Dangelmaier (KfW); Qingwei Meng (NDB); Susan Josefina Vasquez Plasencia (MIGA); Sandro Diez-Amigo (MIGA); Signe Sorensen (Norfund); Sophie-Marie Hofer (OeEB); Lori Leonard (OPIC); Mikael Bjornsen (PIDG); Lorraine Talon (Proparco); Natou Bamba-Colon (Proparco).