



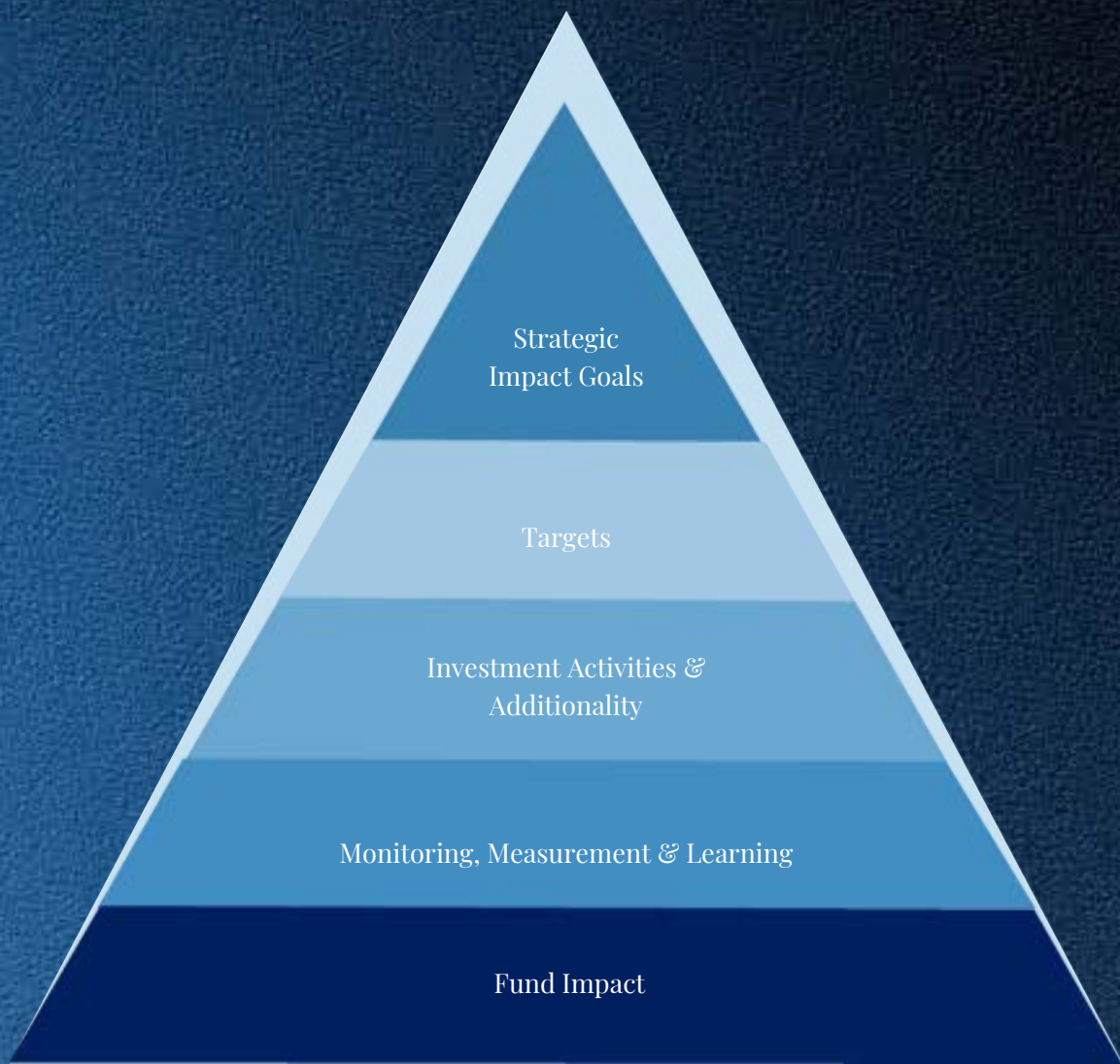
**MICROVEST**

PURPOSEFUL INVESTING

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# MicroVest's Pyramid *of* Intentionality (PI)

A framework for portfolio impact management



## Acknowledgements

This publication was designed and authored by Leela Vosko, Director of Impact. The author would like to thank the Secretariat of the Operating Principles for Impact Management, the IRIS+ team at the Global Impact Investing Network (GIIN), and Impact Frontiers for their valuable input and review of their organization's depiction in this publication.

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## About MicroVest Capital Management

MicroVest is an asset manager that specializes in allocating private debt capital to micro and SME financial institutions in frontier and emerging markets. As one of the first U.S.-based microfinance investors, the Firm has built a 20-year track record of investing in responsible financial institutions whose interests are aligned with the borrowers and communities they serve. MicroVest's approach involves investing in institutions that aim to improve financial access and utilization challenges in segments underserved by traditional banks. These institutions play a crucial role in extending access to financial products such as credit, savings, and insurance to underserved households and small businesses. By supporting financial inclusion for underserved segments, MicroVest is helping to deepen financial sector development, fuel productivity and local economic growth, promote gender equality, and reduce poverty.

MicroVest is a registered investment adviser and Certified B Corporation. MicroVest forms part of the asset management division of DAI Capital, the investment and advisory arm of global development company, DAI. For more information please visit: [www.microvestfund.com](http://www.microvestfund.com)

## About DAI Capital

DAI Capital is the investment and advisory arm of DAI. The Firm leverages DAI's global platform to mobilize and deploy private capital in frontier and emerging markets, aiming to drive economic growth, job creation, and poverty reduction. For more information please visit: [www.dai.com/our-work/solutions/dai-capital](http://www.dai.com/our-work/solutions/dai-capital)

## About DAI Global

Founded in 1970, DAI is a global development company that works alongside national and local governments, bilateral and multilateral donors, private corporations and investors, and philanthropies, the company takes on fundamental social and economic development problems worldwide. DAI has 5,000 employees implementing more than 200 projects across 80 countries on 5 continents. For more information please visit: [www.dai.com](http://www.dai.com)

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Operating Principles for  
Impact Management

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# Foreword

In May 2023, MicroVest began the process of designing and developing its new Impact Framework, *MicroVest's Pyramid of Intentionality (PI)*, which is detailed in these pages. The initiative was undertaken to evolve our systems and processes for assessing, managing, measuring, and reporting on impact across all current and future funds.

Building and operationalizing a new Impact Framework is a process that touches on nearly every aspect of an asset manager's operations. It involves a significant change management component across Executive, Investment, and Risk teams, as well as revisions across core investment processes, data collection, monitoring, and reporting systems.

The development of MicroVest's PI also coincides with a period of significant evolution in standards, best practices, and tools that seek to enhance investors' approaches to Impact Measurement & Management (IMM). In researching, analyzing, and selecting the standards with which to align our new Framework's components, we noticed a gap in the availability of comprehensive guides that clearly delineate the synergies and key differences across various tools, as well as few practical examples demonstrating how and when different investors should apply components of various standards across their investment processes. In publishing this Guide, we seek to contribute one mental map of how one fund manager navigated and designed its Framework in this environment. We also discuss Reflections and Takeaways from this process on page 19 and dive into ideas on how standard setters can further facilitate comprehension and more widespread adoption of IM standards.

We hope that the practical examples documenting our journey to develop MicroVest's PI gives you one frame of reference for approaching your own IM Systems.

MicroVest's PI was designed to be iterative in practice, and is expected to evolve year-over-year to incorporate lessons learned and insights gleaned from previous operational periods. As we move forward in our journey, we intend to update this document as new guidelines and standards emerge. We welcome your feedback, thoughts, and suggestions and look forward to hearing from many of you in due course.

Sincerely,

**Leela Vosko**  
*Director of Impact*

# How to Use this Framework Guide

This guide is intended to fulfill two main functions:

- 1. As a Case Study:** This guide chronicles our journey in developing MicroVest's PI, summarizing how we navigated the balance between the needs of our investors, portfolio companies, their end borrowers, and our internal investment processes in designing the Framework. We hope this serves as a practical example for those interested in building or enhancing their own Impact Frameworks by including important practical considerations for each stage.
- 2. As a Resource for Investors:** This guide provides a practical example of how MicroVest architected and manages Impact according to the new Framework. We hope investors can use our example to gain better insight into the ways in which the various components of IMM can be integrated across an investment lifecycle.

The guide focuses on the impact considerations of fund formation and management only. Other considerations related to financial, legal and compliance, risk management, and investment criteria are not discussed. This document seeks to offer insights into one possible way of incorporating specific elements of Impact Management into a holistic system, but it does not prescribe a methodology for doing such. Further application of components, such as a scoring methodology, establishment of thresholds, and benchmarks, will vary based on an investor's overarching strategy, approach, and resources.

This guide was produced from the vantage point of a fund manager specializing in private debt investments in emerging markets. As an impact focused fund manager, MicroVest is accountable to its investors, portfolio companies, and their end beneficiaries. The examples in this guide will reflect the dynamics of those relationships.

Framework development and management is iterative by nature. This Guide was published following the approval for operationalization by MicroVest's internal Policies & Procedures Committee in February 2024 and is expected to undergo one full year of initial operationalization, at which time we will glean insights and make necessary adjustments. MicroVest intends to update this document periodically or as needed to reflect any new adjustments to the Framework or in light of new standards or best practices.

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*Build*

*Align*

*How to*



# Glossary

**Additionality** (sometimes referred to as Contribution)

Investor actions that cause or are expected to cause a change in outcomes for end-stakeholders, the natural environment, and/or systematic risk, that would not have likely occurred in the absence of those actions.

[Impact Frontiers](#)

**ALINUS**

A standardized due diligence tool which evaluates and monitors financial institutions across seven dimensions related to social performance, client protection, and ESG Risk.

[ALINUS Factsheet](#)

**Attribution**

Determining which portion of results of an invested company or portfolio of companies is due to the activities of an investor (financial and non-financial activities), taking into account other investors and additional factors that may have influenced the achievement of the results.

[Attribution in Results Measurement: Rationale and Hurdle for Impact Investors, DCED](#)

**IMP 5 Dimensions of Impact**

A shared logic for managing the impacts on people and planet according to the 5 Dimensions of What, Who, How Much, Contribution, and Risk

[Impact Frontiers](#)

**Impact Management Platform**

A collaboration between the leading providers of international public good standards, frameworks and guidance for managing impact.

[Impact Management Platform](#)

**Impact Measurement & Management (IMM)**

The practice of measuring and managing the impact of an investment or portfolio of investments. This includes identifying and considering the positive and negative effects business actions have on people and the planet, and then determining the best ways to mitigate the negative and maximize the positive in alignment with impact goals.

[The GIIN](#)

**Impact Management (IM) System**

A framework or process that investors use to measure, manage, and optimize the impact of their investment or portfolio of investments.

**Intentionality**

An investor's *intention* to have a positive social or environmental impact through investments.

[The GIIN](#)

**IRIS+**

A system for impact investors to measure, manage, and optimize their impact.

[IRIS+](#)

**Operating Principles for Impact Management**

A framework for investors for the design and implementation of their impact management systems, ensuring that impact considerations are integrated throughout the investment lifecycle.

[Operating Principles for Impact Management](#)

**Outcomes**

The end result or impact of an investment, service, or other types of intervention.

**Outputs**

Tangible or observable results of an investment, project, or intervention. It represents immediate deliverables and serves as building blocks toward achieving desired outcomes.

[SOPACT](#)

**Standard setters**

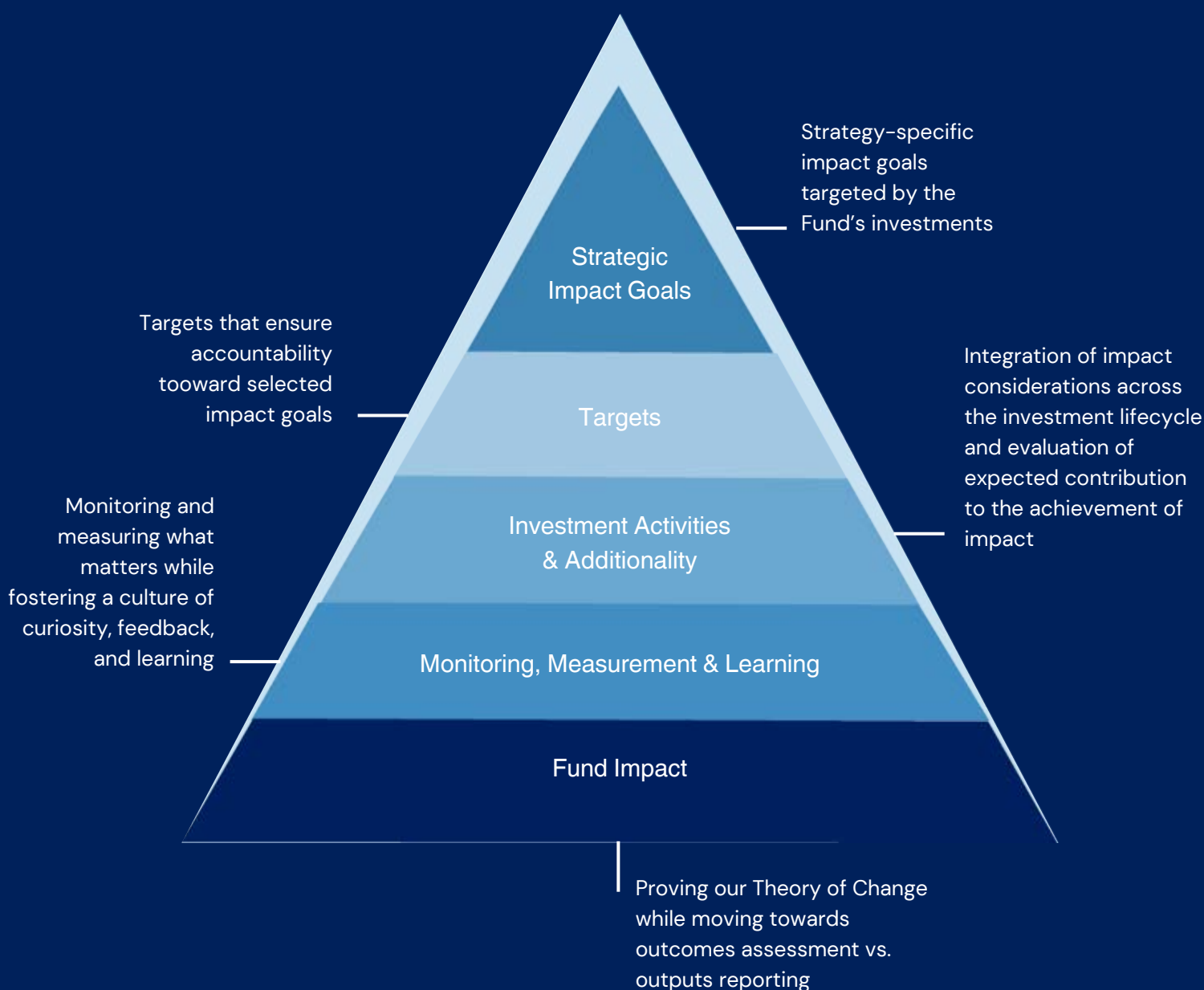
Includes industry bodies that recommend standards and principles for impact investing, such as the [Global Impact Investing Network](#), [UN Principles for Responsible Investing](#) or impact management-supporting tools and systems, such as IRIS+ and the IMP 5 Dimensions.

**Theory of Change**

A pathway that depicts the linkages between an investment or activity to short-, medium-, and long-term outcomes experienced by end stakeholders.

## MicroVest's Pyramid of Intentionality (PI)

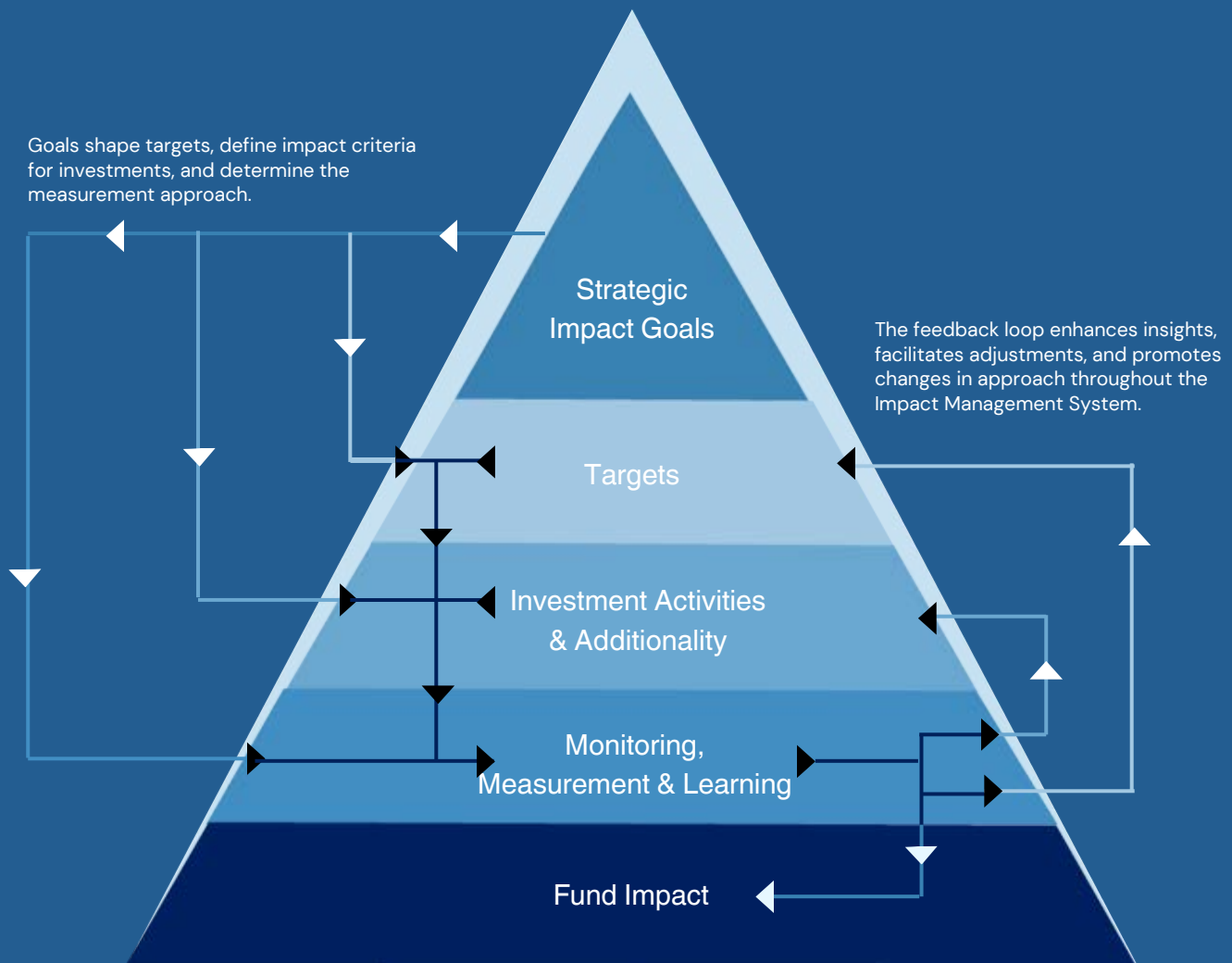
MicroVest's Pyramid of Intentionality is a Framework that seeks to standardize the practice of Impact Measurement & Management (IMM) across of MicroVest's current and future funds by providing a structured and systematized approach to defining, assessing, managing, and measuring the impact targeted by our investments. The MicroVest PI ensures accountability for the intended impact of MicroVest's investments and pivots the practice toward the evaluation of impact outcomes and performance.



# Interconnected by Design

Impact Management (IM) Systems are interconnected by nature and iterative in practice. MicroVest's PI employs a top-down approach where goals inform subsequent levels of the Pyramid. By placing impact objectives at the forefront, MicroVest's PI emphasizes the importance of intentionality in setting targets, establishing impact criteria for fund investments, and determining what metrics to measure. Each of MicroVest's funds is guided by goals tailored to its specific strategy, underscoring the critical role of clear objectives in driving meaningful impact.

## Pyramid of Intentionality (PI)





# Developing MicroVest's PI

A nine-month journey of research, design, and development

May – Jun '23

## 1. Desk Research

MicroVest conducted desk research on leading tools, frameworks and standards to evaluate the feasibility of incorporating them into MicroVest's Impact Management (IM) System.

Jun – Aug '23

## 2. Internal Workshops

Investment team workshops are conducted across a three-month period for each proposed dimension in the PI to (1) introduce the team to the preliminary selection of standards and (2) discuss practical ways to integrate select components of those standards into our existing investment processes, including necessary adjustments and accommodations for new initiatives.

Aug '23

## 3. Preliminary Framework Design

The preliminary design of the Framework is developed based on iterative discussions with MicroVest's Investment and Risk teams, focusing on integration and alignment with our goals.

Sept – Nov '23

## 4. Investment Process Updates

The investment process is updated to integrate components critical to the new Framework. Supporting templates are developed or revised to align impact due diligence and decision making with the PI.

Dec '23

## 5. Consultation for Alignment

A third-party consultant provides guidance and recommendations on the Impact Management System underpinning the PI in development.

Jan '24

## 6. Finalization of Impact Assessment Templates and Operating Manual

Updated investment processes and assessment templates are back-tested against recent deals. All new and/or updated templates and processes are finalized in conjunction with the drafting of an Operating Manual, which details how to establish and manage the Impact component of any new MicroVest fund according to the PI. Fund-specific Operating Manuals are also drafted to guide investment and risk teams in managing and measuring each Fund's alignment with the PI.

Jan – Feb '24

## 7. Final Review & Approval

The Finalized Framework, along with associated Manuals, Templates, and Investment Process Revisions, is presented to MicroVest's Policies & Procedures Committee (PPC) for approval and operationalization.

Mar '24

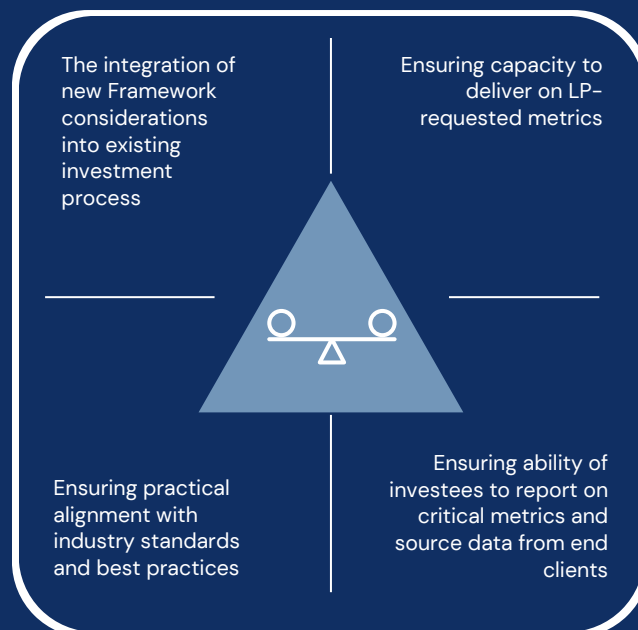
## 8. Launch & Operationalization

Framework is launched and operationalized.

## 9. Ongoing Iteration

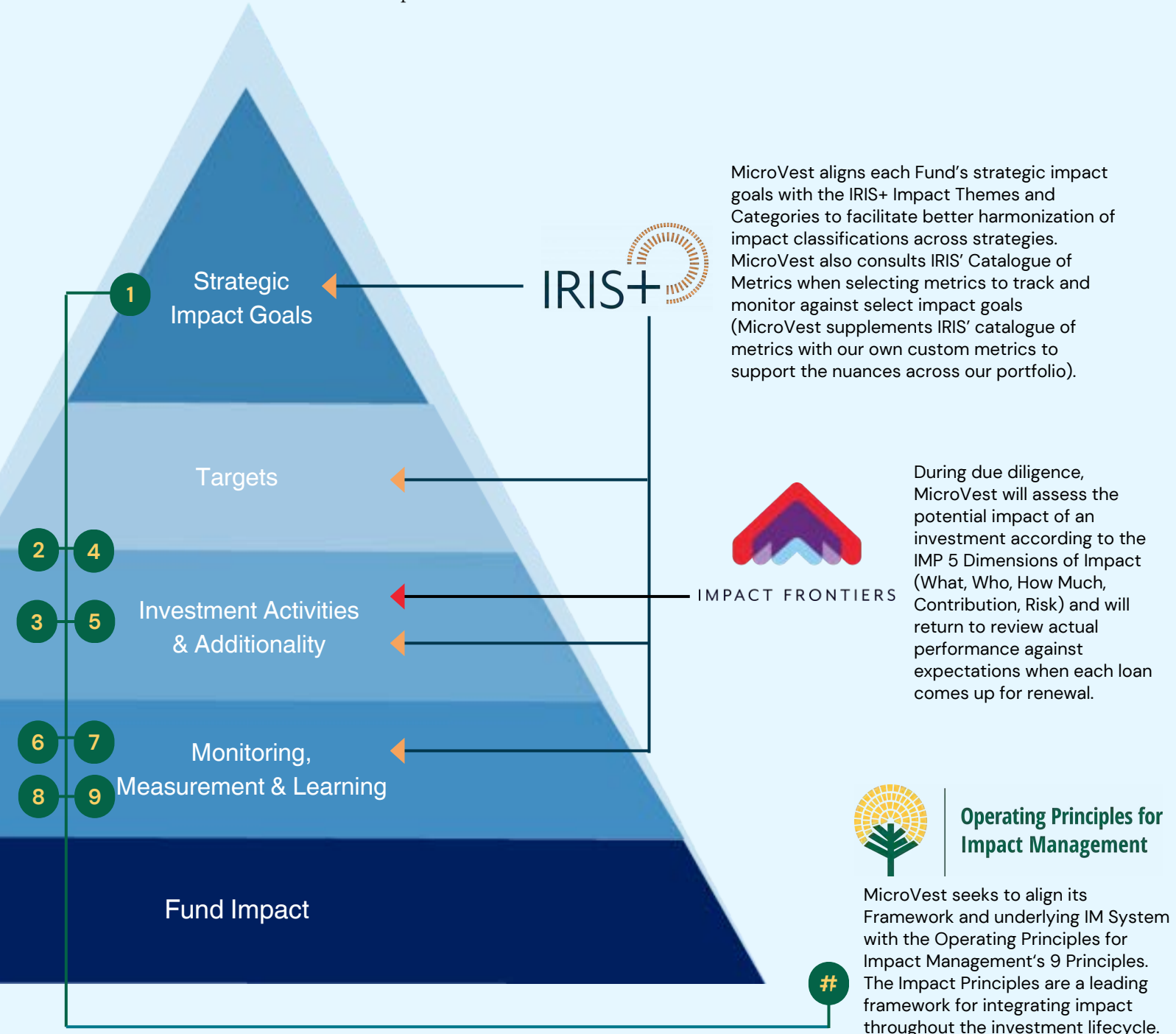
MicroVest is committed to the continuous evaluation and iteration of the PI to ensure its relevance, effectiveness, and alignment with evolving industry standards and practices. We intend to revise this document on an annual basis or as needed.

**Developing the PI requires balancing a variety of considerations:**

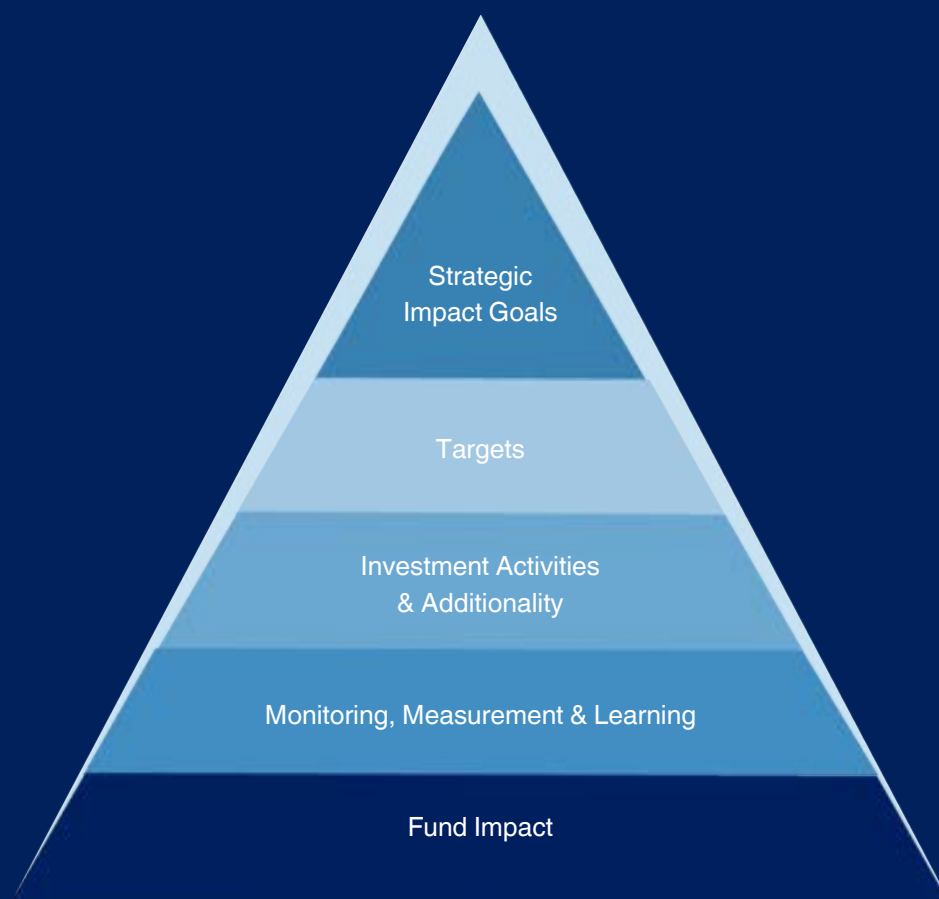


# Aligning MicroVest's PI to Leading Industry Standards

Selected components of MicroVest's PI were designed to align with three chosen industry standards and best practices, which we selected following a two-month period of research and deliberation. These chosen standards include the [Operating Principles for Impact Management](#), of which MicroVest is a founding Signatory; [IRIS+'s Thematic Taxonomy](#) and [Catalogue of Metrics](#), which was designed to align with 50 other Standards; and the Impact Management Project's [5 Dimensions of Impact](#), which we believe to embody a straightforward approach to assessing and documenting the impact of each investment according to the 5 Dimensions encompassing What, Who, How Much, Contribution, and Risk. The degree of alignment with each of these standards will vary in breadth and depth according to our strategic priorities, weightings, internal processes, and resources. The following pages will further demonstrate how MicroVest integrates its chosen set of Standards into its fund formation and investment processes.

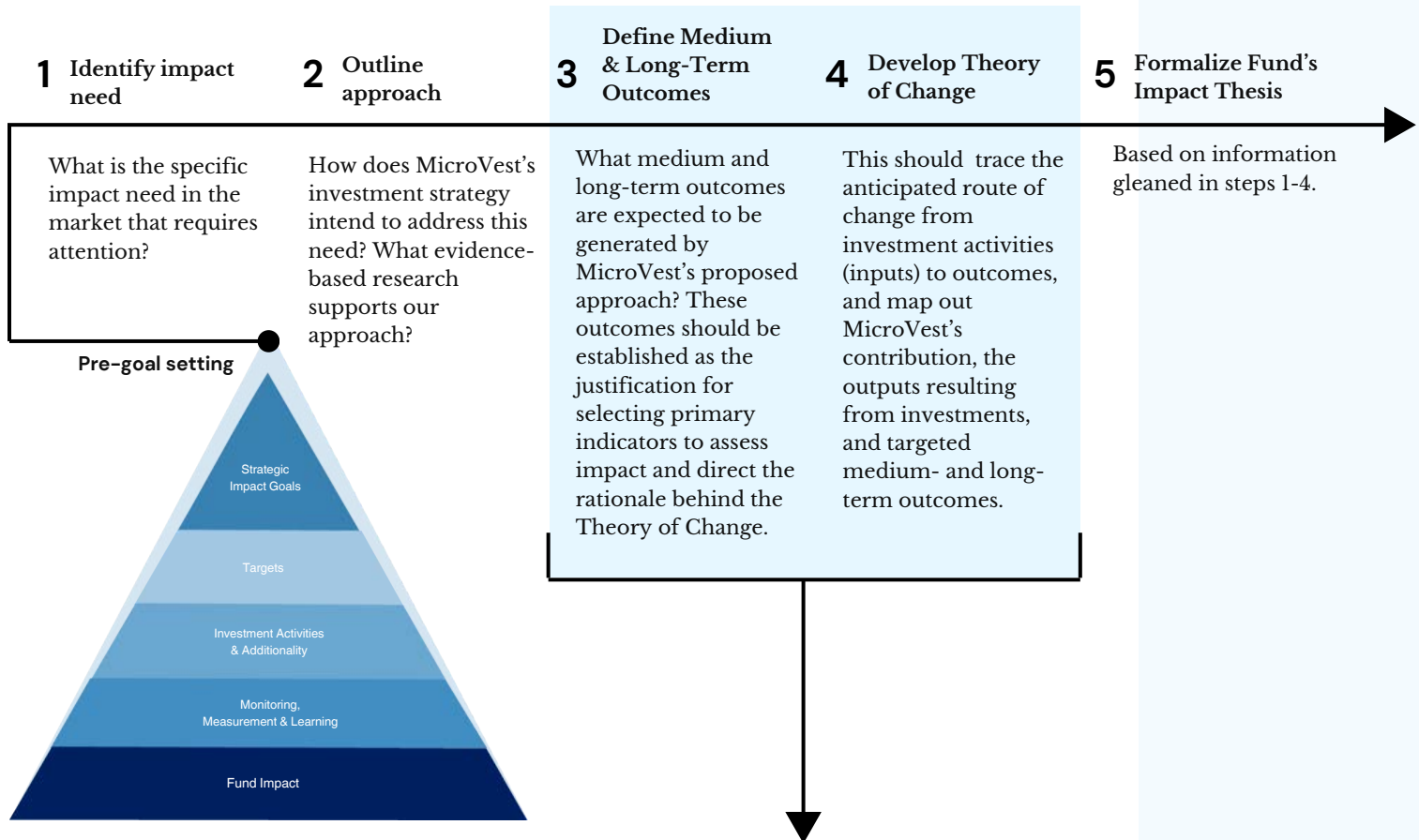


## Setting up the *Impact* in an impact fund, in alignment with MicroVest's PI

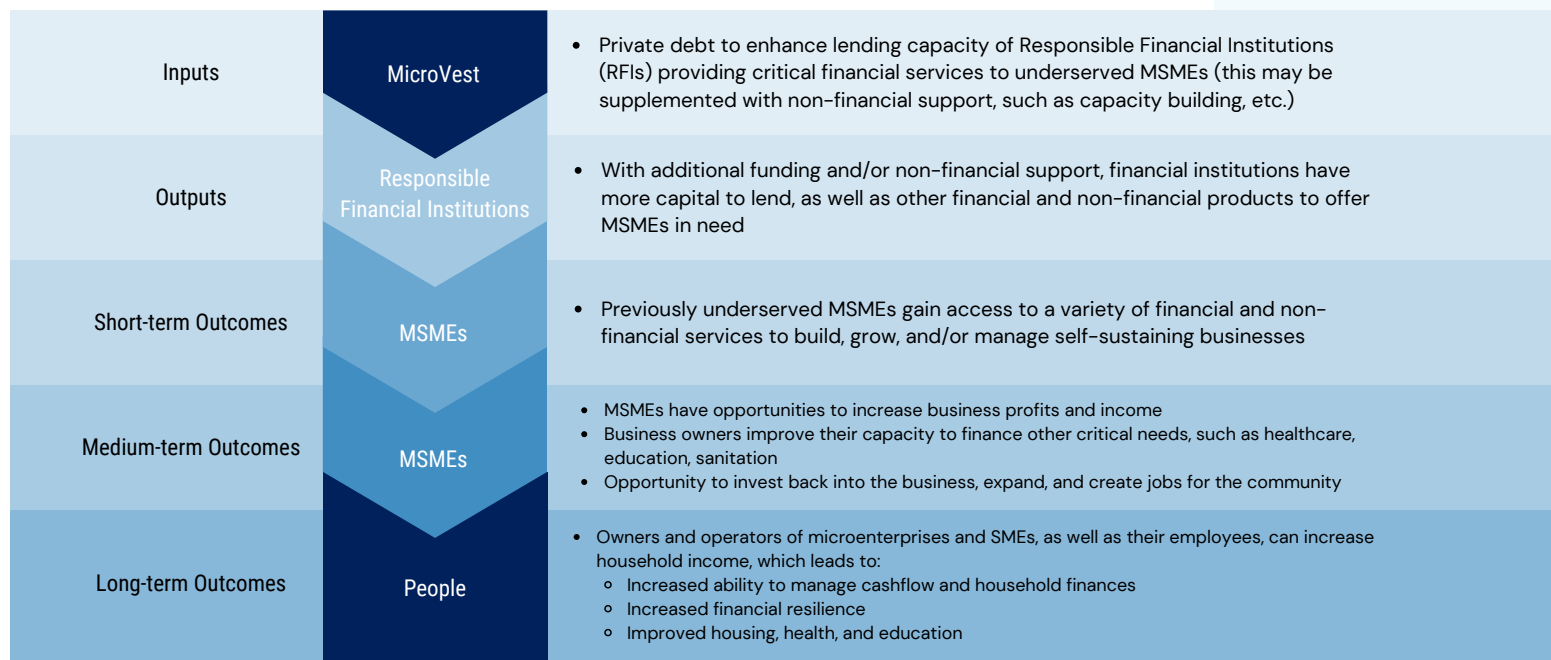


# Develop the Fund's Theory of Change and Impact Thesis

Before establishing a Fund's specific impact objectives, it is helpful to dedicate time to research and consult with sector specialists to explore evidence-based strategies to address a particular impact need. MicroVest seeks to adhere to the following steps when developing a Fund's Theory of Change and Impact Thesis.



Below is an example of MicroVest's Theory of Change for its financial inclusion-focused private debt strategy:





# Define the Fund's Strategic Impact Goals

How to

Step 2

Once MicroVest has established a Fund's Impact Thesis, Approach, and Theory of Change, we will define the Strategic Impact Goals for the Fund. These goals are crucial for directing and aligning the Fund's impact objectives and in shaping both the selection of metrics and assessment of outcomes within the portfolio. The Impact Goals selected also facilitate a unified framework that allows investors to categorize their desired impact, enhancing opportunities for synergy and collaborative efforts.

## MicroVest takes the following steps to define each Fund's strategic impact goals:

### 1) Goal Selection

MicroVest will define the outcomes identified in its Theory of Change by selecting Strategic Impact Goals aligned with the [IRIS+ Thematic Taxonomy](#). MicroVest has chosen to adopt IRIS+'s Thematic Taxonomy to facilitate better harmonization and standardization of impact categorization across multiple stakeholders in the space. All of IRIS+'s Impact Themes align with one or more UN SDGs. MicroVest may also define custom goals that are not reflected in IRIS+ if they are deemed to be more relevant or provide more intuitive categorization for investors.

### 2) Metrics Selection

During metrics selection, MicroVest will consult the [IRIS Catalogue of Metrics](#), which offers a recommended collection of metrics for each impact category, before aligning on specific final metrics, which will include a combination of IRIS metrics and custom metrics. MicroVest may engage sector experts at its parent company DAI to determine metrics most suitable to chosen impact goals.

When considering final metrics sets, both the Impact and Investment teams will need to balance the following considerations:

- Ensuring we collect and measure what is essential, while maintaining the ability to rigorously monitor our portfolio from a risk perspective and track progress towards impact goals. (For example, minimizing the number of data inputs required to evaluate a single impact indicator.)
- Satisfying stakeholder requests for impact data.
- Ensuring ability of portfolio companies to report on metrics and source data from end clients.



This step seeks to align with Principle 1 of the Operating Principles for Impact Management.

**Principle 1:** Define strategic impact objective(s), consistent with the investment strategy

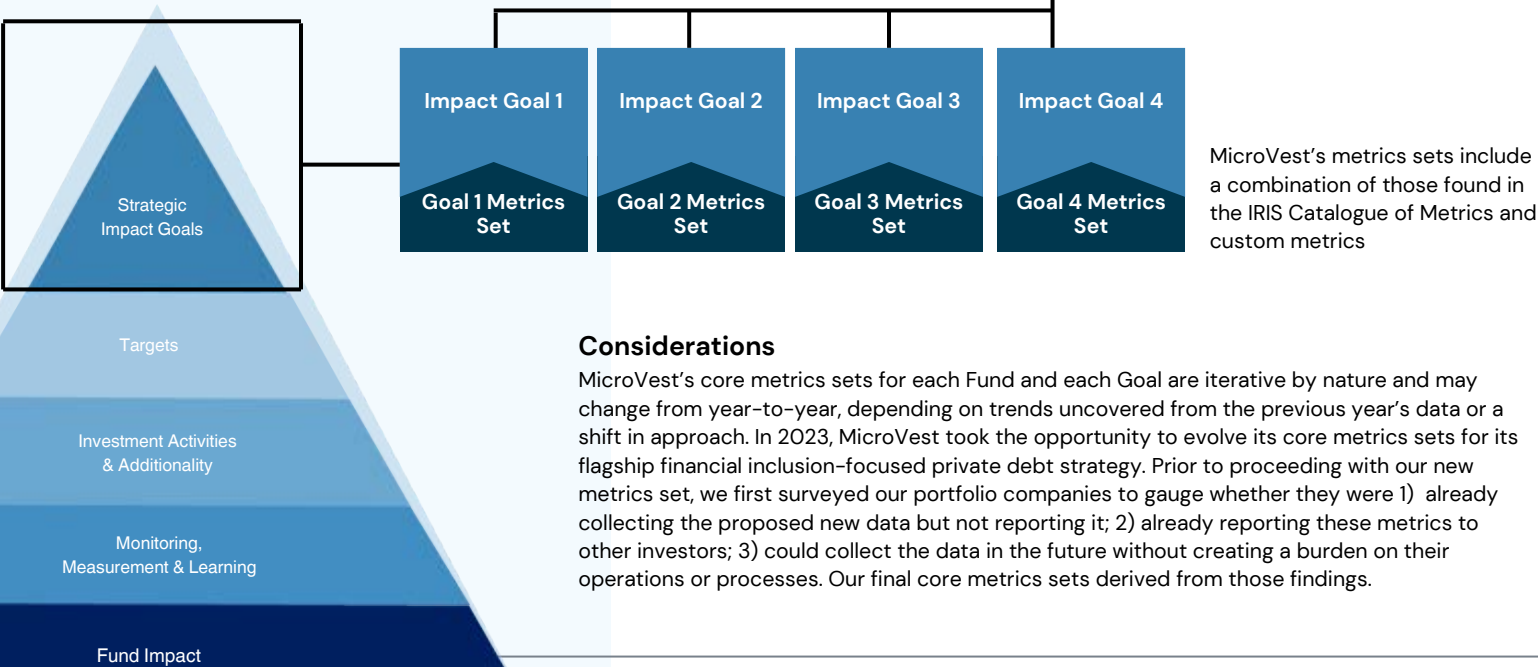
Example of MicroVest's chosen IRIS+ aligned Strategic Goals for Financial Inclusion

Improving access to and use of responsible financial services for historically underserved populations

Improving financial health

Increasing gender equality through financial inclusion

Improving earnings and wealth through employment and entrepreneurship

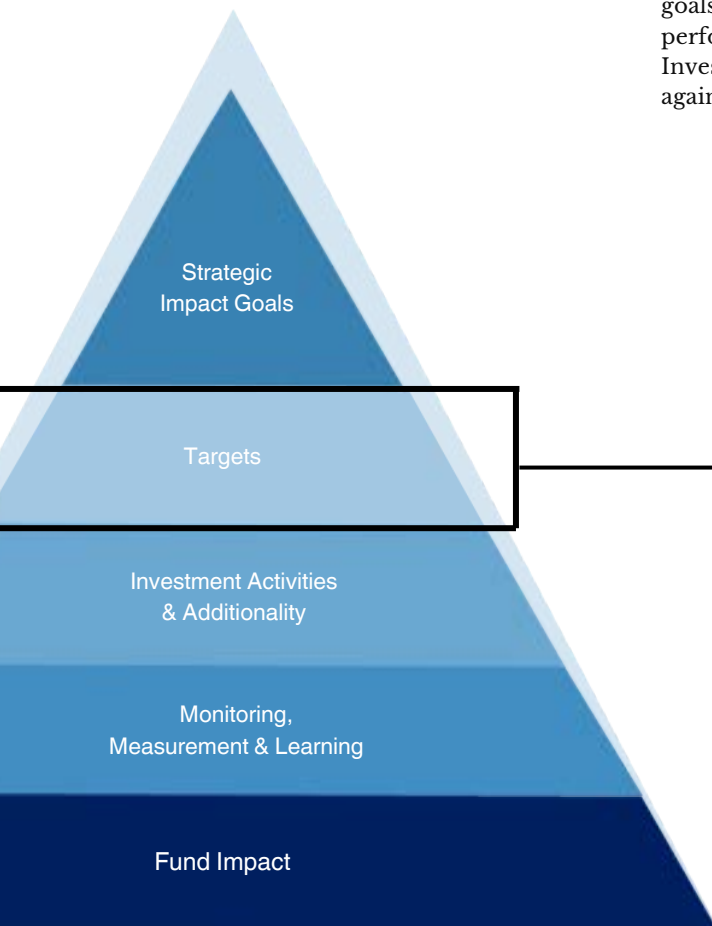


### Considerations

MicroVest's core metrics sets for each Fund and each Goal are iterative by nature and may change from year-to-year, depending on trends uncovered from the previous year's data or a shift in approach. In 2023, MicroVest took the opportunity to evolve its core metrics sets for its flagship financial inclusion-focused private debt strategy. Prior to proceeding with our new metrics set, we first surveyed our portfolio companies to gauge whether they were 1) already collecting the proposed new data but not reporting it; 2) already reporting these metrics to other investors; 3) could collect the data in the future without creating a burden on their operations or processes. Our final core metrics sets derived from those findings.

## Set Annual Targets to Ensure Accountability Toward Strategic Impact Goals

Once the Fund's Strategic Impact Goals are defined, MicroVest will evaluate the feasibility of setting impact targets to ensure accountability towards those goals. The objective is to define benchmarks that aid in evaluating the performance of the Fund in achieving these goals. The Impact and Investment teams will also agree on the appropriate frequency of evaluations against these targets at appropriate intervals.



Impact targets can be formulated in a variety of ways, including:

### Fund-Level or Investment-Level

Targets may be set for the entire fund or for individual investments within the fund.

### Based on Outputs or Outcomes

Targets might focus on immediate outputs (e.g., number of active borrowers served) or longer-term outcomes (e.g., improvements in quality of life for borrowers, ability to save for emergencies, etc.).

### Changes Over Time

Targets may involve attempting to see a certain increase or decrease in certain portfolio metrics. For example, achieving a certain percentage increase in the number of RFIs offering non-financial services to clients by a set date, etc.

### Project-Related Targets

These could involve specific initiatives, such as the successful implementation of a new framework by a certain date, or the implementation of Technical Assistance facilities by a certain date.

### Research-Based Approaches

Targets may also be derived from proven methods backed by existing, tested research.



This step seeks to align with Principles 2 and 4 of the Operating Principles for Impact Management.

**Principle 2:** Manage strategic impact on a portfolio basis.

**Principle 4:** Assess the expected impact of each investment, based on a systematic approach.

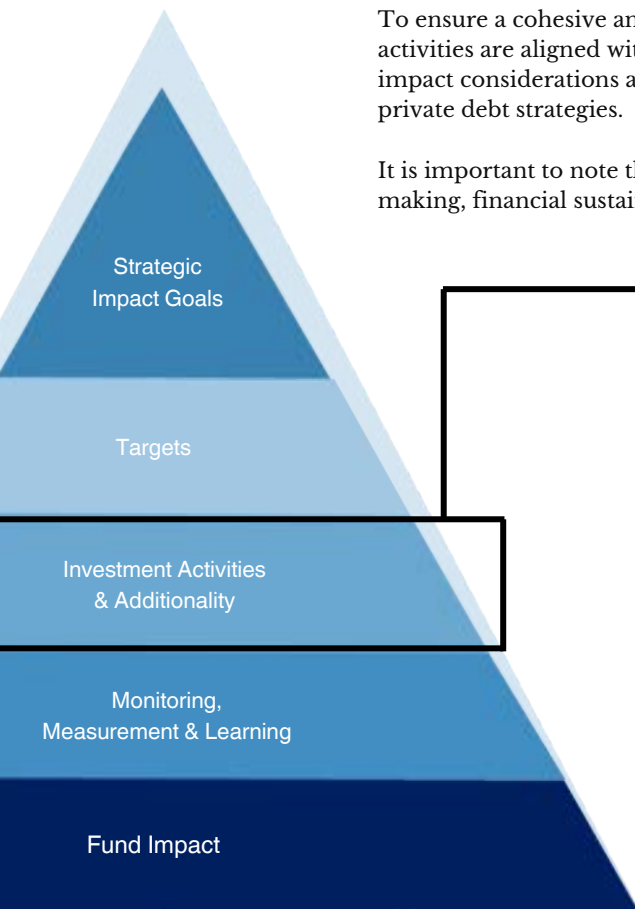
## How to

### Step 4

# Integrate Impact Considerations Across the Investment Lifecycle

To ensure a cohesive and purposeful investment approach, MicroVest ensures that impact objectives and activities are aligned with the Fund's overarching strategy. Below, we outline how MicroVest integrates impact considerations across its 7-step investment process for one of our financial inclusion-focused private debt strategies.

It is important to note that while impact will be a key consideration in MicroVest's investment decision-making, financial sustainability will always remain a binding constraint.



### Integration of impact considerations across MicroVest's 7-Step Investment Process (Private Debt, Financial Inclusion)

#### Investment Stages

##### Prospecting

During the prospecting phase, MicroVest conducts an assessment of target countries based on the level of financial constraints MSMEs face. This allows us to establish and contextualize the development needs that our investments can address.

##### Risk Review

During pre-due diligence Risk Review, prospective portfolio companies fill out a templated questionnaire, which integrates credit, financial, and impact indicators, enabling a comprehensive evaluation of alignment with MicroVest's risk, return, and impact goals. Metrics collected at this stage serve as the basis for evaluating the impact performance of the portfolio company during the pre-investment phase. MicroVest will review specific indicators against averages derived from our existing portfolio within the same country or across the same region. This comparison serves as a reference point, allowing us to gauge the prospective portfolio company's standing relative to our broader portfolio.

##### Due Diligence

Once a prospective investment passes the Risk Review, MicroVest will proceed with due diligence, which includes conducting a standardized ESG Performance Assessment on each potential portfolio company. This assessment is a customized version of the [ALINUS due diligence tool](#) (Aligning Investors Due Diligence to the Universal Standards), which evaluates and monitors financial institutions across seven dimensions related to social performance, client protection, and ESG Risk. These dimensions include:

- Social strategy
- Committed leadership/Governance
- Client-centered products & services
- Client protection
- Responsible HR
- Responsible growth & returns
- Environmental performance management

MicroVest will also conduct randomized visits to the end borrowers of financial institutions to gain insights into the utilization of financing and to understand their experiences in engaging with the financial institution. We seek to incorporate a qualitative summary of positives, negatives, and key risks gathered based on the ESG Performance assessment and due diligence in the Investment Committee Memo.



This step seeks to align with Principles 2, 3, 4, and 5 of the Operating Principles for Impact Management.

**Principle 2:** Manage strategic impact on a portfolio basis.

**Principle 3:** Establish the Manager's contribution to the achievement of impact.

**Principle 4:** Assess the expected impact of each investment, based on a systematic approach.

**Principle 5:** Assess, address, monitor, and manage potential negative impacts of each investment.

(continued...)

Example of impact considerations across the investment lifecycle of MicroVest's financial inclusion-focused private debt strategy



Investment Stages

(...Continued)

### Due Diligence Findings and Impact Considerations for Investment Committee (IC) Memo

MicroVest seeks to document the assessment of impact from the preceding stages within the IC memo, aligning with the IMP 5 Dimensions:

- **What:** Purpose of the investment, how it supports the Fund's strategic goals, and expected impacts
- **Who:** Identification of target beneficiaries and their level of financial need
- **How Much:** How much impact is expected to be generated and over what duration?
- **Contribution:** How did the Fund's contribution (financial and non-financial) create impact beyond what would have happened without its participation?
- **Risk:** MicroVest takes credit and ESG risk into consideration when evaluating the likelihood that expected impact does not transpire.

### Investment Committee (IC)

The IC memo includes information from Steps 1-3 (above) for deliberation.

### Document & Disburse

Loan agreements maintain adherence to regulatory, anti-fraud, anti-corruption/AML, and international standards and best practices.

### Monitoring

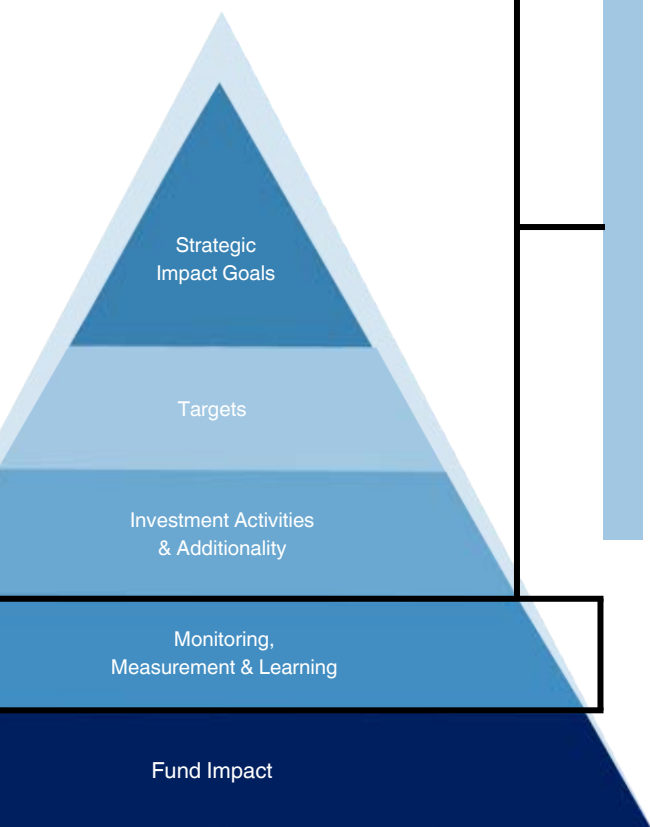
MicroVest sets expectations and outlines procedures for financial, operational, and social impact reporting with each portfolio company. Data is collected quarterly for financial, credit, and select impact metrics. A comprehensive set of social impact metrics is gathered annually and aligned with our target impact goals. This approach allows us to gain insight into an institution's financial performance, loan portfolio trends, adherence to covenants, and social impact trends that inform progress toward our goals.

### Repayment

As a provider of amortizing debt capital, MicroVest's exit is built into the structure of the investment. However, we seek to utilize the pre-renewal/repayment stage to assess the realized impact of the portfolio company against the expectations and intended contributions established during the initial investment. Because MicroVest's loans are short to medium term in nature, this gives MicroVest the opportunity to assess the impact of our portfolio companies and whether there has been any material change during the duration of the loan. These findings can inform decisions about loan renewal or future financing opportunities.

### Considerations

Some investors may utilize scoring mechanisms or internal benchmarks to assign a comparative impact value to their investments. Scoring methods today continue to emerge but are wide-ranging in scope and sophistication. MicroVest, for example, used to generate a proprietary social impact score for prospective portfolio companies based on weighted indicators across Governance, Client Protection Principles, and Outreach. However, in 2019, we discontinued our proprietary scoring method and adopted the ALINUS tool, which standardizes the assessment and scoring of micro and SME finance institutions according to seven dimensions. Although a scoring system can ease comparisons across a portfolio, it can be limited in scope and its ability to capture nuance. Scores also represent a point-in-time assessment and may not precisely capture those on their journey toward improvement across specific areas. The methods investors employ to evaluate these aspects can vary significantly, despite often leading to similar conclusions. For example, two managers may assign a different impact score to the same opportunity or portfolio company while ultimately reaching the same investment decision.



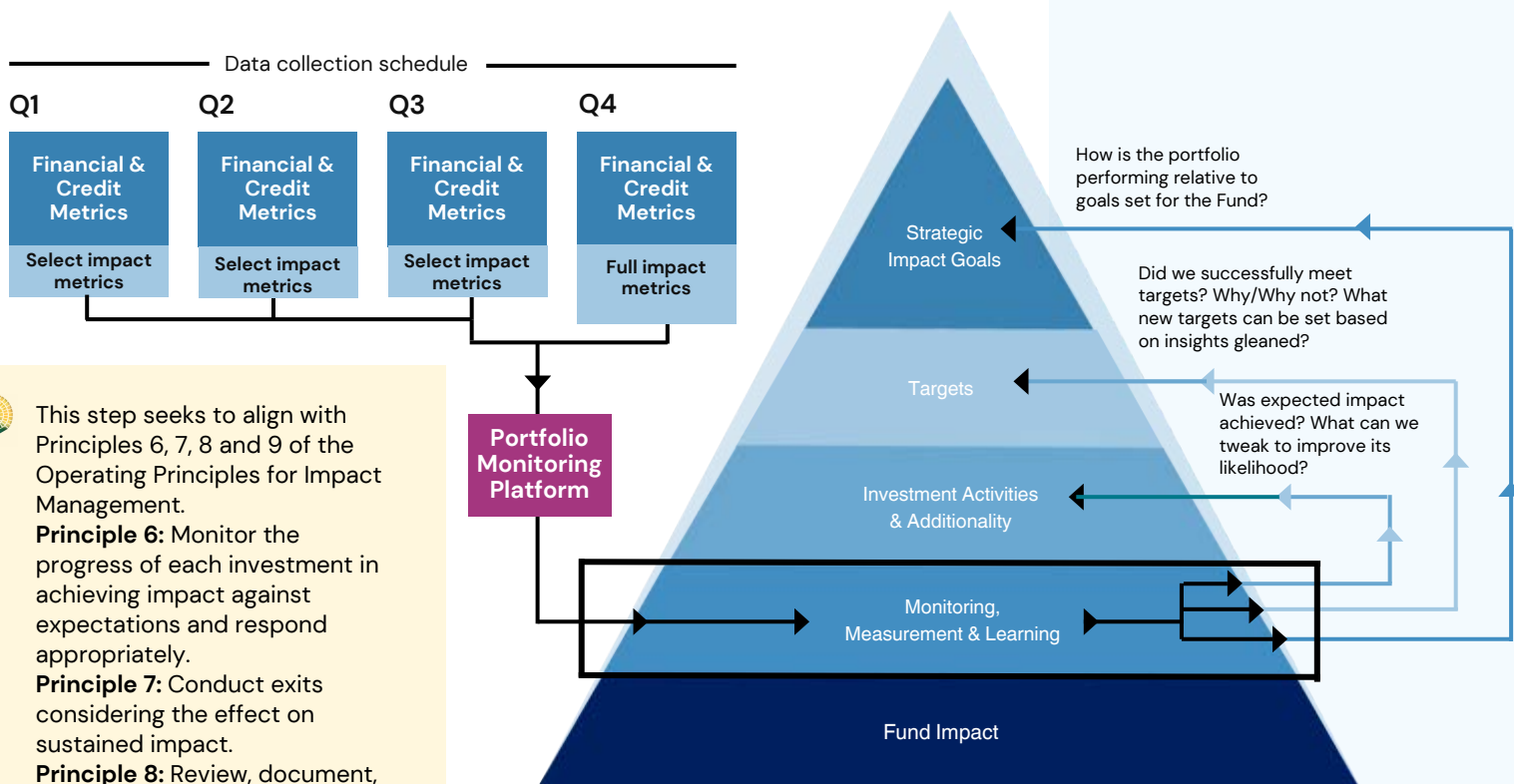


# Monitor, Measure, and Learn

How to

Step 5

MicroVest will undertake an annual review of the portfolio's impact performance to identify trends and any goal-specific gaps which may be addressed through methods such as quantitative or qualitative target setting or other methods. Beyond assessing portfolio-specific impact, MicroVest will also use its annual review to gather feedback from staff related to the design of its Impact Management System, allowing for adjustments as needed. The annual impact review will serve as a platform for discussing feedback, reflections, and lessons learned. This will enable staff to engage in open discussions about what is effective, what is not, and how decisions can be improved to better support our goals.



This step seeks to align with Principles 6, 7, 8 and 9 of the Operating Principles for Impact Management.

**Principle 6:** Monitor the progress of each investment in achieving impact against expectations and respond appropriately.

**Principle 7:** Conduct exits considering the effect on sustained impact.

**Principle 8:** Review, document, and improve decisions and processes based on the achievement of impact and lessons learned.

**Principle 9:** Publicly disclose alignment with the Impact Principles and provide regular independent verification of the alignment.

## Bolster learning through third-party verification

MicroVest was nearing completion of the design and development of the MicroVest PI at the end of 2023 when we engaged BlueMark to independently verify the alignment of MicroVest's impact management practices with the Operating Principles for Impact Management. The goal for our 3-year re-verification was to go beyond compliance and proactively seek feedback, in addition to actionable recommendations, on the Impact Management System underpinning our Framework in the hopes that we could further strengthen the IM System through guidance and best practices obtained.

BlueMark's findings cover both areas of strength and opportunities for improvement, as reflected in the [Verifier Statement](#).

BlueMark's verification does not constitute either an endorsement of the client's practices or a verification of the resulting impacts achieved. BlueMark is a leading independent provider of impact verification services in the impact investing market. BlueMark is a subsidiary of Tideline Advisors, LLC, a specialized consulting firm that works with asset managers and allocators to design and implement best-in-class impact management and measurement systems.

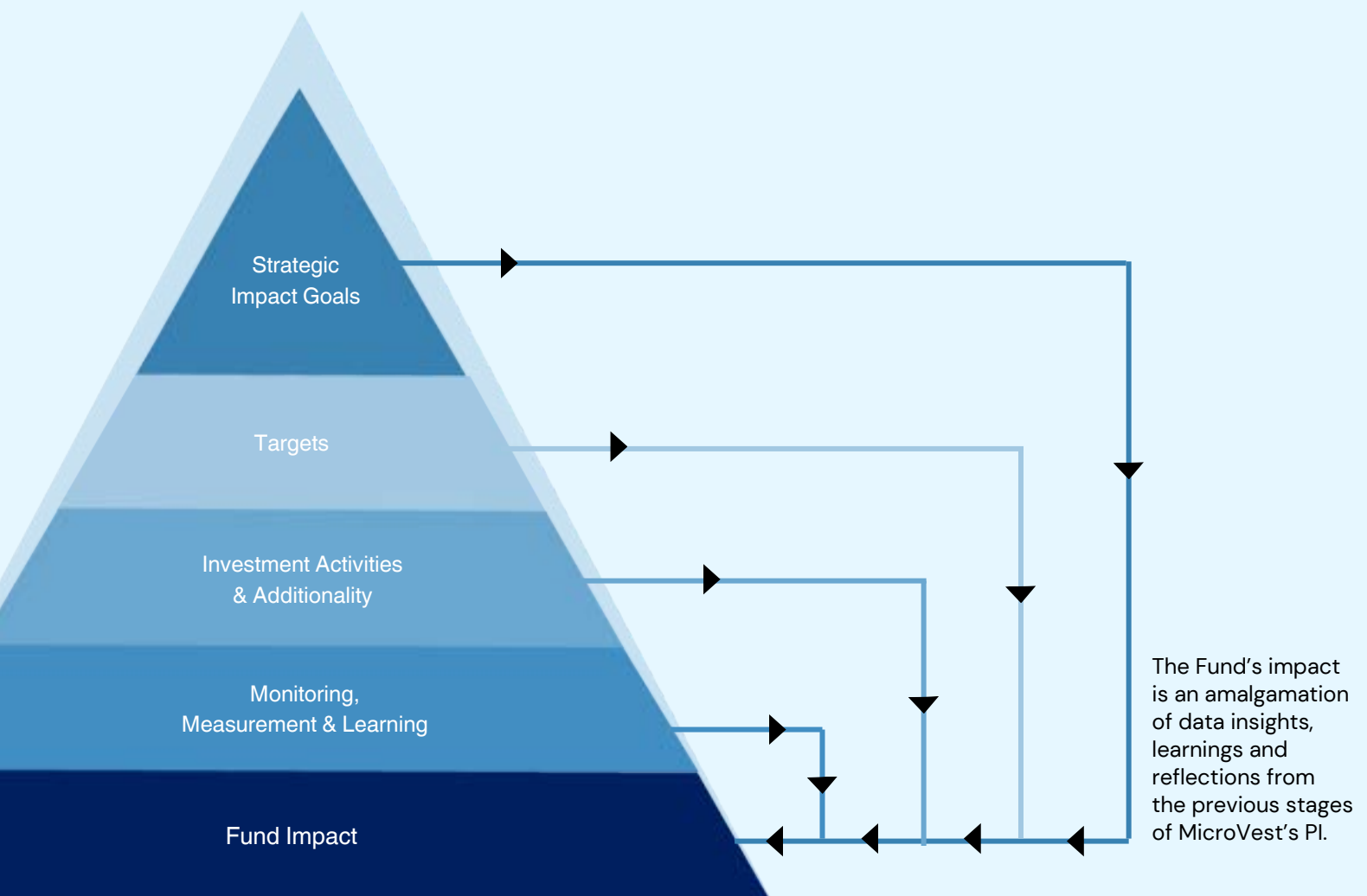


# Assess Performance of the Portfolio Against Established Impact Goals

MicroVest's PI was designed to illustrate the interconnectedness of the various elements within MicroVest's IM System. In the goal-setting phase, we detailed how goals influence the setting of targets, shape the investment process and impact criteria, and guide performance evaluation. Through Impact Monitoring, Measurement, and Learning, we demonstrated how this process can aid in gauging the portfolio's performance against the established goals and targets. Though they fall short of precisely attributing our specific role in facilitating that impact, these varied assessments, when combined, offer a comprehensive view of the impact generated and our estimated contribution.

Attribution, on the other hand, remains challenging for impact investors to measure. Even if this could be calculated with accuracy, it might not shed light on what an investment manager could be doing differently to deploy capital. Sometimes, impact resists measurement. Today, there continues to be ongoing discussions about how to define an investment's ultimate impact. Different investors are starting to put forward various approaches, but there is still no consensus on a widely-accepted, standardized method for measurement. A paper by the Donor Committee for Enterprise Development (DCED) on [Attribution in Results Measurement](#) accurately captures that while fund managers recognize the theoretical relevance of attributing results, hurdles, such as the absence of a feasible, cost-effective and generally accepted methodology, challenges in data collection, and limited resources, can hinder uptake.

Today, MicroVest is leveraging the PI to highlight areas of impact we *can* affect. This includes examining actual impacts relative to expectations, our distinct contributions to portfolio companies, the anticipated use of investments, and their alignment with its intended purposes. By analyzing findings and insights from the various facets of MicroVest's PI, we aim to understand our position in relation to the expected impact and identify opportunities for improvement. We will continue to research and comprehend methodologies for measuring impact as they continue to emerge and evolve.



# Reflections & Takeaways

In a rapidly evolving impact investing landscape, the journey towards developing and refining an effective Impact Management System remains challenging, yet essential. This year marked a significant milestone for MicroVest as we initiated the design and development of MicroVest's PI. Having concluded this process, we wanted to share reflections and takeaways from the perspective of a fund manager evolving its IMM System in a fast maturing environment.

## Is it Time to Standardize Standards Around IMM?

Standard setters and industry organizations have been instrumental in shaping the integrity and diligence of impact investing, with significant progress made over the past few years. In fact, if it were not for the research and guidance initiated by standard setters, MicroVest would likely have not developed the Framework you see in these pages. Despite these advancements, we find that the landscape among standards and best practices remains fragmented, as was evident during our research.

Impact investors seeking to comprehend and apply varying guidelines must still independently navigate a variety of reports on best practices, which requires piecing together a mental map of how different components of these frameworks align or diverge. Standard setters could enhance their offerings by providing more visual, contextual guidance for practitioners, which could help in clarifying the intersection and divergence of standards and facilitate greater adoption and harmonization across the industry. (The [Impact Management Project's System Map for Investors and Financial Institutions](#) has been one helpful (and visual) resource for investors and financial institutions to manage their sustainability impacts.) Standard setters might also think about agreeing on a unified starting point for describing their best practices to enhance mental mapping. For instance, Standards A, B, and C could all decide to start their Guides at a common reference point within an IM System, such as Goals. This approach would give readers a consistent baseline against which they could easily understand guidelines and best practices.

## Dangers of Adding Variables Without Subtracting

As the field of Impact Management evolves and grows in sophistication, there has been a tendency to add additional criteria or considerations for measuring the impact of an individual investment or fund. This inclination towards adding new variables and pushing for more measurement is understandable. However, it needs to be balanced with the subtraction of less relevant or outdated ones. If not, practitioners must dedicate more time and resources to adhere to an expanding list of variables, some of which may have limited value or be outdated. This diverts focus from core activities, which is to mobilize capital toward impactful initiatives. We feel that simplification and prioritization should not be considered inferior to sophistication when it comes to measuring and managing impact. As such, to ensure that the primary mission of impact investment remains front and center, it is necessary to enable a more focused and efficient pathway for achieving meaningful social and environmental outcomes alongside financial returns.

## Measuring What Matters

Many can agree that measuring impact is not straightforward. Yet, there still seems to be a broader push toward more impact measurement. Investors will typically seek to measure impact in an effort to either improve the quality of investment decisions, better understand their own impact, report impact to stakeholders, and/or manage and improve impact. However, the methods investors employ to evaluate these aspects can vary significantly, despite often leading to similar conclusions. We should always ask ourselves: Which method enables the acquisition of necessary information in a straightforward and efficient manner? Currently, there is no universally accepted standard for impact measurement, though many investors are creating and sharing their own methodologies. This question of what to measure and how to implement it continues to evolve and we will continue to share our approach as our thinking around this evolves as well.

## Small Fund Managers

For small fund managers like MicroVest, it is crucial to clearly define the boundaries of an area of operation and establish firm agreements on what *will* and *will not* be included in our IM System. Creating an evidence system that fits well with the size of the practice and the resources available to allocate to measuring and monitoring impact requires careful consideration of both when to measure impact and when it is better not to. In this regard, there is much that can be learned from a small fund manager when it comes to demonstrating lean and efficient approaches to impact measurement and management.

At MicroVest, we hold ourselves accountable not only to our investors but also to our portfolio companies and their end beneficiaries. We are committed to the dual objectives of ensuring the financial and credit sustainability of our portfolio companies and while support and assessing the impact of our investments. We continue to refine our approach and adapt as the market changes.



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