



Engaging with Evidence in Impact Measurement | **GAWA Capital**

GAWA Capital is an impact investing company that promotes social and economic development by leveraging private capital markets to support social entrepreneurs. Focusing on underserved, low-income, and often rural markets, GAWA uses private equity, equity-like debt, and private debt to tackle development in sectors such as agriculture and financial inclusion. It bases 50 percent of its funds' performance fees on the investments' social impact performance.

The challenge

Evidence¹ of impact has been critical to the GAWA investment approach since its incorporation. This is because the breadth of GAWA's mission, geographic range, and sector focus make it unlikely that the partners will have deep expertise in all areas. Therefore, the GAWA Capital team wanted to back its strategy with evidence. GAWA's challenge was determining how – and when – to gather that evidence.

The GAWA board, skeptical of unproven approaches and impact assumptions without supporting data, specified that research should be a part of every investment decision. The board also called for gathering complementary data on social impact during the investment life cycle, to show that those decisions were indeed driving progress toward the mission.

GAWA's approach

GAWA incorporates evidence and data from origination through every stage of the investment lifecycle. Building on data that identify underserved groups – many of which are smallholder farmers – the team focuses on rural geographies where financial service institutions are present but fail to reach smallholder farmers in their area.

In order to begin to assess whether potential investees are targeting the right end beneficiaries with the right products in the right locations, GAWA draws on existing research – particularly to identify:

- who most benefits from certain products
- what services have the most positive outcomes
- how much change their investees' end users are likely to see.

Randomized control trials and other studies have shown that credit products have stronger social outcomes when combined with savings and insurance products. Thus, GAWA further screens for institutions that are able to provide multiple products (often credit, savings, and insurance). By combining credit with other products, GAWA has found that smallholder farmers are able to increase their ability to buy fertilizers and equipment, thereby contributing to improved incomes and food security.

¹ Impact evidence is the available body of facts or information that can be used to judge to what extent (or not) impact has occurred – for example, academic and field studies conducted by researchers. Source: Impact Management Project.

Due diligence. The GAWA team combines a standard investment approach with a social impact assessment. The investment approach analyzes the potential investee's ability to serve smallholders with its products, current business process, and staffing, and the social impact assessment informs the structuring of and expectations for the deal. Both of GAWA's co-CEOs are social auditors, certified under the CERISE Social Performance Index (SPI4).² As a free service for investees and as a foundation for investment decisions, they conduct a comprehensive impact assessment during due diligence. This assessment, together with a rural impact score that is calculated from core metrics, forms the basis for an improvement plan to be implemented over the life of the investment, and informs documentation of social performance indicators included in the contract.

Rural impact score

The rural impact score is based on a core set of 20 metrics that measure the strength of the investee's social performance system, and output metrics that measure the number of smallholders who benefited from the investment.

Midline: monitoring. Implementing or strengthening an organization's impact measurement system is almost always a contractually defined obligation for the investee. GAWA is able to propose additional financing for impact management and measurement through its technical assistance facility.

Data collected during monitoring informs the rural impact score, enabling GAWA to make investment decisions and course corrections throughout the investment life cycle. By applying the score to all investments, GAWA is also able to compare and aggregate impact across the portfolio. Captured at due diligence, midline, and exit, the score also determines GAWA's participation in the fund's profit, as 50 percent of its participation relates to the rural impact score achieved. GAWA tracks additional social impact indicators on an investment-by-investment basis.

² The SPI4 is a social performance assessment tool for financial service providers allowing them to evaluate the level of implementation of the Universal Standards for Social Performance Management.



In later stages, the team tends to rely on data generated by the investees themselves – which is validated at exit – although GAWA notes that more robust, geographically specific, external data on similar investments and product offerings would be valuable in decision-making.

Exit: final calculation. At exit, GAWA again calculates the rural impact score, which is validated by an external social auditor chosen by GAWA's investors. These scores – and impact data highlights on each investment – are reported to all stakeholders and, in turn, influence targeting of future investments.

Gaps and challenges

Even after it has done the due diligence, documentation and monitoring, GAWA still faces two challenges to impact measurement: gaps in the evidence base and low demand for comprehensive impact data.

Gaps in the evidence base. GAWA leans heavily on existing evidence in initial phases, but it has found that existing information is often insufficient. For example, most current studies focus on one financial product, such as

microcredit, rather than on a combination of products, such as microcredit with the additional savings and insurance offerings that often underpin GAWA investments. More robust data as to which combinations of services are most effective would help to guide their investment strategy. GAWA has considered supplementing available evidence with its own randomized control trial, though capacity constraints have kept it from doing so to date. As a first step toward gathering more extensive outcome data, the team is considering adding technical assistance funding for investee organizations to collect education, health, and other outcome data.

Low demand for comprehensive impact data. More broadly, GAWA notes that few asset owners ask for comprehensive, certified data on impact metrics. With more pressure from limited partners (LPs) to report on validated metrics, asset managers would be more likely to invest in social and environmental impact measurement. GAWA has used the rural impact score and dependent profit participation as a way of incentivizing its own more comprehensive data collection while providing performance indicators to stakeholders at a level that meets their interest and need.

Looking forward

Beginning in 2017, GAWA shifted its approach to base 50 percent of profit participation on social impact performance, up from 25 percent in the past. Designed initially to create a monetary incentive to pursue improvements in the social impact system, this approach has also proven helpful in fundraising, especially with asset owners focused on achieving significant social impact. Looking forward, GAWA may consider increasing this impact-dependent percentage if the current trial is successful, making comprehensive impact measurement and management even more important. The firm also intends to pursue plans for longer-term outcome data collection through its technical-assistance facilities. Over time, patterns in rural impact may further improve GAWA's targeting and management of its deals, as would trends in outcome data.

For more resources that help connect evidence to impact measurement and management, please visit navigatingimpact.thegiin.org

This case study was produced with support from The Rockefeller Foundation and the W.K. Kellogg Foundation as part of the Global Impact Investing Network's work on impact measurement and management.