Inter-American Development Bank's Opportunities for the Majority Initiative:

USE IRIS TO COMMUNICATE THE IMPACT OF A DIVERSE PORTFOLIO

IRIS USE CASE

The Opportunities for the Majority (OMJ) initiative within the Inter-American Development Bank (IDB Group) supports impact investments that are market based, commercially viable, replicable, and scalable. It seeks to generate social and economic benefits for the base of the pyramid (BoP) across Latin America and the Caribbean. The IDB Group aims to catalyze additional capital into projects that advance long-term economic development in the region.

OMJ restructured its impact measurement program across its grant and investment portfolio, putting IRIS® metrics at the program's foundation. The team uses an integrated metrics framework to gain insight into its portfolio's overall performance. Rather than creating new metrics for each investment or grant project, OMJ draws from pre-defined IRIS metrics that are consistent with existing best practices and impact investing industry standards. In addition, it can now track and aggregate the data to show how the combined impact of its diverse projects and investments contribute to IDB Group's development objectives, improving communication around impact across the OMJ team and with other IDB Group stakeholders.

IDB Opportunities for the Majority

IRIS USER AT A GLANCE: IDB GROUP'S OPPORTUNITIES FOR THE MAJORITY INITIATIVE	
USER TYPE	Development finance institution: direct investor; investor in funds
TARGET GEOGRAPHY	Latin America and the Caribbean
TARGET STAGE OF PORTFOLIO COMPANIES	Early stage, companies having recently reached break-even, mature companies
SECTOR ACTIVITIES	• Agriculture • Education • Energy • Financial Services • Health • Housing Development • Information and Communication Technologies • Infrastructure/Facilities Development • Supply Chain Services • Technical Assistance Services • Water
IMPACT OBJECTIVES	• Access to clean water • Access to energy • Access to financial services • Access to education • Access to information • Affordable housing • Agricultural productivity • Capacity-building • Community development • Disease-specific prevention and mitigation • Employment generation • Equality and empowerment • Food security • Health improvement • Income/productivity growth

What Works

Use IRIS to convey the portfolio's strategic vision to stakeholders

OMJ historically created new metrics for each grant-funded project or investment because it lacked a standardized list of social performance indicators. This process made it challenging to communicate how its portfolio was achieving its development goals. Therefore, OMJ developed a common metrics framework for its portfolio of impact investments and grant projects. It adopted IRIS because the metrics were generally accepted by impact investing leaders and thus a credible replacement for various internally-defined metrics. IRIS metrics encompass many sectors and impact objectives, so they were well-suited to be applied to OMJ's diverse portfolio.

The new integrated metrics framework provides insight into the portfolio's social performance and helps OMJ communicate how it works toward the broader development objectives in IDB Group's mandate. The team uses the framework to aggregate and analyze data across its portfolio, allowing OMJ to regularly communicate its portfolio's overall progress in real time to other bank stakeholders in ways that resonate with IDB Group's broad development outcomes. For example, employment generation is an IDB Group target outcome, and OMJ uses IRIS metrics to report jobs created over time. For detail on OMJ's metrics framework, see the end of this document.

IRIS Use Cases highlight key features of effective impact measurement programs and metrics frameworks implemented by IRIS users. Impact measurement programs are the processes and activities that an organization adopts in order to manage progress toward desired social and environmental objectives. These activities include determining what to measure, collecting and analyzing the related information, and using the results in decision-making and reporting. Metrics frameworks classify how performance metrics are used within an organization's impact measurement program.

IDB Opportunities for the Majority

OPPORTUNITIES FOR THE MAJORITY INITIATIVE'S IMPACT MEASUREMENT PROGRAM

NUMBER OF METRICS TRACKED	217 total metrics • 135 IRIS metrics • 82 user-defined metrics
COST OF IMPACT MEASUREMENT PROGRAM	OMJ estimates that portfolio management and monitoring expenses cost no more than USD 30,000 over the life of each investment. This cost is shared by OMJ and its investees.
DATA MANAGEMENT SYSTEM FOR PORTFOLIO	PULSE is used to manage its loan and grant portfolio. OMJ's investees and grantees enter their data into individual portals in the PULSE platform to ensure streamlined and efficient reporting.
IMPACT MEASUREMENT PRACTICE STAFFING	Of 20 total staff, 2.5 are dedicated to metrics identification, monitoring, and evaluation. One and a half staff are devoted to impact evaluation, and one to managing PULSE and IRIS metrics.

To create the framework, OMJ first identified existing proprietary metrics that could be replaced with IRIS metrics. This process was relatively straightforward for its impact investments into companies because IRIS metrics are defined in terms of an organization's impact. However, for OMJ's grant-funded projects, which often support multiple organizations, adapting existing metrics to IRIS was more challenging. For these, OMJ has identified a set of IRIS metrics that will help assess whether the overall developmental objective of the project has been accomplished.

For example, in order to measure the progress of its grant-funded projects focusing on financial access, OMJ created a set of IRIS metrics to capture performance data about the projects' penetration and reach within its target populations:

OMJ'S FINANCIAL ACCESS METRICS SET

IRIS ID	METRIC	RATIONALE FOR INCLUSION
PI2822	Client Individuals Provided New Access	To track the program reach into the BoP target population, OMJ measures the number of BoP individuals who are being banked for the first time.
• PI7098 • PI3193 • PI9835 • PI8330	• Client Individuals: Low Income • Client Individuals: Poor • Client Individuals: Very Poor • Client Individuals: Female	To track the banking reach and depth within differing BoP target populations, OMJ measures the total number of BoP clients according to different characteristic levels.[1]

IRIS can be complemented with additional metrics

Due to its mandate to invest in innovative and often pre-commercial business models that may be in new impact areas, OMJ occasionally complements IRIS metrics with its own metrics if industry-accepted standards are not yet available. The OMJ team may also create metrics to help show how it is working toward IDB Group's development goals. It takes a thoughtful approach to developing its own metrics by balancing the need for context-specific metrics with the benefits of a streamlined reporting framework. In addition, OMJ shares feedback about its IRIS use and recommends any of its own metrics that could be applicable to IRIS' broad user base, as the IRIS taxonomy is updated regularly.

[1] OMJ uses IRIS metrics for "Client Individuals," but has developed its own standardized BoP classifications on an income per capita basis for each of the countries in the LAC region. These allow them to compare an individual classified as "very poor," "poor," or "low-income" across different countries. These classifications are prepared and maintained by an OMJ team dedicated to research, impact studies, and other knowledge products.

Build up internal impact measurement knowledge by offering staff training and support

Staff training now includes education on IRIS, how to find metrics within OMJ's integrated metrics framework, and how to interpret and assign relevant metrics when designing projects. OMJ also established an internal metrics team to manage the portfolio's transition to IRIS and oversee ongoing use. This team oversees the creation of any OMJ-specific metrics, provides measurement guidance, and ensures metrics standardization and data integrity.

OMJ investment officers' abilities to work with companies to select relevant metrics and oversee data reporting improved significantly as a result of the metrics team's training and resources. The metrics team also created an internal training manual for the grant portfolio and a number of web tutorials that staff and clients can reference. The manual includes IRIS metrics and definitions, calculations, and reporting goals to ensure performance data are consistently and accurately collected.

Include data reporting expectations in contracts with grantees and investees

OMJ found that part of adopting IRIS was educating companies on impact reporting. Investment officers and portfolio companies choose metrics together from OMJ's IRIS-based framework so impact reporting enhances, rather than burdens, the latter's business performance. Because data reporting is an integral piece of its measurement program, OMJ is prepared to provide training and technical support to help improve clients' reporting. Supporting and formalizing these practices with companies has improved their reporting via PULSE to OMJ.

OMJ began incorporating IRIS metrics into its investment agreements in 2011. OMJ includes enforceable covenants in the terms and agreements with all investees around impact reporting. Reporting IRIS and OMJ metrics through PULSE was fully incorporated within companies' reporting requirements in Loan and Guarantee Agreements, which state the complete list of metrics to be reported by the client. Consequently, for portfolio companies, reporting these metrics is as important as submitting quarterly financial statements.

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OMJ encourages other large institutions with expansive portfolios to resist revisiting past investments or projects when implementing a new impact measurement program. Asking companies to re-report on new metrics or align old reporting methods to fit in a new metrics framework can be a significant burden, so OMJ chose to implement the changes going forward and has not tried to modify or interpret past data.

[2] http://www.youtube.com/watch?v=3lNH6UktA-I&feature=youtu.be

OMJ'S IMPACT MEASUREMENT PROGRAM IMPLEMENTATION TIMELINE

INVESTMENT PORTFOLIO ADOPTION

2 MONTHS

- After researching impact measurement options, decided to align OMJ metrics with IRIS
- Based on a consultant's recommendations, decided on PULSE because it was cloud based and came preloaded with IRIS

5 MONTHS

- OMJ implemented IRIS and PULSE by customizing them to track approved investments

EXPANDED ADOPTION TO GRANT PORTFOLIO

9 MONTHS

- IRIS and PULSE extended to include pipeline management and grants tracking
- Created internal training manual for the grant portfolio and provided web tutorials for staff and clients

Benefits

Prior to using IRIS, it was time-consuming for OMJ to aggregate data to identify trends or report progress toward its portfolio's objectives and the IDB Group's development goals. IRIS offers OMJ a credible, independently-managed library of pre-defined metrics that can be applied consistently across its diverse portfolio of grants and investments. OMJ uses the resulting data to track projects' progress in real time and guide strategic decisions. A large benefit of its integrated metrics framework is that it facilitates communication around impact among portfolio management officers and with its broader bank stakeholders.

OMJ supports and utilizes tools like IRIS to help build and foster the growth of a coherent impact investing industry. OMJ hopes to contribute both suggestions for new metrics and data about investee performance to the IRIS initiative in order to help improve the standards and benchmark its performance against aggregated industry-wide analyses.

OMJ's Metrics Framework

OMJ chooses relevant metrics for new projects from its framework based on the nature of OMJ's financial involvement, the project's impact objectives, and other defining information. First, OMJ's framework designates a set of metrics for projects receiving grant support, a different set for those in which OMJ has made an investment, and some metrics which apply to both grants and investments. Next, metrics are sorted into sets based on OMJ's impact goals for the project or other defining characteristics, for example "Agriculture" or "Housing." Finally, OMJ has tagged all of the metrics in the framework with characteristic keywords, so the team can find additional relevant metrics used in the OMJ portfolio and apply them as needed.

CHOOSING METRICS: OMJ'S FILTERING PROCESS

1. Narrow metrics based on OMJ financial involvement. Metrics apply to investments, grants, or both.
2. Within this sub-set, narrow further by OMJ's impact goals for the project or other defining characteristics, such as any OMJ non-financial support.
3. Apply appropriate metrics set(s) and any additional relevant metrics.

For example, if OMJ were to make a loan to a company offering home improvement loans to individuals to increase access to housing, the metrics selection process for the project would be: 1) Begin with the metrics that apply to investment-supported projects; 2) Apply the Housing metrics set, the Client Individuals metrics set, and the Financial Performance metrics set; 3) Review metrics in the existing OMJ portfolio with relevant characteristic tags, such as "Housing/Infrastructure," and include according to project team discretion.

Throughout this process, two development effectiveness specialists advise the project teams on impact measurement and sign off on every project's metrics selection. Moreover, since impact reporting is an integral part of OMJ's loan agreements, every metrics selection is done in close coordination with the client to ensure that they will be able and willing to report on performance as accurately as possible.

The following pages detail the metrics framework used by OMJ.

RELATED LINKS

View OMJ's IRIS Registry page >

Browse the IRIS metrics library online >

OMJ METRICS FRAMEWORK

METRICS SET	IRIS ID	METRIC
ACCESS TO GOODS & SERVICES	PI2822	Client Individuals Provided New Access
	N/A	Consumer Price Premium
	PI1775	Sales
AGRICULTURE	OI1674	Cultivated Land Area – Indirect
	PI6372	Cultivated Land Area – Smallholder
	PI1568	Producer Price Premium
	N/A	Average Yield
CLIENT INDIVIDUALS	PI4060	Client Individuals
	PI1190	Client Individuals: Rural
	PI3193	Client Individuals: Poor
	PI4237	Client Individuals: Minorities/Previously Excluded
	PI7098	Client Individuals: Low Income
	PI8330	Client Individuals: Female
	PI9835	Client Individuals: Very Poor
EDUCATION	PI2389	School Enrollment
	PI8836	Vocational/Technical Training
	PI1081	School Enrollment: Female
	PI5110	Student to Teacher Ratio
	PI6569	School Enrollment: Rural
	PI2718	School Fees
	OI3160	Full-time Employees
	OI6213	Full-time Employees: Female
	OI8864	Part-time Employees
	OI8838	Part-time Employees: Female
	OI8869	Permanent Employees
	OI4229	Employees Trained
	OI2444	Permanent Employees: Female
	OI3236	Permanent Employees: Minority/Previously Excluded

N/A = Custom metrics defined by OMJ and not included in IRIS

OMJ METRICS FRAMEWORK (CONTINUED)

METRICS SET	IRIS ID	METRIC
ENERGY	OI2496	Energy Produced On-site: Renewable
	OI8825	Energy Purchased
	PI1586	Energy Efficiency Improvements
	OI3324	Energy Purchased: Renewable
	OI9624	Energy Produced On-site
	OI6697	Energy Conservation
	PI8706	Energy Produced
	PI7623	Energy Savings
	PI4009	Energy Saved/Conserved
FINANCIAL: EQUITY FUND	PI5066	Equity Deals Closed-Number of Investments
	PI4142	Equity Deals Closed-Value of Investments
	PI7940	Equity Portfolio Outstanding-Value of Investments
	PI4359	Direct Investment Portfolio Outstanding-Number of Investments
	PI1077	Direct Investment Deals Closed-Number of Investments
	PI9067	Direct Investment Deals Closed-Value of Investments
	PI1914	Equity Portfolio Outstanding-Number of Investments
	PI1656	Direct Investment Portfolio Outstanding-Value of Investments
	N/A	Average exit multiple - Funds
FINANCIAL CORPORATE	FP5317	Equity or Net Assets
	PI1775	Sales
	FP1657	EBITDA
	FP4812	Cash Flow from Operating Activities
	FP1001	Operating Expense
	FP1301	Net Income
	N/A	Leverage ratio
	FP3466	Vocational/Technical Training
	N/A	Rate of Return on Invested Capital (ROIC)
	N/A	Debt service coverage ratio
	FP5293	Total Assets
	FP4326	Return on Assets (ROA)
	FP2651	Return on Equity (ROE)
	FP2651	Total Liabilities

N/A = Custom metrics defined by OMJ and not included in IRIS

OMJ METRICS FRAMEWORK (CONTINUED)

METRICS SET	IRIS ID	METRIC
FINANCIAL INCLUSION	PI7569	Loan Portfolio Outstanding-Value of Investments
	FP2054	Financial Revenue
	FP1996	Total Liabilities
	FP2651	Return on Equity (ROE)
	FP5317	Equity or Net Assets
	PI1478	Loan Portfolio Outstanding-Number of Investments
	FP4326	Return on Assets (ROA)
	FP3466	Net Cash Flow
	N/A	Operating Efficiency
	PI7467	Effective Interest Rate
	N/A	Average value of loan: clients
	FP9717	Loan Write-offs
	N/A	Leverage ratio
	N/A	Debt service coverage ratio
	FP6354	Non Performing Loans (Portfolio at Risk)-60 days
	FP2635	Non Performing Loans (Portfolio at Risk)-30 days
	FP6373	Non Performing Loans (Portfolio at Risk)-90 days
	N/A	Loan tenor: clients
	N/A	Financial Rate of Return (FRR)
	N/A	Loan Loss Reserves
HEALTH	OI8372	Caregivers Trained
	PI3424	Health Related Well Visits
	PI1017	Healthcare Facilities
	OI5796	Caregivers Employed: Doctors
	OI3891	Caregivers Employed: Nurses
	PI7699	Health Related Curative Visits
	N/A	Patient Conversion Rate
HOUSING	PI5965	Number of Housing Units Financed
	PI2640	Individuals Housed
	PI7233	Value of Housing Units Financed
INFORMATION TECHNOLOGY & COMMUNICATIONS	N/A	Average value of transactions per consumer
	N/A	Average number of transactions per consumer
	PI5184	Sales Transactions
	N/A	Average number of transactions per business
	N/A	Average value of transactions per business

N/A = Custom metrics defined by OMJ and not included in IRIS

OMJ METRICS FRAMEWORK (CONTINUED)

METRICS SET	IRIS ID	METRIC
INFRASTRUCTURE	PI2410	Value of Community Facilities Financed
	PI5983	Value of Commercial or Retail Infrastructure Financed
	PI8007	Number of Community Facilities Financed
MICROENTERPRISE	PI4881	Microentrepreneur Distributors Earnings
	PI2758	Microentrepreneur Distributors
MICROINSURANCE	PI3734	Minimum Insurance Premium
	PI5698	Loan Insurance- Number of Clients
	PI1934	Average Insurance Premium
	N/A	Incurred claims ratio
OMJ RISK SHARING FACILITY	N/A	Guarantee Payment Amount: RSF
	N/A	First Loss Coverage: RSF
	N/A	Cumulative recoveries: RSF
	N/A	Portfolio Net Write Off Amount: RSF
	N/A	Guarantee Coverable Amount: RSF
	N/A	Cumulative Write Offs: RSF
	N/A	Available Guarantee Amount: RSF
	N/A	Portfolio Cumulative Balance: RSF
KNOWLEDGE GENERATION & DISSEMINATION	N/A	Knowledge Dissemination Event Attendance
	N/A	Total Enterprise/Business Development Training Hours
	N/A	BOP Business Plans Developed
	PI1193	Enterprise/Business Development Training
	N/A	BOP Business Plans Financed
	N/A	Clients: SMEs
	PI9652	Client Organizations
	N/A	Organizations Implementing BOP Strategy

N/A = Custom metrics defined by OMJ and not included in IRIS

ADDITIONAL METRICS APPLIED BY OMJ ON A PROJECT-BY-PROJECT BASIS

	IRIS ID	METRIC
PROJECT-BY-PROJECT-BASIS	N/A	Average Score Increase in Student Tests
	OI3389	Educators Trained
	N/A	Educators Trained: Female
	PI8069	School Enrollment: Urban
	PI3786	Student Attendance
	PI9215	Student Attendance: Female
	PI8372	Student Tests Pass Rate
	PI5501	Student to Classroom Ratio
	PI7957	Student to Facility Ratio
	OI1814	Total Educator Training Hours
	PI3687	Jobs Created (In Financed Enterprises)
	PI5691	Jobs Maintained (In Financed Enterprises)
	OI9028	Temporary Employees
	N/A	Job Placement Rate
	PI8043	Potable Water Produced
	N/A	Disbursements
	N/A	Economic Rate of Return (ERR)
	N/A	Economic Return on Equity (EROE)
	PI9319	Client Retention Rate
	N/A	Capital Adequacy Ratio (CAR)
	FP5662	Capital Available - Equity Capital
	FP9049	Cost of Goods Sold
	N/A	Current Ratio
	N/A	Debt/EBITDA
	N/A	Debt Service
	FP5958	Earned Revenue
	N/A	Economic Return on Invested Capital (EROIC)
	FP4649	Financial Assets
	FP2553	Financial Expense
	FP6094	Financial Liabilities
	FP4373	Gross Margin
	FP2392	Impairment Loss Allowance
	N/A	Loan Write-offs (%)
	FP6750	Loans Payable
	N/A	Long-term Debt/EBITDA
	N/A	Long-term Debt/Equity
	N/A	Long-term Debt/Total Assets
	FP7897	Operating Profit Margin

N/A = Custom metrics defined by OMJ and not included in IRIS

ADDITIONAL METRICS APPLIED BY OMJ ON A PROJECT-BY-PROJECT BASIS (CONTINUED)

	IRIS ID	METRIC
PROJECT-BY-PROJECT-BASIS	N/A	Operational Expenses/Total Sales
	FP4761	Revenue Growth
	N/A	Single Debtor Aggregate Exposure to Capital ratio
	FP2136	Total Value of Loans and Investments
	PI9278	Operating/Procedural Room Utilization Rate
	PI5647	Procedures/Surgeries
	N/A	Income premium: beneficiaries
	N/A	Number of Transactions
	N/A	Value of Transactions: Distributors to MSMEs
	N/A	Products - Low-Income Consumers
	N/A	Financial Intermediaries
	PI8732	New Client Individuals
	N/A	Student Dropout Rate
	PI3499	Students Provided Partial Scholarship
	PI1873	Educational Services
	N/A	Total Students Training Hours
	PI7787	Education Facilities New/Improved Space
	OI7877	Total Employee Training Hours
	OI8869	Permanent Employees
	N/A	Incidence of Nutrition Related Diseases
	N/A	Roads Paved
	N/A	Microentrepreneur Distributors Turnover Ratio
	N/A	Average Claim Amount
	PI2025	Earned Premium
	N/A	Incurred expense ratio
	PI1263	Units/Volume Sold
	PI2575	Client Organizations Provided New Access
	PI2476	Communities Served
	PI4583	New Businesses Created
	PI1492	Payments to Supplier Individuals
	PI5920	Sales from Exports
	PI5350	Supplier Individuals
	PI9601	Units Installed
	PI1290	Units/Volume Produced
	N/A	Alliances with Related Entities
	N/A	Beneficiaries
	N/A	Companies Accepted into the Program
	N/A	Companies Applying to the Program

N/A = Custom metrics defined by OMJ and not included in IRIS

ADDITIONAL METRICS APPLIED BY OMJ ON A PROJECT-BY-PROJECT BASIS (CONTINUED)

	IRIS ID	METRIC
PROJECT-BY-PROJECT-BASIS	N/A	Distribution Channels Identified
	N/A	Expansion of Project Beyond Pilot
	N/A	Government Programs Identified
	N/A	Governmental Organizations
	PI7997	Group-based Training
	N/A	Income Generating Activities Identified
	N/A	Manufacturers Identified
	N/A	Non-governmental Organizations
	PI6065	Organizations Receiving Training
	N/A	Properties Registered
	N/A	Public-Private Partnerships
	PI2822	Technical Assistance
	N/A	Total Group Based Training Hours
	PI2822	Client Individuals Provided New Access
	N/A	Consumer Price Premium
	PI1775	Sales
	PI7403	Cultivated Land Area – Indirect

N/A = Custom metrics defined by OMJ and not included in IRIS

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IRIS is an initiative of the Global Impact Investing Network (GIIN®), a nonprofit organization dedicated to increasing the scale and effectiveness of impact investing. Impact investments are investments made into companies, organizations, and funds with the intention to generate measurable social and environmental impact alongside a financial return. They can be made in both emerging and developed markets, and target a range of returns from below market to market rate, depending upon the circumstances. The GIIN builds critical infrastructure and supports activities, education, and research that help accelerate the development of a coherent impact investing industry.

For more information, please visit www.thegiin.org.

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