THE IMPACT PROGRAMME

Tracking reach to the Base of the Pyramid through impact investing

Impact Programme Discussion Paper

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1 Purpose of this paper

A key objective of the DFID Impact Programme is to track and report the number of poor people who benefit from the impact investments that are made in businesses in Sub-Saharan Africa and South Asia through the DFID Impact Fund, managed by CDC. Understanding numbers reached is only one component of social impact – depth of impact, catalytic change, negative impacts, cannot be ignored. But simply assessing the numbers reached throws up a host of challenges including who counts as poor, who counts as a beneficiary, what definitions and assumptions are to be used. The task has thrown into sharp relief the diversity and lack of clarity on beneficiary reporting across the development and investment arenas.

This paper shares discussion on assumptions and definitions that are needed to track benefits to low-income people resulting from impact investment. The material in this paper has been used to develop the DFID Impact Fund Results Framework. It is shared not only to make the analysis available and useful to others facing similar challenges, but also to seek feedback and further input from others in the field. We have not found a ready-made system for the Base of the Pyramid (BoP) tracking used by another organisation that we can adopt wholesale, but we have found that every time information on what others do is shared, we make steps forward.

The paper first clarifies the pathways by which the DFID Impact Fund investments will benefit low-income people as consumers, suppliers, employees and entrepreneurs and summarises the DFID Impact Programme. The paper then tackles two main challenges in tracking those beneficiaries:

- The first challenge, covered in Section 3, is to define who counts as low-income or at the BoP. The various definitions in use by various market players are summarised.
- The second challenge, covered in Section 4, is to define who counts as a beneficiary. This apparently simple question depends on defining types of participation, household multipliers, timing of benefit and much else, as reviewed in Section 4.

The approach of the DFID Impact Programme in relation to definitions and assumptions used is outlined briefly. However, the paper does not provide a discussion of methodologies for actually assessing the reach and significance of impacts at the BoP, which is a vast and important but separate topic[1]. We conclude in Section 5 with a brief reflection on the agenda moving forward.

[1] Material on the approaches used in the Results Framework of the DFID Impact Programme is on the programme website at http://www.theimpactprogramme.org.uk/results-measurement-in-the-dfid-impact-fund/

2 Context

2.1 The DFID Impact Programme

The DFID Impact Programme was launched in 2012. DFID is providing up to £197 million over 16 years to catalyse the market for impact investment in Sub-Saharan Africa and South Asia[2]. The overall goal of the Impact Programme is:

Improved quality of life for poor people in Sub-Saharan Africa and South Asia through increased access to affordable goods and services, employment, or a market for their products.

The programme aims to achieve this goal through two broad components:

1. **Support to catalyse the impact investment Market in Sub-Saharan Africa and South Asia**. This is achieved through multiple routes, including through support to the Global Impact Investment Network (the GIIN):

- Increasing capacity and skills amongst fund managers through Advanced Investment Management Skills, offered by the GIIN.
- Developing market infrastructure, including market-facing platforms for funds and investors, standardised metrics for measuring impact, and research and information resources for impact investment in the two regions. This includes ImpactBase and IRIS metrics, both managed by the GIIN.
- Developing the track record of fund managers within the DFID Impact Fund and sharing information and evidence from the portfolio to reduce information gaps in the market.

2. **The DFID Impact Fund, managed by CDC**. The DFID Impact Fund is investing up to £75 million of returnable capital in impact investment funds that have an investment strategy targeted at businesses that reach and benefit low-income people. The direct beneficiaries of this investment are low-income people who engage with investee companies as workers or suppliers (who gain income-earning opportunities) or consumers (gaining access to goods and services that improve quality of life). Other indirect beneficiaries will gain from expansion of this type of investment, as track record and evidence is developed. Technical assistance is also being made available, through funding of a Technical Assistance Facility managed by PwC, to the enterprises receiving DFID Impact Fund investment.

The DFID Impact Fund aims to invest in businesses with the potential to improve the livelihoods of at least 5 million poor people. This paper focuses on tracking results against that target. The other programme element, supporting the market, also includes an objective to strengthen social impact measurement. The GIIN encourages investors to share metrics and assumptions with other market players, and this paper is one small contribution to that. The Impact Programme is coordinated by a Programme Coordination Unit (PCU), which is managed by PricewaterhouseCoopers LLP (PwC). The Results Framework for the Programme is coordinated within the PCU, while working closely with DFID, CDC and the GIIN. This paper emanates from work on the Results Framework.

[2] Additional information on the Programme, with ongoing updates, is available on the Programme website: www.theimpactprogramme.org.uk

2.2 Reaching beneficiaries at the Base of the Pyramid through investee companies

The DFID Impact Programme reaches people at the BoP because investment capital flows to businesses that engage the BoP in their core business. Such businesses are referred to as 'investee companies' or 'inclusive businesses'. There are broadly four ways in which the BoP may benefit from an inclusive business as Figure 1 shows: as suppliers, employees, entrepreneurs and consumers. In terms of numbers reached, suppliers and consumers are likely to be the primary groups.

Figure 1 BoP beneficiaries at various stages of the value chain

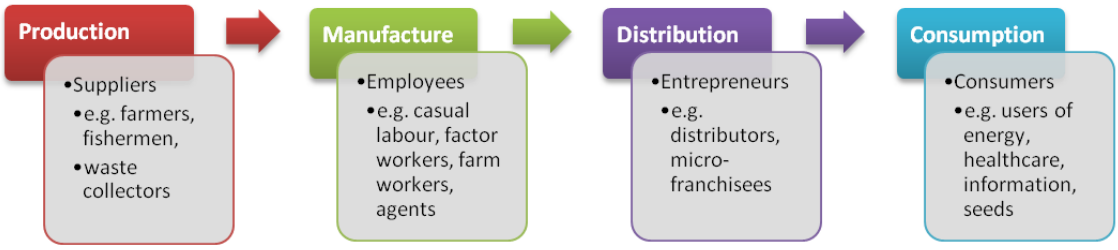
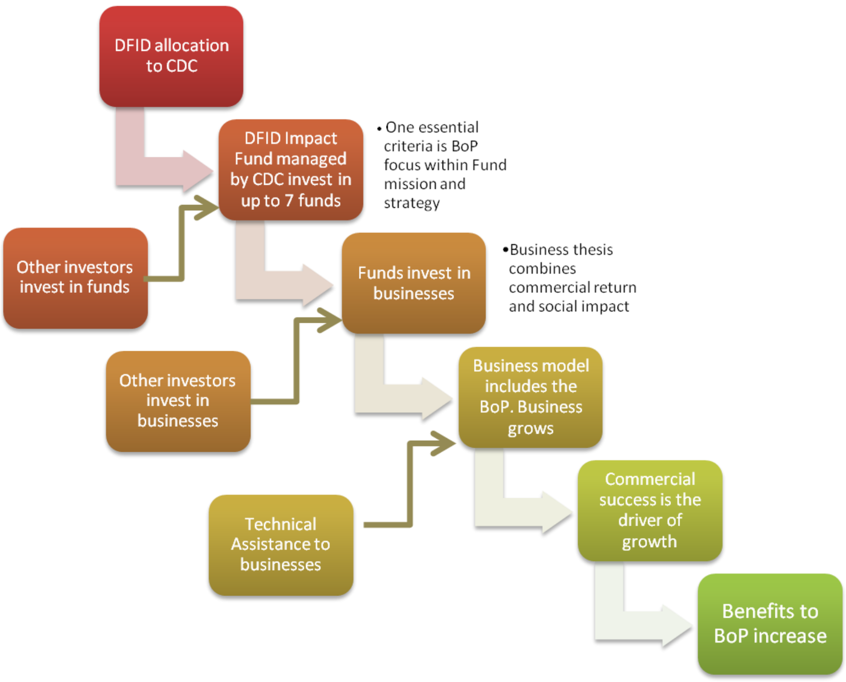


Figure 2 shows the simple causal pathway by which funds flow and benefits reach the BoP. One important point, fundamental to this logic, is important to note. Benefits to the BoP depend on commercial success of the business. Equally, success of the Impact Programme in demonstrating the potential of the impact investment market to others depends on the funds securing a return on investment. Both a BoP focus and commercial discipline are integrated into the missions of the funds and businesses.

Figure 2 Flow of funds to the BoP[3]



[3] Figure 2 illustrates the chronological flow of funds for typical DFID Impact Fund investments. In some cases, there may be other investors already invested in the fund, and fund investments already existing in the business, prior to the CDC investment.

3 Definitions of beneficiaries and BoP used in development, business and investment

3.1 Problem statement: fuzzy definitions and cloudy practice

There is currently little recognised good practice in defining who counts as poor in the impact investment market, or more generally in donor programmes that focus on inclusive or pro-poor business, or on private sector development. There are also some differences in practice between the donor/development world and investment/fund reporting, both of which are important constituencies for the Impact Programme. Where there are good examples of funds or donor programmes tracking their reach to the BoP, the detailed definitions and assumptions are often not publicly available, making it hard for others to use similar approaches.

The first issue to address is terminology. While donors tend to speak of 'low-income people' and 'poor people', businesses and investors tend to refer to markets in which they serve people at the 'Base of the Pyramid' or in 'underserved markets[4].' While the terms are often used interchangeably, there are some differences in implicit assumptions about which segments are reached. '**Base of the Pyramid[5]' (BoP)** is a term now in use by many actors in the market[6], including Development Finance Institutions (DFIs) and businesses. Although some DFIs define the term, it is often used in a general sense, without specific definition.

The second issue is to define who counts? How poor does someone need to be to count as living at the Base of the Pyramid? The context is that:

- Where attempts have been made to define low-income or BoP, such as by economists, the IFC, IRIS, and others (see 3.2 and 3.3 below), the income levels attached to definitions vary significantly.
- While most actors in inclusive business specifically seek to engage the BoP in some way, the majority do not use a clear definition. In particular, businesses tend not to.
- Even if a definition of BoP is agreed, there are other issues about who gets counted as a beneficiary[7] of an investment that are generally unclear.

The following sub-sections review definitional approaches used by a variety of institutions.

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[4] There may also be debate about whether remote or 'underserved' consumers are actually benefiting if the goods and services sold into the BoP are unhealthy or low value from a 'livelihood perspective' (sugary drinks being one example). While there may be no clear cut off for what counts as 'beneficial ' for poor consumers this is not a challenge in the DFID Impact Fund to date, as the goods and services for consumers – access to energy, quality education, quality seed, sanitation for those that lacked access– are not difficult to categorise.

[5] The term was originally 'bottom of the pyramid' and both 'base' and 'bottom' are used. Base of the Pyramid is preferred, in recognition that it is not the very bottom segment that is usually reached by business. The IFC, the Asian Development Bank, and the Inter-American Development Bank all use the term. Businesses and others discuss it on sites such as Next Billion and Business Fights Poverty.

[6] We recognise that many actors in impact investment in the target markets may not have a specific focus on the BoP and may define their social objectives in other ways.

[7] 'Beneficiary' is also a difficult term. Most business prefer to talk about the clients or suppliers they engage with as part of core business and may associate 'beneficiary' with more charitable approaches. However, it is the easiest catch-all term for customers, suppliers and others who gain from their engagement with a business that has a clear intention for social impact.

3.2 International poverty lines

Donors, the UN system and a number of NGOs tend to define 'the poor' by international poverty lines[8] :

- **$1.25 per person per day (pp pd) at 2005 Purchasing Power Parity (PPP),** which is the 'extreme poverty line', typical of the poverty lines of the world's 15 poorest countries. In 2005, approximately one quarter of the developing world population, or 1.4 billion people lived below this line[9]. This line is used in the Millennium Development Goals, which aim to halve extreme poverty by 2015.
- **$2.00 pp pd (2005 PPP),** identified by the World Bank as the median (average) poverty line for all developing countries, representing a slightly higher standard of living. In 2005, approximately 50% of the developing world population, or 2 billion people lived below this.[10]
- **$2.50 pp pd (2005 PPP),** identified by the World Bank as the median (average) poverty line for all developing countries except the poorest 15.[11] The USAID Poverty Assessment Tool[12] and the Progress out of Poverty Index[13] are two examples of initiatives that cite the $2.50 poverty line in addition to the $1.25 line.

It is important to note that these poverty thresholds are set in Purchasing Power Parity (see box) which can differ markedly from current market prices. So $2 at 2005 PPP may translate into – for example - only $1 at current market rates.

[8] Poverty and Equality Data (World Bank site) provides a good introduction to national and international poverty lines. It focuses on $1.25 and $2 as the main ones relevant to low-income countries.
http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTPOVERTY/0,,contentMDK:23012899~pagePK:210058~piPK:210062~theSitePK:336992,00.html

[9] http://wwwwds.worldbank.org/external/default/WDSContentServer/IW3P/IB/2010/01/21/000158349_20100121133109/Rendered/PDF/WPS4703.pdf

[10] ibid. More recent data, likely to be finalised in 2015 will indicate that the number of people below these $1.25 and $2 (2005 PPP) levels is now estimated to be somewhat lower, but these poverty lines (which are based on averages of poverty lines in developing countries) may also be lifted.

[11] ibid

[12]: USAID Poverty Assessment Tools (PATs) define poverty in absolute terms, using national or international poverty lines, depending on the country in question. Each PAT includes a minimum of two poverty lines: either: (i) the **national** and median national poverty lines for a given country, OR (ii) the **international** $2.50 and $1.25 per day lines
http://www.povertytools.org/about_PATs.html

[13] http://www.progressoutofpoverty.org/about-ppi

The tricky issue of purchasing power parity

Expressing a poverty line in 2005 Purchasing Power Parity is a way to try to build comparability across countries, despite the fact that a dollar buys very different baskets in different developing countries. $1 in PPP is not $1 in market prices. It is the amount that would buy a 'basket of goods' in local markets that is the equivalent of $1-worth of goods in the US. PPP at 2005 prices is based on $1-worth of goods in the US in 2005.

To put it another way: a Kenyan needs more Shillings to buy a US dollar banknote than s/he does to buy a dollar's worth of goods in Kenyan markets. The market exchange rate is undervaluing the Kenyan shilling relative to its actual purchasing power. Purchasing Power Parity adjusts for that and identifies the number of Shillings, or fraction of a current dollar, that is need in Kenya for that basket of goods. In most developing countries the local currency is undervalued, so usually one dollar at 2005 PPP is less than one dollar in market prices.

A PPP exchange rate, calculated by World Bank economists, needs to be used to convert $1 at 2005 PPP into current local currency or current US$. Following the release of new data from the International Comparison Project[14] in May 2014, the conversion factors for PPP have just been updated for 2011 PPP. In many countries, the new data shows that local currency has greater purchasing power than was previously thought, so the difference between $1 in market prices and $1 in Purchasing Power Parity has increased.

The difference between rates in PPP and market rates is critical to poverty analysis. However, in practice, where we have found practitioners referring to beneficiaries living on $1 or $2 per day, they rarely use a PPP conversion and usually give market rates. So when organisations think they are using international poverty lines, they may not be quite so aligned as may appear.

Lines at $3, $4, $5 and $8 dollars a day at 2005 PPP are also referenced occasionally by the World Bank and other development actors, particularly for use in Latin America and Eastern Europe. The well-known 'dollar a day' poverty line was set in 1993 PPP using a smaller data set. This was replaced in 2005 by the more robust analysis used to calculate 2005 lines.[15]In 2014/2015 we expect a further updating of poverty lines based on new data.[16]

[14] http://siteresources.worldbank.org/ICPINT/Resources/270056-1183395201801/Summary-of-Results-and-Findings-of-the-2011-International-Comparison-Program.pdf

[15] The original "$1-a-day" line was based on a compilation of national lines for only 22 developing countries, mostly from academic studies in the 1980s (Ravallion, et al., 1991). While this was the best that could be done at the time, the sample was hardly representative of developing countries even in the 1980s. Since then, national poverty lines have been developed for many other countries. Based on a new compilation of national lines for 75 developing countries, Ravallion, Chen and Sangraula (2009) proposed a new international poverty line of $1.25 a day in 2005 PPP. This is the average poverty line for the poorest 15 countries in their data set.

[16] Laurence Chandy of the Brookings Institute, for example, put forward a best estimate of $1.55 in place of the existing $1.25 line following the ICP's publication of summary findings at the beginning of May 2014. See "What Do New Price Data Mean for the Goal of Ending Extreme Poverty?" http://www.brookings.edu/blogs/up-front/posts/2014/05/05-data-extreme-poverty-chandy-kharas, accessed 3 June 2014. Even with such a rise in the poverty line, however, the proportion of the global population below such a line is likely to decrease when using the ICP's revised PPP rates.

Table 1 The $2.50 poverty line in market rates and earning equivalents in selected countries

Country	$2.50 per person per day at 2005 PPP is equivalent to:	
	In 2012 market prices, pp pd	Total household earnings, family of 5, 2012 prices
Bangladesh	$1.32	$6.62
Burkina Faso	$1.46	$7.28
Cote d'Ivoire	$1.93	$9.67
Ethiopia	$1.42	$7.08
Ghana	$1.40	$6.99
India	$1.32	$6.60
Kenya	$2.17	$10.86
Mali	$1.79	$8.96
Mozambique	$1.81	$9.07
Myanmar	$2.49	$12.43
Niger	$1.53	$7.65
Nigeria	$2.52	$12.58
Pakistan	$1.23	$6.15
Rwanda	$1.68	$8.38
Tanzania	$1.50	$7.51
Uganda	$1.51	$7.54
Zambia	$2.60	$13.01

Income per person or per household?

Poverty lines are usually expressed per person, per day, so represent an average of household income across all household members.

This means that a family of five is living on $2 per day if the sole-earner is earning $10 per day. Or a husband and wife may earn $6 and $3 (2005 PPP) per day but both support a household with a total of 5 people. When this income is averaged out across household members, the husband, wife and 3 other household members fall under the $2 (2005 PPP) per day line.

There are also a number of other financial thresholds used, but these vary by country. Some countries have a national poverty line. National poverty lines may be well below the international poverty lines. It can be difficult to get data on national lines, which may not be updated often. A few countries have a rural and an urban poverty line, which can vary considerably. Indeed one of the problems of a country-wide poverty line is that cash income needed to live above poverty is usually higher in urban areas. Some countries have a minimum wage. National economic data can be used to calculate average mean income (which is GDP or GNP per capita), though economists may calculate median income. Where income distribution is skewed, median income can differ markedly from mean income and is a better indication of an ‘average income’ that is more typical for the population.

3.3 The 'original' definitions of the Base/Bottom of the Pyramid

People living at the Base of the Pyramid are also often described as having very limited access to basic goods, services, and income generation opportunities[17], and low incomes.

The first description of the '*Fortune at the Bottom of the Pyramid*' was by Prahalad and Hart[18] in 2002. Their pyramid highlighted the bottom 4 billion of the global population, living on under $1,500 pp pa in Purchasing Power Parity, equivalent to just over $4 pp per day in PPP. The 2006 book of the same name also focused on the bottom 4 billion, using the same definition and referring to them as living on $2 per day. In 2007, the bottom 4 billion were described in more detail with a clearer financial threshold: '*The Next 4 Billion*' published by the World Resources Institute (WRI) and IFC in 2007, which uses the following definition of the bottom four billion:

> *'The Base of the Pyramid is the socioeconomic segment that primarily lives and operates their local enterprises in the informal economy and often has annual per capita income of less than $3,000 in PPP'*[19]

This $3,000 figure is based on 2002 purchasing power parity, so is actually equivalent to $3,260 in 2005 PPP. It is thus equivalent to $8.9 per person per day (2005 PPP). These definitions of the BoP all relate to more than half the global population, which translates into the vast majority of the population in the poorest countries. So not surprisingly, this IFC/WRI definition of BoP is several times the international poverty lines of $1.25 or $2.5 (2005 PPP) per person per day.

So while the terms 'poor' and 'BoP' are generally used without careful definition and often interchangeably, if we trace each back to specific definitions, there is a reasonably large difference between them, with global definition of 'BoP' (as defined in 2007) referring to income levels that are four to six times higher than development definitions of 'poverty'.

3.4 IFC's 'lowest' and 'low' income BoP segments

Building on the 2007 WRI/IFC report, IFC has recently produced a more detailed Global Consumption Database[20] covering spending patterns of 4.5 billion people in emerging economies which count as being part of the Base of the Pyramid. In this database, the broad definition of the BoP is $8.4 (at 2005 PPP[21]), so roughly similar to the 2007 report. As in 2007, it is

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[17] Masuoka, T. (2011) *Reaching the Base of the Pyramid through Inclusive Business Models,* IFC. http://www.ifc.org/wps/wcm/connect/c33c47804a1ad35e9e409e02f96b8a3d/IFC%2BMDG%2BPresentation%2B%2528E%2529.pdf?MOD=AJPERES

[18] *The Fortune at the Bottom of the Pyramid* was initially an article in Strategy+Business,in 2002 (http://www.strategy-business.com/article/11518?pg=all). A book of the same name, by C K Prahalad, published in 2006, used the same description – 4 billion people living on under $1500 per year in PPP, but referred to them as living on $2 per day. Quite possibly $4 PPP was roughly $2 in market prices, though the focus of the book was not at all on income thresholds but on the nature of this market.

[19] Allen L. Hammond, William J. Kramer, Robert S. Katz, Julia T. Tran, and Courtland Walker (2007). *The Next 4 Billion: Market Size and Business Strategy at the Base of the Pyramid*. Washington, DC: World Resources Institute and International Finance Corporation. http://www.wri.org/publication/next-4-billion

[20] http://datatopics.worldbank.org/consumption/home

[21] Categories are defined in 2005 PPP but data is also available in current US$ based on the formula: Threshold * U.S. inflation rate for the period 2005–10 (1.117) * PPP conversion factor for 2010 * 365

intended as a global definition which can be used, for example in Latin America, hence the level is relatively high by standards of Sub-Saharan Africa and South Asia. But in this database, the BoP is broken down into two segments, lowest and low. ‘Lowest income’ represents around 3 billion people and ‘low-income’ represents around 1.5 billion people. Consumption data is also provided for two other categories, middle and high. Table 2 outlines the definition and reach of these segments.

Table 2 Income segments used in IFC Global Consumption Database

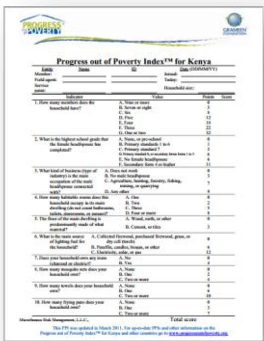
Income Segment	Income threshold in PPP 2005	Corresponds to global population distributions (percentiles)
Lowest	below $2.97 per capita a day	bottom half of the global distribution, i.e. 50th percentile and below
Low	between $2.97 and $8.44 per capita a day	51th–75th percentiles
Middle	between $8.44 and $23.03 per capita a day	76th–90th percentiles
High	above $23.03 per capita a day	91st percentile and above

3.5 Progress out of Poverty Index

Several micro-finance institutions and a range of other development organisations use the Progress out of Poverty Index (PPI), developed by Grameen Foundation[22] for understanding their beneficiaries’ socio-economic status. While the PPI is a tool, rather than a definition, it is useful to include in the discussion because it provides a bridge between poverty lines set by international economists and what can be tracked on the ground by a field force or extension network.

The PPI uses a simple survey technique to assess 10 indicators (which are worked out on a country by country basis), to assess the *likelihood* of a household living under a range of poverty lines. The PPI has not selected one poverty line but gives results reported against a range of lines, which include both national and international. For example for Kenya[23], PPI results are reported against the following poverty lines:

- National poverty line
- National food poverty line
- 150% of national poverty line
- Extreme poverty line (as defined by USAID)
- $1.25 pp pd (2005 PPP)
- $2.50 pp pd (2005 PPP).


Progress out of Poverty Index™ for Kenya

[22] http://www.progressoutofpoverty.org
[23] http://www.progressoutofpoverty.org/country/kenya

3.6 IRIS metrics related to beneficiaries

IRIS[24] is a catalogue of generally accepted performance metrics developed by the Global Impact Investment Network for use in the impact investment sector. The IRIS taxonomy is a catalogue of indicators for tracking business social, environmental and operational results. The metrics include several that focus on beneficiaries and enable IRIS users to define them in several different ways. Some information is available on which indicators are adopted by IRIS users to define their beneficiaries. From this we can see that beneficiaries are more often defined by whether they are rural/urban or female/male, rather than poor/very poor.

When IRIS users define their target beneficiary, they can do so by:

- Setting: rural, urban, peri-urban.
- Demographic: women, youth, disabled, previously excluded etc.
- Socio-economics: very poor, poor, low-income, other.

On the website and through IRIS data briefs, IRIS shares data on the frequency with which certain metrics are used by those organisations that report usage and share data. A few trends emerge from analysing this data. Firstly, it appears to be more common to profile beneficiaries by their location (urban/rural) than their socio-economic segment (poor, low-income etc).

According to the latest IRIS data brief[25], just under 10%[26] of the organisations that share[27] their IRIS data select a target beneficiary socio-economic category[28]. Those that do, report their beneficiaries fall into more than one income segment. For example, in Sub-Saharan Africa, ‘very poor’, ‘poor’ and ‘low-income’ are all identified by around two thirds[29] of those that use the metric related to socio-economic status of beneficiaries. Metrics that identify target beneficiaries by demography are used by a similar share of around 10% of respondents.

A somewhat different set of indicators is used for tracking beneficiaries over time. The primary indicators used by IRIS users for tracking over time relate to the function of the person: whether they are clients, suppliers or employees for example. Each of these can be divided further to specify by socio-economic status or demography, using any of 10 or more sub-metrics as illustrated in Table 3. The IRIS taxonomy helpfully also shows the number of currently registered organisations using each metric (while acknowledging this is only a share of total users and possibly a geographically skewed sample). From this we can see that it is most common to track clients that are female or rural. However, reporting of clients is also done by income group (low-income, poor, and very poor)[30]. Reporting of suppliers by income group is rare.[31]

[24] https://iris.thegiin.org
[25] *IRIS Data Brief: Focus on Beneficiaries*, March 2014. http://www.thegiin.org/binary-ata/IRISData_Brief_Beneficiaries_2014.pdf
[26] 420 out of 4989 reporting organisations. For organisations outside the financial services sector, the ratio is closer to 25%, or around 400 organisations out of 1662 respondents.
[27] This may or may not be a representative sample of all IRIS users. The majority operate within microfinance.
[28] IRIS metric PD2541
[29] More precisely, of the 120 organisations in Sub-Saharan Africa that use this metric, 63% target a socio-economic segment that is very poor, 72% poor, and 64% low-income. Clearly organisations are not focusing on one unique segment here.
[30] Of the 41 organisations reporting client individuals, at least 21 report against an income group (low-income). We do not know whether the 15 and 12 organisations that report Clients: poor and Clients: very poor are subsumed within this 21.
[31] 15 organisations are shown to be reporting supplier numbers. Suppliers poor, suppliers very poor, suppliers low income are each reported by one organisation.

Table 3 IRIS metrics and sub-metrics used for reporting suppliers and clients

Primary metric	Client individuals: Total (48)
Sub-metric available **(examples)**	Client individuals: Female (34) Client individuals: Rural (25) Client individuals: Low-income (21) Client individuals: Poor (15) Client individuals: Very poor (12) Client individuals: Urban (13) Client individuals: Minorities/Previously Excluded (12)
The number in brackets relates to the reported number of organisations that currently use this metric and have registered their metric use with IRIS, based on IRIS webpage, 22 May 2014.	

The IRIS definitions of low-income, poor and very poor are shown below. Of these three definitions, two relate to internationally-defined poverty lines while the 'low-income' indicator relates primarily to national rather than international categories. It essentially identifies the bottom half of the population in any country. This indicator seems intuitively appealing. However, it is best applied in settings that have accurate and up-to-date information on median income levels – typically in more developed economies. PovcalNet, the World Bank poverty analysis tool, meanwhile, provides estimated medians based on the most recent available national household survey data[32]. However, this data is buried in technical pages that have to be mined, and surveys are often many years out of date. So it can be difficult to apply in practice in developing countries.

Table 4 IRIS indicators related to poverty levels[33]

Very Poor	The very poor are people living below a recognised absolute extreme poverty line. Commonly recognised extreme poverty lines include (1) persons in the bottom 50% of those living below the poverty line established by the national government, (2) persons living on less than US $1.25 per day in daily per-capita expenditures at 2005 Purchasing Power Parity (PPP), (3) the USAID extreme poverty line, which varies by country.
Poor	The poor are people living below a recognised poverty line. Commonly recognised poverty lines include (1) persons living below the poverty line established by the national government, or (2) persons living on less than US $2.00 per day in daily per-capita expenditures at 2005 Purchasing Power Parity (PPP).
Low Income	Low-income people are individuals living above the poverty line but below the national median income.

[32] http://iresearch.worldbank.org/PovcalNet/index.htm?0
[33] https://iris.thegiin.org/glossary

3.7 Beneficiary segmentation used by impact funds/investors

The range of objectives for social return within the 'broad tent' of impact investing is wide and the DFID Impact Fund has a stronger mandate to focus on low-income people than many other impact investors. Nevertheless, there are a number of funds with a focus on beneficiaries at the BoP and with useful experience to share. Some define their BoP focus quite clearly and some are using fieldwork to shed more light on who the BoP are in practice. Acumen, Grassroots Business Fund, Root Capital and several others are undertaking more detailed analysis of their beneficiaries. Table 5 provides a snapshot of BoP focus and definition among selected funds or investors.

Table 5 Fund focus and definitions relevant to BoP beneficiaries

Fund and focus (sector/country)	Beneficiary focus	Any definition or assessment of poor segments	Source
Aavishkaar: India, 4 funds, MSMEs and microfinance	Underserved areas	Beneficiaries and business operations are mapped by geographic indicators: % living in very high risk, high risk, medium risk and low-risk district. Investments are also targeted in low-income states.	Aavishkaar Impact Report 2013[34] and 2014[35]
Acumen	BoP services (must 'address a critical need for the poor')	Targets as poor as possible, using the $2 and $4 per day PPP adjusted thresholds. Currently validating performance using Progress out of Poverty Index and also experimenting with Multi-dimensional Poverty Index indices across growing number of its portfolio, largely through the Acumen Lean Data Initiative[36]	Discussions with Impact Director and presentations at ANDE Metrics Conference[37]
Asia Development Bank (ADB) Inclusive Business	BoP	One criteria for defining a business as inclusive is that it benefits poor and low-income people, classified as the 60% lowest income groups in Asia, equivalent to $3 pp pd (2005 PPP). Reach, depth and systemic impact are also assessed[38].	Website[39] and discussions
Bamboo Finance	Low-income communities unreached or underserved by existing business	Low income people should represent a significant percentage of target customers/beneficiaries. Low-income, unreached, underserved are not specifically but a few investees report on 'low-income' status or share[40].	Website[41]

[34] http://www.aavishkaar.in/wp-content/uploads/2013/10/Aavishkaar-Impact-Report-2013.pdf
[35] http://www.aavishkaar.in/wp-content/uploads/2014/09/Aavishkaar%20Impact%20Report%202014-Final.pdf
[36] http://www.thegiin.org/binary-data/RESOURCE/download_file/000/000/528-1.pdf
[37] http://businessinnovationfacility.org/profiles/blogs/acumen-s-lean-data-initiative
[38] ADB assesses reach, depth, systemic poverty reduction impact, scale, and innovation – in addition to commercial viability of the core business of a firm.
[39] http://www.adb.org/
[40] See the 2014 Impact Report, entries for Vienova, Vaatsalya, Asmitha, and Apoyo Integral. http://www.bamboofinance.com/impact-report/

Fund and focus (sector/country)	Beneficiary focus	Any definition or assessment of poor segments	Source
Grassroots Business Fund: agribusiness, artisanal, products & services; Africa, Asia, and Latin America	Low income farmers, artisans, and consumers	Conducted verifications and surveys on over half of portfolio companies to assess income levels of beneficiaries. Interviews and portfolio data indicate 98% are under $1 pp pd poverty line (based on PPP, not market prices).	2014 Annual Report[42], 2014 Impact Report[43]
LeapFrog: inclusive insurance, savings and pensions, Africa & Asia	Micro- and mass market insurance, savings and pensions for clients at the BoP	Beneficiaries live below $10 PPP per day. LeapFrog assesses this via its FIIRM Framework and/or direct customer surveys	LeapFrog website[44] and email correspondence
Prism: initial usage by UFS, Intellegrow, Omyidar, Aavishkaar	Various	Overall rating includes a 'Potential Impact Assessment' score, based on development scores for each Indian district, by sector.	Prism website[45]
Root Capital: Agricultural finance, Africa and Latin America	Small-scale farmers Underserved markets	Loan officers estimate based on field visits whether average supplier lives below poverty lines of $1.25, $2.50, $4, $10, or above $10 per day; Progress out of Poverty tool used to corroborate poverty levels with about 10% of clients, as part of deep-dive impact studies[46]	Impact Reports 2014 and 2013[47], PWC consultation, presentation at ANDE Metrics Conference[48]

3.8 Evidence from inclusive businesses on income segments reached

Irrespective of how targets are defined or not, an obvious question is what can realistically be expected of inclusive businesses, in terms of their reach to low-income segments? While it is fair to assume they do not and need not reach the destitute, which income groups are they likely to reach, if combining a determination for both social and financial return? There is remarkably little data on this question.

As noted in the table above, Grassroots Business Fund (GBF) has conducted surveys or impact verifications to provide evidence of their impact. In 2013 interviews conducted in India, GBF found that 100% of artisans supported are living on under $2 pp pd (market price). For example, by providing inputs and training to artisan weavers, GBF Business Fund investee Jaipur Rugs reaches over 22,000 low-income households in India. Women make up 60% of Jaipur's artisan base, and estimated income falls below $2/day per person for 100% of artisans, with 45% earning between $0.8 and $1/day (market price)[49].

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[41] http://www.bamboofinance.com/impact-criteria/
[42] http://www.gbfund.org/Annual_Report
[43] http://www.gbfund.org/sites/default/files/GBF-02014-Impact-Report.pdf
[44] http://www.leapfroginvest.com/lf/
[45] http://www.prismforimpact.com/home/
[46] There is some mention of Purchasing Power Parity in Root Capital scorecards, but without specification of a year, and it seems likely that at this stage, PPP conversions are not consistently applied and market rates for $1, $2 are used.
[47] http://www.rootcapital.org/performance-reports
[48] http://businessinnovationfacility.org/profiles/blogs/mobile-is-a-means-not-an-end-how-root-capital-uses-mobile-for
[49] http://www.gbfund.org/sites/default/files/Social%20Impact%20Research%20Project.pdf

To assess income levels of smallholder farmer beneficiaries in Rwanda, Grassroots Business Fund used the PPI index, which indicated a 75% or greater likelihood that 83% of beneficiaries surveyed live at or below $2.50/day per person. As this is based on the PPI, the data is in 2005 purchasing power parity. [50]

Root Capital have used the Progress out of Poverty Index with farmers involved in their investments in Kenya, Uganda, Ghana and Tanzania. Results are shown in Table 6. Well over three quarters of farmers are likely to fall under the $2.50 (2005 PPP) line in Uganda, Tanzania and Ghana, while the share falls below half in Kenya. In all cases, a share (usually but not always a minority) fall below the extreme poverty line of $1.25 (2005 PPP). There is some degree of variation within each country, as different producers are involved in different investments.

Table 6 Results of PPI analysis of clients of Root Capital investments in East and West Africa

Client country	Sample size	% below $2.50	% below $1.25
Kenya	332	45%	15%
Kenya	265	31%	9%
Uganda	324	87%	51%
Uganda	330	86%	46%
Uganda	303	66%	21%
Ghana	205	83%	44%
Ghana	241	85%	51%
Ghana	252	72%	30%
Ghana	348	87%	55%
Ghana	96	84%	50%
Tanzania	271	75%	34%

Root Capital and Grassroots Business Fund are two of the investors that specifically target the lower end of the BoP. These results may not be representative of others in the market, but more commercial investors with broader BoP definitions may not invest in gathering data on client income. Leapfrog Investments, which aims to maximise both financial and social returns by providing emerging consumers with financial products and in turn generates 'top-tier rate of return to investors'[51], does significant work in assessing client outcomes and profiles. This is via their FIIRM Framework (which stands for Financial, Impact, Innovation and Risk Management) and client surveys, which show that of 24.5 million people reached to date, 19.4 million (79%) could be classified as underserved, falling below $10 (PPP) per person per day, or previously excluded from accessing financial services.

Data from specific companies includes:

- ZHL Ambulance Service, operating emergency ambulances in India. Approximately 78% of their clients fall below the $2.50 (2005 PPP) line in both Orissa and Punjab. While this is a high figure for any business, ZHL's analysis (done with Acumen and Grameen Foundation, in 2013)[52] also found that in Punjab their clients were disproportionately poor compared to the state average, while in Orissa the reverse was true.
- SolarNow, a solar energy company operating in Uganda, which has received investment from Novastar and Acumen Fund, estimates that around one third of their residential customers have household income of less than $10 per day, equating to $2 per person

[50] Study conducted in 2014. Full study findings available upon request to GBF
[51] http://www.leapfroginvest.com/lf/about/what-we-do
[52] http://www.zhl.org.in/images/casestudy/ZHL_1604_pdf2.pdf

per day in market prices. A further 40% are living on between $2 and $4 per person per day (figures are in market prices, so this is equivalent to around $3.3-6.6 in 2005 PPP).[53]

- Data from 40 inclusive businesses supported by DFID's pilot phase of the Business Innovation Facility[54] found that beneficiaries of the varied businesses were spread across the poor and low-income segments[55]. The businesses most likely to reach those living in extreme poverty (under $1.25 (2005 PPP) pp pd, or roughly $2 pp pd in market prices) were those that engaged smallholder farmers and residents of isolated rural areas. For example, the pilot of the Smallholder Finance Scheme of Stanbic IBTC in northern Nigeria involved farmers that generally have annual income of around US$330 per year[56]. Jita, a social enterprise in Bangladesh engages destitute rural women whose average earnings are just $12.50 per month when recruited (thought that rises to around $30 per month)[57]. Other consumer focused businesses may reach low-income segments that are not quite so poor. A stove business, selling to peri-urban clients in Lagos, reaches women whose family members probably have per capita income above $2 per day (market prices), but still have limited income security, overcrowded housing and limited access to markets.

When data on BoP incomes is available, it may be in market prices or PPP, and thus difficult to compare. If a company or fund uses the Progress out of Poverty Index, then the results give income segmentation by poverty lines defined in PPP at 2005. If the company uses their own data, such as may be used for assessing credit risk, or tracking procurement purchases, then the data will be in market prices[58]. Taking this into account, the scant data presented above is highly varied. We have examples of artisans that fall universally under the $2.50 PPP line (around $1.50 in market prices), and examples of energy consumers living on a $3-$4 per day in market prices (which can be $4-7 in PPP, depending on country).

Reach or exclusive reach?

An important point to emerge from the evidence and approach of a range of investors is that low-income beneficiaries, however defined, may not be 100% of the business clients. Most companies with evidence show they reach clients across levels of the economic pyramid. Asian Development Bank is quite explicit on this issue in defining an inclusive business: it is a business that targets 'solutions' for the poor rather than target only 'beneficiaries' amongst the poor. Sometimes beneficiaries include also the middle class but the innovation of the business model including the middle class, guarantees that the poor particularly benefit (e.g. cross subsidies).

3.9 Taking quintiles, income distribution and instinct into account

The lowest international poverty line of $1.25 at 2005 PPP is likely to be too low for most donor programmes or investments focused on business. This threshold tends to cover a minority of the population, who do not have enough food to eat and are unlikely to be in a position to engage with formal markets. It defines the very poor, whereas business is likely to be particularly good at reaching those who are not the poorest, but are in a position to climb out of, or stay out of, poverty.

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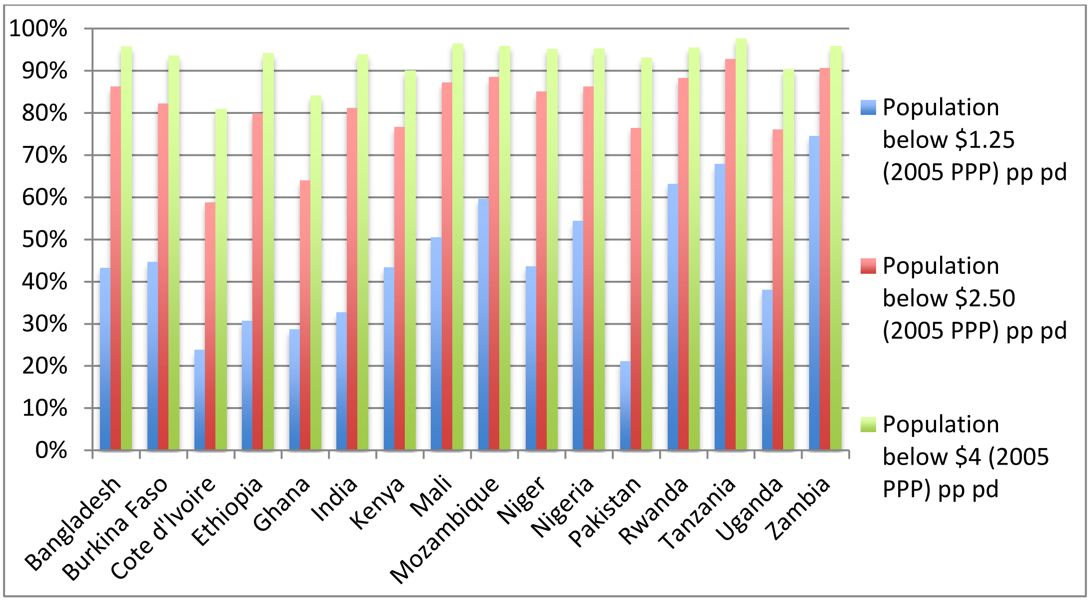
[53] Page 28, *Breaking Through: Inclusive Business and the Business Call to Action Today,* 2014 http://bit.ly/BCtABreakthrough
[54] *Adding value to innovation?* bit.ly/IBdonorsupport
[55] See the Business Innovation Facility Case Studies for more information http://bit.ly/Deepdives
[56] http://bit.ly/StanbicDD
[57] http://bit.ly/JitaStudy
[58] Technically there is another difference between the two types of data. Poverty lines defined by the World Bank are based on household consumption whereas companies that collect data (for example for credit rating) would typically focus on cash income.

On the other hand, a definition that includes just about everyone in the target population, including the richest 10%, would not differ from business as usual, so seems too high. We have already noted that the $3,000 pp pa definition of BoP initially used is four times higher than poverty lines. It does not 'feel right' for an approach focused on poverty reduction in Sub-Saharan Africa or South Asia, because it covers almost the entire population in many lower income countries. Or put another way, a line that covers the top quintile would be regarded as inappropriate by some. Figure 3 shows the percentage of the population in Sub-Saharan Africa and South Asia that fall below the lines of $1.25, $2.50 and $4, all at 2005 PPP.

Figure 3 Percentage of population below international poverty lines in selected countries[59]



Some impact investors are focusing on quintiles rather than specific poverty levels, so as to adapt to country context. However, data using this method has not yet been published. The Asian Development Bank definition of BoP, at $3 pp pd (2005 PPP) captures the bottom 60% of the population in the Asia Pacific region. However, when it comes to Central Asia and the Caucasus, ADB may also use higher poverty lines of $3-8. This way ADB engages into relative perspectives on poverty (the bottom 60%) rather than absolute poverty lines.

3.10 Non-financial characteristics of the poor

Defining the BoP in terms of income is fraught with difficulties. But it is not the only approach. It is increasingly recognised that poverty is multi-dimensional and is not just about low-income. Insecurity, living conditions, lack of access to services and to markets, poor health and lack of power are all aspects of poverty[60]. While these aspects are harder to measure, they may be easier to spot:

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[59] Data taken from PovcalNet, World Bank, accessed online April 2014.

[60] The Multidimensional Poverty Index (MPI) is perhaps the most comprehensive approach to profiling poverty using a holistic set of criteria covering Health, Education, and Living Standards. The Oxford Poverty and Human Development Initiative (OPHI) Global MPI 2014 study was launched in June 2014. http://www.ophi.org.uk/multidimensional-poverty-index/mpi-2013/

"Business people can readily define those they engage with as poor in terms of their lack of access to income and inability to afford or access basic goods and service, or the vulnerability that they therefore have to the impacts of poverty such as disease, poor nutrition and a vicious circle of disadvantage. What poor people do for their livelihoods and where they live are also used as defining features.[61]"

A number of proxy characteristics can be used to define the BoP:

- What they do:
    - Work in the informal economy, lacking regular or secure income.
    - Rely exclusively on agriculture for income.
    - Experience unemployment or under-employment.
- Where they live:
    - In slums.
    - In rural areas poorly connected to markets.
    - In areas known to have high poverty incidence and low development scores.
- How they live:
    - Living with food insecurity: e.g., lacking meals per day, or facing a number of hungry days per season.
    - Living in inadequate accommodation, cramped and lacking facilities.
- Who they are:
    - Women and minority groups which are particularly likely to be marginalised.

3.11 Summary of definitional elements relevant to defining BoP

In summary, many businesses, investors, and facilitators of inclusive business have broad and unspecific beneficiary groups, such as the 'underserved'. Where attempts have been made to define low-income beneficiaries more tightly, a range of factors may be influential:

- Income thresholds ranging from the lowest international poverty line at $1.25 to the widest BoP definition at $8.25, all of which will be in 2005 PPP and need to be converted to market prices to be compared against real time data.
- Income data from the ground, which illustrates the feasibility of reaching different income groups. Data is very limited, and indicates reach into different segments of the BoP may vary by sector and country.
- Income quintiles, and whether any specific percentage share of the population is targeted.
- Demographic criteria, particularly beneficiary location - rural, peri-urban and urban.
- Other criteria related to the risk of exclusion, particularly gender and minority groups.
- Non-financial aspects of poverty and exclusion, including lack of access to education or health, exposure to insecurity, vulnerability and food insecurity.

It is important to note that existing evidence clearly indicates that any one business is likely to serve BoP beneficiaries across a fairly wide range, and business success may indeed rely on serving different groups. So while beneficiaries may be tightly 'defined,' it would be expected that some but not all of the clients of a business would fall within it.

[61] *The 4Ps of Inclusive Business.* Business Innovation Facility, 2014

The approach of the Impact Programme: Given the current absence of evidence and data on beneficiary income levels, proxy indicators are used to define low-income beneficiaries of investee companies at the time of investment. These proxy characteristics are also outlined in Table 7. It is expected that the majority of investee companies' beneficiaries will be low-income based on these indicators, but recognised that the share will vary across businesses. Over time, the Programme intends to build up data on the income segments of beneficiaries. The Programme will seek to gather data, to the extent possible within constraints of competitive operations, on whether beneficiaries are very poor, poor, low-income, or emerging low-middle income. Initial definitions of these are below. Findings and lessons will be shared with the market, within the constraints of business confidentiality, so as to reduce uncertainty for other market players.

Table 7 Proxy indicators and income segmentation

Proxy indicators of low-income	• Low access to affordable, quality basic goods and services such as education, health, energy, water and food, resulting in limitations on living standards. • Insecure income and vulnerability to income shocks, whether due to climate or insecurity of informal markets. • Low income due to reliance on unskilled employment, agriculture, or other low-productivity, part-time or informal market opportunities. • Located in areas that are under-served and offering inadequate infrastructure, such as dense slums without sanitation or remote areas with insufficient transport. • Limited access to markets, such that they gain poor returns for their produce or enterprise, struggle to find affordable products suited to their needs and pay high costs (in effort or cash) for goods and services.
Income segments	**Current definitions**[62]
Very poor	People living on less than $1.25 (2005 PPP) per person per day.
Poor	People living on $1.25 - $2.50 (2005 PPP) per person per day.
Low-income	People living on $2.50 - $4 (2005 PPP) per person per day.
Emerging low to middle-income	People living on $4- $8.50 (2005 PPP) per person per day.

[62] If international poverty lines are revised in early 2015, based on new PPP data, and before data gathering is well underway, these will be reviewed and adapted.

4 Counting numbers reached at the BoP

4.1 The 'headcount' approach

There is a fundamental difference between the 'headcount' approach commonly used to report the number of lives touched at the BoP, and the Full Time Equivalent (FTE) approach commonly used to report results in terms of job creation. The first counts the number of actual (unique) individuals benefiting, while the second accumulates and condenses fractional jobs to calculate the equivalent number of full-time jobs, resulting in a lower number.

The headcount approach is inevitable where people at the BoP benefit in such a variety of ways, as suppliers or consumers, not just employees. Whereas employment can easily be aggregated into 'full time equivalents' the same does not apply when benefits are so diverse as a consumer gaining better access to water, a farmer upgrading yields or prices, or an entrepreneur diversifying their trade.

The headcount approach carries a risk of including every life that is marginally touched - someone who enrols but then drops out quickly, someone who provides just a few days casual labour, or an existing micro-entrepreneur who gains simply the opportunity to sell a new occasional product. So counting needs to leave out those with insignificant benefit, who engage in transactions for which there is no evidence of tangible improvements to livelihoods: clients or suppliers who temporarily join a programme but then drop out, or workers who may have secured a few days casual labour. This means 'churn' is not tracked.

The 'headcount' approach to reporting BoP reach means that all employees, whether part-time or full-time, seasonal or permanent, each get reported as a BoP beneficiary. However, other organisations including DFIs regularly report employment created or sustained in the form of FTE.

The approach of the Impact Programme: Beneficiaries will be counted as unique individuals reached, thus using a headcount approach. Data and assumptions will be used for each investee company where needed to deal with repeat/ongoing customers and count only unique individuals reached. The Programme is required to report total numbers of poor people whose livelihoods are improved, so those with minor engagement (e.g. a few weeks work) will not be counted. Total numbers will be disaggregated where possible into how they gain (e.g. via access to health, new income) and with qualitative information on the significance of their gain. For the benefit of providing comparability with other investors, employment data will also be converted to FTE.

4.2 Including or excluding household members

Some businesses and investors multiply direct beneficiary numbers by household size when reporting impact investment results, although this is rarely made explicit in publications and reports. Usually the multiplication is not specified but wording about 'household members benefit from …' or 'total indirect beneficiaries…' or 'lives touched' implies a multiple has been used. In practice, the extent to which other household members benefit varies by type of business model and product. And whatever rule is used, it can always be contested by arguments about intra-household distribution and household-level economics.

The approach of the Impact Programme: Numbers of direct beneficiaries (individuals who sell supplies or purchase products or hold a job) will be reported by funds and counted as direct beneficiaries. A multiplier will be applied to include household members where appropriate. The assumptions for applying household multipliers are:

- Where one household member earns an income as an employee, supplier or entrepreneur, other household members are assumed to gain as indirect beneficiaries.
- Where the BoP benefit as consumers, counting of beneficiaries depends on the product.
    - Where a product is clearly consumed by an individual, such as vaccine for children, education and training, the number of clients is the total number of consumer beneficiaries. Although it can certainly be argued that other household members will gain, it is difficult to specify exactly how their 'livelihoods have improved.'
    - Where all household members enjoy use of the product, such as clean water or electricity, the household multiplier will be used to calculate total consumer beneficiaries.
- Household sizes applied to calculations will be based on national averages sourced from the latest available demographic and health surveys, sourced from the DHS program[63] unless more specific evidence is available for the client group.

4.3 Other indirect beneficiaries

Beyond the household, there can be other people in the community that engage indirectly in production. For example, neighbours that provide casual labour for planting, seeding or harvesting to the farmers that sell their seeds/maize/cashews to the business. We do not currently have any evidence of other investors or programmes including multipliers for these kinds of beneficiaries[64].

The approach of the Impact Programme is to focus quantitative tracking on low-income people whose livelihood is improved, while wider effects on local economies may be reported additionally, but not quantified. So benefits to neighbours who are low-income will only be counted as BoP beneficiaries where the benefit is significant enough to count as a livelihood improvement on par with the direct beneficiaries (e.g. at least three months' casual work), and their involvement is material to the business such that it can be documented[65].

4.4 Positive, negative and dynamic results

In many situations there can be other people in the community that benefit in some way from the business activity, beyond the immediate households.

- Neighbours that benefit from reduced sewage, thanks to sanitation facilities used by others.

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[63] http://www.dhsprogram.com

[64] For example, African Enterprise Challenge Fund, which funds pro-poor agribusiness in Africa, does not. Root Capital does not. Experts at the Donor Committee on Enterprise Development, which authors M&E guidance, are not aware of any examples. In AgDevCo a local multiplier of 3 is used to account for a wide range of local multiplier affects, mainly on other businesses, but this has not to date included casual labour supplied to farmer beneficiaries. This approach will be considered further.

[65] For example, in an out-breeder scheme for broilers, the continual supply of grain from other smallholder farmers can be substantive and critical to the business. It would be part of the planning of the out-breeder scheme. The volume of grain could be tracked and counted and the number of suppliers could be estimated using the same approach (typical supply per household) that is sometimes used for estimating numbers of direct suppliers to an investee business.

- Growth in enterprise due to catalytic effects of one business, e.g. agro-processors that enable expansion of production or packaging businesses; energy suppliers that enable business customers to upgrade.

On the other hand, there can also be a number of pathways by which others may be negatively affected:

- Displacement of labour, e.g. firewood and charcoal sellers being displaced by clean stoves.
- Those not serviced by private provision of energy, schooling or health may be further marginalised as future investment caters to those that do have it.

In a development project, these multiple impacts can be important to elaborate. For an investment manager, they are far beyond what can currently be taken into account in the emerging understanding of how investment can deliver social impact with financial return.

The approach of the Impact Programme: We will not be able to track these during routine reporting by funds, but will seek to identify the positive and negative impact pathways during 'Deep Dives'. 'Deep Dives' will be conducted on a sample of the entire portfolio. Qualitative questions about dynamic effects will also be asked occasionally of fund managers and investees (e.g. during external reviews). So where impacts can be identified, they will be reported with narrative, thus providing useful context for understanding the reporting of the number of direct beneficiaries reached.

4.5 100% share or an attributable share?

An inclusive business may have a range of investors, coming in at different stages. An investment fund may also have a range of LP investors, coming in at different rounds. It is currently standard investment practice to report the full results of the investee, not a share based on the percentage of capital that was invested in the round[66]. One argument is that each piece of the input is essential to the whole and 50% of results can't be said to depend on just 50% of capital input. Another is that financial contributions cannot actually be calculated given the blend of different types of finance at different stages. 'Report contribution not attribution' is one of the recommendations of the most recent Monitor Deloitte report[67]. Where investors are reporting 100% of the results achieved by portfolio companies, it is important to be clear that this is indeed reporting on results to which they have **contributed**, not results that can be **attributed**.

The approach of the Impact Programme will be to follow both convention in the investment market, and DFID methodology for reporting of attribution, which is currently being developed.

[66] Geneva Global provides one notable exception to this practice. Geneva Global's reports to investors provide the proportion of beneficiaries reached (or other relevant social and environmental impacts) that may be attributed to their investment as a proportion of total capital leveraged for results. A 20% stake in a company, for example, would therefore have 20% of the total number of beneficiaries attributed.

[67] Koh, H., N. Hegde, A. Karamchandani (2014) *Beyond the Pioneer*, Deloitte, http://www.beyondthepioneer.org

4.6 Total beneficiaries or net new beneficiaries

Another issue to clarify is whether all beneficiaries reached post the date of investment (or data a grant is made) are counted, or only the net increase. Development donors focus on the concept of 'additionality' – what additional benefit was gained compared to the counter-factual of no donor support? This often means donor monitoring focuses on 'net additional' new jobs, or suppliers. In the investment world, this concept is more difficult, as it cannot be said whether without the investment the business would have followed a previous trajectory, stalled or failed. Furthermore, the degree or nature of benefit for individuals reached may change with investment – for example, leading to improved quality and value of goods and services, or better employment conditions. Funds tend to report 'jobs created or maintained'. If jobs that are 'maintained' are counted, then logically supply contracts or education services that are maintained should also be.

In some cases, there is minimal overlap between prior beneficiaries and beneficiaries post the date of investment. Such cases are simple. If a stove company sells 5,000 stoves the year after investment, it is clear that post-investment direct BoP beneficiaries amount to 5,000 (plus household members). They are virtually all 'new customers' and earlier customers are irrelevant.

However, other business models are not so clear. If there are 1,000 students enrolled in a school, they are still enrolled post investment and should be counted in addition to the new thousands of pupils that are reached as the business expands. While using DFID capital, the business is serving them, quite possibly enhancing the quality of its service. Similarly, if there are a 1,000 farmers supplying a business prior to investment, *and* continuing afterwards, they are still benefiting post investment, so should count. There may be blurred boundaries here to define a beneficiary whose livelihood is improved, if the livelihood gain post investment is very minor; for example, if only the final term of schooling or servicing of an installation happens post the date of investment, it is harder to argue they are 'beneficiaries'.

The approach of the Impact Programme Results Framework will be to count all BoP beneficiaries served by the business post investment, whether or not they were reached prior to investment. As outlined in the examples above, benefits that are minor and cannot be classed as a livelihood improvement post the date of investment will not be counted.

5 Conclusion: A moving target and an agenda for improvement

This paper has looked only at the issue of how low-income beneficiaries may be defined and counted. Neither issue is simple. Of course, the number of consumers, suppliers, entrepreneurs and employees benefiting from a business is just one aspect of social impact. Plenty more pages could be written about the 'depth' of impact – how people benefit and how significant it is. The same applies to other aspects of social impact, upstream and downstream, positive and negative, and relating to wider society or economy rather than directly to low-income people.

This paper has not covered the approaches and methods for tracking results. This again is a huge topic. Over time the programme will share further information about the Results Framework approach on the programme website, www.theimpactprogramme.org.uk.

Both the Impact Programme, and the impact investment market as a whole, are still at an early stage. With this in mind, there is undoubtedly scope for learning and improvement in results measurement in general, and in tracking results for people at the BoP in particular. It is our intention that this paper is part of a longer discussion between the Impact Programme and other market stakeholders. This is crucial to the continuous improvement of the Programme's Results Framework, and we hope this will also add value to others within the emerging community of practice for measuring what matters in impact investment at the Base of the Pyramid.

We would welcome any feedback, questions regarding any aspect of the paper, but we are particularly interested in:

- Filling the gaps: Our assessment of current practice is based on desk research and stakeholder engagement, but there are no doubt plenty of other examples of interesting practice we have missed.

- Understanding the results measurement priorities and challenges of others in this space.

- Exploring platforms and opportunities for supporting shared practice in BoP-focused results measurement.

Further Information

For more information about the DFID Impact Programme and the DFID Impact Fund, visit: www.theimpactprogramme.org.uk.

Follow the twitter account @ImpactProgramme to get the latest news and updates.

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