

Towards Greater Effectiveness and Accountability in Impact Investing

Impact investing – investing for social and environmental returns alongside financial returns – is a growing phenomenon in financial markets. However, concerns exist regarding the demand for robust impact evidence and accountability for impact claims when compared to a public sector aid model. Drawing from social network analysis (SNA) on Twitter, preliminary findings indicate the scope and scale of influential actors within this investing network. They reveal a need for asset owners, fund managers and other intermediaries to foster greater collaboration; facilitate greater thought-leadership on evidence and impact measurement and to address the power asymmetries between investors, investees and the global South.

Impact investing and the role of the private sector

Impact investing is a growing industry, spreading through the financial sphere, utilising innovative finance and deploying capital in a manner that delivers social and environmental impact, as well as a financial return. According to the Forum for Sustainable and Responsible Investment the value of assets that take into account environmental, social and governance factors has grown 76 per cent between 2012 and 2014 to reach US\$6.57tn, highlighting the sentiment by investors to deliver value beyond financial gain. Through this innovative use of capital, the private sector has the means to transform the way the world faces global challenges over the coming decades through a variety of fields; in particular how to achieve long-term sustainability in the face of growing consumer demand and limitations of our environment. A new generation of investors sees value in achieving social and environmental goals, with a fast-growing sector that has the potential to mobilise a significant quantum of resources towards achieving the Sustainable Development Goals.

Invisible gains

The increased role of the private sector in development raises big questions around accountability, and how social

and environmental impact is measured and addressed. Compared to public sector official development assistance investments to the global South, which have to be accountable to taxpayers, requiring robust evaluations to ensure public money has been spent efficiently and achieved desired outcomes, investments by the private sector do not have the same obligations for transparency and robustness. The manner in which evidence of impact is collected, verified and analysed, and decisions on both who is accountable and who participates is often commercially sensitive and confidential. Anecdotal evidence suggests relatively few resources available for impact evaluation *per se*, which leads to two questions. Firstly, is there a demand for evidence of investment impact within the current system? Secondly, what types of evidence are demanded, in whose interest, and how might evaluation processes be improved?

What can social media tell us about impact investing?

Social media is one proxy available for capturing market sentiment. Though fund managers and impact investors may wish to be discreet about their investments, demand exists for new information and best practice regarding impact investments. Twitter has been

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one significant platform that has allowed for an online community (effectively a system) to form. Like any community there are focal people who are driving the conversation forward, and there are individuals on the periphery. Social network analysis (SNA) via Twitter can help to map the players in the market, both established and emerging, explore their relationships, and how important evidence and accountability for impact are in their discussions.

As a largely open access dataset, Twitter allows one to analyse all Tweets relating to a particular hashtag. IDS researchers conducted preliminary research of this network, tracking two key hashtags associated to impact investing: #impinv and #impactinvesting over a ten-week period from May to July 2016. The resultant dataset contained 49,530 Tweets which were ‘mapped’, by drawing a link from each node (Twitter account) that retweeted or mentioned another account. This ‘mapped’ network was then analysed using SNA and ‘big data’ mapping which allows the ability to see individuals and also address who is key within the network. In capturing information being shared in Tweets, it is possible to get an impression of current market sentiment, specifically the demand for evidence of impact. In time, this same process could be utilised to indicate emergent trends acting as proxy of the growth and maturity of the market.

SNA as a proxy for users influence within the market

Obviously using Twitter to conduct SNA is only one representation of demand in a market where financial flows may be difficult to otherwise see or aggregate. There may be a number of biases: firstly, individuals or companies need to have a Twitter account to be included in the analysis, understating the role of those without accounts or who infrequently Tweet, but who still might be influential within the system. Similarly, Twitter is likely to be a platform more suited to the global North for conversations on impact investing. It is important to consider what exclusion from this platform means for those in the global South and those on the receiving end of investments.

Despite these concerns, this Twitter SNA has provided a preliminary foray into understanding the conversations occurring in this market. With rich data, and passive network analysis able to be conducted, to identify key actors and sentiment towards evidence and

accountability. To complement the analysis, IDS researchers conducted a series of interviews to gain a greater perspective of the impact investing field.

A core community in frequent engagement

Over the ten-week period from the 49,530 Tweets, 87 per cent were from #impinv and 13 per cent from #impactinvesting, corresponding from 14,092 Twitter accounts. These data show significant exposure and reach to the Twitter community. Table 1 presents summary metrics of numbers of accounts that are engaging.

Table 1
Summary statistics of density in market

| Metric | #ImpInv | #ImpactInvesting |
|---|---------|------------------|
| Number of Tweets in period | 42,920 | 6,610 |
| Total number of accounts engaging in correspondence | 11,904 | 3,635 |
| Total number of accounts sending (out-degree) | 8,463 | 2,898 |
| Total number of accounts receiving (in-degree) | 5,870 | 1,845 |

First, evidence of a core group set of key players can be identified by looking at the proportion of those accounts tweeting regularly. Four per cent (or roughly 500 accounts) tweeted to #impinv at least every other week, and for #impactinvesting it was even fewer at 1.5 per cent. Regular tweeting demonstrates active dialogue, but not necessarily network importance or centrality.

Instead, identification of who was key took place using various metrics of importance to the network. How often they were referenced (in-degree), referenced others (out-degree), how ‘central’ they were to the network (measures of eigenvector centrality and PageRank), which identify the relative importance to the network of the people with whom they conversed.

Aggregating these metrics, by identifying the top 50 accounts for each measure and then collating, led to 98 key actor accounts who were deemed most important for the impact investing market. Most of these players were organisations (59 per cent) with the remainder being influential individuals. Table 2 ranks just the top 20 accounts, by their consistency in key account metrics.

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Table 2
The top 20 #impinv accounts

Key: Influential organisation Influential individual

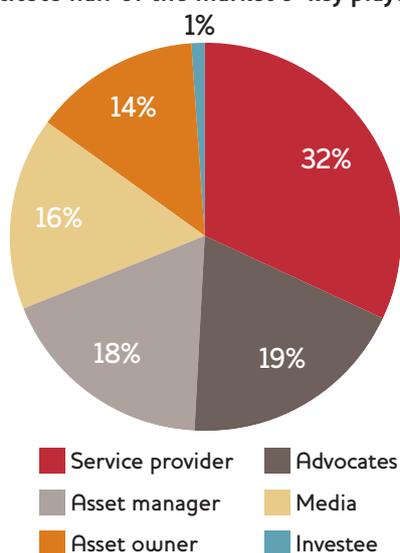
| | | | | |
|----------------------|-------------------------|---------------------|--------------------------------------|-------------------|
| 1 Cathy Clark | 2 Social Stock Exchange | 3 Dennis A. Price | 4 Case Foundation | 5 Omidyar Network |
| 6 Fran Seegull | 7 Adam Spence | 8 UN SIF | 9 Impact Alpha | 10 Socent Live |
| 11 Social Good Stuff | 12 David Galipeau | 13 ClearlySo | 14 The GIIN | 15 Jean Case |
| 16 Devin Thorpe | 17 Real Biggest Idea | 18 Ignacio Mesalles | 19 Stanford Social Innovation Review | 20 Acumen |

Characteristics of the impact investing network

There is a strong US-bias, with 72 per cent of the top 98 #impinv accounts belonging to individuals and organisations with headquarters in America. In contrast, representation from the global South was minimal. While this may be partly linked to the platform’s dominance in certain countries, it also demonstrates the power asymmetries in relation to the global South (and the investor/investee relationship) in terms of access to debate and function.

Secondly, although there are some investors and asset managers who are key players (and have influence), service providers to the impact investing industry, notably networking services, have dominance (32 per cent). Asset managers and owners fall behind advocates, who are not involved in the capital process, or provide explicit impact investing services, but Tweet about issues relating to impact investing.

Figure 1 Service providers and advocates constitute half of the market’s ‘key players’



How important is impact evidence for impact investors?

While impact investing makes claims of impact, we wanted to assess how important impact evidence is to the nascent market. Associated hashtag analysis demonstrated that Tweets were typically very event-driven, as conferences, news pieces and important signalling events occurred. Promotion of these events and Tweets regarding impact investing in general matched claims in the literature that the market for impact investing is still nascent, with sentiment being overwhelmingly positive (at a rate of 80–20 per cent consistently in favour of positive language for the hashtag #impinv). This sentiment was also matched during interviews with key players.

Demand for evidence appears to be very low within the field. A list of 57 keywords was devised, relating to the concepts of evidence, proof and analysis, conducting keyword analysis across the 49,530 Tweets in the study. The salience of these words, relating to evidence and how impact is measured was 0.35 per cent for #impinv and 0.24 per cent for #impactinvesting. In comparison, positive sentiment statements were substantially higher.

This demand for evidence is even less salient in the Tweets of key actors. Language referencing impact measurement occurred in 0.31 per cent of #impinv Tweets across the period. These key actors are typically content producers, so may be addressing discussion regarding evidence and impact in their associated literature.

Asset managers were the most likely grouping to reference impact measurement among the key actors. This was followed by service providers to the industry. Evidencing impact was not a major issue for the media, while

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The Stanford Social Innovation Review (SSIR) was the most likely to mention evidencing and measuring impact.

The irony is that 'impact' is the central claim of the impact investing industry – the claim that sets it apart from other forms of investment. And yet, evidence appears like a low priority that hardly features in social media exchanges. There is a risk the market may become more about the marketing claim of 'impact' than demonstrable social change. That is

not to say that investors are not having a tangible impact on society or the environment, but that those who are doing well are at risk of encroachment by new entrants – undermining their ability to differentiate themselves in the marketplace, and a risk to investors and company boardrooms. Neglecting to talk about evidence, and insufficient investment in robust assessments, can both hinder the industry's path to maturity as well as hamper learning for the future.

Policy recommendations

As the market continues to expand, we make some policy suggestions for the market, its priorities and how it engages with platforms, associations and bodies:

Foster greater collaboration on impact evidence between investors, fund managers, and wider stakeholders

With the lack of conversation regarding evidence and accountability on Twitter, as well as interviewees suggesting there is little resource for impact evaluation of impact investments, preliminary findings suggest that further efforts need to be placed on aiding greater collaboration between investors, asset managers and other stakeholders within the system. While GIIN, B Analytics, B-Corp and other organisations have contributed to supporting the market in this way, it still seems that evidence receives very little attention. Encouraging greater collaboration will not only help pool resources for impact assessments and learning, but could contribute to addressing other challenges faced by the industry, such as refining investor impact requirements and risk preferences, thereby improving deal flow.

Address the impact, and the demand will follow

With discussion of impact measurement not high priority for industry stakeholders, but rather the promotion of impact investing taking precedent, the impact investing market can be seen as a marketing tool lacking substance. Facilitating a greater focus on impact measurement, and the robustness of the techniques used, will help investors and investees be better placed to provide proof of concept, and demonstrate the environmental and social returns more effectively. This, in turn, helps build demand and market differentiation. Twitter can serve as a useful platform for greater conversation regarding impact measurement and deciding the appropriate tools to address impact.

Encourage greater engagement with the global South and investees

This SNA demonstrates the relative dominance in the global North in setting the agenda and allocating investments. Similarly it demonstrates a focus on the leadership of investors and fund managers, but not necessarily investees and funds in the global South. Twitter may just be one platform, but it is symptomatic of the power asymmetries in relation to the global South. A new generation of investees have great potential to positively impact on society, and contribute to global justice and sustained development. But this can only be realised if imbalances are addressed such as with greater accountability and participation of all actors in the system, and with evidence of impact on those that are meant to benefit.

Further reading

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Willis, A.; Fisher, A. and Lvov, I. (2015) 'Mapping Networks of Influence: Tracking Twitter Conversations through Time and Space', *Participations: Journal of Audience & Reception Studies* 12.1: 494–530

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Credits

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