



# Impact Reporting Criteria and Basis of Preparation 2017

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Finance Expertise Success

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# 1. Overview

Accurate and complete impact measurement is **FUNDAMENTAL** and **CRITICAL** to GroFin’s role as a private development finance institution. It is **AS IMPORTANT** as financial tracking of clients.

This document provides an overview on how GroFin collected and calculated the key impact metrics published in the GroFin Impact Report 2017.

## 2. Collection of Impact Data

Full, complete and accurate development impact data of all clients is required:

1. At investment;
2. Quarterly for key metrics) alongside monthly management accounts;
3. Annually (October-December) for all development impact metrics alongside updates of annual financials.

## 3. Impact Metrics

GroFin captures and monitors the indicators that correspond to its five strategic impact objectives, as per **GroFin’s Impact Strategy**.

The following metrics are required from all clients:

Strategic Impact Objective	Key Metrics
<b>Strategic Impact Objective #1:</b> <i>Establish an Impact Delivery Model</i>	<ul style="list-style-type: none"> <li>• Number of investors</li> <li>• USD\$ Capital committed</li> <li>• USD\$ Finance Leveraged</li> <li>• USD\$ Invested</li> <li>• # SGBs invested in</li> </ul>
<b>Strategic Impact Objective #2:</b> <i>Support SGBs as Impact Vehicles</i>	<ul style="list-style-type: none"> <li>• Number of entrepreneurs supported</li> <li>• % start-ups</li> </ul>
<b>Strategic Impact Objective #3:</b> <i>Target Employment as a Driver</i>	<ul style="list-style-type: none"> <li>• Number of direct jobs sustained</li> <li>• Total jobs sustained</li> <li>• Number direct jobs sustained for women</li> <li>• % female shareholding</li> <li>• Number of jobs sustained considered BOP (= # unskilled/semi-skilled jobs sustained)</li> </ul>
<b>Strategic Impact Objective #4:</b> <i>Support Local Economic Development</i>	<ul style="list-style-type: none"> <li>• USD\$ Turnover for clients</li> <li>• Number of students (for schools)</li> <li>• Number of patients (for hospitals/ clinics)</li> <li>• No of customers served</li> </ul>
<b>Strategic Impact Objective #5:</b> <i>De-Risk the Sector</i>	<ul style="list-style-type: none"> <li>• Business formalisation risk rating</li> <li>• ESG risk rating</li> </ul>

## 4. Development Impact Definitions

1. **Direct Jobs Sustained** - all DIRECT jobs that are remunerated by the client and listed within the company payroll or other auditable records such as employment contracts or recorded on the GroFin Record of Impact Data (GRID) that is validated and signed by both the GroFin Investment Staff and the client. Indirect Jobs is estimated at portfolio level using socio-economic modelling to give a TOTAL JOBS SUSTAINED estimate.  
  
→ *Direct Job Sustained* – Refers to direct FTE jobs remunerated by clients in the GroFin portfolio, including clients with ‘Deal/Process Status’ as ‘Exits’ but excluding ‘Write-offs.’
2. **Full Time Equivalent (FTE)** – A full time equivalent employee is a combination of full time and part time employee. The FTE allows part time workers’ working hours to be standardised against those working full-time. The standardised figure is 1.0, which refers to a full-time worker. 0.5 refers to an employee that works half full-time hours.
3. **Direct Jobs Created** – new FTE jobs created at the level of our portfolio clients from time of GroFin investment to the last quarter that the data is captured and reported.
4. **Indirect Jobs Sustained** – Indirect jobs sustained are calculated using multipliers based on impact model developed for GroFin in 2016, based on GroFin’s 2015 portfolio data, by specialised independent impact consultancy Steward Redqueen (SRQ) ([www.stewardredqueen.com](http://www.stewardredqueen.com)). For the estimation of indirect jobs sustained the model used an ‘input-output’ methodology that traces money (client turnover) through an economy showing how one sector depends on another, by using input-output tables (tables compiled using data from the Global Trade Analysis Project).
5. **Total Jobs Sustained** – Total jobs sustained is the sum of Direct jobs sustained and Indirect Jobs Sustained.
6. **Direct Female Employment** - all FTE jobs (see previous) held by women within the client company.
7. **Direct Youth Employment** – all FTE jobs held by employees who are less than 35 years of age.
8. **Female Ownership Percentage** - Percentage shareholding held by FEMALE shareholders
9. **Female Ownership Yes/No** –YES if total women shareholding is 51+% of the shareholding AND/OR the key Entrepreneur is female (e.g. in situations where there are a number of minority shareholders).
10. **Youth Ownership Yes/No** – Youth is defined as 35 years old or younger AT INVESTMENT. Input YES for company if total youth shareholding is 51+% of the shareholding AND/OR the key Entrepreneur is 35 years or younger in age at time of investment (e.g. in situations where there are a number of minority shareholders).

11. **Low-skilled/semi-skilled employment percentage** - the percentage of workers that are characterized by Skill Level 1 or Skill Level 2 (unskilled and semi-skilled), based on the ILO specifications. For the vast majority of our clients this is likely to be greater than 50% given that skilled is defined as professional/tertiary education.
12. **Direct Customers per annum** - The total number of direct, unique customers per annum.
13. **Indirect Customers** - Indirect customers are customers that benefit (directly) from our clients' products or services through an intermediary (e.g. agents, distributors/resellers, sub-consultants, independent sales company/team).
14. **Specialised customers (patients and students):**
  - **Patients** - Total number of patients treated (regardless of time treated for) for all companies involved in HEALTHCARE must be recorded as customers (i.e. customers = patients); (outpatients and inpatients). Patients served (as defined by the International Finance Corporation) are persons receiving healthcare, i.e. care, services and supplies related to the health of an individual. Healthcare includes preventive, diagnostic, therapeutic, rehabilitative, maintenance, or palliative care, and counselling, among other services.
  - **Students** – Total number of students enrolled for all EDUCATION clients (nursery, primary, secondary and tertiary educational institutions) must be recorded as customers (i.e. students = customers).
15. **Total Customers** – sum of direct and indirect customers.
16. **Percentage Customers considered Base of Pyramid (BoP)** - This refers to the proportion of customers that would be classified as Base-of-the-Pyramid - *below 3000 USD annual income*. (as defined by the International Finance Corporation) These individuals are likely to be considered lower or at most, middle-income in most of GroFin's countries of operation but generally considered as BoP as per IFC definition.
17. **Number of Local Suppliers** - The number of local suppliers refers to all companies/entities that the investee purchases goods and services from.
18. **Supplier Payments** - Supplier payments refer to the total annual amount IN LOCAL CURRENCY paid to all local suppliers.
19. **Total family members supported by Investees P.A (Livelihoods supported)** – 'total number of family members supported by GroFin's client per annum (livelihoods supported) and which are estimated based on the number of total jobs sustained (direct and indirect jobs) by these clients.

GroFin's broader socio-economic impacts, including indirect jobs sustained and family members supported are estimated using an impact model developed for GroFin by specialised independent impact consultancy Steward Redqueen (SRQ). The impact

model estimates effects at the level of GroFin's clients, as well as the economic ripple effects of the clients on the broader economy.

For the estimation of indirect jobs sustained the model uses an 'input-output' methodology that traces money (client turnover) through an economy showing how one sector depends on another, by using input-output tables (tables compiled using data from the Global Trade Analysis Project). Macro-economic statistics used to build the model (e.g. employment data, family size) are derived from national statistical offices. The key inputs for the modelling are the direct company jobs, clients US\$ turnover and sector of activity.

For the 2017 Impact Report GroFin used aggregate multipliers, as worked out by SRQ using 2015 GroFin client data, as an estimate for indirect jobs and livelihoods to derive the current year's indirect socio-economic impact.

→ Total livelihoods supported = total jobs sustained\* x 5

*(The 2015 SRQ Model estimates that a job support on average a family size comprising of 5 members)*

\*- Total jobs sustained is the sum of direct (see Definition 4.1) and indirect jobs sustained (see Definition 4.4). The total jobs sustained figures is derived from the direct jobs sustained at the level of GroFin portfolio clients and are based on country level multipliers specific to each country that the clients are based in to determine the indirect job effects.

**20. Finance Leveraged** is defined as the equivalent amount of capital or grant in USD raised by GroFin since 2004 under the different funds under its management. Capital raised can either be in the form of debt or equity that is subscribed by investors in the fund. Grants are provided either to the fund or the fund manager for (a) market expansion, (b) providing business support to clients or (c) capacity building for the fund manager. The capital or grant raised (or committed by investors/funders) may or may not be fully drawn down as at the date of reporting.

Leveraged Finance figures are reported collectively for all funds managed by GroFin since 2004 until the date of reporting.

Each quarter, the leveraged finance report (in Excel format) is reviewed and any new commitments for capital or grant secured are incrementally updated in the report based on the most recent information available from GroFin's legal department regarding any commitment agreements for capital or grants executed during that quarter.

Once the list is updated, same is verified against the previous quarter's report to ensure reconciliation between the previous funds leveraged figure reported and the updated figures as explained by the incremental capital or grant raised by GroFin during the quarter.

Finance leveraged figures are expressed in United States Dollars (USD) and the following methodology is applied regarding the conversion rate used wherever commitments have been raised in a different currency:

- a) For commitments that are yet to be fully drawn down: The full amount of the commitment expressed in USD using the mid-market rate for USD conversion applicable at commitment date.
- b) For commitments that are have been fully drawdown in one go: the full amount drawn down, expressed in USD using the actual spot rate for USD conversion applicable at the date when funds have been transferred to GroFin.
- c) For commitments where drawdowns were effected in more than one transaction: the full amount drawn down, expressed in USD using the average spot rates for USD conversion applicable at the date when funds have been transferred to GroFin.