

Measuring the effect: methods and limits

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The measurement of social or environmental effect is the central difficulty of impact finance and philanthropy. Several methods coexist. Outcome indicators measure quantities: the number of people with access to a service, tonnes of emissions avoided, jobs created. Impact evaluations seek to establish a causal link between the intervention and the change observed, by comparison with a baseline situation. Contribution analyses acknowledge the difficulty of isolating the effect of one intervention among many factors.

Each method has its limits. Outcome indicators do not prove that the change is due to the intervention. Rigorous evaluations are costly and do not apply to every field. Contribution analyses rest on judgements. The actors, moreover, have an interest in presenting their results in a favourable light, which calls for independent verification.

Geneva is home to institutions and practitioners who contribute to the development and dissemination of these methods, at the meeting point of international organisations, foundations, managers and researchers. The credibility of the financial centre in impact finance depends on the rigour of these measurements. An investment presented as having an effect that it does not produce follows the same logic as greenwashing and exposes its promoter to legal and reputational risks.

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Caution. Describing an investment as an impact investment, or a philanthropic project as effective, presupposes a credible measurement of the effect produced. Unsubstantiated claims expose their authors to accusations of greenwashing or deception, to which the supervisory authorities are attentive.

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