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Closing the Impact Assessment Gap in Africa's Impact Funds

Florian Léon, Research Officer, FERDI
Zeïneb Benaïssa, Research Assistant, FERDI

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Impact investing seeks to reconcile financial returns with non-financial outcomes. To this end, measuring the impacts generated (economic, social and environmental) is a crucial step. Drawing on a study of impact measurement practices among investment funds operating in Africa, we find highly heterogeneous practices that fall well short of expected standards. In this brief, we identify the challenges facing funds and propose several avenues to help them strengthen their capacity to measure impact.

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Development finance faces a twofold challenge that calls for greater mobilization of private financial actors. On one hand, the financial needs for achieving the Sustainable Development Goals and various transitions (ecological, energy, demographic) require mobilizing several trillion dollars. On the other hand, public actors are struggling to meet these needs because of domestic budgetary constraints (limited mobilization of domestic resources, rising debt) and shrinking development aid. Today's debate therefore increasingly centers on how to channel global private savings toward development finance and how to encourage financial actors to make this shift. **Among these actors, impact investors appear well positioned to direct private capital toward development-relevant investments, given their simultaneous pursuit of financial returns and the generation of positive economic, social and/or environmental impact.** While this sector is growing worldwide, it remains nascent in Africa (Léon and Rabary, 2024, 2025). This youthfulness, however, is an asset: it makes it possible to establish sound practices now and let the ecosystem grow together with them.

Impact investing seeks to strike a balance between financial returns and the generation of non-financial impact. It rests on three pillars: (i) intentionality to generate impact; (ii) additionality, meaning a focus on investments that would not otherwise be funded; and (iii) proof of the impact generated through a rigorous measurement process.

Impact assessment therefore sits at the heart of impact investing. Credibly measuring impact brings numerous benefits for funds, funders and the sector as a whole. It allows funds to improve their practices and to differentiate themselves from competitors. Avoiding the reputational risk of being accused of *impact washing* is also a key concern for funds: 62% of investors surveyed by the Global Impact Investing Network cite it as their top concern, compared with just 10% who see it as an internal issue (Hand *et al.*, 2025). Another major benefit lies in the ability to raise capital at a lower cost. Capital providers (public institutions, foundations, family offices, etc.) accept lower returns when investments align with their mandate and their non-financial objectives. Beyond the benefit to individual funds, this practice lends credibility to the sector as a whole. The resulting trust can attract mainstream investors, increasing the capital flowing through the ecosystem and helping its actors meet the development goals they pursue.

The importance of impact measurement is recognized across the impact investing community. Yet fund practices in this area remain highly heterogeneous. Drawing on a study of funds operating in Africa (Benaïssa and Léon, 2026), we found that practices fall short of standards and vary considerably from one fund to another.

Impact Measurement Practices Fall Short of Standards

Based on public information from 250 impact funds operating in Africa and on a scoring framework developed by the Impact investing Chair, **we assessed funds' impact measurement practices. Our findings reveal considerable room for improvement. On a scale of 0 to 100 (best practice), funds score 31 on average.** In detail, 20% of funds have weak practices (a score below 10 out of 100), and only 23% of funds score above 50 (with a single fund exceeding 75).

Beyond this overall finding, we highlight sharper gaps in certain aspects of the impact assessment process, as shown in the figure below, which presents the average normalized scores for the five pillars of impact assessment.

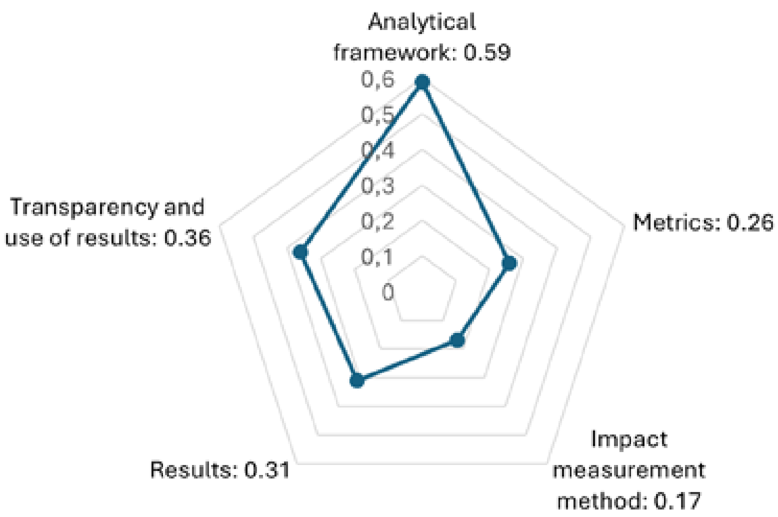
First, a meaningful share of funds show evidence of genuine in-house reflection on how to generate non-financial effects (the "analytical framework" pillar). More than half of funds disclose a theory of change (ToC) — the chain that breaks down how an investment's effects materialize, from financing through to impact. That said, the ToC is often thin, and more than 40% of funds do not produce one at all, even though it is an essential step for assessing impact.

Second, indicator measurement is concentrated on the most readily accessible aspects, namely inputs (resources mobilized) and outputs (direct involvement). Outcome indicators, and impact indicators above all, are measured far less often. The dimensions most frequently tracked across funds are employment, via the number of jobs created or sustained; the environment, often measured in tonnes of GHG emissions avoided; and gender, captured through the share of women among employees or clients. There are, however, notable gaps in how clearly indicators are defined. Employment, for instance — the most commonly reported indicator — can be defined in many ways depending on the nature of the job (working hours, formalization, etc.) and on whether only direct jobs are counted or indirect jobs are included as well. Without a clear specification of indicators, comparing impacts across projects or funds becomes difficult.

Third, methods for assessing the attribution of impact are only marginally used. Only a minority of impact funds (16 out of 250) have adopted a credible attribution approach. Four approaches are used, including weighting indicators by attribution rates and building a composite impact score, but **only three funds turn to quasi-experimental methods, and only one of them details its methodology.** This is a concerning finding, since it is precisely the use of academic approaches that brings measurement closer to a fund's actual impact and allows causality to be established. Most investors treat indicators as an end in themselves rather than as inputs into a method, with the most common approaches being simple observation or before-and-after comparisons.

Finally, funds' level of transparency varies by topic. While nearly six funds in ten share lessons learned with the ecosystem — a practice essential for pooling good practices — this disclosure becomes rare on more demanding aspects: only eight funds (3.2%) document the limitations of their own impact measurement methods.

Figure 1: Average normalized score by category



Note: Normalized scores make it possible to compare categories with different maximum scores. For instance, for the "Transparency" pillar a fund can score up to 8 points (8 binary questions), whereas for the "Analytical framework" category the maximum is only 4 points (4 binary questions). A normalized score is calculated for each fund by dividing its score on a given pillar by that pillar's maximum score. For example, in the "Transparency" category, a fund scoring 2 points would have a normalized score of 0.25 (2/8). We report, for each pillar, the average normalized score across the 250 funds.

Embedding Impact Assessment at the Heart of Funds: Challenges and Avenues for Action

Despite these findings, the current situation is not set in stone. Our report finds that **more than four-fifths of the score differences between funds are not explained by observable fund characteristics** (size, age, growth, headquarters location, African footprint), leaving room for action. Five avenues can be pursued in a complementary and gradual way to embed impact assessment at the heart of fund practices:

1. Raise the whole ecosystem's awareness of the importance of impact assessment;
2. Develop a methodological reference framework for applying basic principles;
3. Improve access to data;
4. Support funds on the financial and technical aspects of the process;
5. Adopt a step-by-step approach to build capability progressively.

Recommandation 1 | *Raise the ecosystem's awareness of the importance of impact assessment*

Impact assessment is a concept whose practical value still needs to be emphasized. Indeed, a lack of incentives is a significant obstacle to its adoption. The return on investment from impact measurement is not immediately or clearly perceived by investors: the costs (hiring, tools, time) are tangible, while the benefits (access to cheaper capital, competitive differentiation) are uncertain and delayed. Moreover, stakeholders exert little pressure on funds to put such a process in place.

Psychological and cultural biases also play a role. Framing effects push actors to favour easily accessible and comparable information, such as financial performance, over impact measurement, which is more complex to integrate (Ormiston and Seymour, 2011). Fund culture also tends to remain rooted in a financial logic, where growth and profitability indicators take precedence over social or environmental impact.

A first step toward promoting impact assessment is to **raise awareness across the whole ecosystem of its importance**. For this to become a priority, all stakeholders — from fund managers to funders — need to understand its value. This means making clear that claiming impact without proving it exposes funds to the risk of *impact washing*, which can damage their credibility over the long run. **Funds, in particular, need to be convinced that impact measurement is not merely a cost but, above all, a lever for attracting cheaper capital by demonstrating tangible social and environmental value creation.** Studies such as our report can help make the case that impact assessment is not a constraint but a tool for differentiation and transparency. This responsibility falls first to the ecosystem's umbrella actors — professional associations, funders, sector platforms — which have the legitimacy and visibility to promote this message.

For impact measurement to become lasting, it must be woven into the fund's own culture. This means involving all staff, for example by holding internal workshops to explain its purpose and its link to the fund's overall strategy. Building impact-related objectives into individual performance reviews, or designating an "impact champion" within each team, can also help drive this shift. Impact measurement needs to become routine, built into existing processes such as portfolio reviews or investor reporting. Only then will it stop being seen as an external constraint and become a natural part of the fund's activity.

Recommandation 2 | *Spread knowledge of basic principles and key tools*

Impact assessment rests on a few basic methodological principles: a clearly defined theory of change identifying the intermediate steps between resources invested and expected impacts; indicators aligned with priority impacts, taking into account perverse or indirect effects; the inclusion of some notion of counterfactual, even a simplified one — for example, comparing how beneficiaries' outcomes evolve relative to a similar group of non-beneficiaries; and, finally, transparency about methodology — data collection, the limitations of the measurement, the choices made — to strengthen the credibility of the assessment.

Unfamiliarity with these principles and with impact assessment methods is one of the main obstacles to their use. The problem is compounded by the difficulty of navigating existing approaches, given the sheer number of tools and analytical frameworks whose usefulness and rigor are not always made clear, which breeds confusion and limits adoption (Gugerty and Karlan, 2018). There are, however, ways to overcome this.

The first step is to **train fund teams in these various tools and approaches**. To that end, and as a complement to our report, the Impact investing Chair, in partnership with the IHEDD, has launched a certified training program on impact investing that includes an in-depth session on impact assessment. The goal is not to train specialists, but to enable trainees to find their way among the various concepts and approaches so they can engage in dialogue with assessment specialists.

A second, complementary approach is to **build a practical methods framework**. Its design could be a collective effort involving ecosystem actors — funds, experts, funders — together with academic experts, so that it reflects realities on the ground in Africa and is adopted by those who need it most. Rather than saying "here is the method to follow," the tool would say "here is how to choose your method" by mapping four key dimensions: the impact targeted, the data available in the intervention context, the budget available for the assessment, and the method best suited to these constraints.

These two actions would deliver a double benefit. On one hand, they would allow funds to deal with methodological complexity without needing deep in-house expertise. On the other, they would contribute to a degree of harmonization across practices — not by imposing a single method, but by structuring thinking around shared criteria.

Recommandation 3 | *Improve access to data*

Access to data is a prerequisite that is often underestimated, even though it represents a further challenge for funds. Beyond access itself, what is sometimes missing is information about the very existence and availability of data.

Numerous initiatives exist to make administrative data, and even some survey data, accessible. The World Bank, for example, publishes rich, easily usable survey data. Likewise, administrative data is increasingly open, even though this trend remains limited in Africa. New, usable sources are also emerging, such as satellite imagery, which is useful for measuring deforestation, housing type, infrastructure or the level of economic activity (Donaldson and Storeygard, 2016; Burke *et al.*, 2021).

Mapping available sources by impact theme would be a valuable complementary effort, one that could fit within a broader push to harmonize practices. This work could be carried out jointly by academic actors, open-data platforms and funders active on the African continent.

Recommandation 4 | *Support funds on the financial and technical fronts*

Implementing impact measurement raises numerous challenges. It can be costly in time, human resources and expertise (Ait Soudan *et al.*, 2022). It requires ongoing monitoring over the long term and sometimes calls for external experts on technical topics such as the environment (Koontz *et al.*, 2020). Moreover, it draws on fields of knowledge that differ from those of a fund's managers and staff, whose priority remains fundraising and profitability (Ait Soudan *et al.*, 2022). In short, many funds feel ill-equipped to handle the complexity of impact measurement, for lack of sufficient resources or expertise.

Financial support could take the form of dedicated funds or grants, covering part of the initial costs of hiring, tools or training. This responsibility falls mainly to funders and development finance institutions, which have both the means and the interest to raise practice standards across the whole ecosystem.

At the same time, technical support is needed to develop robust methods. This involves training teams — even those who will not directly carry out the measurement — so they understand what is at stake. Partnerships with academic institutions or experts, similar to those seen at the funds with the most advanced practices, could also provide valuable, tailored support.

Recommandation 5 | *Adopt a gradual approach to build capability*

It is unlikely that impact measurement will be perfect from the outset. Demanding perfection can create a kind of paralysis that keeps an actor from ever getting started.

Implementing impact measurement should be gradual rather than perfect from day one. Funds could start with a pilot project, choosing an investment where measurement is particularly feasible — for example, in a sector with clear indicators, such as employment or energy access. Rather than trying to measure everything, it is better to focus on a specific goal, such as building a solid theory of change or developing a key indicator. What matters is committing to a **process of continuous improvement**, accepting that early assessments may be imperfect. It is up to funds themselves to embark on this process, ideally drawing on peers who have already taken these first steps.

Conclusion

Amid tightening budget constraints and declining official development assistance, financing development goals will increasingly require the involvement of the private sector, and of impact investing in particular. While impact assessment is a central pillar of this industry, investors operating in Africa conduct impact assessments that fall short of expected standards. Yet robust assessment is essential to build the credibility, define the boundaries, and drive the growth of the ecosystem. To overcome the obstacles behind this finding (lack of awareness, implementation difficulties, weak incentives, and psychological and cultural biases) and improve fund practices, five avenues for action have been proposed. Responsibility for them lies with the ecosystem as a whole (funds, funders, professional organizations), but also with external actors whose expertise makes them essential to this improvement process. Impact investing in Africa is a young sector, and it is precisely this youth that offers the opportunity to embed good practices today — the goal not being to measure everything at once, but to measure better, one step at a time.

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Contact
www.ferdi.fr
contact@ferdi.fr
+33 (0)4 43 97 64 60

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