

The **Swedish**  
National Advisory Board  
for **Impact Investing**

# Guiding Principle: Definition of impact

Last updated: 8 November 2021

# Introduction

The purpose of this Guiding Principle is to help organisations from all sectors in the impact economy to determine what is impact and what is not.

Impact integrity – only using the term ‘impact’ for things that truly *are* impact – is a global concern and of the outmost importance if organizations and investors are to be held accountable for the impact they create.

Our Guiding Principle: Definition of Impact, is based on the dimensions of impact developed by [The Impact Management Project](#) that have earned global consensus.

In a working group - composed of members and experts representing the financial, private, non-for-profit and public sectors as well as academia and advisors - we have simplified, exemplified and operationalised these dimensions into an easy to use and applicable framework presented in this Guiding Principle.

Our Guiding Principles are always work in progress. We will continue to refine them as the knowledge and experience in the impact space grow. We welcome feedback from users of the Principles and we actively seek thoughts and suggestions from users.

This Guiding Principle was last updated on November 8<sup>th</sup> 2021, and represents, in our opinion, the best approach to defining impact that we know of to date.

We hope you will find it useful in your impact strategies. Please do not hesitate to send feedback, thoughts and questions to our Secretary, Jenny Carenco: [jenny@swedishnab.se](mailto:jenny@swedishnab.se).

Stockholm, November 8<sup>th</sup> 2021

The Board of The Swedish National Advisory Board for Impact Investing

# Overview of impact criteria

<p><b>WHAT</b></p>	<p>The problem that is addressed is <i>prioritised</i> for people, society and/ or planet</p>	<p>The activity or investment is delivering <i>outcomes</i> not outputs</p>	<p>The problem addressed can be quantified and outcomes can be <i>measured</i> using relevant indicators</p>
<p><b>WHO</b></p>	<p>The target group, area or planet experiencing the problem is <i>underserved</i> with regards to the outcomes</p>		
<p><b>HOW MUCH</b></p>	<p>The outcomes delivered have sufficient <i>scale</i></p>	<p>The outcomes delivered have sufficient <i>depth</i></p>	<p>The outcomes delivered have sufficient <i>duration</i></p>
<p><b>CONTRIBUTION</b></p>	<p>The outcomes delivered represent a <i>counterfactual</i> improvement, i.e. are better than what would likely have occurred anyway</p>		

# WHAT

The criteria in the WHAT dimension aim at setting the standards for what an organisation or investor should intend to achieve, for an activity or investment to be considered *impact*. Some of the answers to the below criteria will be subjective and we encourage the users of this Guiding Principle to be transparent with regards to the hypothesis, assumptions or choices made, and that the analysis of what is 'prioritised', an 'outcome' and 'measurable' is based on common or scientific knowledge.

The problem that is addressed is *prioritised* for people, society and / or planet

## Explanation

The UN Sustainable Development Goals give us some guidance as to what societal challenges that are considered *prioritised*. There are many subcategories to these, and many that are specific to certain geographic regions, target groups or industries. As a rule of thumb, a prioritised societal problem is a problem that significantly impacts the quality of life of living creatures on our planet, most often in one of the categories climate, environment, health and life chances.

## Examples

Below are examples of prioritised problems:  
Climate: CO2 and other GHG emissions, deforestation  
Environment: Air, soil and ocean pollution, acidification of waters, extinction of animal species, reduced biodiversity  
Health: prevalence of illnesses, lack of prevention and cures of illnesses, time to cure or side effects of cure of illnesses, cost of cure of illnesses (leading to limited access to cure)  
Life chances: access to education, school failure, unemployment, poverty, exclusion, criminality, violence, war, racism, discrimination, integration

Solutions to many problems are *NOT impact*. A few such examples:  
Efficiency: merely making something cheaper or faster is not impact, if that efficiency gain does not have a significant impact on a prioritised problem as above.  
Comfort: Choosing to ride an electric scooter in stead of walking is not impact just because an electric mobility solution is used.  
Beauty: Reducing cellulite is not impact, the problem is not impacting health or life chances.  
Fun: It is important to have fun, but unless boredom creates mental illness, being bored is not a prioritised problem.  
Merely being part of the value chain: Delivering the windshields of Tesla is not impact just because it's Tesla,

# WHAT

The activity or investment is delivering *outcomes* not outputs

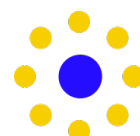
## Explanation

Outputs are direct results of a certain activity and can be a good metric of for efficiency or scale. Number of solar cells installed, number of users of a service or number of hours of counselling given are outputs. Outcomes are the measurable improvements on the problem we are addressing. Therefore, impact is not the number of solar cells installed, it is the number of kilos of CO2 reduced because these solar cells replace diesel generators. Impact is not number of hours of counselling given, but the measurable improvement of the target group's mental health. Only measuring outputs, not outcomes, is like measuring units produced in a company without being bothered with weather these products ever get sold, if customers like them and if the company is generating profit..

## Example

Consider a digital service that provides lifestyle improvement plans. The problem this service is trying to solve is lifestyle related disease, probably measured as risk factors in the target group such as high blood pressure or obesity. If this service has 20'000 users, is that enough to say that we are creating an impact? No. Number of users is an output. It is a prerequisite of the outcomes (no users, no lifestyle changes thanks to this service) but it is not in any way a guarantee that outcomes will occur. Outcomes in this case would be reduced prevalence of the aforementioned risk factors or even of disease.

Now consider an investment in a new car pooling service. The problem we are trying to solve is CO2 emissions from excessive or unnecessary use of cars. Number of users of the service is an output, and is not considered impact by itself. Only if we can measure actual reduction in journeys made in cars, can we call this investment *impact*.



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# WHAT

The problem addressed can be quantified and outcomes can be *measured* using relevant indicators

## Explanation

The difference between sustainable and impact investments (or activities) lies primarily in the fact that for something to qualify as impact, the problem addressed must be quantified and outcomes measured. If we can not prove the magnitude of the problem and if change can't be monitored and measured, we can not prove that we have created any change at all. An activity or an investment that has a good intention, but where the problem can not be quantified and outcomes not measured, is most probably a *sustainable* investment or activity, but not an impact one. We want to stress that not all activities or investments need to be impact, we will need plenty of sustainable investments and activities too. But differentiating between the two is important for impact integrity.

## Example

A city wants to finance an extended bicycle lane network. The purpose of this is to make it easier for people to leave the car and opt for the bike. If we could quantify the number of people taking the car instead of the bike because they feel unsafe biking on the roads, and if we could monitor the reduction of car kilometres as a result of more bike lanes, then we could also estimate the impact of the city's investment in reduced CO2 and other GHG emissions. However, quantifying and monitoring such a problem is almost impossible. The intention is to create incentives to take the bike. But because we can not quantify the problem and we can not monitor the outcomes this would probably qualify as a *sustainable* investment but not an *impact* one. Finally, the indicators used to quantify the problem and measure the outcomes have to be objectively considered to represent the addressed problem well, either as direct indicators (f.ex. number of people diagnosed with diabetes) or as proxis (f.ex. number of prescriptions of a drug as a proxy to prevalence of a disease).

# WHO

To determine if an activity or an investment is *impact* or not, it matters WHO should experience the intended change. WHO can be a group of people (or animals) who have or suffer from the addressed problem. WHO can also be a geographical area, such as a city or a river, or the planet. Determining the target group or area and whether they are underserved (see below) could be subjective in many cases. We suggest that the users of this Guiding Principle are transparent in their assumptions and hypothesis and that the analysis is based on common or scientific knowledge.

The target group or planet experiencing the problem is *underserved* with regards to the outcomes

## Explanation

Addressing a problem for people that already have a vast choice of perfectly good solutions is not impact. The rule of thumb is that for an activity or an investment to be considered *impact*, the target group (or target area) has to be *underserved* with regards to the intended outcomes. Being 'underserved' does not equal being poor or excluded. I am 'underserved' when I suffer from a prioritised problem and that I have no or only a suboptimal solutions to it.

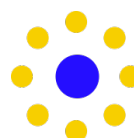
## Example

Hiring a highly educated and experienced computer engineer in his or her home country is probably an impact activity or investment. Highly competent computer engineers are not underserved with regards to the outcome 'reduced unemployment'. Hiring a computer engineer with autism with the intention to reduce unemployment in this target group is likely impact. People with autism experience much higher unemployment rates than others and solutions to their problem is scarce.

Offering preventive care to people at risk of a certain disease is impact if such care is not standard or easily accessible.

Teaching kids in regular schools in Sweden is not an impact activity (there is no problem of lack of access to free education). Helping children avoid school failure is impact since school failure in certain target groups is a problem that regular schools do not always solve.

Collecting household waste in the greater Stockholm area is not impact, the problem of waste in the streets does not exist. Recycling waste to a significantly larger extent than what is done today is impact.



## HOW MUCH

All positive change is good. But for this change to be considered *impact*, the outcomes have to reach a certain level of significance.

These levels are not standard or absolute numbers, but are determined by what levels that are needed to achieve the intended end impact. Determining what is sufficient scale, depth and duration will be subjective in many cases. We suggest that the users of this Guiding Principle are transparent in their assumptions and hypothesis and that the levels of change considered 'enough' are based on common or scientific knowledge.

The outcomes delivered have sufficient *scale*

### Explanation

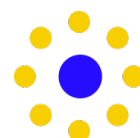
The concept of 'scale' refers to the share of the target group or target area that will experience the change we are aiming for. Sufficient scale refers to the capacity that our solution has to reach a large enough share of the target group or target area. The scale of an activity or investment should be assessed based on *potential scale* and activities at an early or prototype stage should be considered impact from the start when the potential has sufficient scale.

Sufficient scale is not an absolute number but is highly dependant on the problem we address. When determining what can be considered sufficient 'scale', we suggest that users of this Guiding Principle base their assessment on the scale needed to be able to talk about positive change on a group or societal level and that the assessment is based on common or scientific knowledge.

### Example

As mentioned above, sufficient 'scale' is not an absolute number. Saving 10 out of 100 lives for patients with a deadly disease might be very sufficient scale. However, if only 10% of people participating in a language course for newly arrived immigrants reach required language proficiency, that might be insufficient, signalling that the teaching method used is inefficient or that the target group is wrongly defined.

If the problem we address is meat consumption and we address this problem by offering an alternative to meat that we can only produce 10 kilos of per year, this is probably not sufficient scale with regards to the size of the problem. However, if the intention and potential capacity is much higher, the activity is considered impact already at the early 10 kilo prototype stage.





# HOW MUCH

The outcomes delivered have sufficient *depth*

## Explanation

The concept of ‘depth’ refers to the amount of change achieved compared to the starting point or reference scenario (what would otherwise have happened, see section CONTRIBUTION).

How much will the average disposable income for the target group increase? How much will cholesterol levels decrease? How much less CO2 will be emitted? How much less water will be used? And are these levels enough to create the overarching change that we are after?

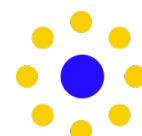
When determining what can be considered sufficient ‘depth’, we suggest that users of this Guiding Principle base their assessment on the ‘depth’ needed to be able to talk about true improvements on health, life chances, environment or climate, and that the assessment is based on common or scientific knowledge.

## Example

If the goal of our activity or investment is to increase disposable income, the change has to be of a certain significance for the target group to experience improved life chances. Is 1€ per month enough? It is an increase, but is the depth of this increase enough? Probably not.

If our aim is to increase physical activity levels in the target group, with the ultimate goal of improving their general health levels, is an increase of 100 steps a week sufficient depth when we know that recommended activity levels are somewhere around 10’000 steps a day?

If we want to reduce CO2 emissions from steel production, is a reduction of 2% enough to have a significant impact on that plant’s or the industry’s contribution to climate change? Is cutting down from 20 to 19 cigarettes a day enough for the smoker’s health to improve?



# HOW MUCH

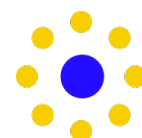
The outcomes delivered have sufficient *duration*

## Explanation

Sufficient levels of outcomes (depth) for a sufficient share of the target group or target area (scale) is not enough for an activity or an investment to be *impact*. If the outcomes only last a short while, it is probable that no real change will be achieved. The concept of 'duration' refers to the sufficient duration of a certain outcome level. The assessment of what is to be considered sufficient duration is depending on the problem addressed and will in many cases be subjective. When determining what can be considered sufficient 'duration', we suggest that users of this Guiding Principle base their assessment on the 'duration' needed to be able to talk about true improvements on health, life chances, environment or climate, and that the assessment is based on common or scientific knowledge.

## Example

If our aim is to help people quit smoking, and they do so for a week but then start again, is the duration enough to improve their health and reduce their risk of premature death? No. Required duration in this case is 'forever', but since following people over a lifetime is difficult, we might set 'two years' as a minimum required duration since scientific reports show that if you quit smoking for two years, the chances that you start again are less than 2%. Improved disposable income must last longer than a month for it to improve the life chances of families. People have to opt for a bike rather than a car more than during just a week or two for there to be any true impact on CO2 emissions. Users have to stick to using the digital self-help tool more than for just 6 months for us to be able to say that the self help tool is responsible for the improved mental health of the target group.



# CONTRIBUTION

The concept of 'contribution' refers to the difference between the outcomes that result of our activity or investment and *what would likely otherwise have occurred*. The concept also takes into account any adverse effects that our activity or investment might have. Assessing 'contribution' is making sure that our activity or investment is 'net positive'; that we have created positive change that would likely not have occurred otherwise and that we are not offsetting those outcomes by generating negative outcomes somewhere else.

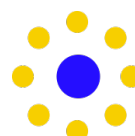
The outcomes delivered represent a *counter-factual* improvement, i.e. are better than what would likely have occurred anyway

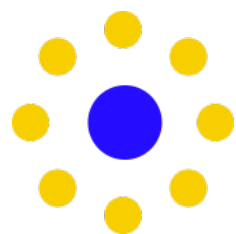
## Explanation

It is difficult to know what would likely have happened without our activity or investment. However, it is important to make reasonable assumptions on this in order to ensure that we are indeed creating impact. In order to establish our impact we need an initial value - the size of the problem at start - and a likely reference scenario – the likely size of the problem at certain future points in time. If we can't compare the outcomes we aim at generating to a starting value and a reference scenario, we risk significantly under- or overestimating our impact.

## Example

If we work to prevent disease, our initial value (if we use the indicator 'prevalence of the disease') would likely be 0, people are not yet sick. Our aim is to keep prevalence of the disease as close to 0 as possible. Lets say that after two years, 25% in our target group have caught the disease. That number does not mean anything if we have not estimated how many that would have fallen sick without our intervention. If 50% of the target group would likely otherwise have caught the disease within two years, then we have cut the prevalence of the disease in half. Still the outcome compared to the starting point might seem negative, no one was sick at the start, now 25% are. Yes, but had we not done our job, then that number would have been the double. If we want to prevent unemployment, we need to estimate how many would have become unemployed without our intervention and assess the likelihood that we can obtain better results. If we work to cut emissions, we must know how emissions would have developed without us. Would they likely have dropped anyway, stayed the same or increased? If our aim is to help immigrants learn our language we only create impact if we help more people reach language proficiency than what would have happened anyway.





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