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by

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THE QUEST FOR HARMONIZED IMPACT
MEASUREMENT IN MICROFINANCE INVESTMENTS

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Abstract

Microfinance funds are pioneers in the impact investing sector and play a key intermediary role in orienting capital flows from investors in developed markets to microfinance institutions (MFIs) in emerging and frontier markets. They invest with the objective to generate a measurable and positive impact, alongside financial returns, that contributes to sustainable development. Despite their three-decade legacy, microfinance funds are criticized for the lack of rigor and comparability in impact measurement (IME), a challenge that carries broader implications for the legitimacy of impact investing.

Whereas existing research has largely examined the effect of MFIs' activities on end-clients, this dissertation shifts the analytical focus to microfinance funds themselves and investigates the organizational and institutional processes through which they shape IME and impact reporting practices. Thus, it asks to what extent are IME practices of microfinance funds harmonized? And what patterns of alignment and evidence emerge in the impact reporting practices of microfinance funds, and what do they reveal about the state of harmonization in the microfinance investment sector?

This dissertation adopts a qualitative research design, combining semi-structured interviews with impact and investment managers and investors, to generate original insights into how microfinance funds interpret and operationalize IME. These perspectives are complemented by a systematic analysis using the Impact Reporting Harmonization Matrix (IRHAMIX), a replicable framework that assesses the degree of harmonization, defined as the alignment with international impact initiatives and the evidence used to substantiate impact claims, in microfinance funds' impact reports. Bringing these two sources of data together provides a coherent view of both the internal motivations shaping IME practices and the external claims through which microfinance funds communicate transparency and accountability.

The empirical analysis reveals that while microfinance funds refer to a common set of impact initiatives, this apparent convergence conceals substantial variation in how these are interpreted and applied. Impact reports similarly provide limited evidence, as most emphasize outputs and narrative descriptions rather than outcomes or methodological details, leading the majority of microfinance funds' impact reports to fall within the « Selg-Legitimizer » rather than the « Harmonizer » profile of the IRHAMIX. These patterns expose a persistent gap between stated intentions and disclosed practices, suggesting that transparency often operates more symbolically than substantively.

By integrating actor-level practices with sector-level institutional dynamics, this dissertation shows that harmonization is not merely a technical exercise, but an institutional process shaped by the partial internalization of sector norms and by the incentives and constraints faced by microfinance funds. More broadly, the findings underscore that the credibility of impact investing increasingly relies on the production of harmonized impact reports, enabling transparency and comparability in the sector, illuminating governance challenges faced by private actors seeking to demonstrate their contribution to sustainable development.

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Abbreviations

AAAA	Addis Ababa Action Agenda
AI	Artificial Intelligence
AUM	Assets Under Management
CGAP	Consultative Group to Assist the Poor
DAC	Development Assistance Committee
DFIs	Development Finance Institutions
DM	Developed Markets
EM	Emerging Markets
ESG	Environmental, Social and Governance
EU	European Union
GIIN	Global Impact Investing Network
GNI	Gross National Income
IMA	Impact Management
IME	Impact Measurement
IMM	Impact Measurement and Management
IMP	Impact Management Project
IRHAMIX	Impact Reporting Harmonization Matrix
IRIS+	Impact Reporting and Investment Standards
KPIs	Key Performance Indicators
MFI	Microfinance Institutions
MIVs	Microfinance Investment Vehicles
NGOs	Non-Governmental Organizations
OECD	Organization for Economic Cooperation and Development
PAIFs	Private Asset Impact Funds

PRI	Principles for Responsible Investment
SDGs	Sustainable Development Goals
SFDR	Sustainable Finance Disclosure Regulation
SMEs	Small and Medium-Size Enterprises
SPTF	Social Performance Task Force
TCFD	Task Force on Climate-related Financial Disclosures
ToC	Theory(ies) of Change
UN	United Nations
WB	World Bank
WEF	World Economic Forum

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CHAPTER 1 INTRODUCTION

1. Background

By end of December 2021, the Global Impact Investing Network (GIIN) has estimated the amount of Asset under Management (AUM) in impact investing, i.e. investments made with the intention to generate a positive impact (Estoppey and Narayanan 2023), at USD 1.164 trillion (Hand, Ringel, and Danel 2022). Surpassing the USD 1 trillion was an important milestone for the sector and showed its heightened attractiveness since the term was first coined fifteen years ago (Estoppey and Narayanan 2023). Despite this growth, substantial capital allocations remain essential to meet the United Nations (UN) Agenda 2030 and its seventeen Sustainable Development Goals (SDGs) (see appendix one). Currently, the annual financing gap to achieve these goals stands at USD 3.9 trillion (Bouri et al. 2018; Lippert 2024). The SDGs provide a universal framework that simultaneously addresses global socio-ecological needs and power imbalances, framing sustainable development as a common good in which actors from all sector can contribute (Koff and Maganda 2016). Because financial markets are not providing the required funding to reach the SDGs, and public financing alone is insufficient to answer this tremendous need, private financing shall be unlocked to cover this gap (UN 2020). In response, private financing broadened its objectives beyond short-term returns, and started incorporating long-term profitability and sustainability goals (Busch, Bauer, and Orlitzky 2016; UNDP 2016). Investors are now integrating Environmental, Social, and Governance (ESG) criteria alongside financial considerations in their decision-making (Flejterski 2019). This shift underpins the peculiar model of sustainable finance, a sector encompassing a variety of actors, financial instruments, and investment strategies ranging from exclusion of certain high-negative impact sectors to active financing intended to drive positive impact (PRI 2019). Considering the diversity within the sustainable finance sector, this

dissertation focuses on microfinance, a sector institutionalized for fifty years now and a pioneer with long-standing practices. More specifically, it focuses on microfinance funds, as intermediary financial actors, between investors and Microfinance Institutions (MFIs), deciding where investments flow.

While most public and private actors agree that sustainability and financial returns should go hand-in-hand, they also recognize that the main challenge lies in the definition and measurement of sustainable impact (OECD 2019b). The Organization for Economic Cooperation and Development (OECD) highlights that the term impact tends to be loosely used, especially in the development field, in the impact investing industry itself, and in the private sector (OECD 2019). It identifies a lack of evidence that the private sector engagement has resulted in more than the mobilization of capital (*Ibid.*). While mobilizing private capital is a significant achievement, there is limited evidence to suggest that these funds achieve more than capital movement (OECD 2019). Labeling an investment as impactful seems an easy task, but demonstrating that an investment has an actual tangible and positive impact remains complex and time-consuming (Gianoncelli et al. 2019). Impact measurement (IME) is often a burden for financial stakeholders, which mostly rely on underdeveloped practices and face difficulties in collecting reliable data (GISD 2020; OECD 2019a). In light of these challenges, the OECD has launched an “impact imperative”, calling for a common understanding of IME in the financial sector (OECD 2019). Investors, driven by transparency and accountability, are keen to better understand the impact generated by their invested capital (Popescu et al. 2021). To meet this imperative, financial stakeholders need rigorous data collection, transparent reporting, and consistent implementation of impact strategies (Boiardi 2020; UN 2020). However, many financial stakeholders claiming to conduct impact investments are criticized for their lack of rigor in their methodology to measure impact, leading to approximate results and difficulties in demonstrating their effectiveness (Severino 2022). This lack of harmonization in practices

prevents comparability for investors. In its 2020 Annual Impact Investor Survey, the GIIN has identified the three greatest challenges anticipated over the next five years for the impact sector as being: (1) “Impact washing”, i.e. an actor claiming to have a positive impact that cannot be supported by evidence, (2) “Inability to demonstrate impact results”, and (3) “Inability to compare impact results with peers” (Hand et al. 2020). In light of these elements, the European Union (EU) has taken a leading role in sustainable finance, developing a regulatory framework aimed at addressing these issues. While EU regulations have increased awareness, their implementation requires time and have triggered an industry-wide transparency exercise, pushing financial stakeholders to search for accurate data. Internationally, a plethora of impact initiatives, frameworks, principles, standards, tools, and indicators, have emerged (Shinwell and Shamir, 2018). This recent abundance still raises the question of how impact investors manage to navigate this crowded landscape, and whether these initiatives actually facilitate effective IME (Boiardi 2020).

Among the diverse set of sustainable investment strategies, this dissertation focuses on impact investing, considered to be the most ambitious approach in terms of sustainability goals. Impact investing is a niche industry, but currently expanding across multiple sectors, such as agriculture, healthcare or microfinance. Within this landscape, microfinance funds stand out as pioneers, and have helped shaped impact investing, before its concept was even formalized (Mackinnon and Narayanan 2021). In fact, according to Tameo’s annual report on Private Asset Impact Funds (PAIFs), in 2022, microfinance funds represented the highest transaction volume in the impact sector, with USD 5,188 million invested (Estoppey and Narayanan, 2023). Microfinance is a socio-economic instrument, dedicated to poor individuals trapped in the vicious circle of poverty, i.e. no education, no employment, no sources of income, etc. and without collaterals. The main financial instrument used in microfinance are micro loans, but there exist others such as microinsurance. Microfinance aims at breaking the cycle of poverty

by enabling poor individuals to establish income-generating activities and therefore fostering access to essentials like nutrition, healthcare, and education (DiLeo and FitzHerbert 2007). Until now, there has been a strong debate in the microfinance literature on assessing whether microfinance has a positive impact on its end-clients (Duvendack et al. 2011; Goldberg 2005; Hermes and Lensink 2011; Kondo et al. 2008; Nawaz 2010; Rahman et al. 2015; Stewart et al. 2010). However, the literature on microfinance funds remains limited. Existing studies on microfinance funds are primarily descriptive and examine microfinance funds' characteristics, financial performance, and market impact (Abrams and Ivatury 2005; DiLeo and FitzHerbert 2007; Dominicé 2012; Reille and Forster 2008; Urgeghe 2010; Goodman 2004; Goodman 2005). Thus, a critical dimension of microfinance investments has remained largely unexplored: the lack of harmonization in IME and impact reporting practices of microfinance funds. These funds play a pivotal role in channeling investor capital to MFIs, in driving impact, in responding to the global challenge of sustainable development, and consequently in being accountable for this. Therefore, the research questions addressed in this dissertation ask: to what extent are IME practices of microfinance funds harmonized? What patterns of alignment and evidence emerge in the impact reporting practices of microfinance funds, and what do they reveal about the state of harmonization in the microfinance investment sector? Harmonization matters because it enables meaningful comparison across microfinance funds and reinforces the accountability of investment managers for the impact they claim to generate. By establishing a shared language and consistent expectations, harmonized IME and impact reporting practices also create the conditions for sector-wide learning, thereby supporting continuous improvement in how impact is measured, managed, reported, and communicated. In this sense, one could reasonably expect that effective IME, where investment managers are held accountable and where lessons can be systematically drawn, requires a certain degree of convergence in practices so that comparison can be made and conclusions drawn.

By addressing these questions, this dissertation seeks to fill a gap in the microfinance literature by exploring microfinance funds' intermediary role between investors and MFIs, as well as their influence over how funds are allocated for impact (OECD 2015). It also aims to shed light on how financial actors in the impact investing sector navigate the challenges of IME and the ways in which they are held accountable for their investment activities. These questions are particularly urgent at a time when progress toward the SDGs appears increasingly unlikely to be achieved by 2030, underscoring the need for more transparent, comparable, and credible approaches to understanding impact.

To answer these research questions, this dissertation is structured as an article-based dissertation, composed of five chapters. The first chapter introduces the topic of the dissertation, and presents the literature review, analytical framework, and methodologies. The second chapter develops the conceptual and methodological approach, by unpacking the key concepts and terminologies used throughout this dissertation. The third chapter, published in 2024 as an article in the journal *Regions & Cohesion*, analyzes the level of harmonization in the IME practices of microfinance funds and their role in deciding what and how to measure. The fourth chapter, an article which will be submitted for publication shortly, explores the level of harmonization of impact reporting practices, by delving into the impact reports of microfinance funds. Finally, the fifth chapter presents the overall conclusions drawn. This article-based format was chosen as it allows the research to be peer-reviewed throughout the writing process and evolution of the dissertation, thus providing valuable external insights, which have strengthened the analytical depth. Moreover, the article-based format enhances accessibility for practitioners, who will more easily read academic articles than an academic book. Considering the article-based approach of this dissertation, there are repetitions of literature reviews, methodologies, and limitations in the different chapters. Therefore, limitations will not be reiterated in the conclusion.

2. Literature Review

In 2018, the European Commission launched its Action Plan on financing sustainable growth, which aims to further connect sustainability and finance thanks to a comprehensive strategy. In this context, the EU has developed regulations and directives driving notably the financial sector to incorporate sustainability considerations into their decisions. The introduction of formal regulations has shaken the microfinance investment sector, which has traditionally been governed by its informal institutions, i.e. principles and declaration defining best market practices for the sector, including for IME and impact reporting. This has created increased scrutiny on sustainability objectives and impact for financial instruments. As microfinance belongs to the impact investing sector, expectations in terms of impact are even higher. This dissertation engages impact by looking at the level of harmonization of IME and impact reporting in the microfinance investment sector. This dissertation is salient as it takes place at a turning point for the microfinance investment sector, which needs to adapt and keep its competitive advantage, compared to other mainstream investment managers now looking at sustainable investments too.

2.1.Rethinking development: growth, sustainability and institutions

2.1.1. From economic growth to inclusive growth

In the 1980s-1990s, the neo-liberal capitalist paradigm became predominant in the field of development. It holds that, through efficiency and further economic growth, poor individuals can lift themselves out of poverty. However, this approach clearly underestimates the power of politics and the interdisciplinarity of development (Gupta et al. 2015). Although economic growth is a necessary pre-requisite to achieve development, the latter alone does not appear sufficient. Many developing countries can experience strong economic growth and still face other development challenges. Indeed, economic growth does not allocate itself equally

between inhabitants and can often lead to growing inequalities. Questions on the relationship between growth and inequality have been researched by many scholars and some argue that, in case of increasing or high inequalities, growth is less likely to last (de Haan 2015; Piketty 2014; Wilkinson 2010). Moreover, poor individuals often lack necessary skills to be part of and benefit from economic growth, as ownership rights are concentrated, and natural resources are increasingly privatized by wealthier individuals. The market alone is unable to answer to questions of social justice and public goods for instance (*Ibid.*). Thus, institutions become central in ensuring not only an economic growth, but an inclusive growth, i.e. enabling individuals from different groups in terms of gender, ethnicity, and religion and across sectors, such as the manufacturing industry, services, and agriculture, to both contribute and benefit from economic growth. The idea is to include the poorest in the process to avoid inequalities (de Haan 2015; Corrado and Corrado 2017).

In his work, Khan (2006) emphasizes that no developing country has ever first achieved economic take-off by implementing institutions and good governance. There seems to be a two-stage process. First, informal institutions appear as the most efficient growth accelerator, which, second, need to be completed by open and formal institutions, with laws and regulations, to maintain this economic growth (Evans 1995). North (1990) notably focuses on the relationship between growth and governance, and claims that development can only be achieved if certain pre-conditions of governance are first carried out (Burnside and Dollar 2000). Acemoglu (2012) underlines that inclusive institutions are required to ensure economic transformation. However, despite the growing evidence that there is a virtuous circle between institutions and inclusive growth, there are neither simple nor one-size-fits-all lessons (Hickey et al. 2015).

Taken together these debates on economic and inclusive growth reveal both the importance and the limitations of growth-centered approaches for understanding development.

This dissertation recognizes the need to adopt broader frameworks that consider the interdependence of economic, social, and environmental dimensions. Indeed, while inclusive growth addresses questions of equity and participation, it does not fully capture the ecological boundaries within which development must occur. In this context, the concept of sustainable development emerged as a response to the pressing need for a more integrated approach, one that recognizes the finite nature of natural resources and the necessity of intergenerational equity. The following section examines the rise of sustainable development as a guiding paradigm.

2.1.2. Institutions as a pillar of sustainable development

While the concept of inclusive growth expands the focus of development beyond aggregate economic performance, it does not fully capture the interconnected social, environmental and governance dynamics that shape long-term development trajectories. Thus, the notion of sustainable development has been defined in 1987 with the so-called Brundtland report as to “meet the needs of the present without compromising the ability of future generations to meet their own needs” (World Commission on Environment and Development 1987). Scholars and policymakers advanced the notion of sustainability by emphasizing that it must be compatible with social equity, economic growth and ecological resilience, as illustrated in figure one below.

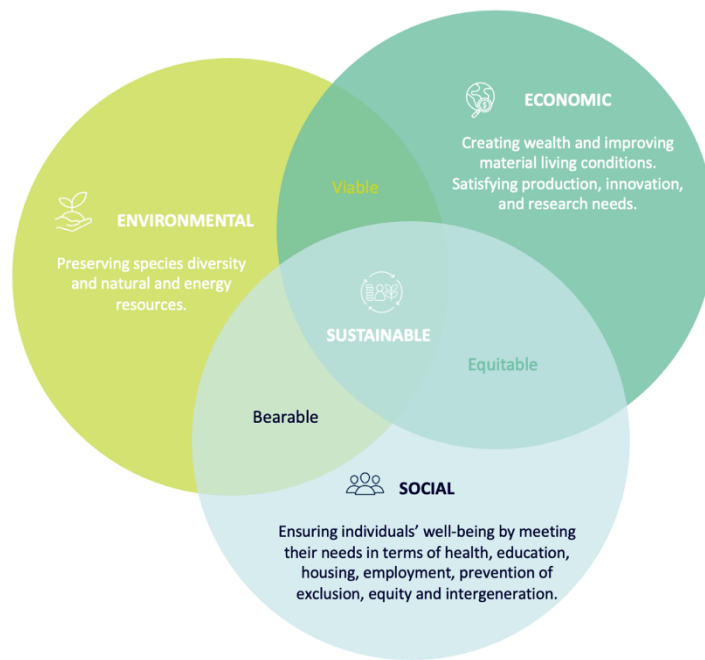


Figure 1 The three pillars of sustainability

Thus, sustainable development shifts the analytical lens from growth alone to the broader conditions that allow development to be maintained and shared over time. In fact, the concept of sustainable development became more practicable throughout the years and especially in 2015 with the establishment of the Agenda 2030, and its seventeen SDGs (see appendix one), with specific targets for each goal. The SDGs offer an inclusive approach by proposing a universal framework which goes beyond traditional linear development relations, by fostering partnerships between various actors and interconnectedness between the different goals (Koff 2021). Their design reflects the understanding that progress in one domain, such as poverty or hunger, cannot be achieved in isolation from others such as sanitation or education to name a few examples.

While the SDGs offer a unifying and ambitious agenda for global development, their breadth and universal scope can sometimes obscure the nuanced, context-specific needs of particular sectors or instruments, such as microfinance. In fact, the targets and indicators developed for

each of the seventeen goals are appropriate for macro actors, especially at state level. The comprehensive nature of the goals, although necessary at the macro level, makes it difficult to assess the contributions of individual interventions or actors in a meaningful and comparable way. This challenge underscores a broader tension between global frameworks, which aim for universal applicability, and the practical need for analytical tools that can meaningfully capture development dynamics at the sectoral or organizational level.

Apart from providing a global transformative framework, the SDGs do not in themselves explain the mechanisms that enable or constraint progress toward sustainable development outcomes. Among these mechanisms, institutions play a central yet often underappreciated role. They shape the rules, behaviors, and structures within which sustainable development unfolds. The dissertation aims to contribute to the appreciation of the role of institutions in ensuring sustainable development.

At this stage of the dissertation, it is worth asking whether sustainable development would be possible without institutions. Institutions consist both of formal institutions, i.e. formal written rules such as the law, and informal institutions, i.e. informal unwritten rules such as norms, code of behaviour and customs, all defining the “rules of the game in a society” (North 1990). Depending on how well established a political and judicial system is, formal rules can change overnight, whereas informal constraints are much “stickier” as they are embodied in long-standing traditions and code of conducts, which are part of the culture. Both, formal and informal institutions, can be seen as constraints and opportunities shaping human interactions (*Ibid.*). Different strands of institutional theory (historical, sociological, and rational choice institutionalism) underscore how institutions are shaped by historical legacies, social structures, and strategic behaviors (Koelble 1995; Powell 1991; Finnemore 1996; Hall and Taylor 1996). These theories highlight that institutional configurations are not static nor neutral, but rather

contextually embedded and socially constructed. As de Haan (2015) notes, institutions mediate both political forces and outcomes for individuals, making them crucial intermediaries in the development process.

With the rise of globalization, the role of the state as the traditional institution, especially for international development, has diminished. NGOs are now recognized as doing an enormous job and the efficiency of the private sector is also often appreciated. These shifts call for renewed attention to the ways in which institutions affect development decisions, with concrete implications for individuals, businesses, and civil society (Hickey et al. 2015). In this context, examining how development actors, including private investors, interpret and operationalize sustainability becomes increasingly relevant. This dissertation contributes to this debate by exploring how sustainable development is shaped through the institutionalization of practices within the private sector, particularly within microfinance investments.

Against this backdrop, this dissertation adopts an expanded understanding of sustainable development that incorporates an institutional pillar alongside the economic, social, and environment dimensions as illustrated below in figure two.

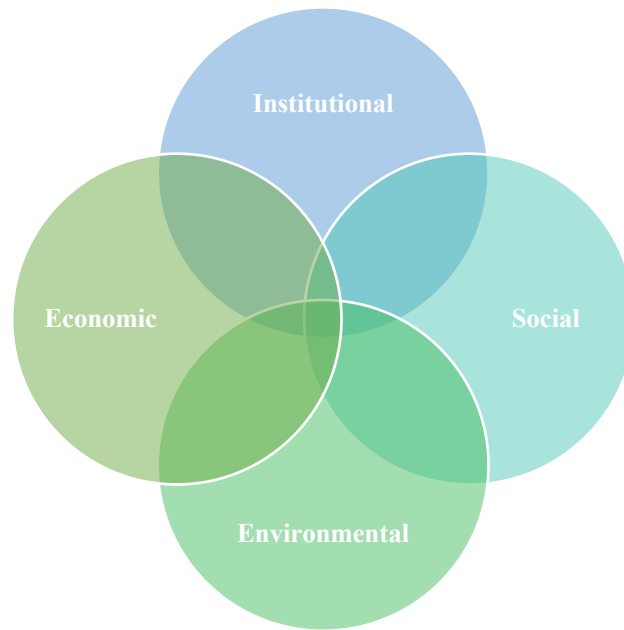


Figure 2 The four pillars of development

Recognizing institutions as a fourth pillar underscores that development outcomes depend not only on policy objectives or resources inputs, but also on the governance arrangements and institutional environments that shape how development is organized and directed. This perspective is particularly relevant for understanding how organizations interpret sustainability in practice. It provides a foundation for examining how actors, such as microfinance funds, construct, interpret, and implement IME and impact reporting practices within broader institutional settings. It also helps explain why the institutionalization of such practices, and the extent to which they converge or diverge, matters for the harmonization of impact within the microfinance investment sector.

Taken together, these reflections on development paradigms underline that achieving sustainable development requires not only multidimensional goals but also robust institutional arrangements capable of translating these goals into practice. Yet institutions alone cannot secure such transformations without the financial resources and investment strategies needed to support them. This raises important questions about how sustainability is financed, which

mechanisms and actors drive these flows, and how financial institutions operationalize sustainability in their activities. The next section therefore turns to the emergence and evolution of sustainable finance and impact investing, examining how financial actors contribute to, interpret, and shape the pursuit of sustainable development.

2.2. Financing sustainability in the 21st Century: shifting paradigms and practices

The challenge of financing development is not new. Originally, national governments of developed countries were the main actors supporting financially developing countries in overcoming development challenges. However, public support for development proved insufficient and not always effective. Thus, new approaches emerged to overcome the lack of financing for sustainable development at every scale.

2.2.1. International cooperation: private financing to the rescue of public financing

Following World War II, major international organizations were created to improve international governance for reconstruction and development. In 1944 and 1945 the World Bank (WB) and the International Monetary Fund were respectively founded. In 1961, the OECD was constituted, followed by the emergence of multilateral development banks worldwide such as the African Development Bank (1964), the Asian Development Bank (1966) and the European Bank for Reconstruction and Development (1991).

Throughout the years, the notion of development has evolved. At first, development focused mainly on promoting economic growth, as above explained. In the 1960s, the WB and the UN emphasized the financing of Basic Needs, such as health care, access to clean water or education, but this proved to be expensive and not so successful (Woodworth 2000). For a long time, development aid was mainly conducted through multilateral and bilateral agreements

between major international organizations and governments from both developed and developing countries. The traditional North/South approach was the norm for development cooperation. Development aid was mainly measured in terms of Official Development Assistance (ODA), which refers to official governments' aid to support the economic development and welfare of developing countries. According to the OECD, in 2020, ODA from the Development Assistance Committee (DAC)'s countries amounted to 0.32 % of Gross National Income (GNI), which is the highest percentage reached, as in 2005 and 2016.¹ Although the total amount of ODA has increased, this is not the case if measured in percentage of the GNI. Indeed, this is still far from the commitment made by many developed countries to reach the target of 0.7% of GNI for ODA, including 0.15-0.2% to the least developed countries (UN 2015), which has first been adopted, more than half a century ago in 1970, as part of a resolution at the UN General Assembly.

In the last decade, rising public debt and fiscal constraints in many developed countries have further reduced their capacity to increase ODA, making the achievement of the 0.7% targets increasingly unlikely. As a result, the traditional approach to financing development has been criticized (OECD 2018; Krahn 2022), prompting new initiatives . In 2002, the First International Conference on Financing for Development was held in Monterrey, Mexico, followed by meetings in Doha (2008), Addis Ababa (2015) and Seville (2025). These conferences reflect the growing and international recognition of the challenges to financing development. With the adoption of the Agenda 2030, especially SDG 17 on partnerships, the focus shifted toward creating synergies between public and private actors, civil society, researchers, philanthropists and foundations. This new approach notably enables institutions to

¹ <https://data.oecd.org/oda/net-oda.htm> (Last accessed on 28th November 2021)

further mobilize financial and technical resources for development finance, while involving a greater range of actors (UN 2015a).

On July 27th, 2015, a resolution has been adopted at the UN General Assembly which published the Addis Ababa Action Agenda (AAAA) of the Third International Conference on Financing for Development. Countries agreed on a global framework aligning all financing flows and policies with social, environmental and economic priorities, the three pillars of “sustainability” (see figure one above), in line with the Agenda 2030 for sustainable development. The AAAA advances the need to set up “integrated national financing frameworks” and strategies to finance economic development transition (UN 2015a). Among the many diverse points addressed in the AAAA, one key takeaway is the acknowledgement of the private sector as a driver of productivity and innovation, which is invited to engage in the process of sustainability. The agenda notably points out a financing gap for key sustainable development sectors, which are often bypassed by international capital flows. In this regard, the AAAA calls for the need to set up enabling domestic and international conditions, including rules and standards, promoting sustainable and inclusive investments from the private sector (*Ibid.*). The UNDP (2016) even highlights that the highest share of financing for the SDGs will come from private sources.

While financing for sustainable development was traditionally a public sector responsibility, international agendas now underscore the essential role of private actors. This shift reflects both a practical necessity, given the persistent shortfall of public funds, and a broader thinking of development as a shared responsibility across sectors. Development finance is increasingly shaped by complex institutional environments where public and private actors interact. For this dissertation, this shift is particularly relevant, as microfinance funds operate at the intersection of private capital and development objectives. They must align with emerging

global norms of sustainability while demonstrating their contribution through IME and impact reporting. This reconfiguration of development financing has led to the emergence of sustainable finance as a new paradigm in global markets. The next section examines the rise and characteristics of sustainable finance and impact investing and situates microfinance funds within this broader transformation.

2.2.2. Sustainable finance: exploring a new paradigm

Sustainable finance has emerged in response to the limitations of the traditional financial model, which has historically prioritized short-term returns and the maximization of shareholder value, often at the expense of broader sustainability concerns (Fatemi and Fooladi 2013). In contrast to traditional finance, sustainable finance refers to financial decision-making that incorporates not only risk and return considerations, but also ESG dimensions (Zairis et al. 2024), such as reducing greenhouse gas emissions, protecting human rights, or promoting corporate governance standards that foster transparency and prevent corruption.

While the origins of sustainability-oriented finance can be traced back to ethical investment movements of the 1960s, the institutionalization of sustainable finance as a field occurred more decisively in the 2000s, with global integration accelerating during the 2010s. This transition marked a paradigmatic shift toward a longer-term perspective in finance, one that seeks to address structural challenges such as climate change and social inequality (Busch, Bauer, and Orlitzky 2016). Importantly, sustainability has increasingly shifted from being perceived as an aspirational goal to becoming a structural variable that directly influences financial actors' strategies, risk management practices, and accountability expectations.

Alongside the growing integration of ESG considerations with traditional financial objectives, a notable challenge persists: the absence of a shared conceptual framework and consistent

terminology. This has given rise to a proliferation of overlapping terms such as “ethical,” “responsible,” “ESG,” and “sustainable” finance (Cadman 2011). Considering this conceptual ambiguity, this dissertation adopts a pragmatic position, where sustainable finance is understood as an umbrella concept encompassing all financial activities, whether in banking, insurance, or investment, that aim to support sustainable development (Cunha, Meira, and Orsato, 2021). However, the focus of this dissertation lies specifically on sustainable investments, which are considered as a subcategory of sustainable finance. Sustainable investments refer to the deliberate allocation of capital in ways that integrate long-term ESG criteria into investment decision-making, with the objective to contribute to sustainable development (Busch, Bauer, and Orlitzky 2016). This conceptual positioning serves a threefold purpose. First, it acknowledges that sustainable finance extends beyond investment activities and includes a wider range of financial instruments and actors contributing to sustainability goals. Second, it clarifies the scope of this dissertation, which is explicitly concerned with investment practices. Third, it highlights that the lack of conceptual clarity at the field level reflects a deeper institutional ambiguity, which subsequently manifests itself in the heterogeneity of IME and impact reporting practices among financial actors. This institutional ambiguity is precisely what creates the conditions for examining harmonization.

In both academic literature and regulatory frameworks, the distinction between sustainable finance and sustainable investment is frequently blurred. For example, in its report *ESG Investing: Practices, Progress and Challenges*, the OECD defines sustainable finance as “the process of considering environmental, social and governance factors when making investment decisions, leading to increased longer-term investments into sustainable economic activities and projects” (Boffo and Patalano 2020). Here, sustainable finance is effectively equated with sustainable investment. Similarly, the Regulation (EU) 2019/2088 of the European Parliament and of the Council, more commonly called the Sustainable Finance Disclosure Regulation

(SFDR), despite being framed as a regulation on “sustainable finance,” primarily targets investment firms and mandates transparency regarding the integration of sustainability factors in their investment processes. Given these inconsistencies, this dissertation does not engage in a conceptual debate over the definitions of sustainable finance and sustainable investment. Instead, it acknowledges the need for greater clarity in the field. Accordingly, when referring to initiatives or regulations described by key actors as pertaining to “sustainable finance,” this dissertation retains such terminology, even when those initiatives pertain specifically to sustainable investments. Nevertheless, the analytical focus throughout remains squarely on sustainable investments, as defined above.

Despite its growing relevance, sustainable investment still faces challenges. These include the need for clearer regulation, standardized terminology, and the development of financial instruments that address specific sustainability objectives, particularly in developing regions (UNDP 2016). Addressing these limitations is critical to fully harness the potential of investments in supporting a more sustainable future (Sommer 2020). One proposed originality of this dissertation lies precisely in its engagement with these timely questions: rather than treating sustainable finance as a settled field, it examines how emerging impact initiatives are interpreted and operationalized by financial actors, and how the institutionalization of IME and impact reporting shapes their contribution to sustainable development.

The next sections therefore explore the international and European frameworks that have emerged for sustainable finance, before examining concrete sustainable investing strategies and their application by financial actors. These elements are relevant for the microfinance sector, which forms part of the broader sustainable finance landscape. As sustainable finance gains increasing prominence on the international scene, microfinance funds operate within an institutional environment that is increasingly shaped by these frameworks,

even if the degree of their direct adoption or alignment remains an empirical question. Within this evolving landscape, the expectations set by these frameworks, regarding transparency, comparability, accountability and impact evidence, create external pressure and reference points that may influence how microfinance funds articulate, justify or adapt their own IME and impact reporting practices.

2.2.2.1. International initiatives structuring sustainable finance

On the international scene, the emergence and utilization of international initiatives for sustainable development have significantly influenced sustainable investors' practices, guiding them in the implementation of sustainability-related strategies. While the SDGs are the most influential framework, they are discussed in details in section 2.1.2. of this literature review. Here, the focus is on complementary international initiatives that shape sustainable investment practices, such as the Paris Agreement, the UN Principles for Responsible Investment (PRI), and the Task Force on Climate-related Financial Disclosures (TCFD). While there exist many initiatives, this dissertation only aims to give an idea of some of them which emerged most often through the researcher's professional experience. These initiatives serve as foundations to align investment activities with broader sustainability objectives and are briefly described below. This dissertation considers them not merely as sectoral references but as institutional mechanisms that influence the expectations, incentives, and reporting behaviors of financial actors, thereby shaping the broader environment in which microfinance funds operate.

The first framework is the Paris Agreement, adopted in 2015 under the UN Framework Convention on Climate Change, is a legally binding international treaty that aims to limit global warming to well below 2 degrees Celsius, with efforts to restrict the increase to 1.5 degrees Celsius. The agreement emphasizes the need for substantial financial flows to achieve these climate targets, thereby influencing the financial sector. Rydge (2020) discusses the methods

and metrics used to assess the alignment of financial flows with the Paris Agreement, highlighting the importance of portfolio allocation strategies and the integration of climate-related risks into financial decision-making. The Paris Agreement also encourages the mobilization of climate finance, particularly for developing nations, through mechanisms such as the Green Climate Fund, fostering a global transition to low-carbon and climate-resilient development pathways (Rogelj et al. 2016). In the context of this dissertation, the Paris Agreement exemplifies how international treaties increasingly guide financial actors in defining ambitions and strategies to meet these global engagements. They are used as a reference by financial actors to gain legitimacy in their approach. However, taking such engagement requires to be able to prove that the investments contribute to such ambitious goals and financials actors are free to define their own approach, creating different level playing fields.

The second framework identified is the UN PRI. Launched in 2006, the PRI provide a voluntary framework for investors to incorporate ESG factors into their investment decisions. Signatories commit to six principles, such as the integration of ESG issues in investment analysis and decision, the disclosure of ESG issues, or the reporting to name a few. By adopting the PRI, financial institutions demonstrate their commitment to responsible investment (PRI 2018). However, as only principles, they leave considerable discretion in implementation, limiting the consistency of practices across signatories. For instance, what constitutes “appropriate disclosure”, and “integration” or “reporting” of ESG can vary widely between financial actors. From the perspective of this dissertation, this discretionary nature raises important questions about comparability and harmonization, issues that are central to the analysis of IME and impact reporting.

The third farmwork is the TCFD, which was established by the Financial Stability Board in 2015 to develop guidelines for consistent climate-related financial risk disclosures. The UK

Government has called the TCFD recommendations, published in 2017, “one of the most effective frameworks for companies to analyze, understand, and ultimately disclose climate-related financial information” (Department for Business, Energy & Industrial Strategy 2021). Compared to other reporting frameworks, the TCFD emphasizes the integration of climate-related risks into risk management, control structures, and business strategies (Beyene, et al. 2022). More specifically, the TCFD’s recommendations focus on four main areas: Governance, Strategy, Risk Management and Metrics and Targets (Financial Stability Board 2017). The TCFD has been endorsed by over four thousands companies globally (Friederich et al. 2021), signaling how climate-related disclosures are becoming essential for informed investment decisions and accurate risk pricing, prompting investors to pressure companies for comprehensive reports (Krueger et al. 2020). Countries like the United Kingdom and Switzerland have even mandated TCFD reporting for large companies. Thus, the TCFD illustrates the growing formalization of sustainability-reporting and how a framework can evolve from a voluntary principle to a more standardized and sometimes mandatory expectation. However, its strong environmental focus also illustrates a mismatch between dominant global reporting frameworks and the social-impact orientation historically associated with microfinance.

While these international initiatives ground sustainability into financial actors’ practices, their voluntary nature limits their effectiveness due to the lack of enforceability and accountability. This may create situations where actors misestimate their sustainability-related actions, leading to a sense of so-called “greenwashing” (Pogge and Sengupta 2015). From an analytical standpoint, their influence lies in creating institutional pressures that shape expectations, language and accountability norms. These pressures contribute to the broader systemic context that motivates this dissertation’s focus on the harmonization of IME and impact reporting practices. Considering these limits and its ambition to become the worldwide

leader in sustainability, the EU has launched several sustainability-related initiatives that are becoming mandatory for actors with financial activities in the EU. The next section therefore turns to the emerging European regulatory framework, which marks a shift from soft international norms to binding obligations, thereby further shaping the institutional environment in which microfinance funds navigate to develop and implement their IME and impact reporting practices.

2.2.2.2. The European regulatory architecture for sustainable finance

The EU has undertaken comprehensive efforts to align its financial sector with its broader climate and environmental goals, laying the groundwork for sustainable finance across the continent. This initiative formally began with the European Commission's adoption of the Action Plan on Financing Sustainable Growth on March 8, 2018. The Action Plan is designed to equip the financial sector and companies with the necessary policy framework and tools to incorporate sustainability considerations into their investment and financing decisions (Claringbould et al. 2019). This action plan rests on three pillars:

1. "Reorienting capital flows towards sustainable development",
2. "Mainstreaming sustainability into risk management", and
3. "Fostering transparency and long-termism" (European Commission 2020).

In December 2019, the European Commission advanced its sustainability agenda by adopting the European Green Deal, a new growth strategy aimed at making the EU climate-neutral by 2050. The European Green Deal underscores the critical role of sustainable finance in achieving its policy objectives (European Commission 2023).

Within this emerging European framework several new regulations, directives and amendments to existing ones have been introduced to operationalize the EU's sustainability ambitions. One of the most significant is the SFDR, which entered into force in March 2021. The SFDR requires any actor claiming to pursue sustainability objectives to disclose those objectives clearly and to explain how they are defined, implemented, monitored, and ultimately assessed within their financial activities. While financial actors are free to choose their sustainability ambitions, the SFDR mandates standardized disclosure templates, thereby reducing information asymmetry and enhancing comparability (Claringbould et al. 2019). From the perspective of this dissertation, the SFDR marks an important shift toward mandatory sustainability reporting, setting institutional expectations that may indirectly influence microfinance funds, especially those based in the EU and under the scope of this regulation, through evolving norms of transparency and accountability.

A pivotal element of the EU's sustainability framework is the EU Taxonomy, a classification system adopted in July 2020. The Taxonomy is built around six environmental objectives, covering aspects such as climate change, circular economy, biodiversity, pollution, water marine resources (European Commission, n.d.). An economic activity is considered environmentally sustainable only if it meets three cumulative criteria. First, it must substantially contribute to at least one of the six environmental objectives. This substantial contribution is operationalized through technical screening criteria. Second, it must do no significant harm to any of the remaining environmental objectives defined by the EU Taxonomy. Third, it must comply with minimum safeguards, including internationally recognized social and labor standards. The latter two are also defined with specific criteria defined within the EU Taxonomy framework. As such, the Taxonomy serves two central functions: (1) providing a standardized understanding of what can be considered as a sustainable economic activity and (2) supplying the "common language" necessary to prevent practices such as greenwashing (Claringbould et

al. 2019). While the objectives are only environmental for the moment, a proposal for a social Taxonomy was put forward in 2022 by the Platform on Sustainable Finance, but it has not been translated into binding regulation yet, and does not appear, for the moment, on the European Commission's agenda (Platform on Sustainable Finance 2022). As such, social aspects are now addressed through minimum social safeguards but lack harmonized ambitious criteria.

Crucially, the EU's approach reflects a movement from voluntary principles toward binding regulatory requirements, signaling an institutional transformation that increasingly conditions how financial actors articulate their sustainability strategies and how they report their claims to investors. For this dissertation, these regulatory developments provide an important backdrop to understanding how microfinance funds, whether directly subject to these regulations or indirectly influenced through investor expectations, operate within a tightening institutional environment that prioritizes transparency, comparability, and standardization. In fact, at the time this dissertation is being written, the European Commission is revising the SFDR, with a new proposal published on November 20, 2025. This revision reflects a broader deregulatory trend in the EU's sustainability agenda, prompted by the challenges associated with the initial implementations of sustainable finance regulation. Financial actors reported that disclosure requirements were overly complex, burdensome, and difficult for investors to interpret and compare (European Commission 2025). Moreover, the level of regulatory complexity risks disadvantaging European financial products, compared to those from jurisdictions with lower reporting obligations. The new SFDR proposal aims therefore to simplify the level and length of disclosure requirements, clarify product categories, and improve the underlying terminology. This new proposal now needs to be discussed with the other EU institutions.

The development for sustainable finance at the international and European levels has been instrumental in guiding financial actors toward the integration of sustainability into their operations. Globally, frameworks such as the SDGs, the Paris Agreement, and the UN PRI have established essential guidelines that align financial activities with overarching sustainability objectives, thereby enhancing transparency, accountability, and risk management within the financial sector. However, these initiatives are foundational rather than prescriptive, and their effectiveness depends on how they are translated into concrete sustainable finance strategies. In parallel, the EU has implemented a regulatory framework, which aims to ensure that the financial system contributes effectively to sustainability and that financial actors can be held accountable for their activities. Yet regulations alone do not guarantee effective implementation: the practical application of these norms depends on how financial actors operationalize them. Moreover, the EU's ongoing revision of its regulatory framework, in particular the SFDR, underscores that institutionalization is not a linear or uncontested process. Instead, it reveals the practical challenges that arise when sustainability objectives are translated into binding rules, including issues of complexity, proportionality, administrative burden, and unintended market distortions. This dynamic is central for this dissertation: the evolution of sustainable finance practices creates a shifting institutional landscape within which microfinance funds must measure and report their impact. The fact that the EU is currently recalibrating its approach illustrates both the importance of institutionalization and the frictions inherent to this process. As a result, the strategic, measurement, and reporting choices of microfinance funds unfold within a multi-level regulatory and normative context that is itself evolving, which could explain ongoing divergences, partial harmonization and emerging systemic complexities.

2.2.2.3. Sustainable investment strategies and their operational limitations

As noted above, this dissertation focuses on sustainable investments. Within this broad category, it concentrates specifically on investment funds, referred to as “funds”, as the primary organizational set-up through which sustainable investments practices are examined. In simple words, investment funds are financial products in which investors pool their capital, and an investment manager oversees the allocation of this capital. For the purpose of this dissertation, an investment manager refers to the entity, typically a fund management company or asset management firm, responsible for designing the financial product, selecting and managing the underlying assets, implementing the chosen sustainability strategy and reporting performance to investors.

Considering the transparency requirements and investors’ willingness to increasingly understand sustainability-related aspects, investment managers need to master and clearly define the sustainable objectives and strategies of their financial products. When doing so, investment managers typically consider two components. First, they should clarify in their strategies the targeted social and/or environmental objectives, such as gender equality or climate change mitigation, often using the SDGs as a framework (Hand, Sunderji, and Pardo 2023). Second, they must also align their strategies with investors preferences, ensuring that selected assets and financial tools reflect these expectations (Cunha et al. 2021).

Investment managers can rely on a range of sustainable investment strategies. For analytical clarity, these strategies are represented in figure three below, with negative screening considered as the least ambitious strategy and impact investing as the most ambitious one.

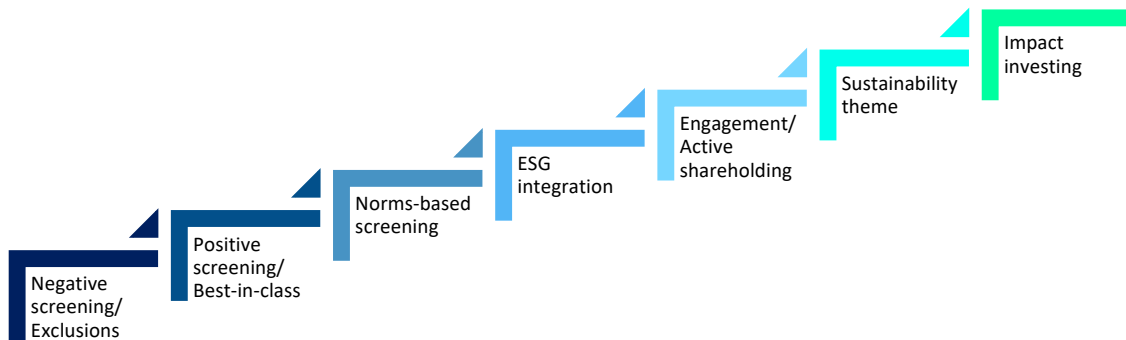


Figure 3 The different sustainable investment strategies (Eurosif 2018)

These investment strategies are not mutually exclusive and are briefly explained:

- Negative screening, also called exclusions, involves systematically omitting certain sectors, companies, or activities deemed incompatible with sustainability objectives.
- Positive screening, or best-in-class, prioritizes actors demonstrating superior ESG performance (Niemczyk 2024).
- Norms-based screening assesses compliance with internationally recognized standards and norms, particularly those established by global organizations like the UN and the International Labor Organization (Müller and Illarionova 2024).
- ESG integration incorporates ESG factors into a firm’s traditional financial analysis and investment decision-making process, without altering the investment universe (Cote 2022; Eurosif 2018).
- Engagement seeks to influence corporate behavior by encouraging companies to adopt more sustainable practices.
- Sustainability-themed investing concentrates on channeling capital towards companies or assets that specifically address key sustainability issues, such as clean energy or gender equality to name a few (Niemczyk 2024).

- Impact investing. explicitly aims for measurable positive outcomes alongside financial returns.

Across these strategies, a central issue emerges as investment managers retain considerable discretion in defining what constitutes a sustainable objective and how the latter are implemented. This discretion results in wide variation among financial products. Investment managers can combine strategies differently, prioritize certain ESG criteria, select distinct metrics, or rely on bespoke Key Performance Indicators (KPIs). Such flexibility generates innovation and diversity but also creates opacity and weak comparability across funds. This complexity is further compounded by the inherently interpretative nature of sustainability itself (Mitaine 2024). As a result, each investment manager may articulate and measure sustainability ambitions differently, making it difficult for investors to determine whether funds advertised as sustainable are indeed comparable, or even genuinely sustainable. From the perspective of this dissertation, this diversity of strategies and interpretations is not merely a methodological complication, it is an institutional condition that influences how harmonization, or the lack thereof, materializes in IME and impact reporting practices. In this sense, while everyone speaks about sustainability, they rely on different metrics, indicators and conceptualizations, which undermines comparability across financial products. This is precisely why more standardized approaches and clearer evidence are increasingly demanded by regulators, investors and civil society. The next section therefore examines the proliferation of impact initiatives and their operationalization.

2.2.2.4. Navigating impact initiatives: the utopia of comparison?

Whereas the former subsections examined the institutional architecture that structures sustainable finance, the present subsection highlights investment managers as the key agents responsible for giving operational meaning to these institutional expectations.

In the last decade, a large number of impact initiatives, i.e. frameworks, principles, standards, methodologies, indicators, have mushroomed (Shinwell and Shamir 2018). They aim to help investment managers define, implement, measure, and report sustainability objectives, but they address different steps of the process. Principles articulate shared values, frameworks offer structural guidance, methodologies specify how to operationalize these principles, standards represent commonly accepted best practices, and indicators provide quantitative or qualitative measures to track progress (Boiardi 2020). As impact initiatives emerged rapidly in the last decade, it has created a feeling of a crowded space, where actors struggle to determine which initiative applies to which purpose. Moreover, the multiplicity of initiatives, combined with divergent interpretations of sustainability terminology, makes the field difficult to navigate (Popescu, Hitaj, and Benetto 2021).

Figure four below offers an indicative overview of impact initiatives used for social impact investments across global, corporate, and sector levels.

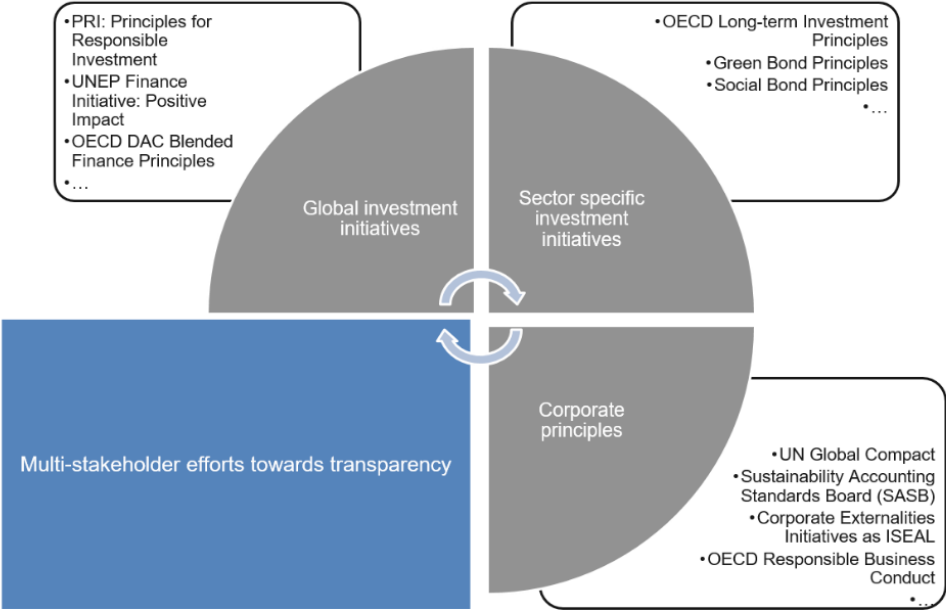


Figure 4 Indicative spectrum of existing principles for social impact investment (OECD 2019:

Within this illustrative figure, the initiatives used are mainly principles, standards and frameworks, representing what investment managers aim to support throughout their investment activities. However, the initiatives looking at how and what impact is achieved are rarer. Indeed, despite the proliferation of initiatives and the willingness of stakeholders to move towards transparency, there is still very little evidence of what has been achieved. This reflects two persistent challenges: (1) the scarcity of reliable data to measure ESG outcomes, and (2) the absence of harmonized methodologies to assess sustainability results (UN 2020). Consequently, current practices provide limited evidence of actual sustainability outcomes, contributing to concerns about impact washing (Boiardi 2020).

At first sight, one could reasonably expect that investment managers desire common methodologies and metrics for their sustainability objectives, like financial reporting practices. Yet the sustainability field reveals a paradox: while common standards would facilitate comparison, differentiation in sustainability strategies often serves as a comparative advantage. Investment managers can shape their sustainability identity through bespoke methodologies, unique ESG scoring systems, or thematic priorities. From the perspective of this dissertation, this diversity underscores why harmonization remains challenging: even when investment managers operate under similar institutional expectations, their interpretations and operationalization of sustainability can vary significantly. This variation is central to understanding the fragmented landscape in which IME and impact reporting practices in microfinance investments develop.

Taken together, the diversity of initiatives and the discretion left to investment managers illustrate the broader institutional complexity that characterizes the sustainable finance landscape. This complexity is particularly pronounced in the domain of impact investing, where financial actors do not merely integrate ESG considerations but explicitly commit to generating

measurable social and/or environmental impact. As such, impact investing represents both the most ambitious and the most demanding end of the sustainable investment strategies spectrum. It requires clarity of objectives, credible measurement systems, and consistent reporting practices, elements that are central to the harmonization challenges analyzed in this dissertation. The next section therefore turns to the sector of impact investing, examining its market potential as well as the longstanding methodological and operational hurdles associated with measuring impact. This provides an essential foundation for understanding how microfinance funds position themselves within the broader impact investing landscape and how their IME and impact reporting practices emerge within this complex institutional environment.

2.2.3. Impact investing unveiled: market potential and measurement hurdles

2.2.3.1. What is impact investing?

The term impact investing has first been used in 2008 by the Rockefeller Foundation during a conversation on how capital shall be used differently following the financial crisis (Dallmann 2018). Impact investing is defined by the GIIN as “investments made with the intention to generate positive measurable social and environmental impacts alongside a financial return” (GIIN, n.d.-b). It distinguishes itself from traditional investing by its clear intention to generate a positive impact, i.e. going beyond the basic principle of “do no harm”, while achieving financial returns. As illustrated in figure five below, the Rockefeller Foundation defines impact investing as the reunion of two disciplines: philanthropy and traditional investing, with the former championing non financial returns and the latter financial gains.

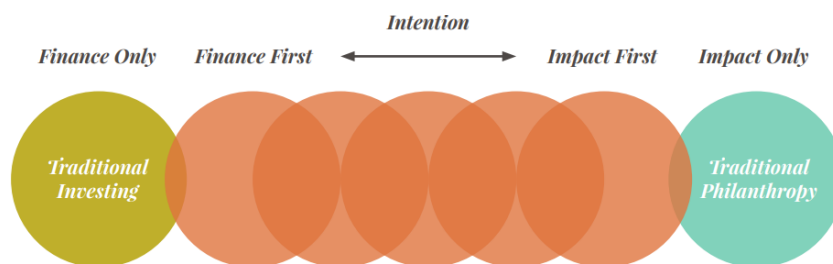


Figure 5 Impact investing: the reunion of traditional philanthropy and traditional investing
(Rockefeller Foundation, n.d.)

This dissertation recognizes the difference between impact investing, understood as an investment strategy that seeks to generate positive measurable social and/or environmental impacts alongside financial returns, and impact investment, which refers to a specific investment made according to this strategy. The two terms are related, and both will be used for the purpose of this dissertation.

Originally, investments operated only according to the traditional investing theory, where financial returns are the means to reach the end goal, i.e. consumption. As defined by economists the utility or the benefit stems from consumption, which makes financial returns fungible (Godeke and Briaud n.d.). In a practical example, this means that an investment in an oil refinery or an investment in a wind farm, assuming the risk-adjusted financial returns are equal, would generate the same utility. Table one below summarizes the distinctions between traditional investing and impact investing:

	Traditional Investing	Impact Investing
Utility/ Benefit	Utility/benefit comes from consumption not investment	Investor's utility/benefit depends on the environmental/social impact of the investment
Fungibility	Investments fungible across investors	Impact investments not fungible across investors

Deployment	Investments primarily deployed based on risk and return	Investments deployed with additional consideration of environmental and social benefits
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Table 1 Main characteristics distinguishing traditional and impact investing (Godeke and Briaud n.d: 28)

By blending financial returns with intentional social impact, impact investing offers a new model of capital allocation designed to address global challenges at scale (O’Donohoe et al. 2010). Including impact into traditional investment makes the transferability and comparability of investment, and impact, more difficult. In other words, impact investment has a dual objective, which is to generate both utility and impact for the society and/ or the environment, which is independent from financial returns (*Ibid.*). At first sight, impact simply appears as an additional dimension to be optimized as part of the traditional financial risk/return relationship. However, impact may not necessarily be directly correlated to return and risk, and may occur independently (*Ibid.*).

2.2.3.2. Market size and characteristics

Over the past decade, the impact investing industry has experienced a sharp momentum and one fundamental data point to capture its evolution is the current market size. While an accurate capture of the market size is highly demanded, notably to compare across various dimensions, a well-defined estimate does not exist yet. Differences in market size stem from the different approaches in terms of definitions in reporting and consequently in measurement. Godeke and Briaud (n.d.) report that the estimation of the market size ranges from USD 500 billion to USD 12 trillion. For instance, the figure of USD 12 trillion includes assets of a pension fund which focuses only a minor part of its activity to ESG factors. On the contrary, the second

figure of USD 500 billion comes from the GIIN, which uses a stricter definition and relies on aggregated AUM to measure the size of the market. In 2019 and 2020, the GIIN has estimated the impact investing market size respectively at USD 502 billion AUM (Mudaliar & Dithrich 2019) and USD 715 billion AUM (Hand *et al.*, 2020), representing a growth of 42.4% for the market in one year. In 2021 and 2023, the GIIN's estimations for the impact investing market size were respectively at USD 1.164 trillion and USD 1.571 trillion (Hand *et al.* 2022; 2024). Surpassing the USD 1 trillion, and keeping this constant growth, represents an important milestone for the sector and showed its attractiveness since the term was first coined fifteen years ago (Estoppey and Narayanan 2023).

In terms of future growth, and as illustrated below in figure six, the GIIN has gathered practitioners' beliefs and communicates that a clear majority of respondents (69%) foresees a steady growth of the impact investing market and barely any, if none, respondents view the market as either declining, mature, or saturated. While these numbers translate the growing size of the market, it does not showcase whether the social and environmental impacts are also growing at the same steady pace than the AUM. This dissertation aims to contribute to the literature and to understand if the current IME and impact reporting practices enable to answer to this crucial question. Indeed, beyond accountability to the end-investors, there is also the need to find investment solutions answering to the need for sustainable development, a structural and societal challenge.

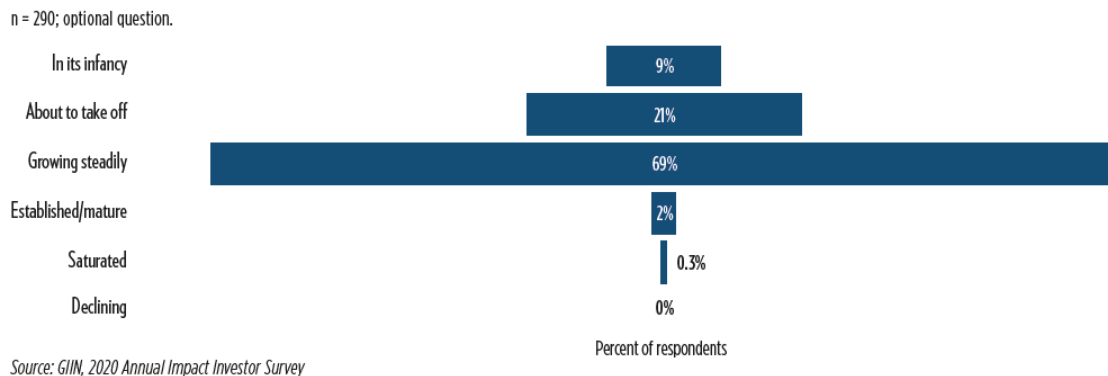


Figure 6 Views of respondents on the evolution of the impact investing industry (Hand et al.

2020: 7)

Beyond its size, the impact investing market is also characterized by the following aspects:

- 1. Asset owner/intermediary:** They refer to the individuals holding the assets such as savings, capital etc. In the case of intermediary, they are the actors between the capital owner and the investee. Examples are investment managers, foundations, development finance institutions (DFIs), pension funds, insurance companies, etc. (Godeke and Briaud, n.d.).

From the sample of 1,728 organizations in the GIIN's annual report, 1,200 are asset managers (70%), also called "investment managers" for the purpose of this dissertation. In terms of AUM, asset managers account for just over half of the industry (54%), while DFIs represent 3% of the actors but 36% of the total AUM (Hand et al. 2020). Thus, investment managers are the main actors in number and in AUM. These figures also show that many impact investors choose to channel their capital via specialized investment managers, but also that organizations' portfolio highly vary in size and by actor.

- 2. Asset class:** the main element of any portfolio is the asset class, i.e. the type of financial instrument used. Examples are private debt, private equity, publicly traded debt, real asset, public equity, etc.

Every asset class is categorized by unique risk/return characteristics. The two major asset classes are debt and equity. In the first case, debt investors are creditors. In the case of equity, investors have an ownership share. Debt is also called fixed-income as the lender is paid a fixed interest rate, whereas equity investors can either receive dividends or realize a return from their equity share (Godeke and Briaud n.d.). Another means of distinction is the level of asset liquidity: from illiquid assets with higher risk/return such as real assets to very liquid ones with lower risk/return such as cash (*Ibid.*). These instruments can either be public or private and depending on the strategic goal, investment managers with an impact investment strategy can choose to target a different range of financial returns (Mudaliar & Dithrich 2019).

In its annual report, the GIIN gathers trends on asset classes in the impact investing industry. They analyze how capital is invested and the number of investments made by asset class. Private debt represents by far the highest percentage of investments made (61%) and the highest percentage of capital invested (37%) as well. Publicly traded debt comes second, accounting for nearly a quarter of the total volume of capital invested (24%) and for 16% of transactions. Finally, private equity comprises 11% of investments and 16% of capital invested. Further details can be found in appendix two.

- 3. Market:** impact investment can take place in both Emerging Markets (EM) and Developed Markets (DM), which offer different infrastructures and dynamics for investors.

Compared to DM, EM are portrayed by higher risks, possibly higher returns, and above all by higher levels of volatility. EM often offer good growth prospects. Unlike DM, EM experience a dynamic of transition in economic, political, demographic, and social dimensions. Due to these characteristics, policymaking is more difficult in EM than in DM, whereas long-term investments call for stability and predictability. One major final difference between the two markets is that DM can rely on institutions providing the necessary commitment to prudent policies, facilitating attractive conditions for investors, whereas this is more unusual in EM (Mody 2004).

4. Primary impact sector: impact investments are distinguished by their focus, also called “impact sector” or “primary impact sector”. Such sectors are for instance microfinance, also called inclusive finance, agriculture, energy, health, education, water & sanitation, climate, etc. (Hand et al. 2020; Estoppey and Narayanan 2023). In Tameo’s annual report on Private Assets Impact Fund (PAIFs), microfinance funds are on average larger than their counterparts. In fact, the microfinance sector still accounts for just over half (51%) of the total outstanding impact portfolio (Estoppey and Narayanan 2023).

While impact investing remains a niche within the broader field of sustainable investing, it is also a rapidly expanding and heterogenous domain, encompassing a wide range of characteristics. Covering the entire impact investing sector would exceed the scope and purpose of this dissertation. For this reason, this dissertation focuses specifically on microfinance investments in EM, examining primarily investment funds operating through private debt instruments. Several considerations guided this decision. First as noted earlier, the GIIN reports that investment managers represent more than half of the impact investing sector. These investment managers typically oversee portfolios structured through financial products, most commonly in investment funds, which in turn rely on specific asset classes. Private debt is the

most widely used asset class in impact investing, particularly in microfinance, making it the most representative for this dissertation. Second, investments in EM are more challenging, considering their characteristics, but as this part of the world is also in greater difficulty to cope with sustainable challenges, the focus is on these markets. Finally, microfinance investments constitute the most established and largest segment of the impact investing landscape. Therefore, they can offer both rich empirical material and greater representativeness for the impact investing market.

Considering these elements, the focus of this dissertation has been refined. The following subsection elaborates on the challenges and opportunities of the impact investing market, especially by looking at the singularity of this sector, which is to have a positive impact.

2.2.3.3. Navigating the opportunities and challenges for impact investing

Impact managers are universally driven by the objective of having a positive impact, which consequently makes Impact Measurement and Management (IMM) crucial and strategic for their investment activities (Bass et al. 2020). This trend is heightened by the impact investors, who are increasingly eager to get insights into the impact performance of their investments (*Ibid.*). However, beyond these intentions of having both financial and sustainable returns, there are also practical challenges. The GIIN's annual report gathers respondents' (impact managers or alike) perceptions on the levels and types of remaining challenges for the impact investing market (Hand *et al.*, 2020). As illustrated in figure seven below, practitioners have identified "Appropriate capital across the risk/return spectrum", "Sophistications of Impact Measurement and Management practice" and "Suitable exit options" as the three significant remaining challenges for the market.

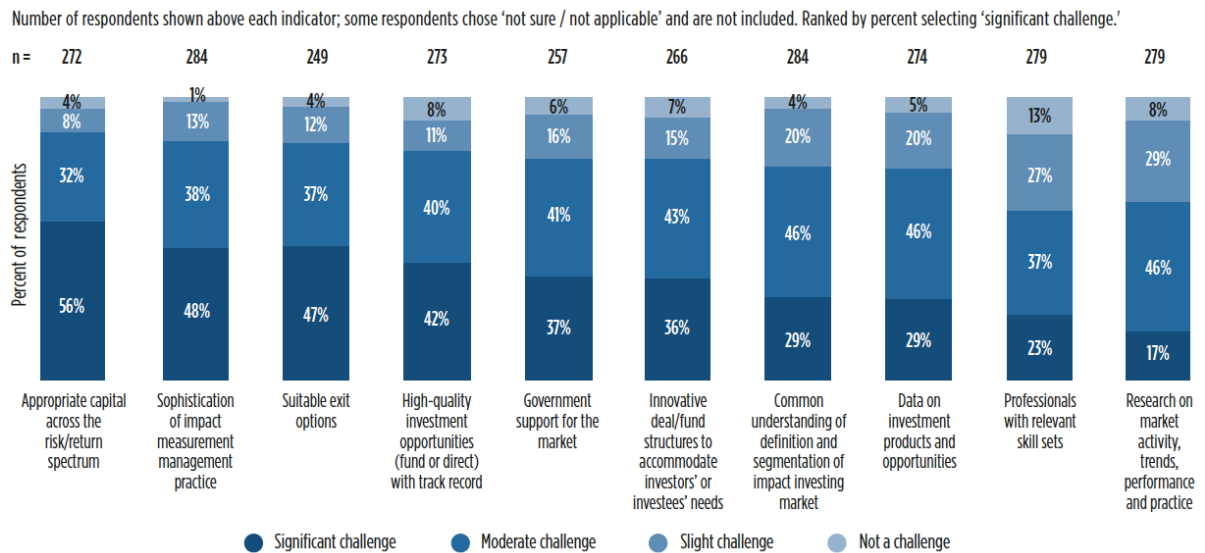
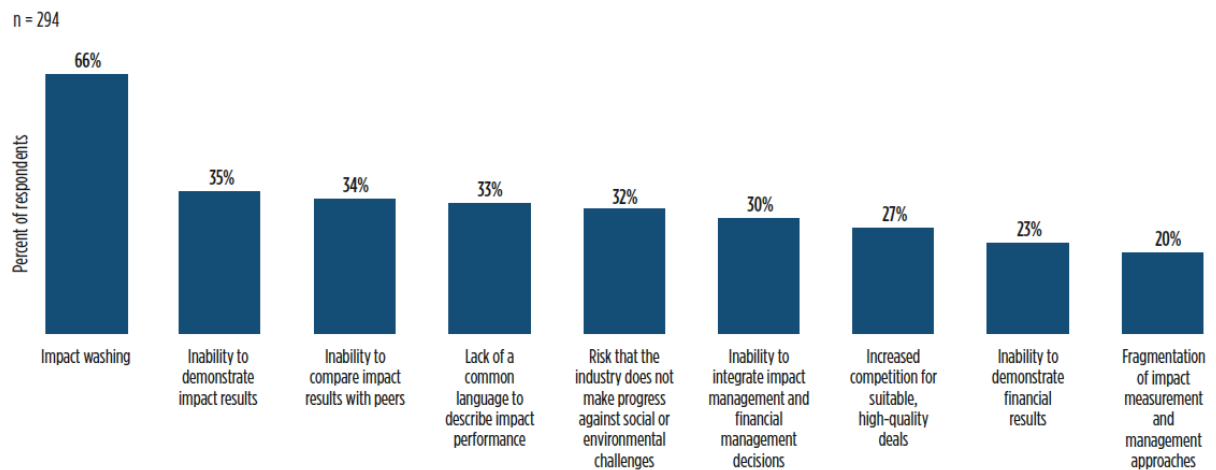


Figure 7 Remaining challenges for the market of impact investing (Hand et al. 2020)

Interestingly, “Sophistication of IMM practice” is not only reported as the second-greatest challenge, but also as the second-greatest area of significant progress. In the GIIN’s report, one respondent even specifies that IMM should be further sophisticated and explains that current IMM practices remain “insufficient ... to measure outcomes” although “great progress in the sophistication and standardization of impact measurement” has been made (Hand et al., 2020).

The GIIN’s research team has also captured the most urging challenges for stakeholders in the next five years. Figure eight below illustrates the three greatest challenges identified, namely: (1) “Impact washing”, (2) “Inability to demonstrate impact results” and (3) “Inability to compare impact results with peers”.



Note: Each respondent selected three challenges. Indicators are ranked in order of the number of respondents that selected each as a challenge.
 Source: GIIN, 2020 Annual Impact Investor Survey

Figure 8 Greatest challenges facing the impact finance market for the next five years

(Hand et al. 2020: 9)

“Impact washing” is by far the most chosen answer with a result of 66%. There is also an increasing fear that terms like sustainable development, impact investing, inclusive finance, become only buzzwords rather than real practices. This analysis underpins the need for transparency and harmonization of practices so that impact results can be comparable and impact managers can be held accountable (Hand, Sunderji, and Pardo 2023).

In another report by the GIIN titled, *The State of Impact Measurement and Management Practices*, 74% of respondents indicate that they disclose their impact performance, most commonly through dedicated impact reports made available to stakeholders (Bass et al. 2020). In its annual report on PAIFs, Tameo highlights that 86% of the respondents actively engage in reporting ESG indicators to their investors (Estoppey and Narayanan 2023). While this shows a commitment towards transparency, another major challenge identified for the impact investing market is the “fragmentation of approaches to IMM”. In the report from the GIIN, 50% of the respondents identify the latter as a significant issue, and 9% actually indicate that this fragmentation has worsened over the past three years (Bass et al. 2020). Selecting the right

metrics to assess impact has traditionally been a challenge in the impact investing sector, largely due to the lack of cohesion among different IMM frameworks and systems (Hand, Sunderji, and Pardo 2023). In its annual report, Tameo also underpins that PAIFs have historically relied on internally developed tools and frameworks to manage and assess their impact performance (Estoppey and Narayanan 2023). In other words, although impact managers are tracking and reporting their own impact, the absence of a common approach to conduct IMM creates gaps in getting market-level insights and in comparing impact results.

Since the 2000s, the impact investing market has developed to address a niche between traditional finance and philanthropy. This market has diversified and evolved. Despite the desire to have a positive impact and the efforts made in terms of transparency, it is still not possible today to compare impact investments. Therefore, one could reasonably expect that the learning process and results-based management which could emerge from a reliable IME and impact reporting are limited, which *in fine* hampers transparency, effective accountability, and improvement. That being said and while taking into account the diversity of impact, a minimum of harmonization becomes urgent to be able to compare and hold actors equally accountable in the common task of achieving sustainable development. With this in mind, this dissertation asks how, despite the lack of comparability and accountability, this sector has been able to develop. As stated above, this dissertation aims to take a closer look at how the microfinance sector, institutionalized for fifty years now and with long-standing practices, is coping with these increasing challenges. Thus, the following part of this dissertation focuses on introducing the microfinance investment sector and the related IME and impact reporting practices.

3. Analytical framework

3.1. The pursuit of impact: central yet contested in microfinance investments

3.1.1. Microfinance: a socio-economic instrument

The concept of microfinance dates back to the fourteenth and fifteenth centuries. Microfinance used to refer to the exchange of small loans between family members and friends, i.e. at the informal level. These practices are inherent in many communities. While there were several attempts to institutionalize microfinance (Boyé, Hajdenberg, and Poursat 2009), this is only in the 1970s that the model proved to be financially viable at a more formal level. As Bangladesh was being ravaged by a famine, Dr. Muhammad Yunus, a Bangladeshi economist and 2006 Nobel Peace Prize corecipient, started to lend small amounts of money to poor individuals, who were excluded from the financial sector and unequally deprived from certain opportunities. Dr. Yunus thought that the small loans would enable the poorest and the financially excluded to establish income-generating activities. He revolutionized the microfinance model, which used to be perceived as a philanthropy project only, i.e. not financially viable, by showing that enabling poor individuals to get access to financial services can be financially viable.

Although used for a long time, microfinance is still surprisingly difficult to define, and no uniform definition has been developed. Microfinance has often been approximated with microcredit, i.e. the lending of small amount of money (relative to the economy) to financially excluded individuals in an effort to support financial inclusion and *in fine* poverty alleviation. Microfinance now encompasses additional financial instruments such as insurance, savings, etc. (Daher and Le Saout 2013). Beyond financial services, microfinance also covers non-financial services, such as skills trainings for the borrowers. In the last decade, the term microfinance has increasingly been replaced by the term inclusive finance. The latter is broader

in a sense that it distinguishes that financial instruments shall be adapted to the need of the borrowers and their project financed. The distinction is between energy, agriculture, education and microfinance for instance. While this dissertation recognizes this difference, the term microfinance has been preferred (1) to avoid confusion with the existing literature on microfinance, (2) to reflect the current practices which have so far mainly focused on microfinance at large, and (3) to focus on microfinance funds which still exist and have longer standing practices to share than the other sub-sectors which are still developing.

Throughout the years, microfinance has evolved and experienced a change of paradigm. Originally, microfinance was implemented through local programs that relied primarily on loans to address market imperfections by facilitating access to affordable credit for poor individuals. But “modern” microfinance became increasingly financially viable. In the new paradigm, microfinance targets information asymmetry and transaction costs. Microfinance is delivered through Microfinance Institutions (MFIs), acting as local banks for the borrowers, and which see the end-users as clients and not beneficiaries. Products and services offer have also evolved to target a growing demand and larger needs in terms of financial inclusion. In fact, nowadays, MFIs are more alike to local banks than to NGOs.

	Old Paradigm	New Paradigm
Problem Definition	<ul style="list-style-type: none"> Market imperfections 	<ul style="list-style-type: none"> Information asymmetry and transaction costs
Role of Financial Markets	<ul style="list-style-type: none"> Help the poor by providing cheap funds 	<ul style="list-style-type: none"> Allocate resources to productive units without or with limited access to financial services
View of Users	<ul style="list-style-type: none"> Beneficiaries 	<ul style="list-style-type: none"> Clients
Targeting Method	<ul style="list-style-type: none"> Direct targeting, determining strict eligibility criteria for accessing precisely defined loan products (supply-driven approach) 	<ul style="list-style-type: none"> Indirect targeting through tailoring financial services to the demand of poor target groups (demand-driven approach)

Financial Products	<ul style="list-style-type: none"> • Loans 	<ul style="list-style-type: none"> • Full range of financial services: savings, loans, payment services, insurance
Institutional Sustainability	<ul style="list-style-type: none"> • Program-approach: institutional sustainability largely ignored 	<ul style="list-style-type: none"> • Institutional approach: institutional stability strongly emphasized

Table 2 Characteristics of the old and new paradigms of microfinance (Wisniwski 2004: 6)

Microfinance is a socio-economic instrument, which aims to financially include the poorest, for whom access to the financial sector is denied. The assumption is that the lack of access to the financial sector deprives poor individuals from certain opportunities. Therefore, poor individuals should have access to MFIs providing both financial and non-financial services to create income-generating activities. *In fine*, poor individuals shall be able to enter into the virtuous circle of social integration and get themselves out of poverty (Littlefield, Hashemi, and Morduch 2003). Microfinance has for a long-time been considered as a poverty alleviation tool (Widad 2010), although this is debated due to the lack of systematic evidence. Originally, Dr. Yunus developed microfinance for women, who are more deprived from accessing financial services than men. Women are also meant to be more reliable and to make the entire household benefit from their earnings (Yunus 2003). Consequently, if women borrow money, in addition to empowering themselves and their household, it will have further positive impacts, such as enhancing education, reducing hunger, all important aspects to reduce poverty (Yunus 2003; Woodworth 2000; Bezboruah and Pillai 2017). Thus, in 2023, out of 142 million borrowers, 59.7% of them were women (Foy-Talissé et al. 2024).

As poor individuals cannot provide financial collaterals, microfinance relies on social collaterals. This is more commonly called the *group-lending methodology*, i.e. borrowers receiving money in group (Morduch 1999; Woodworth 2000; Karim 2008). The neediest gets the money first and the group leader gets his/her money last. Until the neediest member pays

back, other group members cannot get their money. Once the first loan has been repaid, another member can get his/her loan and thus one after another. In this sense, loan repayment becomes a collective effort and group members may share information and make worthwhile suggestions to each other (Hossain 2013). Thus, microfinance is based on what is more commonly called *social capital*, i.e. a network where forms of reciprocity and its associated norms enable its members to act collectively (Woolcock and Narayan 2000). There are two distinct types of social capital: structural and cognitive. Structural social capital, through identified roles and social networks characterized by rules and procedures, emphasizes the easiness in information sharing, collective action, and decision-making. On the contrary, cognitive social capital recognizes the importance of shared values, norms, beliefs and attitudes in the network, enhancing the sense of belongingness and collectivism (Grootaert and Van Bastelaer 2002).

The subtlety of microfinance stems from its nature of encompassing both economic and social aspects into a single financial instrument and in its ambition to create viable financial systems where MFIs become financial independent actors and where end-clients can create opportunities for themselves. However, for all of these to work, it requires financing. This is where microfinance funds come into play. This dissertation will now further depict the different actors of the microfinance investment value chain, and will particularly focus on microfinance funds, their role as intermediary between the investors and the MFIs and the quest for impact.

3.1.2. The microfinance investment value chain and the integration of impact

Microfinance investments imply diverse actors, from the investors to the end-clients, sharing a common goal of having a positive impact. Figure nine below illustrates the microfinance investment value chain and the interrelation between the different actors.

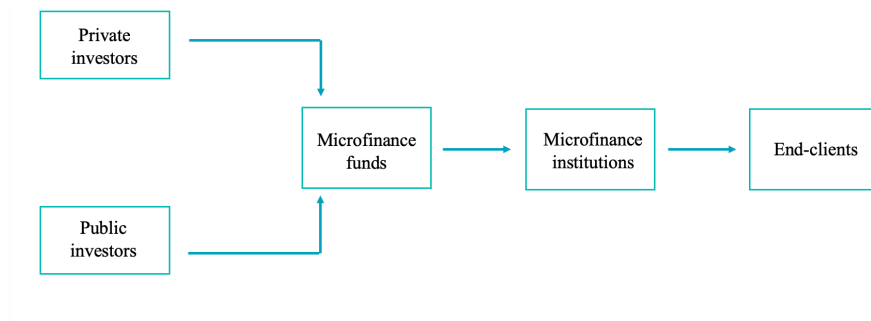


Figure 9 Microfinance investment value chain

Throughout this investment value chain, each actor has different interests relating to finance and impact. For the purpose of this dissertation, the following sections describe the interests and roles of microfinance funds when it comes to impact. However, as mentioned above, considering the intermediary role of microfinance funds, the interests and roles of the investors and the MFIs are also briefly detailed.

3.1.2.1. Investors: more than capital, a driving force for impact

The microfinance investment value chain starts with investors pooling their money into a microfinance fund. Microfinance funds represent the main channel for private investors willing to invest in microfinance in emerging and frontier markets, although it is also possible that public and private investors invest directly in MFIs, but this is rarer as the microfinance investment market is less developed and riskier than the traditional investment one (Scola et al. 2016). Moreover, it is particularly time consuming to analyze the microfinance market as there is no free online databank system facilitating the analysis. The due diligence process is therefore time consuming and costly, something that investors could struggle with on their own. Investors in microfinance come with the ambition to achieve the double bottom line, i.e. having both financial and social returns. Although not the focus of this research, one should note that there

is also an increasing interest in reaching environmental returns in microfinance. In this case, this is also called the triple bottom line.

Without investors' capital microfinance investments could not take place. This gives them undeniable power and influence. Investment managers of microfinance funds need to be transparent and accountable towards investors, who are increasingly looking for detailed insights into how funds deploy capital, the demographics they reach, the jobs they help creating, and the overall impact and importance of their interventions across multiple sectors (Estoppey and Narayanan 2023). Thus, investors' knowledge about both finance and social impact is crucial. The more interested and demanding about financial and social returns are investors, the more transparent and accountable microfinance funds would need to be. In this sense, investors' expectations are very important. For instance, if investors are satisfied by seeing that their capital is invested in emerging markets in a MFI, then microfinance funds would have less incentives to showcase more. However, if investors are interested in understanding how the microfinance funds' investments are contributing to financial inclusion and the reduction of poverty, then microfinance funds would need to be further transparent and specific on the impact generated. While there is increasing data about the types of investors investing in microfinance funds, research on the motivations and influence of investors is, to the best of the researcher's knowledge, very limited.

3.1.2.2. Microfinance funds: their quest for impact

For the purpose of this dissertation, microfinance funds refer to traditional investment funds, i.e. investment vehicles, more commonly called Microfinance Investment Vehicles (MIVs), but also to entities that invest from their balance sheets to MFIs, as they play a key role in directing capital flows towards emerging and frontier markets through a microfinance-lens and they adhere to the same philosophy, approach, and objectives than MIVs. These entities include

notably cooperatives, foundations, NGOs. This dissertation deliberately focuses on microfinance funds, implementing private asset strategies, covering both private debt and equity, investing in emerging and frontier markets.

Microfinance funds, as impact funds, have an “intention to generate positive, measurable social and environmental impact alongside a financial return” (GIIN, n.d.-a). Therefore, they should develop impact strategies that go beyond the mere avoidance of harm and that include impact features in their due diligence, decision-making processes and on-going monitoring (Estoppey and Narayanan 2023). Microfinance funds often articulate their impact strategy via a so-called Theory of Change (ToC), which helps identifying the inputs, activities, outputs, outcomes, and impact, as represented in figure ten below.



Figure 10 The key elements of a theory of change (Adapted from Morra Imas and Rist 2009)

There is no single ToC. It should be seen as a framework used by microfinance funds to identify relationships between processes and results (Godeke and Briaud, n.d.), and to articulate the expected impact. Outputs describe tangible services and products resulting from an activity, whereas outcomes refer to short-term behavioral changes resulting from the outputs. While outputs and outcomes are easily observable in the short- and medium-term, the concept of impact is more difficult to capture. Impact refers to the longer socio-economic consequences that can be observed after a certain time following the completion of an intervention. It may affect both direct and indirect addresses of an intervention (Severino 2022).

Beyond the theory, it is common for microfinance funds to refer to IMM, understood as “practices and methods used to generate and use data on impact to advance the intended social and environmental impact from investment and business activities” (Renaissance Consultants CC 2019). While IME and Impact Management (IMA) are intertwined, they should still be distinguished. IME refers to “the process of measuring and monitoring the amount of change created by an organization’s activities” (Gianoncelli et al. 2019: 64), whereas IMA describes the integration and consideration of impact for decision-making throughout the investment process, including business requirements, deal screening, due diligence, deal structuring, and exit (Boiardi 2020). As shown in figure eleven below, IMM is an iterative process, made of five steps, where IME and impact reporting are two distinctive steps. As per the definitions above, IME is a distinctive step, but IMA covers the rest of the steps in the IMM process.

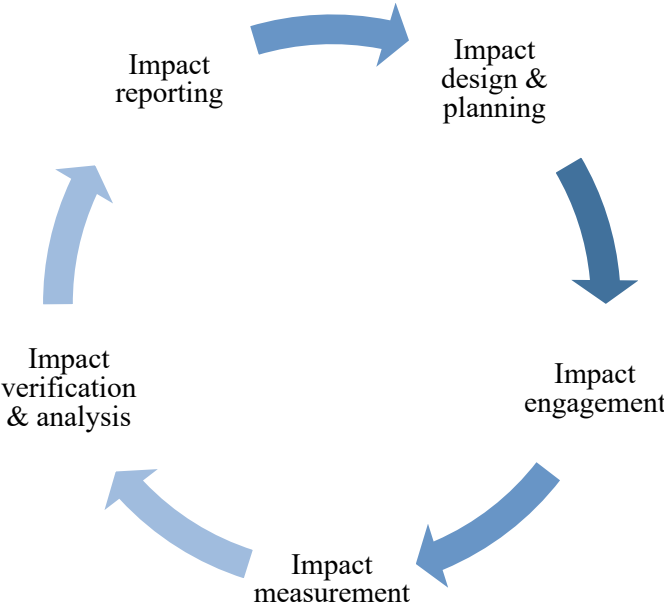


Figure 11 The iterative process of Impact Measurement and Management (IMM) (Adapted from Renaissance Consultants CC 2019)

This dissertation intentionally focuses on IME and impact reporting. IME has historically been the center of debates in the microfinance sector, especially to understand if microfinance has a positive impact. IME and impact reporting are key in the IMM process as they enable investment managers of microfinance funds to be held accountable and to be transparent towards investors. Beyond the mere measurement and reporting, IME and impact reporting should be seen as connecting dots between the different steps of IMA. Without a clearly defined goal, there is no real need for measurement and reporting. Thus, the Impact design & planning step focuses on defining the impact universe and objectives, and on shortlisting the investees that could contribute to the impact strategy. The Impact engagement step is about engaging with, assessing, and selecting the investees that will contribute to the intended impact. The Impact measurement step concentrates on measuring the outputs, outcomes, and actual impact of the investments. The fourth step, Impact verification & analysis, aims at verifying and controlling the impact measured through desk research, due-diligence, on-site visits, interviews, etc. As such, the microfinance fund can evaluate the effectiveness of its contribution. Finally, the Impact reporting step focuses on disclosing the results of the performed measurement and the overall achieved impact (*Ibid.*).

In their study, Bass et al. (2020) gather insights from asset managers targeting impact investments. They find that respondents significantly consider impact data at each stage of the investment process, especially during the due diligence (81%) and the investment screening (77%). However, they also find that during the investment management stage, 61% of the respondents say that they significantly consider impact data, and only 36% at the stage of exit. This shows that impact data is particularly integrated at the beginning of the investment process, whereas one could reasonably expect that, for IME and impact reporting, impact data is used at the end of the investment process to evaluate impact and draw lessons. The authors also find that 74% of the respondents produce an impact report to showcase their impact performance

(*Ibid.*). This finding raises the question of what impact data is used and which information is disclosed in the impact reports, if impact data is less significantly considered at this stage.

In fact, the impact reports of impact funds, including microfinance funds, are often criticized for their lack of rigor, due to inconsistent methodologies and evident data gaps, and *in fine* a lack of comparability (Severino 2022; Bass et al. 2020). Based on an examination of the impact reports of impact funds, Severino (2022) contends that the information presented is often incomplete and unsystematic. He finds that these reports barely demonstrate the impact nature of performed investments, even when compared to other traditional investments, who would also, hopefully, have positive impact on their clients. Despite the spread of various impact initiatives, there is still very little evidence of actual results. Moreover, this diversity of approaches creates a sense of “impact washing” (Boiardi 2020) and reinforces the need for clear impact information with harmonized and comparable data (UN 2020). In light of these elements, this dissertation is especially interested in analyzing how the IME phase is understood and implemented by microfinance funds and the level of harmonization in the impact reporting practices of microfinance funds. As pioneers in the impact sector, one would reasonably expect that microfinance funds have more experience and advanced practices to share in the domain of IME and impact reporting. In fact, the IME and impact reporting phase cannot take place without the cooperation of the next actor in the microfinance investment value chain, namely MFIs, which are the focus of the following subsection.

3.1.2.3. Microfinance institutions: the local driver for impact

MFIs act as local banks, offering financial services to poor individuals, here the end-clients, excluded from the mainstream financial system. They target individuals, living in precarity, who, due to their lack of collaterals, are deprived from accessing the mainstream financial sector (Herfandy 2010), and therefore lack opportunities. Accessing the financial sector requires

individuals to have not only financial collaterals but also a certain knowledge about finance, something that poor individuals often lack and struggle to acquire (Pollinger et al. 2007). Therefore, certain MFIs also offer non-financial services to increase individuals' know-how.

A common way to distinguish MFIs is to look at their relative maturity and sustainability. The industry has adopted a segmentation into Tiers: Tier 1 MFIs are the most mature, Tier 2 MFIs qualify as intermediate, whereas Tier 3 MFIs are the least mature. Although this segmentation is commonly used, there is no consensus among stakeholders on the definition of the different tiers. Several other features can also distinguish MFIs, namely:

- **Geographical outreach**, i.e. countries of operation;
- **Financial instrument**, such as credit, saving, insurance, etc.;
- **Loan size**, i.e. the financial size of the instruments provided by MFIs;
- **Target audience**, such as women, youth, students, Small and Medium-Size Enterprises (SMEs), etc.;
- **Lending methodology**, i.e. individual vs. group;
- **Innovation**, such as digital instruments, repayment methodologies, etc. ;
- **Non-financial offer**, including business trainings, health support, etc.

MFIs have a key role in the microfinance investment value chain as they implement microfinance locally and are the direct contact for the end-clients. MFIs also have an intermediary role to play between two very different stakeholders, operating in two different markets and often with very different cultures. On the one hand, they have the microfinance funds, operating in developed countries and, on the other hand, they have their clients, i.e. poor individuals financially excluded in developing countries. To their clients, MFIs are expected to provide the necessary (non) financial services. To the microfinance funds, MFIs are expected to be financially sustainable so that their investments pay off, but they should also achieve

social goals, so that the impact mission of microfinance funds can turn into a reality. To ensure the achievement of this double bottom line, microfinance funds ask MFIs to collect and report a key set of data on a regular basis. One key challenge for MFIs is the lack of harmonization among microfinance funds regarding the data collected and the methodology to collect this data. In practice this means that an MFI can have two lenders, two microfinance funds, asking both to report on the number of rural clients financed, however it can be that the two lenders have different definition of “rural” and apply different methodologies, meaning that the data collection differs too. This lack of harmonization duplicates the work for MFIs and is commonly a burden. MFIs need to navigate between microfinance funds’ expectation, based in developed markets, and the difficulties of operating with end-clients, trying to answer their primary needs, in emerging and frontier markets. In addition to the different economies, there are also cultural differences to be taken into account. This process of collecting data is also costly and time-consuming for MFIs. One would reasonably expect that both microfinance funds and MFIs need to find common interests and to have a great deal of coordination to make this data collection process as effective as possible. This aspect is also a core element of how IME is taking place and how impact is reported and will therefore be considered for the rest of this dissertation.

Microfinance funds aim to achieve both financial and social returns. They play a crucial role in this process as intermediaries linking investors, mainly in developed market, with MFIs in emerging and frontier markets. These funds not only channel investments but are also responsible for demonstrating transparency and accountability to their investors. This responsibility makes rigorous IMM essential, as investors expect clear evidence of the social and financial outcomes their investments achieve. Behind investors’ expectations, microfinance funds need to be accountable regarding the common objective and good of sustainable development. To meet these expectations, microfinance funds must carefully select MFIs

aligned with their social mission and financial goals, conducting thorough screening, due diligence, and ongoing monitoring. During these stages, funds gather financial and social data to ensure their investments are effective and socially beneficial. However, despite widespread IME practices, data collection and reporting methods remain inconsistent across the sector. This inconsistency creates difficulties in comparing results, leading to concerns over impact washing, where claimed impacts are not backed by credible evidence.

The discussion above highlights the fact that impact in microfinance investments is relational and multi-layered: it is pursued through the interactions of investors, microfinance funds and MFIs, each embedded in different mandates, incentives, and informational environments. This relational structure creates a need for shared definitions, indicators, methodologies, and reporting routines that can make impact governable and comparable across the investment value chain. Without formal institutions governing the impact aspects of microfinance funds, one can easily wonder how the IME and impact reporting practices have evolved to foster harmonization of the latter? Conceptually, this shifts harmonization from a purely technical exercise of standardization to an institutional question about how shared meanings, rules, and practices evolve. This perspective calls for an analytical lens capable of theorizing how convergence and divergence in practices can be understood and studied. As such, the next section mobilizes institutional theory to examine how sector-level rules and shared beliefs shape harmonization of microfinance funds IME and impact reporting practices.

3.2. Harmonizing impact in microfinance investments: an institutionalist approach

The term institution is highly debated in literature and there is no consensus on its definition. This dissertation adopts a pluralist perspective that draws from political science and sociology, distinguishing between institutions understood as formal rules and institutions understood as shared beliefs. The first view focuses on the work of North (1990), for whom institutions

establish exogenously given rules, constraining and enabling individuals. Yet, rules become effective institutions only when enacted by agents, which leads to the second strand emphasizing institutions as norms, beliefs and shared cognitive frames that stabilize expectations and guide appropriate conduct (Aoki 2001). For the purpose of this dissertation, rules are understood as “the product of an explicit agreement brought by some authority” (Tuomela 1995), for which community members have either an explicit or tacit knowledge of the latter (Hodgson 2006). Unlike rules which are explicit, norms rely on mutual beliefs of what are the appropriate intentions and expected behaviors within a community. The term institution therefore encompasses both formal components, such as laws, contracts, and informal ones, such as traditions, norms, beliefs. This conceptualization is essential to understand how shared expectations and rules emerge in microfinance IME and impact reporting practices, and how their uneven adoption affects the possibility of harmonization across the sector.

This dissertation recognizes institutions as “systems of established and prevalent social rules that structure social interactions” (Hodgson 2006). Institutions become effective because rules are embedded in shared habits of thought and behavior (Kilpinen 2000; Joas 1993). This mutual constitution of agency and structure means that institutions both frame social interactions and are respectively reinforced through them. Individuals operate within rule-bound communities, yet through their practices they also reproduce, reinterpret, or challenge institutional settings. This relational understanding is crucial for analyzing harmonization. Indeed, convergence of practices depends on the extent to which shared rules and norms become sufficiently embedded to generate common expectations. Where embeddedness is uneven, institutional divergence persists, an issue that lies at the heart of IME and impact reporting practices in microfinance investments.

Microfinance IME and impact reporting represent an instructive case of institutionalization. Microfinance funds emerged in the 1990s with a dual ambition: to generate

financial returns, while producing measurable social impacts. While the financial component operated within established regulatory frameworks in developed markets, the impact component lacked formal institutions capable of structuring expectations or behavior. In this institutional vacuum, microfinance funds developed their own rules, norms, and routines for measuring and reporting impact, producing a heterogeneous set of practices shaped by different mandates, investor expectations, and operational constraints. Over time, organizations such as the GIIN, CGAP (Consultative Group to Assist the Poor), the Rockefeller Foundation, Cerise+SPTF, contributed to defining shared understandings of responsible impact practices, acting as informal institutions anchors (Forster and Lahaye 2010; Rockefeller Foundation 2012; CGAP 2013; 2010). Yet, adoption remained voluntary and uneven.

The evolution of IME and impact reporting practices can be analyzed through institutional theories that describe how norms emerge, diffuse, and consolidate. The lifecycle of norms offers a useful framework for conceptualizing these institutional dynamics. It occurs through three stages. First, norm emergence occurs when actors draw attention to an issue and construct frames to mobilize support. Then, in the second stage, norms' cascade follows when imitation, peer pressure, and professional socialization expand adherence to emerging standards. In the final stage, norms are internalized when they become taken for granted and no longer debated (Forster and Lahaye 2010). That being said, societal acceptance is delicate and troublesome. However, practice can act as a way of bounding and disciplining interpretation. It can make some interpretations vanish, while others will prevail. Consequently, alternative identities, practices, and sufficient material resources can, through time and efforts, become prevalent (Hopf 1998). This trajectory aligns closely with broader theories of institutional change, which views institutions as continuously shaped by the interplay between agency and structure. Following Giddens (1986), individuals operate within institutional constraints yet

also contribute to institutional evolution through their practices, interpretations, and strategic actions.

For the purpose of this dissertation, the focus is on institutional change/ resilience, understood as a modification in the rules constraining/ enabling individuals, namely affecting their strategies, information, behavior, and control (Gërkhani and Van Breemen 2019). Thus, the focus is on how individuals change rules, while considering how individuals' values, beliefs, norms, and behavior drive this institutional change/ resilience (*Ibid.*). According to Coleman (1990), there are three different layers of observation, namely:

- The “micro-to-micro” link (*Ibid.*): how individuals are connected in their communities through social interactions;
- The “macro-to-micro” link (*Ibid.*): how the institutional setting influences agency;
- The “micro-to-macro” link (*Ibid.*): how individuals impact the institutional structure.

This dissertation does not aim to apply and analyze these layers one by one. They rather serve as a heuristic to understand how individual practices and sector-level structures interact in shaping the evolution of IME and impact reporting. Change occurs when rules or norms are modified in ways that affect behaviors, expectation or information flows, while institutional resilience reflects the persistence of established arrangements even when pressures for convergence exist. These combined perspectives help clarify why institutional evolution is often uneven and why emerging norms may diffuse only partially across a field.

Against this backdrop, this dissertation mobilizes institutional theory to examine how IME and impact reporting practices have developed within microfinance investments, how these practices are interpreted and adopted by funds, and how institutional dynamics structure the possibilities for harmonization. The objective is to analyze how existing rules, norms, and sector frameworks interact with organizational values, mandates, and strategies to produce observable patterns of practice.

In the context of microfinance investments, norms related to IME and impact reporting continue to evolve, and their degree of shared understanding, adoption, or internalization remains an open question. This dissertation is therefore interested in the extent to which harmonization can be observed in the sector, recognizing that the coexistence of diverse approaches makes it difficult to understand and compare how different microfinance funds conceptualize, measure and report their impact. Harmonization is thus approached analytically as the degree to which common rules and norms exist, or fail to exist, in the way microfinance funds measure and report impact. By examining these dynamics through the lenses of institutional emergence, diffusions and change, this dissertation seeks to clarify the institutional conditions that shape IME and impact reporting practices.

4. Research Design and Methodology

This section covers the research design and methods applied for this dissertation, but chapter two will deepen the methodological explanation. While research in economics brought considerable knowledge to the field of microfinance IME, new methodologies should be used to analyze the situation from different angles. As of now, it would be in vain to re discuss whether microfinance has an impact. Research shows that microfinance does have an impact, be it positive or negative. This dissertation brings a new perspective to the debate of microfinance impact and focuses on why practitioners are still not able to be fully accountable for their impact or as highlighted by Mulgan (2010), why, despite the enthusiasm and proliferation of metrics, the latter are still poorly used to guide actors in their decisions.

4.1. Operationalization of variables

One originality of this dissertation is its focus on microfinance funds as intermediaries between investors and MFIs in the microfinance investment value chain (see figure nine), and

as playing an important role in the system to orient capital flows towards sustainable development.

Given the complex and context-dependent nature of IME a qualitative approach was deemed most appropriate for this research. IME practices are shaped not only by technical tools and metrics but also by actors' interpretations, institutional constraints, and strategic motivations. These dimensions are difficult to capture through quantitative methods alone. A qualitative design enables a deeper understanding of how microfinance funds make sense of and operationalize impact, beyond what is formally reported. It allows for the exploration of subjective experiences, decision-making rationales, and organizational logics that are often invisible in structured data sets. This approach is particularly suited to a field like microfinance investing, where transparency is limited, harmonization is at the discretion of practitioners, and actor-level insights are essential to understand sectoral dynamics.

Accordingly, this dissertation adopts a qualitative lens to investigate microfinance funds; actors that have received limited attention in academic literature despite their central role in shaping the sector. As intermediaries, they conduct due diligences before investing and most importantly decide where capital should be invested. They also have a key role to inform, to be transparent towards investors on how their capital is invested, and to be held accountable for their impact. This transparency is crucial to better understand the role of the private sector in financing sustainable development and where further improvements are needed. This dissertation analyzes how microfinance funds understand and measure their impact, to what extent their IME practices are harmonized and to what extent these IME practices enable the microfinance sector to be transparent for the system to improve. To align with market practice, the term impact will be used and will refer to outputs and outcomes measurement, as impact cannot be measured by microfinance funds yet.

This dissertation relies on two variables: first, the main intermediaries in the microfinance value chain, i.e. microfinance funds, as the independent variable, and second, the IME practices implemented by microfinance funds to account for their impact, as the dependent variable. In other words, this dissertation is interested in how IME practices are implemented, i.e. the application of IME, throughout the fund investment activities, as opposed to its mere definition as part of the impact strategy. Therefore, practices refer to the definition and understanding of IME, the use of impact initiatives, such as frameworks, methodologies or indicators, and the purpose of the IME conducted. Impact initiatives are considered as dependent for the purpose of this dissertation as the focus is on how they are used by microfinance funds, who are therefore the independent variable.

More specifically, two levels of analysis can be identified: (1) micro, and (2) macro. First, at the micro level, this dissertation will analyze how microfinance funds approach IME. As mentioned above, an investment manager is behind the management of such financial product. More specifically, an investment manager has several persons in charge of different aspects in the investment process such as risk, investment, impact, etc. In their study, Bass et al. (2020) highlight that respondents assign IMM responsibilities primarily to their investment teams (68%), followed by staff dedicated specifically to IMM (50%), and senior leadership (39%). Given this context, two key actors have been identified for this dissertation: (1) the investment manager, who oversees investments and the achievement of both financial and social returns, and (2) the impact manager, who is responsible for all aspects related to IMM. The terms “investment manager” and “impact manager” have been chosen as general terms as they imply what each individual is managing, respectively the investments and the impact generated, however the different individuals interviewed did not necessarily have this exact title in their position. Here, it is important to note that one impact and/or investment manager does not necessarily represent one microfinance fund only. Indeed, certain managers have several

microfinance funds under management. Considering that impact is at the core of the microfinance fund investment activities, one would reasonably expect a close collaboration between the impact and investment sides for microfinance to meet its double-bottom line. Therefore, this dissertation focuses on understanding how both the impact manager and investment manager understand and implement IME in practices. Second, at the macro level, this dissertation aims to understand how microfinance funds influence the sector through their impact-related understanding and practices. Indeed, for IME practices to be comparable and for microfinance funds to be accountable, there is a need for harmonization, which can only be achieved if microfinance funds share a common vision for the latter. Thus, this dissertation aims to analyze to what extent microfinance funds have common norms and to what extent there is a systemic approach to microfinance IME practices. One could reasonably assume that for microfinance IME to be effective, i.e. where investment managers are held accountable and where lessons can be learned to always improve the impact side, IME practices should be somehow harmonized so that comparison can be conducted and conclusions drawn.

4.2. Data Collection

4.2.1. Methods

To answer the research questions raised in this dissertation, two methods are employed. First, primary and secondary literature on impact investing, microfinance, and impact measurement were reviewed. Key impact initiatives, referenced in practitioner conferences and in the literature are analyzed. This analysis is refined based on insights gathered from interviewees. The objective is to give a brief overview of what exists in the microfinance investing sector and what is mostly used by microfinance funds to measure and report impact. Second, when analyzing microfinance impact practices, one of the main difficulties lies in collecting data, which is particularly scarce in microfinance. As this dissertation focuses on

microfinance investments from developed markets to emerging and frontier markets, data is even scarcer. As research methods should be adapted to the subject under investigation, another originality of this dissertation is the use of an interview-based research methodology. By generating new data through in-depth interviews with impact investors, and impact and investment managers of microfinance funds, this methodology addresses the issue of data scarcity but also enables to get contextual factors. The objective is to gather information directly from investors and impact and investment managers of microfinance funds. Conducting in-depth interviews to understand these different aspects enables to better capture subjective and contextual factors, the quality of the relation between impact and financial factors in microfinance investments, and the knowledge and influence that investors can have. The purpose is to evaluate motivations, modes of operation, decision-making processes, and implementation practices, while also analyzing actors' preferences and behaviors.

4.2.2. Interviews and Interviewees

The predominant structure among the microfinance funds identified is that of traditional investments funds, i.e. investment vehicles, more commonly referred to as MIVs. However, entities that invest from their balance sheets to MFIs have also been included in the scope, as they play a key role in directing capital flows towards developing countries through a microfinance-lens and they adhere to the same philosophy, approach, and objectives than MIVs. These entities include cooperatives, foundations, and NGOs. This dissertation deliberately focuses on microfinance funds, implementing private asset strategies, covering both private debt and equity, investing in emerging and frontier markets, as these are less advanced countries, which are often unfairly affected by global warming and the consequences of other countries development. Considering that they also have less means, they face unprecedented challenges to achieve sustainable development. With their focus on emerging and frontier

markets, microfinance funds play a pivotal role in addressing undersupplied and/or nascent capital markets.

The microfinance investment value chain presented above in figure nine clearly articulates how the different stakeholders are interconnected and therefore the influential role of investors at the very beginning of the chain. This dissertation also aims to gather investors' points of view and motivations when it comes to the IME practices of the microfinance funds they invest in. However, interviewing investors is particularly difficult, as funds have a strong confidentiality when it comes to their investors and the finance sector is also well-known for its opacity, meaning that investors are not always eager to be interviewed on these matters.

For comparison purposes between interviewees, three questionnaires have been established before the interviews took place: one for impact managers (see appendix three), one for investment managers (see appendix four), and another one for investors (see appendix five). The questionnaires included open-ended questions so that interviewees were free to detail and contextualize their answers. Impact managers' questionnaire is made of twenty-five open-ended questions, organized into three categories: (1) Defining impact, (2) IME in practice, and (3) Systemic approach. It aims to understand the level of definition and implementation of IME practices. The questionnaire also aims to collect impact managers' point of view and approach to harmonization of IME practices in the microfinance sector. Investment managers' questionnaire is made of seventeen open-ended questions organized into four categories: (1) About the microfinance funds and its portfolio, (2) Defining impact, (3) IME in practice, and (4) Systemic approach. The objective of the questionnaire is to understand to what extent investment managers also understand impact, to what extent they cooperate with impact managers, especially considering that the investment manager conducts due diligences and has the direct relation with the MFIs. Indeed, one would reasonably expect that they have

knowledge and/or are involved in defining and implementing impact. Investors' questionnaire comprises sixteen open-ended questions organized into three categories: (1) Defining the role of an investor, (2) Defining and measuring impact, and (3) The future of IME. In an effort to interview as many relevant actors as possible, and given that microfinance investing is a niche sector, this dissertation did not initially impose any geographical restrictions. However, only investment managers based in Europe ultimately participated in the interviews. Therefore, this dissertation focuses on microfinance funds' investment managers based in Europe in order to enhance comparability.

In total, thirty interviews have been conducted online: sixteen with impact managers, ten with investment managers, and four with investors in microfinance funds. More individuals on the impact side have been interviewed, reflecting the difficulties mentioned above to interview individuals working in the financial sector. Table three below presents the number of interviewees, the types of organization and whether both the impact and investment sides have agreed to be interviewed. Among the four investors, two were from DFIs, one from the public sector and one from a bank.

Interviewees	Organization type	Impact	Investment
Interviewee 1	Investment manager	X	X
Interviewee 2	Investment manager	X	
Interviewee 3	Investment manager	X	X
Interviewee 4	Cooperative	X	X
Interviewee 5	Cooperative	X	X
Interviewee 6	Investment manager	X	
Interviewee 7	Investment manager	X	X
Interviewee 8	Investment manager	X	X

Interviewee 9	Investment manager	X	
Interviewee 10	Investment manager	X	
Interviewee 11	Foundation	X	X
Interviewee 12	Investment manager	X	X
Interviewee 13	Foundation	X	
Interviewee 14	Investment manager	X	X
Interviewee 15	Investment manager	X	
Interviewee 16	Investment manager	X	X

Table 3 Overview of interviewees' functions by organization type

Interviewees were identified through conferences on microfinance, public reports, and available research. Particular attention was given to Tameo's annual report on PAIFs and their participants, as this dissertation focuses on the same target market and this report is also a key reference in the impact investing sector, including microfinance investments (Estoppey and Narayanan 2023). To the best of the researcher's knowledge, this is the only report that transparently lists contributing investment managers. For consistency and comparison purposes, this dissertation adopts the same definition of microfinance funds as used by Tameo. By cross-referencing publicly available sources and interviewees' websites, the researcher can determine that the interviewees represent a total of 43 microfinance funds. Based on Tameo's market coverage (i.e. 129 microfinance funds) (*Ibid.*), the sample covered in this study represents 33 percent, or around one-third, of the total number of microfinance funds, providing substantial representation.

In September 2023, the Ethics Review Panel of the University of Luxembourg approved this research project. Preliminary interviews were conducted between May and September

2023. The interviews were otherwise conducted following the approval from the Ethics Review Panel and until November 2024. During the interviews, there was no time limit, and interviewees were free to skip a question at any time. All interviewees were contacted by email and presented with a description of the research project. Before the interviews were conducted, each interviewee was asked to sign a voluntary informed consent form, which ensures their anonymity and specifies that the interviews will be neither transcribed nor published for the purpose of this dissertation. Therefore, this dissertation does not quote interviews directly to protect interviewees' anonymity. Data collected in the framework of this dissertation has been uploaded and saved on a shared drive with the researcher's doctoral supervisor, Harlan Koff.

Finally, artificial intelligence (AI) tools have been used in a limited and controlled manner for the purpose of this dissertation. More specifically, corrective AI was employed for language editing, clarity, or spelling checks and illustrative AI was used to support in the generation of figures gathering the anonymized data collected by the researcher for this dissertation. That being said, all substantive analysis, argumentations, and conclusions remain original contributions of the author without use of AI tools.

4.2.3. Limitations

Certain limitations and potential biases must be acknowledged. The purposive sampling approach allows for a targeted selection of experts but may introduce selection bias, as microfinance funds that engage in transparency initiatives or participate in public reports may be overrepresented. Additionally, this dissertation focuses exclusively on microfinance funds and does not extend to the practices of MFIs, investors outside of microfinance, or regulatory bodies, which could provide additional perspectives on IME harmonization. The geographical scope is also limited to microfinance funds investing in emerging and frontier markets, meaning that insights from microfinance funds operating in developed markets are not captured. The

investors sample is relatively small, which may not fully reflect the diversity of investors' perspectives, particularly those of private investors such as family offices or pension funds. Moreover, self-selection bias is possible, as participants who agreed to be interviewed may be more actively engaged in IME practices than others. Finally, as this dissertation relies on self-reported data rather than direct observation, responses may be influenced by social desirability bias, with interviewees presenting their organizations in a more favorable light. Interviews were carried out between May 2023 and November 2024, providing a snapshot of IME practices rather than a longitudinal analysis. This dissertation captures a specific moment in time, and IME practices continue to evolve as the industry responds to regulatory shifts, emerging standards, and new market developments. As a result, the findings may reflect current trends rather than long-term, stable practices.

4.3. Data analysis

The more open the interview format, the more time consuming and skilled are the tasks of interviewing, analyzing, and interpreting data. Questionnaires, with specific categories aligned with the purpose of this dissertation, have accordingly been prepared in advance of the interviews, so that the information collected can be organized. For each questionnaire, all interviewees' answers, for each question, were entered into a table to compare and find trends. The questionnaires were reviewed in detail with the purpose to identify common methodologies, answers and understanding and to evaluate the level of harmonization among microfinance funds when it comes to IME practices. The purpose was also to understand how the different actors in microfinance investments cooperate and implement IME practices. As mentioned above, the purpose of using interviews is to let interviewees flexibility in expressing their point of views, with the vocabulary they want to use. This flexibility in the format and in

the analysis was considered as particularly appropriate for the research questions and objectives of this dissertation.

Considering the difficulties in the impact investing sector when it comes to the use of the jargon, it could have been interesting to use “coding” to analyze the terms used and the understanding of the different interviewees. However, this dissertation focuses on practices, and the objective is not to debate on the definition of terms used in the sector. Considering the challenges linked to the analysis of qualitative data collected through one-to-one interviews, interviews were recorded to ensure that, in case an element was unclear, it could be double checked. Another approach could have been to further transparency and to transcribe all the interviews. However, as mentioned above, it is unfortunately still difficult to get interviews with individuals from the financial sector, which remains opaque. In an effort to gather as many interviews as possible, and to ensure that interviewees speak freely, it has been decided neither to translate nor to publish the interviews and to keep all the interviewees anonymous.

CHAPTER 2: CONCEPTUAL AND METHODOLOGICAL PROPOSAL

1. Introduction

Impact in microfinance sits at the intersection of competing priorities, conceptual ambiguities, and evolving regulatory expectations. As a pioneer in the impact investing landscape, microfinance investments face growing pressure to demonstrate not only their social contribution but also the robustness and comparability of their impact. In this chapter, the objective is to clarify and situate the key concepts of “impact,” “impact investing,” “microfinance investments,” “impact measurement,” “impact reporting,” “standardization,” and “harmonization” within academic and practical debates. These concepts are central to understand how microfinance funds implement IME and impact reporting practices. By exploring the current discussions and disputed meanings surrounding these terms, this dissertation identifies the gaps and opportunities to bring a new perspective to the long-standing debate of impact in microfinance. While drawing from existing research and established frameworks, this chapter seeks to critically engage with prevailing assumptions and practices and to offer new perspectives on the interplay between harmonization and differentiation of IME and impact reporting. In doing so, this dissertation positions itself not only as a contribution to ongoing academic conversations but also as an original inquiry into how IME and impact reporting practices of microfinance funds, as pioneers in the field of impact investing, have institutionalized and to what extent this influences the system and global governance when it comes to ensuring that financial flows contribute to a sustainable development. This stronger conceptual foundation will guide the empirical analysis, allowing for a nuanced exploration of how microfinance funds navigate the challenges of defining and

operationalizing IME and impact reporting in an increasingly interconnected and regulated environment.

2. Unpacking impact: a context-dependent concept with multiple dimensions

In academia and in practice, impact is so widely used that it is often difficult to know to what it exactly refers. Despite its ubiquity, the term remains theoretically contested and practically ambiguous. This dissertation does not attempt to propose a new universal definition of impact or to adjudicate between existing ones. Doing so would fall outside the scope of this dissertation and would risk diverting attention from the object under analysis, being how microfinance funds define, interpret, operationalize, measure, and report impact, toward a broader conceptual debate that cannot be resolved within the confines of this dissertation. However, this dissertation would be incomplete if the complexities and discussions around the term impact were not covered. Clarifying why impact is difficult to define, and which dimensions compose it, is essential to understand why IME and impact reporting practices vary across microfinance funds and why harmonization is so challenging.

While the term impact often implies a positive connotation, one should remember that everything has an impact, be it positive or negative. The use and implementation of this term is particularly tricky as “there is neither a common definition nor a clear understanding of impact” (EU Platform on Sustainable Finance 2024: 73). Impact can be understood as a short- or long-term result, effect, change, consequence, or even externality on either individuals, groups or the society at large (Clifford 2014). Stievenart and Pache (2014) also add that impact refers to changes that would not have happened in the absence of a particular intervention. This perspective emphasizes establishing a causal link between the intervention and the observed changes. However, establishing a constitutive relation is not always straightforward as additional external factors can also influence the final impact. Moreover, there exists a certain

time lag between conducting an action and capturing its impact. Considering the many challenges and limitations related to understanding impact, Gianoncelli et al. (2019) point out that researchers, at the theoretical level, struggle to find a commonly accepted definition of impact that matches, at the practical level, the methodology used to manage and measure generated impacts.

Impact is a term that has multiple dimensions, which can be outlined as follows:

1. **Scope:** impact can occur at different levels, for instance at the level of individuals, groups, communities, society, etc.
2. **Causality:** impact implies looking at the cause, also called, effect, change, consequence, etc., from an intervention. It is about understanding the reason(s) behind the change(s).
3. **Temporality:** impact reflects changes happening over time. There is a time lag between the intervention and the impact. It is also why there is a distinction between impact, happening in the longer term, and outcomes, happening in the shorter term.
4. **Measurability:** to understand the scope, the cause and the timeline of an impact, it needs to be measured. Therefore, IME is key and implies collecting data, defining indicators, developing methodologies that will enable to understand the change(s) happening.

While these dimensions are commonly referred to when defining and analyzing impact, it remains difficult to find a common definition of impact as there is no single impact (Stievenart and Pache 2014). This notably comes from the fact that impact is context dependent. When conducting an intervention, unless it is done in a laboratory, it is very difficult to find the exact same conditions. Therefore, one intervention, conducted twice, could still lead to different impacts. It does not necessarily mean that the impacts will be different, but divergences could

be observed. In his article on the conceptualization of social impacts, Vanclay (2002) highlights that “ (...) most of the changes are seen as situation specific and are therefore dependent on the social, cultural, political, economic, and historic context of the community in question, as well as the characteristics of the proposed project and of any mitigation measures implemented.” (Vanclay 2002: 185).

Addressing these conceptual complexities is crucial for this dissertation because they shape the practical challenges associated with IME and impact reporting. The absence of a commonly accepted definition and the context-dependent nature of impact translate into measurement complexities, inconsistent reporting practices, and consequently limited comparability. These issues lie at the heart of the harmonization problem investigated in this dissertation. Having looked at the term impact in general, this dissertation now further dives into the concept of impact investing.

3. Impact investing at a crossroads between identity, legitimacy, and standardization

While the term impact is by nature complicated, impact investing has been created as a sector committed to impact, which is not without its challenges. To better understand how the term impact is approached within impact investing, it is necessary to first understand what impact investing is. For clarity purposes, in the academic literature but also in reports, there are references to both terms “impact investments” and “impact investing”. This dissertation establishes that impact investing refers to the act of doing impact investments and, therefore, that both terms can be used interchangeably.

3.1. Defining impact investing: blurred boundaries and conceptual challenges

Based on an analysis of the existing literature, the term “impact investing” lacks a universally accepted definition, reflecting overlapping understandings and blurred conceptual boundaries (Daggers and Nicholls 2016). While some define it as investments aimed at achieving transformational changes to address social and environmental challenges, the term is often used interchangeably with broader concepts such as investments incorporating ESG criteria (Busch et al. 2021). Despite the absence of an official and legal definition, the GIIN provides the most widely accepted and frequently cited working definition, describing impact investing as “investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return” (GIIN, n.d.-a). This definition places impact before financial returns, distinguishing impact investing from purely profit-driven strategies. That being said, as Freireich and Fulton (2009) emphasize, impact investing must still generate financial returns to remain sustainable, which clearly differentiates it from philanthropy.

As illustrated in figure three of chapter one, impact investing is positioned within the broader realm of sustainable finance and is considered as the most ambitious investment strategy in this field. However, its identity critically depends on the sector’s ability not only to aspire to positive impact but also to demonstrate it. In this context, the concepts of intentionality and additionality are frequently cited as essential determinants of impact investing (Brest and Born 2013; Findlay and Moran 2019). Yet, these concepts are far from unchallenged. Busch et al. (2021) explicitly exclude additionality from their typology of impact investments, citing the methodological difficulties in demonstrating it and the confusion it introduces in practice. For Severino (2022), the situation is even more critical; the sector, he argues, is “lost in impact,” relying on a loosely defined value system disconnected from solid academic foundations. This lack of conceptual

clarity has resulted in what Severino (2022) describes as an existential crisis, further exacerbated by the sector's inability to provide robust scientific evidence to support its claims.

This identity crisis has significant practical implications, particularly in the context of the rapidly evolving sustainable finance landscape. As financial regulators, such as the EU, seek to define and categorize sustainable investment products, the ambiguity surrounding the concept of impact investing becomes increasingly problematic. While one might expect some conceptual alignment between sustainable finance and impact investing, or even an alternative framing such as impact financing, the sector continues to struggle with the boundaries of its own terminology. This dissertation therefore adopts the term impact investing in line with current market practice, despite the inherent conceptual limitations. Although a deeper analysis of terminology would be valuable, it lies beyond the scope of this dissertation. That being said, the difficulties in settling on a clear and shared definition reflect the broader struggles faced by practitioners and policymakers alike. Recognizing these tensions, the EU Platform on Sustainable Finance (2024) has explicitly recommended that the European Commission develops “a common understanding on impact investing within the EU sustainable finance framework” (*Ibid.*: 73), echoing Severino's concern that the sector remains poorly understood. While the European Commission has recently reviewed the SFDR, where it proposes the creation of a categorization for financial products with sustainability ambition: (1) ESG basics, (2) Transition, and (3) Sustainable (European Commission 2025), paragraph 18 of the draft still acknowledges impact investing and its specific characteristics, including intentionality, an upfront theory of change, and outcome-oriented reporting. It also stipulates that, specific disclosures for these products, as part of the categories (2) and (3) mentioned above, should apply (*Ibid.*). While this recognition is a step forward, there is still uncertainty as to where impact investing lies compared to sustainable finance, what it will be required to do, and how impact investing can distinguish itself.

At the heart of this debate lies a critical question: if the sector cannot systematically demonstrate its additionality and distinctiveness, how can it credibly differentiate itself from other financial products seeking to contribute to sustainable objectives? Severino (2022) provocatively argues that all investments have an impact, even when investing in conventional businesses. This observation highlights the necessity for impact investing to make a clear case for its added value, particularly through demonstrating intentionality and additionality; challenging as this may be. Without this distinction, the legitimacy and future positioning of the sector remain deeply uncertain.

Before 2015, the idea of integrating sustainability considerations into mainstream finance was still nascent. The impact investing sector, although small, had already begun to define practices and to position itself as a pioneer, largely free from the scrutiny of mainstream financial actors. However, the growing urgency of environmental and social challenges has shifted this dynamic, bringing sustainability to the forefront of financial markets. This transition has not been smooth, as longstanding investment practices built around short-term financial returns struggle to integrate longer-term social and environmental objectives. Several barriers remain:

1. **The perception of financial returns:** Impact investing is still often associated with philanthropy and viewed as delivering lower financial returns, despite evidence suggesting otherwise (Freireich and Fulton 2009).
2. **The valuation of non-financial returns:** Investors still lack the frameworks and incentives to value environmental and social impacts alongside financial performance.
3. **The temporality of returns:** Impact is a long-term process, but financial markets remain dominated by short-term expectations. This mismatch has led to a focus on

measuring outputs rather than outcomes or even impacts, allowing investors to measure and report quick, tangible results that only approximate long-term changes.

In light of these structural and conceptual barriers, it seems reasonable asking whether the impact investing sector, in its current form, can distinguish itself from other sustainable investment strategies. Yet, despite these challenges, this dissertation argues that the term impact investing should be maintained as an aspirational goal. Abandoning the term would risk abandoning the ambition it represents. This decision also reflects four critical observations:

1. The sector is unlikely to change its denomination in the near future;
2. The term impact report remains the dominant language for communicating the impact of investments performed;
3. IME challenges should not undermine the necessity of striving toward true IME; and
4. The language of IME continues to dominate both academic and practical discussions making it a critical site of inquiry.

This dissertation thus retains the term impact investing not as an endorsement of current practices but as a deliberate reflection of the sector's ongoing ambition. While the reality of impact investing often falls short of its promises, the conceptual aspiration to achieve measurable and meaningful impact remains central to both academic and practitioner debates.

This conceptual ambiguity is only part of the challenge. While definitions are only agreed upon at the informal level, the sector continues to face profound methodological difficulties in proving its impact. The following section explores these inherent complexities, focusing on the unresolved methodological challenges of measuring social impact.

3.2. The inherent complexities to social impact measurement

A defining characteristic of impact investing, as opposed to mainstream investments and sustainable investments, is the explicit intention to generate positive social or environmental impacts alongside financial returns. However, without empirical evidence to support these claims, the legitimacy of impact investing is weakened. This challenge is compounded by the absence of a formal definition of impact investing, as well as the time- and context-dependent nature of impact itself (Postelnicu and Hermes 2018). According to Severino (2022), impact investors, such as investments managers of microfinance funds, tend to adopt a very narrow approach to IME, often limiting their measurement to direct internalities. He argues that this approach can lead to partial and potentially misleading understandings of actual impacts.

To grasp the full scope of the challenges associated with social IME, it is first necessary to understand the multiple dimensions of impact, which is not a one-dimensional outcome but a complex and layered concept that encompasses several interconnected elements. Thus, as illustrated in figure twelve below, a more comprehensive approach to impact would consider both direct and indirect impacts as well as internal and external impacts (*Ibid.*).

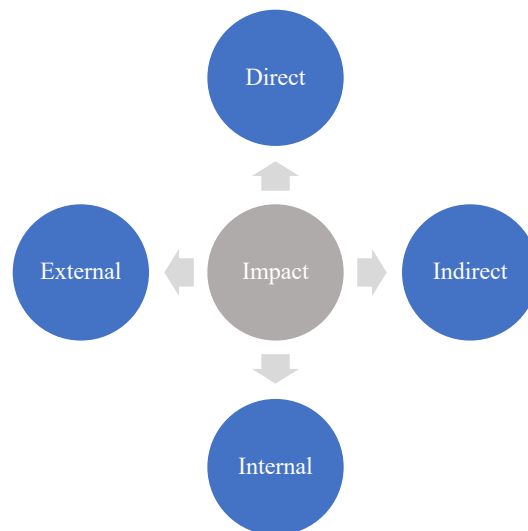


Figure 12 The four dimensions of impact

Similarly, it is critical to distinguish between positive and negative impacts. While the focus of impact investing often remains on showcasing success stories and positive outcomes, the reality is that all investments also produce negative externalities to varying degrees. This duality is often overlooked or intentionally downplayed, as acknowledging negative impacts can threaten the legitimacy and attractiveness of investments. Indeed, let's take the example of an impact investor financing a company that installs solar panels in a forested area. While this initiative promotes renewable energy, it may also lead to deforestation and the displacement of local communities reliant on the forest for their livelihoods. While these refer to the direct positive and negative impacts, indirect impacts would be the creation of jobs in the company for renewable energy, while it could also separate families as some members would need to go somewhere else to find a job. Thus, although impact should encompass four dimensions, these four dimensions should be reflected for both aspects of impact: positive and negative, as illustrated in figure thirteen below. As such one could consider an impact to be fully measured and reported, if for both aspects the four dimensions are covered, otherwise impact is only partially measured and reported.

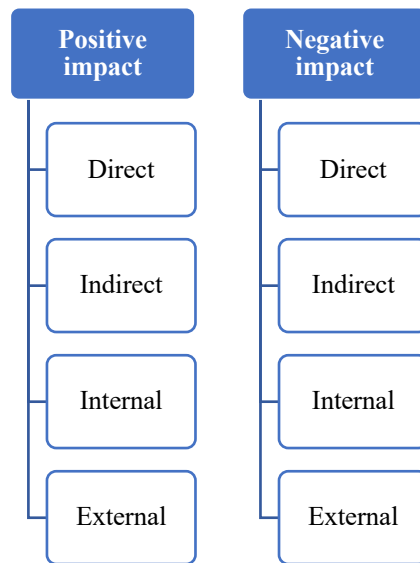


Figure 13 The two aspects and the four dimensions of impact

Considering the two aspects and the four dimensions of impact would enable to have a full representative picture of impact. However, this could also exacerbate the practices of IME and impact reporting which may prove impractical for impact investors, even though it lies at the heart of their identity.

Recognizing these dimensions is only the first step. Investors must also confront a series of fundamental complexities that further complicate any attempt at objective measurement and reporting. Stievenart and Pache (2014) identify four complexities inherent to social IME:

1. **Computational complexity** refers to the wide range of elements that must be considered when measuring impact. Unlike natural sciences, social sciences lack universal laws that simplify measurement, making it more challenging to establish rigorous methodologies (Mulgan 2010).
2. **Systemic complexity** stems from the difficulty of establishing a direct causal relationship between an action and a specific outcome, as multiple factors and actors

often contribute to observed effects (Stievenart and Pache 2014). For example, in microfinance, if an investment fails and requires restructuring, the underlying cause may be a flawed business model, political instability, social pressures, or a combination of these. Understanding such interactions resembles navigating a maze, where modeling efforts remain highly assumption driven.

3. **Epistemic complexity** arises from the limitations of human knowledge when assessing social impact. Social outcomes such as well-being, health, education, or quality of life are difficult to quantify due to the absence of precise measurement frameworks (*Ibid.*).
4. **Axiological complexity** stems from differing values and perspectives among stakeholders. Social IME relies on specific norms and interests that may not be universally shared (*Ibid.*). For instance, one perspective may define microfinance success based on increased household income, while another may argue that success should be measured through broader improvements in living standards.

These complexities are not merely academic concerns; they have profound implications for how impact is measured, reported, and ultimately, how it is valued by investors. This leads to a fundamental and often overlooked question: Why would impact investors willingly measure their negative impacts? From a normative perspective, the answer is straightforward: impact investors should aim to fully understand and manage the impacts of their investments, both positive and negative, to ensure transparency, accountability, and effectiveness in financing sustainable development. However, from a pragmatic perspective, the incentives to measure negative impacts remain weak. First, it is costly and conceptually challenging. Then, acknowledging negative impacts may undermine carefully constructed success narratives, create reputational risks, and reduce the attractiveness of investment products to clients focused on positive social returns.

Clifford (2014) highlights that IME serves different purposes depending on its intended use, whether for financial decision-making, governance, or operational strategy. Similarly, Mulgan (2010) argues that social enterprises, including impact investors, use impact metrics to communicate results to funders, partners, and beneficiaries. However, the author notes a critical challenge: while these metrics have expanded significantly in recent years, they are often used uniformly across different functions, rather than being tailored to specific objectives such as (1) accounting, (2) management, and (3) evaluation. In contrast, conventional businesses tend to adapt their measurement approaches according to their specific strategic goals.

This ongoing tension between the practical limitations of IME, investor incentives, and the broader need for accountability underscores the complexities that impact investors face when deciding their approach to IME and impact reporting. The challenges inherent to social IME affect the entire impact investing sector, but microfinance funds have been pioneers, developing structured practices long before sustainable finance started to institutionalize. Despite this head start, they still face key dilemmas, particularly in balancing financial performance with social outcomes. The next section explores how microfinance funds approach IME, the methodologies they use, and the challenges they continue to navigate, offering insights into their role as early adopters in IME.

4. Microfinance impact measurement: state of play and the quest for harmonization

This dissertation focuses on microfinance investments as the pioneer and most-established primary impact sector. Therefore, one could reasonably expect that the sector has best-practices to share but also more experiences and contents to be analyzed when it comes to measuring impact.

4.1. Microfinance impact measurement: practices at a crossroads

Originally, microfinance funds have focused on social impacts, as financial inclusion has always been key to their activity. In the last two decades, as the impact investing sector was flourishing, the integration of environmental impacts became evident and necessary for several reasons: (1) social and environmental aspects are too interconnected, and ignoring one could be at the detriment of the other, (2) environmental aspects are also urgent to address for sustainable development, and (3) there has been a growing interest for environmental aspects from both investors and financial actors. That being said, this dissertation mainly focuses on social impacts, as the microfinance sector has originally focused on the social side and consequently developed more experience. However, environmental impacts will not necessarily be excluded from the discussion and are recognized as crucial for the sector too.

As illustrated in chapter one with figure ten, it is common market practice to use a ToC as a framework to identify and define the different steps leading to impact. It starts with the inputs and activity. The former describes the resources used in the intervention and the latter refers to the actions undertaken, with the resources, as part of the intervention. Then, outputs describe how an intervention touches the end-clients, whereas outcomes refer to short-term changes, arising from the intervention, and resulting from the outputs (Clifford 2014; CERISE et al. 2022). On the contrary, impact refers to changes, observable only after a certain period, that can be attributed to the completion of an intervention (*Ibid.*). It may affect both direct addresses of the intervention and indirect addresses falling outside the boundary of the intervention. In practice, this means that investment managers define for their investments the narrative for each step of the ToC but also specific KPIs, enabling a systematic analysis to understand the impact achieved, and to compare. A simplified example of a ToC for a

microfinance fund supporting financial inclusion of women in emerging and frontier markets could be as follows (this example being illustrative and not exhaustive):

- **Inputs:** raising funds, bringing knowledge for finance and sustainability;
- **Activity:** investing capital into MFIs supporting the financial inclusion of local and low-income individuals;
- **Output:** an increasing number of local and low-income individuals have access to financial services;
- **Outcome:** thanks to their access to financial services, local and low-income individuals have been able to grow their business sustainably, to let their children go to school, etc.;
- **Impact:** On the long-term and thanks to an access to financial services, local and low-income individuals have been able to live above the minimum poverty line and to anticipate for their primary needs.

Here one should note that a ToC is used in practice to only highlight one dimension of impact, the intended positive impact, but does not address the other dimension, i.e. the negative impact.

In practice, microfinance funds primarily focus on measuring the immediate effects of their investments in terms of inclusion and outreach (Dominicé 2012). Commonly used indicators for social IME include the average loan amount disbursed by a MFI as a proportion of Gross Domestic Product (DiLeo and FitzHerbert 2007), sometimes adjusted by Gross National Product per capita (Cull et al. 2009; Hermes et al. 2008; De Bruyne 2008), the percentage of women clients (Armendariz and Morduch 2010; De Bruyne 2008), and the number of active borrowers (Gutierrez-Nieto and Serrano-Cinca 2007). While these output-oriented indicators provide useful information for managing risks and informing business decisions, they fall short of capturing how clients experience financial services or the broader

social and environmental transformations that impact investing aspires to achieve (Dichter et al. 2016).

The ambiguity surrounding the concept of impact and the methodological challenges inherent to its measurement have led impact managers of microfinance funds to prioritize easily measurable outputs, often limited to economic and demographic indicators or politically convenient metrics such as service utilization and population growth (Gramling and Freudenburg 1992). As Severino (2022) argues, this focus on readily quantifiable outputs reflects a lack of methodological rigor, with many impact reports failing to apply robust evaluation techniques or clearly present their findings. Instead of providing detailed analyses of attribution and contribution, core elements of genuine IME, many reports rely on a “storytelling” approach. This involves selecting specific MFIs and/or end-clients and highlighting individual success stories, helping investors visualize potential outcomes but offering neither exhaustive nor comparable insights. While this practice creates a superficial sense of harmonization across reports, the lack of standardized methods for collecting and presenting qualitative data prevents meaningful comparison and undermines accountability. Reflecting this challenge, the GIIN’s report on *Impact Measurement & Management Practice* identifies the inability to compare impact results across peers as a significant or moderate challenge for 76% of surveyed impact investors, underscoring a critical gap in the sector’s IME and impact reporting infrastructure (Hand et al. 2023).

Access to standardized impact metrics, combined with detailed transaction data, is essential to support a ToC and to advance the financing of the SDGs. As in other markets, data comparability, clear standards, and transparency are key conditions for the development and maturity of capital markets (OECD 2019). However, the OECD notes that, despite the existence of several data-collection initiatives in the social impact investing market, efforts remain

fragmented and inconsistent. This lack of comparability has prompted a growing willingness among market participants to collaborate on developing common data impact initiatives, with the aim of producing more coherent and internationally comparable impact data (*Ibid.*). Therefore, the following section introduces the concept of IME initiatives as well as the existing initiatives, which are mostly referred to and used by microfinance funds to measure and report their impact.

4.2. Overview of the existing impact measurement initiatives for microfinance funds

Although challenges linked to IME are discussed in practice, an overview and an analysis of existing IME initiatives for microfinance funds remain missing in both academic literature and sector reports. This dissertation aims to fill this gap. Understanding these initiatives is particularly important because the microfinance sector often treats IME as a technical exercise, while its conceptual underpinning, assumptions, and implications remain insufficiently examined. This dissertation argues that clarifying the landscape of IME initiatives is crucial for at least three reasons. First, there exists a paradox between the fact that, on the one hand, there has been a proliferation of IME initiatives, and, on the other hand, there is a need for more IME initiatives, as the sector is still unable to prove its impact. Second, the rise of sustainable finance expands, impact investing must articulate its distinctive contribution more precisely to maintain legitimacy, especially within the emerging regulatory framework in the EU. Third, pressures to identify effective financing mechanisms for sustainable development within the current geopolitical turmoil are intensifying, which reinforces the need to better grasp impact and its financing. By foregrounding these considerations, this dissertation takes a clear position: IME initiatives must be understood not merely as tools but as institutional responses to conceptual

ambiguities surrounding impact. Harmonization of IME practices therefore opens up both challenges and opportunities that are further described below.

The different IME initiatives covered have been identified in reports, practitioner conferences, and discussions with practitioners that occurred throughout the researcher's professional experience. Before looking at the different IME initiatives that exist for microfinance funds, this dissertation specifies what is meant by IME initiatives practically. This dissertation builds on the work of Boiardi (2020), with the paper *Measuring and managing the impact of sustainable investments – a two axes mapping*, OECD, where the author distinguishes between two functions of impact: (1) IMA and (2) IME, and identifies four different type of impact initiatives for both IMA and IME: (1) principles and guidance, (2) frameworks and methodologies, (3) standards, certifications and ratings, and (4) metrics. This conceptualization is adopted not as a prescriptive model, but as a structured lens through which existing initiatives for microfinance funds can be examined and compared. While Boiardi (2020) looks at the initiatives to manage and measure impact of sustainable investments targeting the SDGs, this dissertation extends the conceptual framework to the context of microfinance investments, focusing on initiatives explicitly oriented toward IME. Figure fourteen below presents the typology of IME initiatives derived from the work of Boiardi (2020).

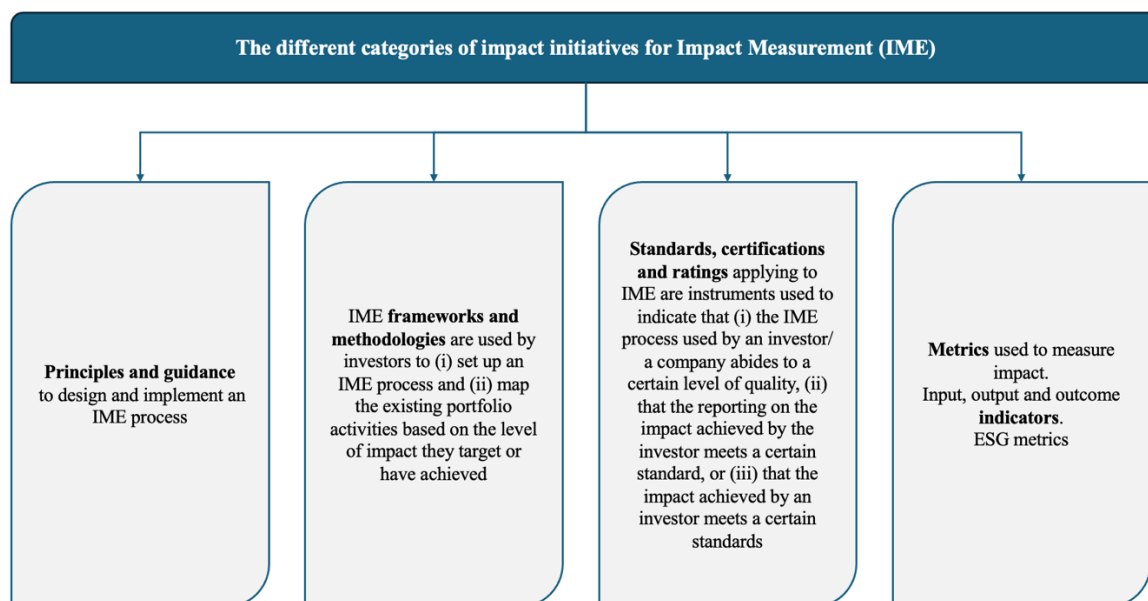


Figure 14 The four categories of impact initiatives for impact measurement (Boiardi 2020:

12)

These four categories illustrate that there exists a variety of IME initiatives, which are also complementary as they serve a different purpose in the IME process. In its annual report, Tameo identifies tools and frameworks used by PAIFs to manage and measure their impact performance and finds that around 65% of the survey participants use the SDGs, being the initiative that is the most used (Estoppey 2025).

The SDGs: A global reference with limited operational guidance

Introduced through the 2030 Agenda, the SDGs provide a universal framework with seventeen goals and 169 targets to guide sustainable development. These goals, adopted by 193 countries, offer a common language for addressing global development challenges. According to the WB (2018) inclusive finance, also called microfinance, has been analyzed as a facilitator for seven out of the seventeen SDGs. Inclusive finance is very much recognized internationally thanks to its multidimensional economic impacts such as moderating macroeconomics shocks

on households and SMEs, smoothing consumption, decreasing socio-economic inequalities, supporting economic growth, and improving standards of living to name a few (Corrado and Corrado 2017; Stein 2010).

Ever since the 2030 Agenda entered into force in 2015, the SDGs became a guiding framework for sustainable development stakeholders, including the sector of impact investing. They are used by a variety of financial products, including microfinance funds, to showcase how their investments contribute to the SDGs. In the industry of impact investing, this exercise is often referred to as “SDG intent, i.e.” using impact investing principles upstream to tie the fund’s investment strategy to explicit goals and objectives, which then trickle down in the fund and transaction documentation and can be measured thereafter in the fund reporting” (Estoppey and Narayanan 2022: 114). The SDGs have emerged as the leading industry framework for IMM, with most PAIFs identifying specific target SDGs that align with their intended impact objectives (WB 2018). Figure fifteen below showcases which SDGs are mostly used for each impact sector. The three most targeted SDGs for microfinance funds are SDG 1 (No poverty), SDG 5 (Gender equality) and SDG 10 (Reduced inequalities).



Figure 15 Primary SDGs by impact sector (Estoppey 2025: 102)

Tameo highlights in its annual report that 38% of their survey participants map their social and environmental goals against the SDGs at fund level, whereas 35% do it at the investee level and 21% at the transaction level (Estoppey and Narayanan 2022). Therefore, although PAIFs use a common framework they find themselves mapping their social and environment objectives against this same framework, at different levels, which prevents comparison purposes. Although the SDGs provide a universal reference, from a conceptual standpoint, their contribution remains primarily strategic rather than operational. They offer a common language, yet very little guidance for IME. This dissertation therefore treats the SDGs as a

framework for impact reporting rather than as a measurement tool per se, which is important for understanding their limited capacity to support harmonization.

IRIS+: enabling standardization at the risk of reduced flexibility

Another tool, identified in Tameo’s annual report, to manage and measure PAIFs’ impact performance, is the IRIS+ (Impact Reporting and Investment Standards), being used by 40% of the participants (Estoppey 2025). IRIS+, developed by the GIIN, offers a free online platform with tools and guidance to define, manage, measure, and report impact. Particularly known for its catalog of metrics, IRIS+ offers standardized indicators tailored to specific impact categories, including financial services (Jordan-Kirwan and Tengtio, n.d.), providing a practical common language to inform decision-making, facilitate communication, and enable comparison (GIIN, n.d.-c).

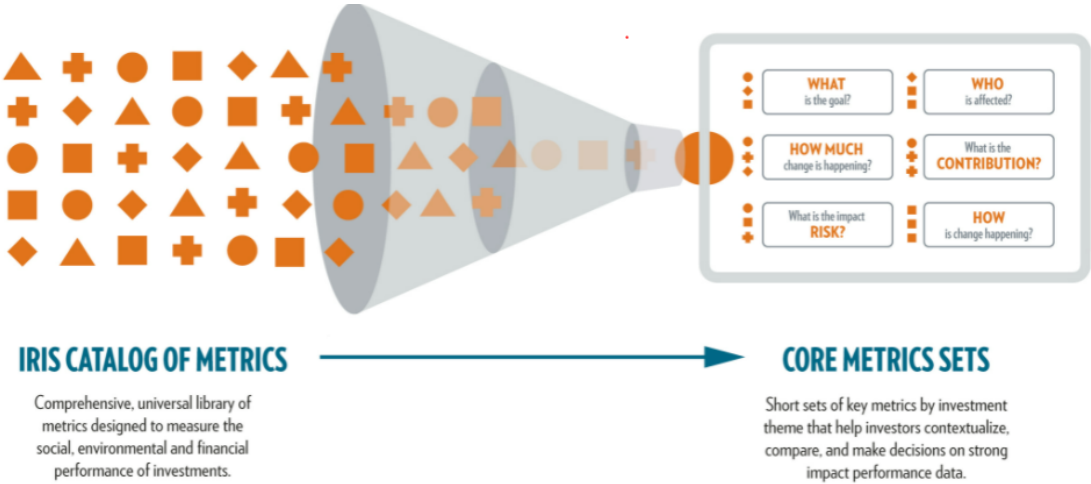


Figure 16 The relationship between the IRIS metrics and the five dimensions of impact (GIIN, n.d.-c)

As shown in figure sixteen above, IRIS+ organizes its core metrics around six key dimensions: what, who, how much, contribution, risk, and how. When fully implemented, IRIS+ enables comparable data collection and integrates other initiatives, including the SDGs and the impact

dimensions originally developed by the Impact Management Project (IMP), which will be discussed in the following section.

While IRIS+ stands out as a comprehensive and highly structured tool that fosters standardization, its comprehensiveness may also create reluctance among microfinance funds. This tension between standardization and strategic differentiation is central to the conceptualization of harmonization in IME and impact reporting. Relying solely on a single framework can raise concerns about losing flexibility in how impact is defined, measured, and reported, potentially limiting microfinance funds' ability to tailor their data collection process but also narratives to specific investors' expectations. Moreover, as IRIS+ gains prominence, some funds may fear the emergence of a "monopoly" in IME and reporting practices, reducing opportunities to differentiate themselves through bespoke methodologies and impact stories, a key element of their competitive positioning and marketing strategies.

The IMP: structuring qualitative impact while challenging practical application

A third framework identified in Tameo's annual report to measure and manage impact is the IMP, used by nearly 35% of the survey participants (Estoppey 2025). The IMP, a time-bound collaborative initiative, sought to establish norms for setting impact goals and managing performance. It classifies company intentions into three categories: (1) Act to avoid harm, (2) Benefit stakeholders, and (3) Contribute to solutions. Beyond intentions, it introduces five key dimensions to assess impact performance (GIIN and IMP 2019):

1. **WHAT:** The outcomes targeted and their relevance for stakeholders.
2. **WHO:** The stakeholders affected and the extent to which they are underserved.
3. **HOW MUCH:** The scale, depth, and duration of the changes experienced.

4. **CONTRIBUTION:** Whether outcomes are better than what would have occurred without the intervention.
5. **RISK:** The likelihood that actual impact differs from expected results.

As illustrated in figure seventeen below, these dimensions align closely with the ones of the ToC: the first two relate to activities and outputs, while “How much” and “Contribution” correspond to outcomes. Although “Risk” does not directly fit within the ToC, it provides essential contextual insights.



Impact dimension	Impact data category	Description
 What	1. Outcome level in period	The level of outcome experienced by the stakeholder when engaging with the enterprise. The outcome can be positive or negative, intended or unintended.
	2. Outcome threshold	The level of outcome that the stakeholder considers to be a positive outcome. Anything below this level is considered a negative outcome. The outcome threshold can be a nationally or internationally-agreed standard.
	3. Importance of outcome to stakeholder	The stakeholder's view of whether the outcome they experience is important (relevant to other outcomes). Where possible, the people experiencing the outcome provides this data, although third party research may also be considered. For the environment, scientific research provides this view.
	4. SDG or other global goal	The Sustainable Development Goal target or other global goal that the outcome relates to. An outcome might relate to more than one goal.
 Who	5. Stakeholder	The type of stakeholder experiencing the outcome.
	6. Geographical boundary	The geographical location where the stakeholder experiences the social and/or environmental outcome.
	7. Outcome level at baseline	The level of outcome being experienced by the stakeholder prior to engaging with, or otherwise being affected by, the enterprise
	8. Stakeholder characteristics	Socio-demographic and/or behavioural characteristics and/or ecosystem characteristics of the stakeholder to enable segmentation
 How Much	9. Scale	The number of individuals experiencing the outcome. When the planet is the stakeholder, this category is not relevant.
	10. Depth	The degree of change experienced by the stakeholder. Depth is calculated by analysing the change that has occurred between the "Outcome level at baseline" (Who) and the "Outcome level in period" (What).
	11. Duration	The time period for which the stakeholder experiences the outcome
 Contribution	12. Depth counterfactual	The estimated degree of change that would have happened anyway - without engaging with, or being affected by, the enterprise. Performance of peer enterprises, industry or local benchmarks, and/or stakeholder feedback are examples of counterfactuals that can be used to estimate the degree of change likely to occur anyway for the stakeholder.
	13. Duration counterfactual	The estimated time period that the outcome would have lasted for anyway - without engaging with, or being affected by, the enterprise. Performance of peer enterprises, industry or local benchmarks, and/or stakeholder feedback are examples of counterfactuals that can be used to estimate the duration likely to occur anyway for the stakeholder.
 Risk	14. Risk type	The type of risk that may undermine the delivery of the expected impact for people and/or the planet. There are nine types of impact risk.
	15. Risk level	The level of risk, assessed by combining the likelihood of the risk occurring, and the severity of the consequences for people and/or the planet if it does.

Figure 17 Overview of the IMP dimensions

The IMP offers a valuable qualitative framework for integrating context and narrative elements into IME and impact reporting, an approach particularly relevant for microfinance funds, which often struggle to collect robust quantitative outcomes data. By emphasizing qualitative insights, the IMP allows funds to highlight dimensions of impact that may not be easily captured through standardized indicators. However, applying the IMP framework effectively requires a rigorous and systematic use of its categories across all investment analyses, which is unlikely to be consistently practiced. A lack of systematic application could reflect both operational constraints and the limited marketing appeal of highly structured, qualitative reporting, which may not produce the easily digestible success stories often favored by investors.

60 Decibels: standardized client outcomes with limited control and accessibility

In 2013, the non-profit organization Acumen introduced a lean data approach, described as “a fast, reliable customer-centric approach to impact measurement” (Acumen, n.d.). This method captures how investments improve the lives of low-income customers through phone surveys, based on three core principles: speed, repeatability, and comparability. Building on this methodology, 60 Decibels, a spin-off of Acumen, systematically collects data directly from the end-clients of MFIs, structuring results through its Microfinance Index, which covers six dimensions: (1) Access, (2) Loan Product Impact, (3) Household Impact, (4) Client Protection, (5) Resilience, and (6) Agency (Baqueiro Fuentes et al. 2025).

A key strength of 60 Decibels lies in its highly standardized and structured approach, enabling a consistent measurement of client outcomes across diverse contexts. This standardization facilitates robust benchmarking and comparability among microfinance funds. However, the third-party nature of its implementation means that microfinance funds relinquish control over what is measured and how it is measured, while retaining control over what they

disclose and how such information is integrated into their decision-making processes. The relatively high cost of this service makes it largely affordable for bigger investment managers, further limiting access for smaller impact funds. Finally, although regional benchmarks enhance comparability, they risk overlooking important contextual nuances that more qualitative approaches, such as *Voices That Count*, are better positioned to capture.

Voices That Count: deep contextual insights beyond managerial reach

The last IME initiative identified in this dissertation is *Voices That Count*, which offers participatory and narrative-based methodologies for deep-dive studies. These methods can be used independently or combined, with the core approach adapted to the specific purpose and context of the analysis (Voices that Count 2023). One methodology often used by microfinance funds is the “Narrative Inquiry using SenseMaker,” which starts from personal stories and experiences to explore less tangible aspects such as perceptions, behaviors, values, and underlying dynamics. Patterns emerging from these narratives are then collectively analyzed, forming the basis for IME.

Unlike the other initiatives reviewed, *Voices That Count* focuses on qualitative insights and contextualization, offering a level of depth that standardized tools cannot capture. While this richness of information is valuable for understanding complex social outcomes, the detailed and nuanced data it produces is often difficult for microfinance funds to process and translate into actionable business strategies, making also harmonization more complicated. By contrasting *Voices That Count* with IRIS+ or 60 Decibels, this dissertation underscores that harmonization is not only a technical matter but a conceptual trade-off between depth, comparability and managerial usability.

Although the different IME initiatives discussed above promote greater transparency and comparability, their partial and fragmented adoption illustrates that harmonization cannot be assumed as the natural outcome of methodological availability. One proposed originality of this dissertation is the positioning that IME initiatives must be understood as institutional artefacts shaped by conceptual choices strategic considerations and sector norms. Advancing toward harmonized IME and impact reporting practices is therefore a complex process, rather than a straightforward technical adjustment. The following section further explores the concept of harmonization.

4.3. Harmonizing impact measurement practices for microfinance funds: between burdens and opportunities

A distinction should be drawn between the terms harmonization and standardization. While harmonization seeks alignment between different systems to work together and to retain flexibility, standardization aims for uniformity, as everyone follows the same rules. When measuring impact, context matters. This is why the term harmonization is preferred in this dissertation. It emphasizes the need for microfinance funds to work collectively and to foster standardization where possible, particularly in the definition and use of shared metrics, while retaining the flexibility to interpret and analyze impact in line with their own impact strategies, stakeholder defined objectives, and contextual realities. In this sense, harmonization entails both alignment and evidence.

From the perspective of this dissertation, harmonization must be understood as an institutional process rather than a purely technical one. It involves the emergence, diffusion, and attempted consolidation of shared rules, norms, and routines structuring how microfinance funds measure and report their impact. This institutional lens helps illuminate why harmonization may be difficult: IME and impact reporting practices are shaped by organizational mandates, investor

relationships, sectoral norms, and historical trajectories, all of which can evolve unevenly across actors.

In its report *Roadmap for the Future of Impact Investing*, the GIIN outlines “Greater clarity and standardization” as one of the actions to advance impact investing (Bouri et al. 2018). In the report on *Outcomes management for financial service providers*, prepared by CERISE in collaboration with SPTF Outcomes Working Group and e-MFP Investors Action Group, the authors highlight the feasibility for the microfinance sector to identify a core set of indicators that is relevant for a majority of microfinance actors, while letting the possibility to include additional chosen indicators (CERISE et al. 2022). Considering that impact is context-dependent, it would be in vain to develop a one-size fits all approach for microfinance impact. Microfinance has a common objective to foster access to financial services to low-income populations, but also encompasses various sub-sectors, such as agriculture, entrepreneurship, green energy to name a few. Specific sub-sectors indicators shall be developed, as done with IRIS+, enabling to compare microfinance and its different sub-sectors. Such an approach would enable to address the risks that a standardized approach can be incomplete in the coverage and/or inappropriate for the measurement objective (de Colle et al. 2014).

According to Boiardi (2020), common IMM systems would enable a more systematic data reporting, and informed comparisons. Godeke and Briaud, (n.d.) also identify three essential features of a robust IMM system:

1. A disciplined and consistent approach to IME,
2. Transparency in due diligence and reporting processes, and
3. The use of appropriate methods and tools for measuring impact.

These three elements are conceptually significant. They illustrate that harmonization is not simply the alignment of formats, but the institutionalization of shared expectations about what credible IME and impact reporting entail. A disciplined and consistent approach encourages the adoption of shared standards and frameworks, reducing fragmentation in how impact is defined, measured, and reported. Transparency in due diligence and reporting processes strengthens the credibility of reported information, allowing for clearer comparisons and enhancing trust among stakeholders. Finally, the use of appropriate initiatives ensures that impact reporting goes beyond formal compliance to deliver meaningful, verifiable, and comparable insights. Together, these features highlight that harmonization is not simply about aligning reporting formats but also about improving the substance and reliability of the information disclosed.

Harmonization of IME practices would be beneficial for both the investors and the investees. Indeed, at the moment, MFIs shall collect and report data to their different investors. If they have several microfinance funds as investors, it means that they duplicate the data collection exercise, which becomes even more costly for them. The duplication cost can be especially expensive if the funds ask for different but similar metrics, requiring different collection and use of data. Here, harmonization would reduce reporting costs for investees and would enable a better understanding and potentially use, of what they collect. For example, it is common market practice to monitor the number of clients in rural areas, however, the definition of rural may differ between MFIs and microfinance funds. This lack of shared definition limits comparability and creates inconsistencies in analysis and reporting. In theory, a truly harmonized data collection process would allow MFIs to report once, using shared definitions, and make this data available to all relevant microfinance funds. ATLAS, an online platform designed to centralize and standardize MFI data, aims to facilitate this. ATLAS promises several advantages: reducing reporting burdens for MFIs, improving access to data for funds, and enhancing consistency across the sector. Yet, as with any institutional innovation, its

effectiveness depends on broad adoption, social legitimacy, and alignment with actors' incentives.

Harmonization presents a double-edged sword, embodying both a systemic burden and a systemic opportunity for microfinance funds. On the one hand, it represents a burden, as achieving greater harmonization requires establishing a common playing field, which inevitably demands significant adjustments to long-established practices. Moreover, impact reporting often serves as a marketing tool, allowing microfinance funds to differentiate themselves and signal competitive advantage to investors. Harmonization may therefore constrain narrative autonomy and reduce strategic room for differentiation, making some actors ambivalent about adopting shared formats. On the other hand, harmonization offers a substantial systemic opportunity. It would enable investors, microfinance funds, and MFIs to adopt a shared language, thereby reducing IME costs, improving data comparability, and enhancing overall transparency. As key actors in impact investing, microfinance funds could collectively strengthen their institutional legitimacy by advancing harmonization and demonstrating credible contributions to sustainable development. As the adage goes, “what gets measured gets managed”, only with appropriate, comparable measurement and reporting can informed decisions be made and impact truly assessed.

Today, the impact investing sector, and microfinance as its pioneer, finds itself caught between the need to strengthen its legitimacy and the desire to maintain operational flexibility. This tension has become particularly acute as sustainable finance continues to grow and investor scrutiny over impact performance intensifies. While the need for greater legitimacy is undeniable, especially amid increasing concerns about impact washing, many investors remain reluctant to accept additional IME and impact reporting burdens or constraints that could undermine their competitive advantage. Taken together, the review of existing IME initiatives

and the discussion of harmonization highlight that shared methodologies and tools shape only part of the picture. While these initiatives structure what could be measured, they do not necessarily determine what is actually disclosed. In practice, microfinance funds retain significant discretion in selecting indicators, structuring narratives, and communicating results to external stakeholders. This distinction between measurement and reporting is crucial for this dissertation. It is ultimately through impact reports, as publicly available documents, that microfinance funds disclose how they interpret sector norms, internalize or resist harmonization pressures and position themselves within the broader institutional landscape of impact investing. Accordingly, the next section turns from conceptual debates to methodological design and details the analytical approach used to assess harmonization of impact reporting practices. Rather than evaluating impact per se, this dissertation examines how microfinance funds translate IME into disclosure: what they choose to measure, what they highlight, what they omit, and how they frame their impact reporting.

5. Methodological approach

As shown in the previous sections, the lack of a clear definition of impact, the ongoing search for identity within the impact investing sector, and the inherent complexities of IME create challenges that microfinance funds must navigate to be held for their contribution to sustainable development and to continue attracting sustainability-oriented capital.

In order to assess how microfinance funds navigate these challenges, this dissertation aims to build a methodological approach to analyze microfinance funds impact reports, a public document where they have the opportunity to be transparent and to demonstrate their impact. Beyond the level of transparency, this methodological approach aims to analyze the level of harmonization and subjectivity, i.e. if impact reports are used to be transparent on what is most

convenient for the microfinance funds or to demonstrate the current level of IME, with the methodologies and IME initiatives used (impartiality).

Thus, the methodological framework proposed for this dissertation is based on two analytical dimensions: the rigor of evidence provided and the degree of alignment with international impact initiatives used in the microfinance sector. The following section details the development of the analytical axes, the scoring methodology, and the typology used to classify impact reporting practices.

5.1. The two analytical dimensions and their scoring frameworks

According to CERISE, e-MFP, and SPTF (2022), IME plays a critical role in fostering transparency, accountability and comparability. The level of transparency is analyzed by looking at the information published in the impact reports of microfinance funds, while the level of accountability and comparability is respectively analyzed in the two axes evidence and alignment. These two axes enable to address and integrate the three features identified by Godeke and Briaud (n.d.) for a robust IMM system, namely: (1) A disciplined and consistent approach to IME, (2) Transparency in due diligence and reporting processes, and (3) The use of appropriate methods and tools for measuring impact. Finally, each axis has been operationalized into eight criteria, which have been established based on the literature review, conceptual approach, and research objectives of this dissertation. For each criterion, three sub-criteria have been defined corresponding each to a score of zero, one or two. Therefore, the highest score possible is sixteen and the lowest one is zero.

- **Alignment axis**

First, the alignment axis aims to capture the extent to which a fund reports its impact in a way that is tailored to its own internal logic or aligned with widely used international impact

initiatives. On one end of the spectrum, idiosyncratic reporting refers to the use of proprietary indicators developed in line with the fund's specific strategic approach, often with minimal or no reference to external impact initiatives. On the other end of the spectrum, standardized reporting involves the adoption of internationally recognized metrics and the alignment of reporting practices with established impact initiatives. This is considered as best-practice to achieve harmonization in the sector, as it fosters data comparability (OECD 2019b) and diminishes this sense of "impact washing" (Boiardi 2020). Table four below presents the different criteria and the corresponding scoring that have been established to analyze to what extent microfinance funds rigorously use and refer to existing internationally recognized initiatives to report their impact, as well as the level of transparency in terms of what has been used.

As mentioned above, there are different types of impact initiatives. Therefore, two criteria have been established to analyze which global frameworks and global indicators are used in microfinance funds impact reports. The focus is on frameworks and indicators as both can clearly help in structuring the impact measured in an impact report, whereas principles for instance rather focus on the commitment of implementing practices to achieve impact. While these are important, this dissertation focuses on what is reported and how. Another criterion analyzes if international frameworks are only referred to or integrated to map impact results. As aforementioned, one key element is transparency. Therefore, three criteria especially focus on this element, by looking at (1) the disclosure of definitions, as Robert Macherez (2024) identifies that microfinance funds can methodologically translate the name of an indicator differently, creating confusion in the understanding of impact and comparison of data, (2) the justification of deviations, which aims to look at whether microfinance funds explain why they deviate from international impact initiatives if used, and (3) the disclosure of methodologies, which is crucial to understand the approach chosen by a fund to measure and report its impact.

Then, three other criteria aim to evaluate the level of consistency and comparability in an impact report by analyzing if impact results are mapped to the frameworks used in the impact reports, if there is a reconciliation between the internal impact initiatives and the international ones and if the language used rather reflects internally developed initiatives or international ones.

Criteria	Score 0	Score 1	Score 2
1. Reference to international frameworks	No mention of international frameworks (e.g., SDGs, IRIS+, IMP).	Frameworks are briefly named, but without systematic or operational use.	Frameworks are systematically referenced and integrated into reporting.
2. Use of global indicators	No use of standardized global indicators; entirely proprietary metrics.	Sporadic use of global indicators alongside fund-specific ones.	Systematic use of standardized indicators (e.g., IRIS+) across the report.
3. Mapping of results to frameworks	No mapping of results to international frameworks.	Partial or vague mapping to international frameworks.	Clear and systematic mapping of all results to global frameworks.
4. Clarity and Disclosure of Indicator Definitions	Indicators are presented without any definitions or explanations.	Some key indicators are defined or explained, but many are not; definitions are partial or ambiguous.	Clear and systematic disclosure of definitions for all or most indicators.
5. Reconciliation between internal and global indicators	No reconciliation between internal and global impact initiatives.	Partial reconciliation; loose or occasional links between internal and global impact initiatives.	Explicit, systematic reconciliation between internal and global impact initiatives, mainly explained.
6. Format and language consistency with standard reporting	Fully proprietary structure and language unrelated to standards.	Mixed: partly standard structure, but proprietary elements dominate.	Full consistency with international standard structures and sector-specific terminology.
7. Justification of deviations	No explanation for deviations from impact initiatives.	Brief or vague justification provided.	Clear, detailed explanation of why deviations from impact initiatives occur.
8. Disclosure of methodology for alignment	No disclosure of methodology for alignment.	Partial methodology description; incomplete explanation.	Full and transparent disclosure of methods for alignment.

Table 4 The alignment axis: its criteria and scoring

- **Evidence axis**

Second, the evidence axis aims to capture the degree of methodological rigor underpinning the impact claims made in the report. At one end of the axis lies a subjective approach, characterized by anecdotal narratives, selective success stories, and limited use of data, often aimed at reinforcing a positive image without offering verifiable evidence. At the other end of the axis is a methodologically robust approach, where impact is assessed through clearly defined indicators, systematic data collection, outcome measurement, and an explicit ToC, sometimes complemented by efforts to establish causal links or validate findings. In other words, this axis reflects the extent to which reported impact is grounded in structured and credible evidence. Table five below presents the different criteria and the corresponding scoring that have been established to analyze to what extent microfinance funds demonstrate evidence in their impact reports. One criterion focuses on how ToC are used by microfinance funds in their impact reporting, with on the one hand the sole mention of a ToC and on the other hand, the applied ToC used to structure the reporting, combining the data with the narrative. Another criterion focuses on analyzing the degree of disaggregation of data provided. This element reflects the importance of context in measuring and reporting impact. Transparency of methodology has also been integrated as a criterion, to reflect the agency of actors in deciding why, how and what to measure (Stiglitz et al. 2010). This element is crucial as measurement and reporting are never entirely objectives. They are shaped by objectives, interests, limits and opportunities (Robert Macherez 2024), which should be presented to better understand the impact reported.

Criteria	Score 0	Score 1	Score 2
1. Use of anecdotal evidence	Only anecdotes or isolated success stories are presented, with no supporting data.	Anecdotes are supplemented by minimal quantitative data, but data are not systematically used.	Report is primarily data-driven, anecdotes only complement systematically presented data.
2. Outputs reported	No quantitative output indicators are reported (e.g., number of clients, loans disbursed).	Basic output indicators are provided but without detail or disaggregation.	Detailed and disaggregated output indicators are systematically reported (e.g., by product type, gender, region).
3. Outcomes reported	No outcome-related data is presented (e.g., changes in client behavior, income, etc.).	Some basic outcome indicators are reported, but with limited explanation or depth.	Several outcome indicators are presented, with contextualization and preliminary interpretation.
4. Disaggregation of data	Data are reported only in aggregate, no segmentation or disaggregation is provided.	Basic segmentation is provided (e.g., male/female), but limited in depth or categories.	Detailed disaggregation across multiple relevant dimensions (e.g., gender, region, loan size, client profile).
5. Use and operationalization of a ToC	No ToC is mentioned.	A ToC is claimed or vaguely mentioned, but not explained or operationalized.	A ToC is explicitly presented and at least partially linked to impact indicators, analysis, or evidence collection.
6. Internal Coherence of Evidence	Major claims made in the report are not supported by the evidence presented, or there are obvious contradictions between narrative and data.	Some claims are supported by data, but inconsistencies or missing links are noticeable.	All major claims are well-supported by the presented evidence; narrative and data are coherent and mutually reinforcing.
7. Transparency of methodology	No information is given on data collection, sampling, or methods.	Partial information is disclosed (e.g., some indicators are explained but not full methods).	Full methodological transparency: description of data collection methods, sample sizes, indicators definitions, and any limitations.
8. Evidence of learning or feedback loops	No reference to lessons learned or adaptation based on impact evidence.	Lessons or improvements are vaguely mentioned but not systematically linked to evidence.	Explicit discussion of learning processes, adaptations, and how impact evidence informed strategy or operations.

Table 5 The evidence axis: its criteria and scoring

Each microfinance fund impact report identified for this dissertation is analyzed by looking at criterion by criterion. The analysis and the scores per criterion are then entered in a table to

have an overview of the different results. Then, the impact report is attributed a total score, between zero (lowest score) and sixteen (maximum score), for each axis.

This article proposes the Impact Reporting Harmonization Matrix (“IRHAMIX”), where the two axes, alignment and evidence, have been combined to create four profiles, represented in figure eighteen below:

	Low Alignment (0-8)	High Alignment (9-16)
Low Evidence (0–8)	<p>Self-Legitimizer</p> <p><i>Narrative-driven, symbolic, lacks methodological depth</i></p>	<p>Symbolic Harmonizer</p> <p><i>Emulates global language but lack rigor</i></p>
High Evidence (9–16)	<p>Technocratic Individualist</p> <p><i>Quant-heavy but non comparable, fund specific KPIs</i></p>	<p>Harmonizer</p> <p><i>Rigorous, aligned with impact initiatives and supported by evidence</i></p>

Figure 18 The IRHAMIX: A typology for assessing harmonization of impact reporting practices

The four profiles and their associated scoring are described as follows:

1. **Self-Legitimizer:** this qualifies an impact report with a score between zero and eight, for both the alignment and evidence axes. Here, the impact report is mainly narrative-driven or at best with basic output indicators, while either it does not use international impact initiatives, or it does it, but the latter are not systematically applied, lacking methodological integration.
2. **Technocratic Individualist:** this represents an impact report scoring above average (i.e. eight) on the evidence axis but scoring below average on the alignment axis. In other words, the impact report is mainly data-driven, well structured, but it does not, or only partially implements international impact initiatives, making it less comparable.

3. **Symbolic Harmonizer:** this qualifies an impact report scoring above average (i.e. eight) on the alignment axis but scoring below average on the evidence axis. In this case, the impact report shows a partial or strong use of international impact initiatives. However, the level of evidence presented remains mainly descriptive, lacking disaggregation of data and/or being mainly narrative driven.
4. **Harmonizer:** this represents an impact report with a score between nine and sixteen, for both the alignment and evidence axes. It translates into an impact report showcasing a reasonable or good systematic integration of alignment with international impact initiatives, enabling a good level of comparison, coupled with a reasonable or good level of evidence, data is disaggregated and support the narrative.

These four profiles enable to represent a structured comparison and therefore nuanced understanding of diverse reporting approaches. It also offers insights into how microfinance funds navigate the tensions between harmonization and differentiation in their reporting practices.

5.2. Methodological rigor and limitations

The analytical framework provides a systematic and comparable approach to assess the level of harmonization in the impact reporting practices of microfinance funds. By translating the dimensions of evidence and alignment into clearly defined criteria and standardized scoring, the framework ensures transparency and replicability in the classification of reports. Nevertheless, several limitations and potential biases must be acknowledged. First, the use of profiles simplifies complex reporting practices and may not fully capture the granularity that can be found in certain reports. Some reports fall near or on the average, being eight, between categories, and despite defined scoring criteria, subjective judgments remain, particularly when assessing qualitative elements such as the clarity of indicator definitions or narrative coherence.

Second, the analysis is based exclusively on publicly available impact reports. Therefore, this analysis does not capture internal decision-making processes or the strategic considerations that influence reporting practices, such as the choice of indicators to the balance between standardization and differentiation and the resulting costs and opportunities.

The purposive sampling approach used in this research allows for a targeted selection of experts but may introduce selection bias, as microfinance funds that engage in transparency initiatives or participate in public reports may be overrepresented. The geographical scope is also limited to funds investing in emerging and frontier markets, meaning that insights from funds operating in developed markets are not captured.

6. Conclusions

This chapter set out to critically explore the conceptual foundations of impact, impact investing, and IME and impact reporting in microfinance investments. It positions this dissertation within these broader debates and, as an originality, proposes a methodological framework to assess the level of harmonization in the impact reports of microfinance funds, a key document used to communicate impact and contribution to sustainable development.

The analysis reveals that a major challenge in IME stems from the conceptual ambiguity surrounding both impact and impact investing. This chapter has shown that these ambiguities are not merely semantic, but institutional: they shape how impact is interpreted, measured and ultimately reported. Moreover, the widespread use of IME and impact reporting as a commercial communication tool, rather than as a methodological effort to rigorously assess social or environmental outcomes, raises important concerns about accountability and transparency. In a global context marked by urgent sustainability challenges, the ability to credibly assess and compare impact is critical. Without clearer definitions and shared

approaches, it becomes difficult to determine which investments are truly effective and where capital should be directed to support sustainable development.

Against this backdrop, this chapter argues that harmonization must be understood not as a purely technical adjustment, but as an institutional process shaped by norms, organizational strategies, investor expectations and the coexistence of multiple IME initiatives. This is particularly relevant for microfinance, a pioneer sector in impact investing with longstanding experience in defining and communicating social impact. However, despite its maturity, the sector remains marked by a diversity of practices and reporting standards. The review of IME initiatives demonstrates that they should not be treated as neutral instruments, but as institutional artefacts reflecting conceptual choices, operational constraints, and strategic positioning.

In response to these challenges, this chapter introduces the IRHAMIX, a methodological framework designed to assess the degree of harmonization in the impact reporting practices of microfinance funds. The matrix is built on two analytical dimensions, alignment and evidence, which reflect key aspects of harmonization: the extent to which impact reporting adheres to global impact initiatives and the quality and credibility of the information disclosed. By focusing on impact reports, this dissertation originally analyzes how microfinance funds translate measurement into disclosure, what they choose to highlight, and how they position themselves within evolving institutional expectations. The matrix allows for a systematic comparison of microfinance funds using shared criteria and supports the classification of their practices into ideal-type profiles. This typology helps identifying whether there are dominant trends or meaningful divergences in the sector's approach to IME and impact reporting.

While the matrix provides a structured tool for assessing public impact reports, it will be complemented by qualitative interviews with investment and impact managers. These

interviews will provide deeper insight into how microfinance funds interpret, implement, and navigate IME in practice, including their motivations, constraints, and perspectives on harmonization.

The next chapters operationalize this framework through the analysis of selected impact reports and interview data, offering a deeper understanding of the institutional dynamics and practical realities that shape IME and impact reporting practices in the microfinance sector.

CHAPTER 3 IMPACT MEASUREMENT PRACTICES BY MICROFINANCE FUNDS: BETWEEN HARMONIZATION AND DIFFERENTIATION

1. Introduction

By end of December 2021, the Global Impact Investing Network (GIIN) has estimated the amount of Asset under Management (AUM) in impact investing (i.e. investments made with the intention to generate a positive impact) (Estoppey and Narayanan 2023), at USD 1.164 trillion (Hand et al. 2022). Surpassing the USD 1 trillion was an important milestone for the sector and showed its attractiveness since the term was first coined fifteen years ago (Estoppey and Narayanan 2023). Despite this apparent success, vast allocations of capital are still required to achieve the Agenda 2030 and the related seventeen Sustainable Development Goals (SDGs), for which the current annual financing gap is still estimated at USD 3.9 trillion (Bouri et al. 2018; Lippert 2024). The seventeen SDGs provide a common framework to tackle global challenges, such as poverty or climate change, and build a more sustainable future. Although intergovernmental in origin, the SDGs have been widely adopted by financial actors, both public and private, as a way to demonstrate and be held accountable for their contributions to sustainable development (Papazian 2023).

While most public and private actors agree that sustainability and financial returns should go hand-in-hand, they also recognize that the main challenge lies in the definition and measurement of impact (OECD 2019b). Consequently, the Organization for Economic Cooperation and Development (OECD) has launched an “impact imperative” call to develop a common understanding of impact measurement (IME) in the financial sector (OECD 2019b). An imperative that investors, driven by an ever-growing curiosity, are also seeking to

understand when investing in the impact sector (Popescu et al. 2021). To fulfil this imperative, impact investors must embrace a dual commitment: bold accountability and informed decision-making. This can be achieved through a rigorous approach to data collection, transparent reporting, and consistent implementation of impact strategies (Boiardi 2020; UN 2020). However, impact investors are criticized for their lack of rigor in their methodology to measure impact leading to approximate results and difficulties in demonstrating their effectiveness (Severino 2022). In addition to questioning their real contribution and added value to sustainable development, compared to mainstream finance, this also creates a lack of harmonization, which prevents from comparing and understanding impact. In its 2020 Annual Impact Investor Survey, the GIIN finds that, in the next five years, the three greatest challenges identified by impact investors are: (1) “Impact washing” (i.e. an actor claiming to have a positive impact that cannot be supported by evidence), (2) “Inability to demonstrate impact results”, and (3) “Inability to compare impact results with peers” (Hand et al. 2020). Looking at the commonly available impact initiatives (i.e. frameworks, principles, standards, methodologies, tools, indicators etc.), which mushroomed lately (Shinwell and Shamir 2018), one can reasonably ask how impact investors are supposed to be navigating in this crowded space (Boiardi 2020) and how these initiatives are implemented to measure impact.

While the impact investing industry is diverse, this article focuses on microfinance funds being pioneers and long-established financial actors since the end of the 1990s (Mackinnon and Narayanan 2021). In 2023, microfinance was also the impact sector with the highest transaction volume (i.e. USD 5188 million) (Estoppey and Narayanan 2023). At first, microfinance funds came up with the objective to pool money from public and private investors to channel sources of funding to end-clients via local partners, called Microfinance Institutions (MFIs) (Goodman 2004). Microfinance was born with a social promise, to provide financial services to poor individuals, especially women, who are excluded from financial markets due to their lack of

collaterals (DiLeo and FitzHerbert 2007). Indeed, with microfinance, women would be able to create their own income generating activities, be empowered, which *in fine* could positively impact the well-being of their households and reduce poverty. Thus, microfinance addresses first and foremost the issues of Gender Inequality (SDG 5) and Decent Work and Economic Growth (SDG 8), with the expectation that addressing these issues would enable to launch a snowballing effect on other SDGs such as enabling children to go to school (SDG 4: Quality Education), improving access to healthcare and individuals' well-being (SDG 3: Good Wealth and Well-Being), and nutrition (SDG 2: Zero Hunger). Despite its positive intended effect, microfinance has also experienced various crises while its actual social impact has long been highly debated (Rahman et al. 2015). As of today, the literature has mainly focused on assessing the impact of microfinance on end-clients. However, a critical dimension has remained largely unexplored: the lack of harmonization in IME by microfinance funds, whereas they play a pivotal role in channeling investor capital to MFIs, and therefore ensuring that their financing contribute to sustainable development. With a three-decade legacy, microfinance funds helped shaped the concept of impact investing, before its concept was even formalized. This article aims to address the gap in the existing literature by delving into the harmonization of IME practices in the impact sector through the case of microfinance funds. Therefore, the research question addressed in this article asks: to what extent are IME practices of microfinance funds harmonized?

The article is divided into six parts. Following the introduction, part two presents the literature review and part three explains the methodology. Part four presents the empirical findings through examination of the IME practices by microfinance funds. Part five analyses the concept of harmonization of IME practices of microfinance funds by taking an actor-driven approach. Finally, part six presents the article's conclusion.

2. Literature Review

Microfinance funds, as impact funds, often articulate their impact via a “Theory of Change” (ToC). This approach helps identifying the inputs, activities, outputs, outcomes, and impact, as illustrated in figure nineteen below.



Figure 19 Theory of Change (Adapted from Morra Imas and Rist 2009)

There is no single ToC. It should be seen as a framework used by microfinance funds to identify relationships between processes and results (Godeke and Briaud, n.d.), and to articulate the expected impact. Outputs describe tangible services and products resulting from an activity, whereas outcomes refer to short-term behavioral changes resulting from the outputs. While outputs and outcomes are easily observable in the short-term, the concept of impact is more difficult to capture. Impact refers to the longer socio-economic consequences that can be observed after a certain time following the completion of an intervention. It may affect both direct and indirect addresses of an intervention (Severino 2022). Establishing a constitutive relation is not always straightforward because of the influence of external factors and the time lag between the investment phase and the IME phase. Gianoncelli et al. (2019) point out the struggle to find a commonly accepted definition of impact matching current practices of the industry. For the OECD, the term impact tends to be loosely used especially in the field of development, in the impact investing industry, and in the private sector (OECD 2019).

Impact investing is characterized by its “intention to generate positive, measurable social and environmental impact alongside a financial return” (GIIN, n.d.-a). Therefore, impact

investors should develop impact strategies that go beyond the mere avoidance of harm and that include impact features in their due diligence, decision-making processes, and on-going monitoring (Estoppey and Narayanan 2023). Impact investors often refer to Impact Measurement and Management (IMM), as “practices and methods used to generate and use data on impact to advance the intended social and environmental impact from investment and business activities” (Renaissance Consultants CC 2019). While IME and impact management (IMA) are intertwined, they should still be distinguished. IME refers to “the process of measuring and monitoring the amount of change created by an organization’s activities” (Gianoncelli et al. 2019: 64), whereas IMA describes the integration and consideration of impact for decision-making throughout the investment process, incl. business requirements, deal screening, due diligence, deal structuring, and exit (Boiardi 2020). As shown below in figure twenty, IMM is an iterative process, made of five steps, where IME is one step and IMA encompasses the remaining four.

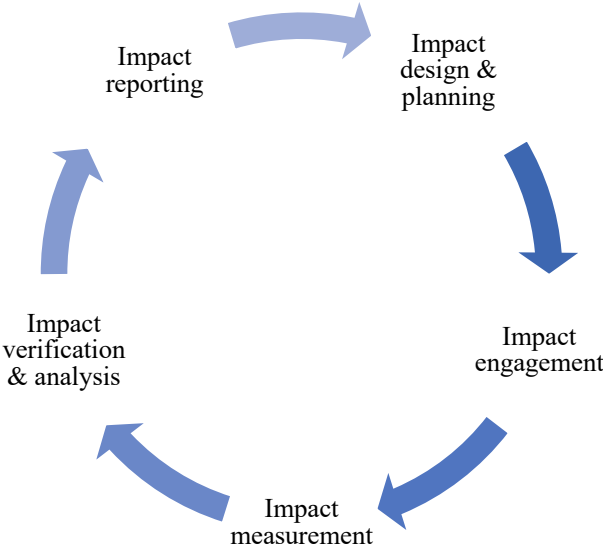


Figure 20 The iterative process of IMM (Adapted from Renaissance Consultants CC 2019)

This article intentionally focuses on IME, which has historically been central to the impact investing industry. Beyond the mere measurement, IME should be seen as a connecting dot between the different steps of IMA. Without a clearly defined goal, there is no real need for measurement. Thus, the Impact design & planning step focuses on defining the impact universe and objectives, and on shortlisting the investees that could contribute to the impact strategy. The Impact engagement step is about engaging with, assessing, and selecting the investees that will contribute to the intended impact. The Impact measurement step concentrates on measuring the outputs, outcomes, and actual impact of the investments. The fourth step, Impact verification & analysis, aims at verifying and controlling the impact measured through desk research, due-diligence, on-site visits, and interviews. As such, the impact investor can evaluate the effectiveness of its contribution. Finally, the Impact reporting step focuses on disclosing the results of the performed analysis, their conclusions, and overall achieved impact (*Ibid.*). To understand and analyze IME practices, this article considers the definition of impact, the impact initiatives (i.e. frameworks, principles, standards, methodologies, tools, indicators etc.) used, as well as the underlying motivations to measure impact, and *in fine* how it will be used to inform IMA.

In its annual report on Private Asset Impact Funds (PAIFs), Tameo finds that PAIFs traditionally use internally developed tools to manage and measure their impact performance, which contributes to a lack of harmonization. 75% of the funds surveyed also map their impact goals to the SDGs, making them the predominant industry framework for IMM, and a crucial topic within the impact investment community (Estoppey and Narayanan 2023). While impact investors are looking for purpose-driven investments, and Tameo finds indeed that 96% of the funds surveyed report on their impact performance (Estoppey and Narayanan 2023), impact investors are also often criticized for their lack of rigor when measuring and reporting their impact (Severino 2022). In their study, Bass et al. (2020) identify that 74% of the respondents

produce an impact report to showcase their impact performance, but also highlight evident data gaps and a lack of comparability in the reported results due to inconsistent methodologies. Based on an examination of the impact reports of so-called “impact funds”, Severino (2022) contends that the information presented is often incomplete and unsystematic. He finds that these reports barely demonstrate the impact-oriented nature of the investments performed, even when compared to traditional investments, which would also, hopefully, have a positive impact on their clients. Despite the spread of various impact initiatives, there is still very little evidence of actual results. Moreover, this diversity of approaches creates a sense of “impact washing” (Boiardi 2020: 8) and reinforces the need for clear impact information with harmonized and comparable data (UN 2020).

Harmonization seems almost natural when one thinks about how harmonized financial reporting is. To the best of the researcher’s knowledge, there are no articles on harmonizing IME practices for microfinance funds. This article addresses this need. So far, Boiardi and Stout (2021) analyze the level of harmonization of IMM by development finance institutions (DFIs). The authors find that high-level principles have been harmonized, but that the quality of IMM framework and data disclosed still widely vary. Based on their study, values, metrics, and indicators to manage and measure impact can be harmonized, however, considering the different geographies and contexts of interventions for the DFIs, flexibility is needed and convergence towards a single measurement framework is not necessary.

3. Research Design and Methodology

One originality of this article is its focus on microfinance funds as intermediaries between investors and MFIs in the microfinance investment value chain, represented in figure twenty-one below, and as playing an important role to orient capital flows towards sustainable development.

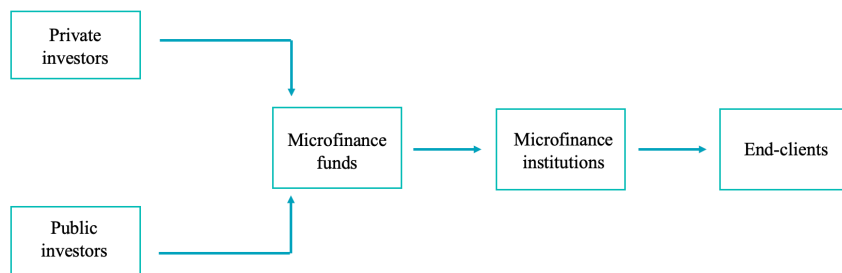


Figure 21 Microfinance investment value chain

This new perspective aims to shed light on microfinance funds as key actors in financing sustainable development, a role that has been overlooked in the microfinance literature despite their influence as decision-makers. Beyond the need to inform and be transparent to investors about how their capital is allocated and the impact it generates, microfinance funds should also measure their own impact to assess, learn from, and improve their contribution to sustainable development.

This article aims to understand how microfinance funds measure their impact and to what extent their IME practices are harmonized. To align with market practice, the term impact will be used and will refer to outputs and outcomes measurement, as impact cannot be measured by microfinance funds yet. More specifically, this research is interested in how IME practices are implemented (i.e. the application of IME throughout the fund investment activities), as opposed to its mere definition as part of the impact strategy. Therefore, practices refer to the definition and understanding of IME, the use of impact initiatives, such as frameworks, methodologies, or indicators, and the purpose of the IME conducted.

The predominant structure among the microfinance funds identified is that of traditional microfinance investment funds (i.e. microfinance investment vehicles (MIVs)). However, entities that invest from their balance sheets to MFIs have also been included in the scope, as they play a key role in directing capital flows towards developing countries through a

microfinance lens and adhere to the same philosophy, approach, and objectives as MIVs. These entities include cooperatives, foundations, and Non-Governmental Organizations (NGOs). This article deliberately focuses on microfinance funds investing in emerging and frontier markets, as this part of the world is particularly and unfairly affected by global warming and the consequences of other countries' development. Considering that they also have fewer means, they face unprecedented challenges in achieving sustainable development.

The second originality of this article is the use of an in-depth interview-based research methodology to answer the research question. By interviewing impact managers of and investors in microfinance funds, this article generates empirical data. Given the limited academic research on IME practices by microfinance funds, a qualitative approach based on in-depth interviews was chosen as the most suitable to explore this under-researched topic. This methodology allows for a detailed understanding of the IME practices implemented, as well as the underlying motivations driving their adoption. It also enables the generation of rich and context-based empirical data that would not be accessible through standardized or quantitative methods. This methodology addresses the issue of data scarcity and contextualization. For comparison purposes between interviewees, two questionnaires were defined before the interviews took place: one for investors and one for impact managers. As there is no single way to measure impact, the questionnaires use open-ended questions to allow participants to provide further details on their approach. The questionnaire for investors comprises sixteen open-ended questions organized into three categories: (1) Defining the role of an investor, (2) Defining and measuring impact, and (3) The future of IME, and the questionnaire for impact managers consists of twenty-five open-ended questions, organized into three categories as well: (1) Defining impact, (2) IME in practice, and (3) Systemic approach. There was no time limit, and interviewees were free to skip any question. In total, twenty interviews were conducted online, including sixteen with impact managers, or similar positions, of microfinance funds, and four

with investors in microfinance funds. Among the sixteen impact managers interviewed, two represent a foundation, two work in cooperatives, and twelve are investment managers overseeing one or several microfinance funds. Among the four investors, two work in DFIs, one in the public sector and the last one in a bank.

Interviewees were identified by the researcher through conferences on microfinance, public reports, and available research. Particular attention was given to the report of Tameo and their participants, as this article focuses on the same target market and this report is also a key reference in the impact investing sector, including microfinance investments (Estoppey and Narayanan 2023). To the best of the researcher's knowledge, this is the only report that transparently lists contributing investment managers. For consistency and comparison purposes, this research adopts the same definition of microfinance funds as used by Tameo. By cross-referencing publicly available sources and interviewee websites, the researcher has determined that the interviewees represent a total of forty-three microfinance funds. Based on Tameo's market coverage (i.e. 129 microfinance funds) (*Ibid.*), the sample covered in this study represents thirty-three percent, or around one-third, of the total number of microfinance funds, providing substantial representation.

However, certain limitations and potential biases must be acknowledged. The purposive sampling approach used in this research allows for a targeted selection of experts but may introduce selection bias, as microfinance funds that engage in transparency initiatives or participate in public reports may be overrepresented. Additionally, the study focuses exclusively on microfinance funds and does not extend to the practices of MFIs, investors outside of microfinance, or regulatory bodies, which could provide additional perspectives on IME harmonization. The geographical scope is also limited to funds investing in emerging and frontier markets, meaning that insights from funds operating in developed markets are not captured. The investor sample is relatively small, which may not fully reflect the diversity of

investor perspectives, particularly those of private investors such as family offices or pension funds. Moreover, self-selection bias is possible, as participants who agreed to be interviewed may be more actively engaged in IME practices than others. Finally, as this research relies on self-reported data rather than direct observation, responses may be influenced by social desirability bias, with interviewees presenting their organizations in a more favorable light. Interviews were carried out between May 2023 and November 2024, providing a snapshot of IME practices rather than a longitudinal analysis. The study captures a specific moment in time, and IME frameworks and methodologies continue to evolve as the industry responds to regulatory shifts, emerging standards, and new market developments. As a result, the findings may reflect current trends rather than long-term, stable practices.

To mitigate these biases, the study ensures anonymity to encourage candid responses, uses open-ended questions to capture a broad range of perspectives, and compares responses across different fund types to identify trends rather than individual positions. While the non-random nature of the sample limits statistical generalizability, the findings contribute a rich, qualitative understanding of IME harmonization trends among key industry actors.

All interviewees were contacted via email and provided with a description of the research project. Before the interviews were conducted, each participant was asked to sign a voluntary informed consent form, which ensured anonymity and specified that the interviews would neither be transcribed nor published for the purpose of the research. As a result, this article does not quote interviewees directly to protect their anonymity.

All interview responses were entered into a table to compare and identify trends across answers. The responses were reviewed in detail to identify common methodologies, practices, and understandings of IME, allowing for an assessment of the level of harmonization among microfinance funds regarding IME practices. Additionally, the interviews explored whether microfinance funds view harmonization as a desirable development for the sector.

4. Analyzing IME practices by microfinance funds

In this section, the article analyzes and compares interview data to understand the extent of harmonization in IME practices among microfinance funds and to identify the factors that enable and/or prevent harmonization from being established. It specifically explores the different levels of IME practices: understanding/defining impact, the initiatives used for IME and the purposes of IME.

4.1. Defining impact for measurement

Microfinance funds must first define the impact they intend to measure. This initial step sets the direction for the entire process and clarifies what should be measured. It is particularly relevant given the ongoing debate around the definition of impact in the microfinance sector. The objective here is to assess whether microfinance funds share a common understanding and approach at this definition stage.

During the interviews, impact managers were asked how the impact strategy is defined and which stakeholders, including investors, MFIs, and end-clients, are involved in the process. This question aims to assess whether actors across the microfinance investment value chain collaborate and respond to one another's needs. Investors are influential, as they provide the capital and may come with specific requirements that ideally align with the needs of end-clients. For investors to understand their impact, they must also understand how end-clients are affected. Microfinance funds and MFIs, therefore, play a crucial intermediary role. In this sense, the investment value chain functions as a system.

All interviewees indicated that the impact strategy is primarily developed internally. However, seven out of sixteen interviewees (44%) mentioned that institutional or public investors are involved in defining the strategy. Their involvement appears to depend on who initiates the

fund. If the investor initiates the creation of the microfinance fund, they are more likely to be involved in shaping the impact strategy. Conversely, if the fund is developed internally, investor involvement in defining the strategy is less common. Notably, none of the interviewees reported direct involvement of MFIs or end-clients in the strategy design. At best, a quarter of them consult MFIs to ensure the strategy aligns with existing demand. However, this consultation does not translate into formal participation in the strategic process. This indicates a predominantly top-down approach and a lack of coordination across the investment value chain. At the same time, it also suggests a high level of harmonization among microfinance funds in how they define their impact strategies.

Interviewees were also asked whether they differentiate between IMA and IME, how they understand the difference, and which of these two is more emphasized. Although conceptually distinct, IMA and IME are often intertwined and should be considered jointly when developing an impact strategy. Interestingly, all interviewees confirmed that they make a distinction between the two.

IMA is generally understood as the set of tools and policies, often guided by an impact framework such as a ToC, applied throughout the investment process (e.g., screening, due diligence, decision-making, and exit) to steer the portfolio. It links impact intentions, processes, and results. One interviewee noted that IMA can only be meaningfully implemented once the intended impact is clearly defined. Another described IMA as intuitive rather than formalized. The same respondent explained that, despite obtaining useful IME results via a third-party service provider, they struggled to apply them meaningfully. A third interviewee added that IMA is more demanding, as it requires clear models, definitions, and data availability, whereas IME, though more immediate, is often driven by investor requirements.

Half of the interviewees reported focusing more on IME than IMA. IME is widely understood as the collection and monitoring of results reported by MFIs, typically through specific metrics. However, none of the interviewees mentioned using defined methodologies as part of the IME process. For most, IME is associated primarily with the reporting phase, though two interviewees viewed reporting as part of IMA. Thus, while there is broad consensus among microfinance funds regarding the distinction between IMA and IME, diverging interpretations remain on certain elements. Among the sixteen interviewees, six (37%) reported implementing both IME and IMA equally, one-quarter noted that IMA has only recently been introduced, and three said they currently do not implement IMA. These findings suggest that IME is more firmly established than IMA; a result that may appear counterintuitive, as one would expect measurement to serve broader purposes beyond compliance or reporting.

Having explored how microfinance funds define and differentiate between IMA and IME, the analysis now turns to the specific initiatives used to operationalize IME. This next section investigates the tools, standards, and methodologies adopted by microfinance funds, with the aim of identifying common practices as well as areas of divergence that may enable or hinder harmonization.

4.2. The use of pre-defined initiatives for IME by microfinance funds

The next IME practice this article looks at is about initiatives (i.e. frameworks, principles, standards, methodologies, tools, indicators etc.) to measure impact.

4.2.1. Three main methodologies to collect data by microfinance funds

This section explores how microfinance funds collect impact data from their investees. Interviewees were asked how they measure their impact. The question was intentionally left open so that interviewees were free to answer whatever they felt was relevant

for this question. From the answers gathered, three key methodologies came out: (1) regular collection of output metrics, (2) deep dive studies and, (3) lean data approach to gather information from the end-clients. These methodologies are not mutually exclusive and are often used in combination. Table six below presents each approach alongside the number of interviewees who reported using it.

Methodology	Description	Number of interviewees using this method
1. Regular collection of output metrics	Microfinance funds collect standardized data from their investees, the MFIs, on a regular basis, most commonly quarterly, though some do so monthly, bi-annually, or annually. This requirement is often formalized through contractual obligations in the loan agreements. As such, MFIs are legally required to report on a predefined set of metrics.	16 interviewees
2. Deep dive studies	These consist of comprehensive evaluations of selected MFIs and their clients, combining quantitative and qualitative data to provide an in-depth and contextualized understanding of impact. While some third-party methodologies exist, microfinance funds can also develop their own approaches. Due to their high cost, complexity, and time requirements, both for funds and MFIs, these	6 interviewees

	studies are conducted only occasionally and require a high level of coordination, including field visits and detailed analysis.	
3. Lean data	The Lean Data approach is defined as “a fast, reliable customer-centric approach to impact measurement” (Acumen, n.d.). It typically involves phone-based surveys with end-clients to assess perceived changes in their lives since receiving microfinance instruments. The methodology emphasizes speed, repeatability, and comparability, using standardized questions across end-clients to facilitate benchmarking. Although expensive, it allows funds to directly access end-client feedback. In nearly all cases, the approach is implemented via a third-party service provider.	11 interviewees

Table 6 Main methodologies used by microfinance funds for IME

All interviewees indicated that they use the first methodology, although the frequency of data collection varies, quarterly being the most common. Data is typically gathered through legally binding agreements with MFIs and focuses on key outputs metrics. However, this practice raises important questions regarding the content and consistency of the data collected: Which metrics are used? How are they defined and measured by MFIs? And how are they aggregated by microfinance funds?

While some interviewees noted that certain metrics are standardized across the industry, this standardization remains informal and inconsistent. Three interviewees specifically highlighted

that different funds often use varying definitions for identically named indicators, resulting in discrepancies. For example, it is common market practice to monitor the number of clients in rural areas, however, the definition of rural may differ between MFIs and microfinance funds. This lack of shared definitions limits comparability and creates inconsistencies in analysis and reporting. In theory, a truly harmonized data collection process would allow MFIs to report once, using shared definitions, and make this data available to all relevant microfinance funds. One initiative aiming to achieve this is ATLAS, an online platform designed to centralize and standardize MFI data. ATLAS promises several advantages: it reduces reporting burdens for MFIs, improves access to data for funds, and enhances consistency across the sector. However, for these benefits to materialize, broad adoption is essential. Among the interviewees, only two reported actively using ATLAS. Four others explicitly stated they do not use it, citing limited adoption by peers, lack of contextual information, and doubts about its sector-wide feasibility. Overall, while regular data collection from MFIs is a common and harmonized practice in principle, the lack of standard definitions, indicators, and methodologies undermines full harmonization in practice.

Looking across responses, twelve out of sixteen interviewees reported using at least two of the three identified methodologies (i.e. combining regular metric collection with either deep dive studies or Lean Data approaches). One-quarter of interviewees do not use either of the latter two approaches, often due to resource constraints or because the fund was recently launched. These findings suggest a growing recognition among microfinance funds that basic output-level data is no longer sufficient to understand impact. Although most funds continue to rely on standard metrics, many now complement this with more client-centric approaches, particularly Lean Data, to deepen their understanding of outcomes. This evolution indicates a broader trend toward more comprehensive, though not yet fully harmonized, IME practices.

While the focus was on how microfinance funds collect impact data from their investees, the following section examines how this data is subsequently aggregated and analyzed, by exploring the initiatives and internal mechanisms employed by microfinance funds to process and interpret impact data. Indeed, understanding the impact initiatives used at this stage is essential to assess the level of harmonization in IME practices beyond data collection alone.

4.2.2. Initiatives used by microfinance funds to aggregate and analyze IME

In addition to collecting data, microfinance funds need to aggregate, analyze, and turn data into information that can be used for IMA. During the interviews, participants were asked whether they use IME initiatives that are pre-defined by the industry (i.e. not internally developed), and if yes, they were asked to specify. Before discussing the use of the pre-defined initiatives in greater detail, one interviewee indicated that they rely exclusively on their in-house tool, while another interviewee reported using the initiative developed by their main institutional investor. In total, interviewees referred to seven pre-defined initiatives. Although all impact managers were able to distinguish between IME and IMA in terms of definition, the distinction was more blurred in the implementation phase as several participants referred to IMA tool in this question as well, such as the Operating Principles for Impact Management. Considering the purpose of this research, these responses are left aside. Nonetheless, the confusion between IME and IMA is interesting to note.

IME initiatives	Number of interviewees using it
IRIS+	8 interviewees
IMP	4 interviewees
Voices that count	2 interviewees
60 Decibels	10 interviewees

Table 7 Initiatives used by microfinance funds to measure impact

Table seven above presents the main initiatives used by microfinance funds to aggregate and analyze IME efforts, alongside the number of interviewees reporting their use. These initiatives vary in purpose, structure, and uptake across the sector. The first initiative IRIS+ (Impact Reporting and Investment Standards), developed by the GIIN, offers a free online platform with tools and guidance to define, manage, measure, and report impact. IRIS+ is particularly well-known for its catalog of metrics offering standardized metrics tailored to specific impact categories, including financial services (Jordan-Kirwan and Tengtio, n.d.). IRIS+ allows microfinance funds to use common formulas and calculation guidance, theoretically enabling comparability and a shared impact language. One interviewee noted that IRIS+ provides internationally recognized metrics, facilitating peer comparison. Another acknowledged the need to further align with IRIS+ in order to reduce the number of explanatory footnotes in their reporting and enhance harmonization. However, limitations remain. One interviewee pointed out that IRIS+, like other metric-based initiatives, lacks guidance on data aggregation, leading funds to adopt different calculation methods (e.g. simple average, weighted average, or representative sampling). This undermines comparability. Although half of the interviewees reported using IRIS+, most do so selectively (i.e. consulting the metrics as a reference or integrating them into internal frameworks) rather than systematically applying them or using

the platform for reporting. As a result, both the lack of methodological rigor and consistency in implementation limit the potential for harmonization.

The second initiative, the Impact Management Project (IMP), was a time-bound collaborative effort that defined impact across five dimensions: (1) What, (2) Who, (3) How much, (4) Contribution, and (5) Risk (Five Dimensions of Impact | Impact Frontiers 2022). These dimensions align with the structure of a ToC: the first two relate to activities and outputs, while How much and Contribution correspond to outcomes. Although Risk does not directly map onto the ToC model, it offers an important contextual element. The five categories of the IMP enable microfinance funds to build a structured narrative around impact, beyond quantitative indicators, and enhances comparability across peers. Four interviewees reported using IMP, while two others indicated they were exploring its use to increase internal consistency. One respondent noted that the last two dimensions, Contribution and Risk, are particularly difficult to apply. It is also worth noting that all users of the IMP in this study were large funds in terms of AUM.

The third initiative, Voices that count, was mentioned by only two interviewees, who are part of the smallest microfinance funds interviewed. Both mentioned that this tool is especially adapted for IME with a smaller budget. Voices that count offers several participatory and narrative-based methodologies to understand and support social impact. The methodologies offered can be used as stand-alone or mixed. The idea is to keep the core methodology but to adapt it to the purpose and context of the analysis (Voices that Count 2023). Here, the two interviewees especially referred to the method “Narrative Inquiry using SenseMaker”, which is a narrative-based methodology starting from people’s stories and experiences. It is especially useful to get insights into less tangible aspects, incl. perceptions, behaviors, values, drivers, and dynamics. Beyond the methodology, it offers patterns, that are then analyzed and discussed in

groups. This is where the measurement takes place. However, due to its limited uptake in this sample, Voices that Count cannot be considered representative of broader sector practices.

The final and most widely used initiative among interviewees is 60 Decibels, referenced by ten out of sixteen participants. 60 Decibels uses the lean data approach, collecting data directly from the end-clients of the MFIs by using phone surveys. The results are structured through a Microfinance Index comprising six dimensions: (1) Access, (2) Business Impact, (3) Household Impact, (4) Client Protection, (5) Resilience, and (6) Agency. This allows both MFIs and microfinance funds to assess client outcomes and benchmark performance across these dimensions. As such, MFIs and microfinance funds can understand how the end-clients are impacted by the financial services of the MFIs. The standardized nature of this IME initiative ensures comparability and consistency. However, 60 Decibels produces a benchmark by region and therefore loses contextualized insights compared to a deep-dive study like Voices that count. One interviewee argued that they do not use this tool as they feel it is too standardized and that MFIs operating in very different markets should not be compared with only one survey. While this was an isolated view, others acknowledged that 60 Decibels offers a convenient and structured approach that produces actionable data. Importantly, the methodology is delivered by a third-party provider, which guarantees consistency but also adds cost. Among the six interviewees not using 60 Decibels, most represented smaller funds, and three explicitly cited cost as a barrier.

To sum up, IRIS+ serves as a key point of reference, yet the lack of consistent application and methodological guidance limits its harmonizing potential. IMP provides a valuable conceptual framework, though its use remains limited and mainly confined to larger funds. Voices that Count, while adaptable and context-sensitive, is not widely adopted. 60 Decibels stands out as the most commonly used tool, valued for its standardization and comparability,

but is not applied across entire portfolios due to cost and scope. These findings echo Severino’s (2022) observation of a “cherry-picking” approach to IME, in which funds adopt selected initiatives without full integration or consistency, ultimately constraining harmonization efforts at the sector level.

Building on the preceding analysis, this article also examines whether a pattern can be observed in the combination of IME initiatives used by microfinance funds. Table eight below outlines the initiatives mentioned by interviewees and indicates which combinations are used by each.

	Initiatives identified by impact managers to measure microfinance impact			
	IRIS+	IMP	Voices that count	60 Decibels
Interviewee 1	X			X
Interviewee 2	X	X		X
Interviewee 3	X		X	
Interviewee 4				X
Interviewee 5			X	
Interviewee 6	X	X		X
Interviewee 7	X	X		X
Interviewee 8		X		X
Interviewee 9	X	X (sometimes)		
Interviewee 10	X			X
Interviewee 11				X
Interviewee 12				X

Interviewee 13				
Interviewee 14				X
Interviewee 15				
Interviewee 16	X			

Table 8 Combination of initiatives used by microfinance funds to measure impact

Three interviewees reported using a combination of IRIS+, IMP, and 60 Decibels. Two others use IRIS+ and 60 Decibels, while one-quarter of interviewees rely exclusively on 60 Decibels among the predefined initiatives discussed. Overall, half of the interviewees reported using more than one predefined IME initiative. However, as shown in table eight, no clear or consistent pattern emerges from these combinations. As such, no evidence of harmonization can be identified in how microfinance funds combine IME initiatives.

While the previous section looked at the initiatives and tools used by microfinance funds to measure their impact, the following section turns to the motivations behind these practices. Understanding why microfinance funds engage in IME helps to shed light on the logic behind their choices and to what extent these motivations support, or limit, the harmonization of IME practices across the sector.

4.3. Microfinance funds' motivations to measure impact

As part of the analysis of IME practices, this section explores the motivations of microfinance funds to measure their impact. The objective is to assess whether the underlying purposes of IME are aligned across actors, and to what extent these motivations contribute to, or limit, the harmonization of IME practices. During the interviews, participants were asked “Do you measure impact? Why? (...)” and “What is the objective of your impact measurement?”. The different answers have been analyzed, summarized, and categorized in

table nine below, which presents the different motivations and the number of interviewees sharing each motivation, knowing that one interviewee can have several motivations to measure impact and that one interviewee did not answer to this question.

IME motivations	Number of interviewees sharing this motivation
Transparency	13 interviewees
Monitoring	10 interviewees
Identity	6 interviewees
Alignment	4 interviewees
Learning	5 interviewees

Table 9 Main motivations of microfinance funds’ impact managers to measure impact

A large majority of interviewees, thirteen out of sixteen, identified transparency as their primary motivation for conducting IME. Interviewees explained that measuring impact allows them to demonstrate the outcomes of their investments to their investors, and to show that they are delivering on their impact intention. In this regard, IME is used primarily as a reporting tool rather than as a process for learning or strategic improvement. Only five interviewees, or around 30%, indicated that they measure impact with the goal of learning and improving future investments. This is the only forward-looking motivation mentioned by interviewees, which is striking given the iterative process connecting IMA and IME. Instead, findings suggest that microfinance funds tend to measure impact mainly to monitor portfolios, fulfil investor expectations, or reinforce their identity as impact funds. Yet, learning is essential if microfinance is to meaningfully contribute to sustainable development. A stronger learning orientation would allow microfinance funds to improve their practices, enhance transparency, and build legitimacy, critical elements for the sector’s long-term credibility.

In fact, one interviewee shared that it is more common to measure impact than to manage impact, as IMA is not necessarily required by investors. According to the same interviewee, it is easier to just report the results of the IME than to actively use the data generated. Another interviewee shared that after using 60 Decibels to collect impact data, their fund struggled to make use of the findings, as they had not defined clear impact expectations in advance. These findings underscore the disconnection between IME and IMA, and suggest that impact is frequently measured for its signaling value, rather than as part of a robust, learning-driven strategy. Finally, several interviewees stated that their IME practices are shaped by investor requirements, which sometimes include specific indicators or reporting formats. This highlights the influential role investors play in shaping IME priorities and approaches.

Given the central role of actors in deciding what to measure and how, IME is inherently shaped by subjective choices. Measurement, therefore, cannot be fully objective. This brings the analysis to the next section, which explores the willingness of impact managers, as key actors within microfinance funds, to pursue harmonization in IME practices.

5. Harmonizing impact measurement practices by microfinance funds: an actor-driven approach

In recent decades, the role of data has grown significantly, with statistical indicators now playing a central role in how decisions are made, progress is assessed, and systems are managed. As Stiglitz, Sen, and Fitoussi (2010: 5) argue, “What we measure affects what we do; if our measurements are flawed, decisions may be distorted.” Their work also highlights the limitations of using averages, especially in cases where the average individual does not exist, thus reminding us that metrics, if poorly constructed, may misrepresent reality and lead to misguided decisions. While acknowledging the importance of data, their analysis also underlines the agency of actors in determining what is measured, how, and why. Measurement,

in this sense, is never entirely objective; it is shaped by choices, priorities, and interests. This actor-driven perspective is particularly relevant when it comes to harmonizing IME practices. Harmonization does not occur automatically; it depends on the support, engagement, and willingness of actors, namely, microfinance funds and their investors, to adopt shared definitions and IME initiatives to collect and report data. Without this collective commitment, harmonization risks becoming yet another unfulfilled objective. To understand where actors stand on this issue, during the interviews, impact managers were asked to specify, from their point of view, what is missing in the industry in terms of IME initiatives. This question aimed to pinpoint if impact managers believe that harmonization is missing or if other aspects should also be considered in the analysis (see table ten for summary of responses).

Aspects identified as missing by interviewees	Number of interviewees sharing this aspect
Common understanding of the different initiatives for IMM and of impact	6 interviewees
Harmonization (including a lack of consensus and a lack of comparability)	10 interviewees
Shared database	3 interviewees
Less harmonization	3 interviewees
Transparency (assumptions are often made when it comes to IME/ lack of rigor)	5 interviewees
Innovation	1 interviewee

Table 10 Impact measurement and its missing aspects identified by impact managers of microfinance funds

Ten out of sixteen interviewees (62%) indicated that the sector lacks harmonization. Their concerns related primarily to the absence of consensus and limited comparability, both in terms of definitions and methodologies. In contrast, three interviewees (19%) argued that there is already too much harmonization, claiming that impact is too context-specific to be captured through standardized tools. These interviewees emphasized the need for flexibility to reflect the nuances of different markets and operational contexts. One even suggested that increased harmonization risks turning IME into a marketing exercise, a point which contrasts with another interviewee who felt that microfinance funds already use impact reporting as a communication tool to appeal to investors.

Interestingly, the theme of transparency, previously identified as the primary motivation for IME, also emerged as one of the key missing elements. Five interviewees (almost one-third) highlighted a lack of transparency, often linked to the insufficient rigor in how IME is conducted and the premature or assumption-based conclusions drawn from the data. While funds express a desire to be transparent, they appear to face significant challenges in doing so effectively. This is likely a reflection of the broader lack of shared definitions and methodological standards within the sector. In addition, six interviewees pointed to a knowledge gap in the field, particularly when navigating the many IME and IMM initiatives. Several admitted that while they use existing tools, they often adapt them or selectively integrate elements into internally developed frameworks. The only initiative applied in full, according to interviewees, is 60 Decibels, largely because it is conducted by a third-party provider. These findings reinforce the earlier observation in section 4.2 regarding the cherry-picking approach to IME. As one interviewee put it, their IME choices are largely pragmatic, balancing internal needs with investor demands. Another impact manager working across two funds explained that they only use pre-defined IME initiatives for one fund, because only one

has investor requirements in that regard. A different interviewee mentioned having to include client stories in reporting, simply because it was requested by investors.

Given this context, the role of investors as actors in the IME process becomes particularly relevant. As microfinance funds are accountable to their investors, it is crucial to understand how investors perceive the usefulness and credibility of IME results. Although only four investors were interviewed, their responses offer diverse insights. One interviewee indicated that they simply aggregate the data they receive, without further reflection. Another found IME results useful in showcasing progress. In contrast, two investors questioned the value of IME data, stating that it often reflects outreach rather than actual impact. One of these interviewees explicitly called for the inclusion of impact targets, arguing that current reporting practices are inadequate for funds claiming an impact focus. Investor views on harmonization were similarly diverse. One believed that harmonization is already happening and that everyone collects the same data; an assumption challenged by the findings presented in this article. Another interviewee considered harmonization impossible due to excessive diversity in the sector. The remaining two expressed support for harmonization, with one highlighting the need for education and suggesting that best practices would gradually align over time.

Taking a step back and looking at the different answers, one can easily note that actors share different opinions as regards harmonization of IME. Microfinance investments take place within a value chain, connecting different actors, who need to work hand-in hand for microfinance to reach its dual objective of having financial returns and a positive impact. As much as these initiatives can be valuable, if investors and microfinance funds do not all support harmonization, there are very low chances that this can work out. Given the tendency of most actors to follow their own approach, often justified by internal constraints or external expectations, it becomes difficult to place blame on any single stakeholder. However, this

fragmentation ultimately prevents the comparability and coherence that harmonized IME would bring.

6. Conclusions

This article has advanced the understanding of impact in the microfinance sector by analyzing the level of harmonization of IME practices of microfinance funds. Instead of looking at the impact of microfinance funds, it has shown how IME is implemented by microfinance funds in an effort to analyze why they are still struggling to demonstrate their impact. IME has been defined as a step within the IMM iterative process and consequently as a connecting dot to IMA. This iterative process has been used to highlight why impact needs to be clearly defined and motivated to be measured. The objective was then to analyze whether this practice is harmonized among microfinance funds. Harmonization is key for microfinance funds as it facilitates comparison for IME, something necessary to understand how the impact of an investment is performing vis-à-vis others and to contribute to sustainable development.

There is a strong motivation among microfinance funds to measure their impact to be transparent to their investors. Indeed, transparency is their comparative advantage and what gives them legitimacy, and this also explains why IME is so crucial. However, this article has questioned the level of transparency that can be identified in the IME practices of microfinance funds. First, microfinance funds do not have impact targets, and do not define why they measure their impact. Their impact strategy is mainly defined internally, something that is surprising as they play a role of intermediary. Therefore, one would expect that their impact is defined in accordance with the actors they connect. In that sense, they miss the first step of the IMM iterative process. While they share common definitions of the terms IMA and IME, the implementation of the latter differs. This article has highlighted that they commonly focus more, if not only, on IME than IMA, which consequently questions the implementation of IMM

as an iterative process, connecting IMA and IME. Then, in the myriads of existing IME initiatives, microfinance funds share a high level of harmonization as they only refer to some impact initiatives: three methodologies to collect data and four IME initiatives pre-defined by the industry. However, no harmonization could be observed in the implementation and combination of these initiatives. Microfinance funds find themselves using the initiatives only partially to fit their needs and to answer investors' requests if any. In the end, it turns into everyone doing cherry-picking and implementing one's own approach to IME, which hampers both harmonization and comparison.

This article recognizes that impact is context-dependent and that nuances are needed, as microfinance funds operate in different markets and with different impact strategies. However, they all want to contribute to the financial inclusion of low-income individuals and should therefore be able to harmonize their approach, especially in terms of definitions and methodologies. While at first this article highlighted the lack of harmonization as stemming from actors being lost in a myriad of impact initiatives, it rather seems that the lack of harmonization stems from the lack of readiness amongst microfinance funds to implement the necessary changes to harmonize IME practices, including defining clear impact targets, incurring the necessary costs that come with IME so that the microfinance sector can finally be transparent, agreeing on common definitions and methodologies, fully using the existing impact initiatives.

Harmonization will foster transparency as investors will finally be able to understand how one is performing compared to another. Harmonization of IME practices is not only a matter of who will do best, but a means to strengthen the contribution of microfinance investments to sustainable development. Microfinance funds need to have a clearly defined approach to IME that is rigorous. While one cannot deny the challenges of operating in emerging and frontier

markets and of collecting data there, this argument loses credibility as technology and innovation advance. The harmonization of IME practices is even more necessary as the industry of sustainable finance is fast evolving with more and more investment funds looking at the impact sector. There is an increasing interest and therefore increasing scrutiny. However, can a microfinance fund really be transparent if everyone chooses what they want to measure and to disclose? Can it be fully transparent if it is not comparable? In light of these questions, the last part of the article has highlighted the role of actors when measuring impact. Interests towards harmonization of IME practices seem to differ within the microfinance value chain, both among investors and microfinance funds. This article has highlighted that microfinance funds have a common understanding and approach to IME and refer to similar impact initiatives. However, they implement them differently. Therefore, this is not an evaluation problem, but a systemic problem, where microfinance funds keep using outdated and long-standing informal practices to monitor their impact activities. In this regard, one should rather ask how the system, made of actors and institutions, can change these informal commonly agreed long-standing practices to ensure that impact can finally be harmonized and comparable for microfinance funds.

CHAPTER 4 FROM SELF-LEGITIMIZERS TO HARMONIZERS: A TYPOLOGY OF IMPACT REPORTING PRACTICES IN MICROFINANCE FUNDS

1. Introduction

What distinguishes impact investing from mainstream and sustainable investing is its explicit intention to generate measurable social and environmental impacts alongside financial returns. Yet, without credible evidence, impact claims risk being dismissed as rhetorical. This difficulty is compounded by the absence of a universally accepted definition of impact investing, as well as the time- and context-dependent nature of impact itself (Postelnicu and Hermes 2018). According to the Global Impact Investing Network (GIIN)'s 2020 Annual Impact Investor Survey, the three greatest challenges identified by impact investors for the next five years are: (1) "Impact washing" (i.e. an actor claiming to have a positive impact that cannot be supported by evidence), (2) "Inability to demonstrate impact results" and (3) "Inability to compare impact results with peers" (Hand et al. 2020).

Data comparability, clear standards, and transparency are recognized as prerequisites for the maturation of the impact investing market and other capital markets more broadly. However, despite numerous initiatives, data remain fragmented and inconsistent, limiting coherence and international comparability (OECD 2019b). While many stakeholders emphasize the risks posed by insufficient consensus, others caution against excessive standardization, stressing the need to preserve contextual sensitivity (Robert Macherez 2024).

Within this evolving landscape, microfinance funds provide an especially relevant case. They have been among the earliest and most established actors since the late 1990s (Mackinnon

and Narayanan 2021), mobilizing capital from public and private investors and channeling it through Microfinance Institutions (MFIs) to reach underserved populations (Goodman 2004). In 2023, microfinance continued to lead the industry by transaction volume, amounting to USD 5188 million (Estoppey and Narayanan 2023). Despite their social mission, the actual impact of microfinance has been intensely debated (Rahman et al. 2015), and the role of microfinance funds themselves remains underexplored.

This article addresses this gap by examining impact reporting practices of microfinance funds through two analytical axes: alignment, capturing the degree of comparability across actors, and evidence, assessing the robustness of reported claims. These axes provide a framework to analyze transparency, accountability and comparability. Therefore, the research question addressed in this article asks: what patterns of alignment and evidence emerge in the impact reporting practices of microfinance funds, and what do they reveal about the state of harmonization in the microfinance investment sector?

Situating microfinance funds within broader debates on harmonization in impact investing is critical for at least three reasons. First, there exists a paradox between the proliferation of impact initiatives and the persisting lack of data comparability (Severino 2022; Boiardi 2020). Second, the rise of sustainable finance places increasing pressure on impact investing to clearly differentiate itself, particularly by demonstrating and legitimizing its added value within the emerging European Union's (EU) regulatory framework. Third, pressures to identify effective financing mechanisms for sustainable development within the current geopolitical turmoil are intensifying, which reinforces the need to better grasp impact and its financing. Impact reporting lies at the center of these debates, as it is the primary mechanism through which microfinance funds communicate performance, ensure accountability and build legitimacy toward investors. Yet, impact reporting practices vary significantly across actors (Costa and

Pesci 2016). Harmonization embodies both risks and opportunities: while common standards may disrupt entrenched practices and reduce the strategic use of impact reporting for differentiation, they also create a shared language, lower Impact Measurement (IME) costs, improve comparability and enhance transparency. As key actors in the impact investing ecosystem, microfinance funds occupy a pivotal role in advancing harmonization and reinforcing accountability. As the adage suggests, “what gets measured gets managed”, only with robust and comparable measurement and reporting practices can informed decisions be made and genuine impact assessed.

The article is divided into six sections. Following the introduction, section two reviews the relevant literature and section three outlines the research design and methodology. Section four analyzes impact reporting practices of microfinance funds in relation to the axes of alignment and evidence, while section five details the matrix classifying different profiles of harmonization. Finally, section six concludes by discussing the implications of the findings.

2. Literature Review

Impact investing can be defined as “investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return” (GIIN, n.d.-a). Although there is no official definition of impact investing the one from the GIIN is the most accepted. This definition places impact before financial returns, distinguishing impact investing from purely profit-driven investing strategies. Considering that generating impact is a key aspect for the impact investing sector, discussions on Impact Measurement and Management (IMM) have been at the heart of the sector development. Figure twenty-two below depicts IMM as an iterative process, made of five steps, where impact reporting, the last stage, focuses on disclosing the results of the performed analysis, their conclusions, and overall achieved impact (Renaissance Consultants CC 2019).

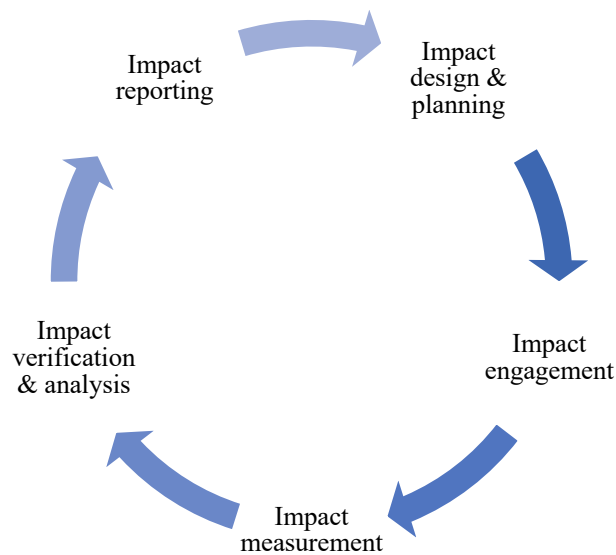


Figure 22 The iterative process of IMM (Adapted from Renaissance Consultants CC 2019)

While this article focuses on impact reporting, it will inevitably include elements on IME, as this is the information from the IME that microfinance investment managers mainly disclose in their impact reports.

Funding organizations, including impact investors, now increasingly expect the funds they finance to measure and report their impacts (Ebrahim and Rangan 2014). Thus, the practice of impact reporting has become crucial for microfinance funds to demonstrate transparency and accountability (Robert Macherez 2024). Despite these expectations, IME remains challenging, considering that it occurs on the long-term and that attributability and quantification are not easily identifiable (Ebrahim and Rangan 2010) and *in fine* difficult to disclose in an impact report. In addition, standardized metrics, especially quantitative ones, have been criticized for reducing complex social outcomes to monetary values (Arena et al. 2015). Conversely, approaches that seek more nuanced insights by focusing on identifying the impact on stakeholders at the end of the investment value chain are often challenged for their subjective biases (Kanter and Brinkerhoff 1981).

The literature reflects a growing emphasis on measuring and reporting impact, yet evidence of its effectiveness in improving organizational performance remains mixed. Ebrahim and Rangan (2014) find that IME can support organizations in achieving better results when it is tied to clear and measurable goals aligned with their mission, employs simple and communicable indicators, and fosters a culture of accountability. However, other voices warn that IME risks becoming counterproductive. Glasrud (2001) argues that it often prioritizes funder expectations over service improvement, diverting scarce resources and overemphasizing outcomes with weak causal links. Moreover, while investors demand accountability, they are often reluctant to cover the overhead costs it requires (Ebrahim and Rangan 2014). Yet assessing impact at funds' level remains crucial, as systemic, long-term societal change often emerges from coordinated efforts across multiple actors (Kania and Kramer 2011). This raises important questions about how impact reporting practices can be better aligned across actors to enhance collective outcomes.

Building on this, several authors underline the need for greater harmonization, comparability, and clarity in impact reporting practices. Harmonization, distinct from standardization, seeks alignment between systems while preserving space for context-specific interpretation (de Colle et al. 2014). In one of its publications, the GIIN calls for “greater clarity and standardization” as a key step in advancing the field (Bouri et al. 2018). Similarly, in microfinance, the feasibility of agreeing on a core set of indicators has been highlighted (CERISE et al. 2022). Addressing these gaps requires tools and frameworks capable of rendering complex systems understandable and assessing the granular effectiveness of specific interventions in a cost-effective way (Jackson 2013). According to Boiardi (2020), common IMM systems would enable a more systematic data reporting, and informed comparisons. Godeke and Briaud, (n.d.) identify three essential features of a robust IMM system: (1) A disciplined and consistent approach to IME, (2) Transparency in due diligence and reporting processes, and (3) The use of appropriate methods and tools for measuring impact. This article

builds on these insights by analyzing alignment and evidence as central dimensions of harmonizing impact reporting practices.

In its annual report, Tameo finds that 96% of the Private Asset Impact Funds (PAIFs) surveyed report on their impact performance, but that these funds traditionally use internally developed tools to manage and measure their impact performance (Estoppey and Narayanan 2023), at the expense of global or sector-wide impact initiatives fostering comparison. In another study, Bass et al. (2020) identify that 74% of the respondents produce an impact report to showcase their impact performance, but also highlight evident data gaps and a lack of comparability in the reported results due to inconsistent methodologies. When looking at IME practices, Robert Macherez (2024) identifies four IME initiatives mainly used by microfinance funds: Impact Reporting and Investment Standards (IRIS+), Impact Management Project (IMP), Voices that count and 60 Decibels. Beyond the identification of these initiatives as key for the sector, the author finds that initiatives are partially implemented, limiting the scope of alignment and therefore comparability for the sector. Nonetheless, a majority, 75%, of the funds surveyed map their impact goals to the SDGs, making them the predominant industry framework for IMM in microfinance (*Ibid.*). This findings echoes the one of Tameo, which identifies tools and frameworks used by PAIFs to manage and measure their impact performance and finds that 65% of the surveyed PAIFs use the SDGs (Estoppey 2025).

The ambiguity surrounding the concept of impact and the methodological challenges inherent to its measurement have led impact managers of microfinance funds to prioritize easily measurable outcomes, often limited to economic and demographic indicators or politically convenient metrics such as job creation (Gramling and Freudenburg 1992). This focus on readily quantifiable outputs reflects a lack of methodological rigor, with many impact reports failing to apply robust evaluation techniques or clearly present their findings (Severino 2022).

Instead of providing detailed analyses of attribution and contribution, core elements of genuine IME, many reports rely on a “storytelling” approach. This involves selecting specific MFIs and/or end-clients and highlighting individual success stories, helping investors visualize potential outcomes but offering neither exhaustive nor comparable insights. While this practice creates a superficial sense of harmonization across reports, the lack of standardized methods for collecting and presenting qualitative data prevents meaningful comparison and undermines accountability. In response to these limitations, some authors have emphasized the importance of a Theory of Change (ToC) as both a conceptual framework and practical tool for structuring evidence in impact definition, measurement and reporting. A ToC helps identifying the inputs, activities, outputs, outcomes, and impact, as illustrated in figure twenty-three below.



Figure 23 Theory of Change (Adapted from Morra Imas and Rist 2009)

There is no unique ToC. It should be seen as a framework used by impact investors to identify relationships between processes and results (Godeke and Briaud, n.d.) and to articulate the expected impact. Outputs describe tangible services and products resulting from an activity. Outcomes refer to short-term behavioral changes resulting from the outputs. Impact refers to the longer socio-economic consequences that can be observed after a certain time following the completion of an intervention. It may affect both direct and indirect addresses of an intervention (Severino 2022). Originating in the field of program evaluation, ToC fosters analytical rigor and learning while offering flexibility to combine qualitative and quantitative methods in a cost-effective manner (Jackson 2013). It supports both accountability and learning, which are critical for navigating the inherent trade-offs in IME and impact reporting. In this article, ToC is not

analyzed as a standalone framework but rather used as an underlying logic to assess how impact claims are structured and supported, particularly in relation to the axis of evidence developed in the methodological section below.

3. Research Design and Methodology

Building on the conceptual foundation laid out in the literature, particularly regarding the need for structured, comparable, and evidence-based reporting, this article proposes a qualitative methodological approach to assess the level of harmonization in the impact reports of microfinance funds. Central to this approach is an original analytical matrix that operationalizes two key dimensions: alignment and evidence. These dimensions are informed both by the literature reviewed and by the author's practical experience in analyzing impact reporting practices in the sector. The evidence axis assesses the methodological rigor, transparency and credibility of the data used to support impact claims. The alignment axis evaluates the extent to which impact reports draw upon recognized sectoral impact initiatives to enhance transparency, comparability and coherence across actors.

The level of transparency is analyzed by looking at the information published in the impact reports of microfinance funds, while the level of accountability and comparability is respectively analyzed in the two axes evidence and alignment. The latter enable to address and integrate the three features identified by Godeke and Briaud, (n.d.), and aforementioned in the literature review section, for a robust IMM system. Finally, each axis has been operationalized into eight criteria, which have been established based on the literature review, conceptual approach and research objectives of this article.

The focus is on impact reports as a key public document used by microfinance funds to showcase how they differentiate themselves from traditional financing, by integrating and

achieving impact in their investing activities. To ensure the financing of sustainable development, and be transparent and held accountable, it is of utmost important that impact reports reflect in the most impartial and transparent way microfinance funds impact. This methodology also allows for a detailed understanding of the different elements raised in the literature as challenging and critical when it comes to understanding impact.

In an effort to build on existing research and reports in the microfinance sector, the definition of microfinance funds is aligned with the one used by Tameo in its annual report on PAIFs, which is a key reference for the impact investing sector, including microfinance investing (Estoppey and Narayanan 2023). Thus, the predominant structure among the microfinance funds identified is that of traditional microfinance investment funds (i.e. microfinance investment vehicles). However, entities that invest from their balance sheets to MFIs have also been included in the scope, as they play a key role in directing capital flows towards developing countries through a microfinance lens and adhere to the same philosophy, approach, and objectives as microfinance investment vehicles. These entities include cooperatives, foundations, and Non-Governmental Organizations (NGOs). This article deliberately focuses on microfinance funds investing in emerging and frontier markets, as this part of the world is particularly and unfairly affected by global warming and the consequences of other countries' development. Considering that they also have fewer means, they face unprecedented challenges in achieving sustainable development. To the best of the researcher's knowledge, Tameos' report is also the only report that transparently lists contributing investment managers. This listing has been used as a starting point to identify the targeted scope. Then, the researcher looked online for the impact reports of the targeted microfinance investment managers.

Impact reports are published on a voluntary basis, therefore all microfinance funds do not necessarily have a yearly impact report, and they do not necessarily publish them at the same

time. Therefore, a pragmatic approach has been implemented, where the most recent available impact report found online was analyzed. In this regard, the impact reports used for this research have not all been published the same year. The researcher has identified twenty-one investment managers of microfinance funds in the list of Tameo, aligned with the definition of microfinance fund of the researcher and which could potentially have produced impact reports. Investment managers were included in the list if they invest in MFIs. In other words, no criteria regarding the amount investing in MFIs or the number of microfinance funds managed was included to define this list. From the twenty-one shortlisted microfinance investment manager, an impact report was found online for eighteen of them. By cross-referencing publicly available sources and microfinance funds websites, the researcher has determined that the investment managers interviewed represent a total of fifty-three microfinance funds. Based on Tameo's market coverage (i.e. 129 microfinance funds) (Estoppey and Narayanan 2023), the sample covered in this study represents forty-one percent, of the total number of microfinance funds, providing substantial representation. The methodological framework proposed, and the two axes are now further explained.

First, the alignment axis aims to capture the extent to which a fund reports its impact in a way that is tailored to its own internal logic or aligned with widely used international impact initiatives. On one end of the spectrum, idiosyncratic reporting refers to the use of proprietary indicators developed in line with the fund's strategic objectives, often with minimal or no reference to external impact initiatives. On the other end of the spectrum, standardized reporting involves the adoption of internationally recognized metrics and the alignment of reporting practices with established impact initiatives. This is considered as best-practice to achieve harmonization in the sector, as it fosters data comparability (OECD 2019b) and diminishes the sense of "impact washing" (Boiardi 2020). Table eleven below presents the different criteria and the corresponding scoring that have been established to analyze to what extent microfinance

funds rigorously use and refer to existing internationally recognized initiatives to measure their impact, as well as the level of transparency in terms of what has been used. As mentioned in the literature review, there are different types of impact initiatives. Therefore, two criteria have been established to analyze which global frameworks and global indicators are used in microfinance funds impact reports. The focus is on frameworks and indicators as both can help in structuring the impact measured in an impact report, whereas principles for instance rather focus on the commitment of implementing practices to achieve impact. Another criterion analyzes, if beyond referring to international impact initiatives, the latter are used to map impact results. As aforementioned, one key element is transparency. Therefore, three criterion especially focus on this element, by looking at (1) the disclosure of definitions, as Robert Macherez (2024) identifies that microfinance funds can methodologically translate the name of an indicator differently, creating confusion in the understanding of impact and comparison of data, (2) the justification of deviations, which aims notably to look at whether microfinance funds explain why they deviate from international impact initiatives if used, and (3) the disclosure of methodology, which is a crucial to understand the approach chosen by a fund to measure and report its impact. Then, three other criteria aim to evaluate the level of consistency and comparability by analyzing if impact results are mapped to the impact initiatives used in the impact reports, if there is a reconciliation between the internal impact initiatives and the international ones, and if the language used rather reflects internally developed impact initiatives or international ones.

Criteria	Score 0	Score 1	Score 2
1. Reference to international frameworks	No mention of international frameworks (e.g., SDGs, IRIS+, IMP).	Frameworks are briefly named, but without systematic or operational use.	Frameworks are systematically referenced and integrated into reporting.
2. Use of global indicators	No use of standardized global indicators; entirely proprietary metrics.	Sporadic use of global indicators alongside fund-specific ones.	Systematic use of standardized indicators (e.g., IRIS+) across the report.
3. Mapping of results to frameworks	No mapping of results to international frameworks.	Partial or vague mapping to international frameworks.	Clear and systematic mapping of all results to global frameworks.
4. Clarity and Disclosure of Indicator Definitions	Indicators are presented without any definitions or explanations.	Some key indicators are defined or explained, but many are not; definitions are partial or ambiguous.	Clear and systematic disclosure of definitions for all or most indicators.
5. Reconciliation between internal and global indicators	No reconciliation between internal and global impact initiatives.	Partial reconciliation; loose or occasional links between internal and global impact initiatives.	Explicit, systematic reconciliation between internal and global impact initiatives, mainly explained.
6. Format and language consistency with standard reporting	Fully proprietary structure and language unrelated to standards.	Mixed: partly standard structure, but proprietary elements dominate.	Full consistency with international standard structures and sector-specific terminology.
7. Justification of deviations	No explanation for deviations from impact initiatives.	Brief or vague justification provided.	Clear, detailed explanation of why deviations from impact initiatives occur.
8. Disclosure of methodology for alignment	No disclosure of methodology for alignment.	Partial methodology description; incomplete explanation.	Full and transparent disclosure of methods for alignment.

Table 11 The alignment axis: its criteria and scoring

Second, the evidence axis aims to capture the degree of methodological rigor underpinning the impact claims made in the report. At one end of the axis lies a subjective approach, characterized by anecdotal narratives, selective success stories, and limited use of data, often

aimed at reinforcing a positive image without offering verifiable evidence. At the other end of the axis is a methodologically robust approach, where impact is assessed through clearly defined indicators, systematic data collection, outcome measurement, and an explicit ToC, sometimes complemented by efforts to establish causal links or validate findings. In other words, this axis reflects the extent to which reported impact is grounded in structured and credible evidence. Table twelve below presents the different criteria and the corresponding scoring that have been established to analyze to what extent microfinance funds demonstrate evidence in their impact reports. One criterion focuses on how ToC are used by microfinance funds in their impact reporting, with on the one hand the sole mention of a ToC, and on the other hand, the applied ToC where it is used to structure the reporting, combining the data and the narrative. Another criterion focuses on analyzing the degree of disaggregation of data provided. This element reflects the importance of context in measuring and reporting impact. Transparency of methodology has also been integrated as a criterion, to reflect the agency of actors in deciding why, how and what to measure (Stiglitz et al. 2010). This element is crucial as measurement and reporting are never entirely objectives. They are shaped by objectives, interests, limits, and opportunities (Robert Macherez 2024), which should be presented to better understand the impact reported.

Criteria	Score 0	Score 1	Score 2
1. Use of anecdotal evidence	Only anecdotes or isolated success stories are presented, with no supporting data.	Anecdotes are supplemented by minimal quantitative data, but data are not systematically used.	Report is primarily data-driven, anecdotes only complement systematically presented data.
2. Outputs reported	No quantitative output indicators are reported (e.g., number of clients, loans disbursed).	Basic output indicators are provided but without detail or disaggregation.	Detailed and disaggregated output indicators are systematically reported (e.g., by product type, gender, region).
3. Outcomes reported	No outcome-related data is presented (e.g., changes in client behavior, income, etc.).	Some basic outcome indicators are reported, but with limited explanation or depth.	Several outcome indicators are presented, with contextualization and preliminary interpretation.
4. Disaggregation of data	Data are reported only in aggregate, no segmentation or disaggregation is provided.	Basic segmentation is provided (e.g., male/female), but limited in depth or categories.	Detailed disaggregation across multiple relevant dimensions (e.g., gender, region, loan size, client profile).
5. Use and operationalization of a ToC	No ToC is mentioned.	A ToC is claimed or vaguely mentioned, but not explained or operationalized.	A ToC is explicitly presented and at least partially linked to impact indicators, analysis, or evidence collection.
6. Internal Coherence of Evidence	Major claims made in the report are not supported by the evidence presented, or there are obvious contradictions between narrative and data.	Some claims are supported by data, but inconsistencies or missing links are noticeable.	All major claims are well-supported by the presented evidence; narrative and data are coherent and mutually reinforcing.
7. Transparency of methodology	No information is given on data collection, sampling, or methods.	Partial information is disclosed (e.g., some indicators are explained but not full methods).	Full methodological transparency: description of data collection methods, sample sizes, indicators definitions, and any limitations.
8. Evidence of learning or feedback loops	No reference to lessons learned or adaptation based on impact evidence.	Lessons or improvements are vaguely mentioned but not systematically linked to evidence.	Explicit discussion of learning processes, adaptations, and how impact evidence informed strategy or operations.

Table 12 The evidence axis: its criteria and scoring

This article proposes the Impact Reporting Harmonization Matrix (“IRHAMIX”), where the two axes, alignment and evidence, have been combined to create four profiles, represented in figure twenty-four below:

	Low Alignment (0-8)	High Alignment (9-16)
Low Evidence (0-8)	<p>Self-Legitimizer</p> <p><i>Narrative-driven, symbolic, lacks methodological depth</i></p>	<p>Symbolic Harmonizer</p> <p><i>Emulates global language but lack rigor</i></p>
High Evidence (9-16)	<p>Technocratic Individualist</p> <p><i>Quant-heavy but non comparable, fund specific KPIs</i></p>	<p>Harmonizer</p> <p><i>Rigorous, aligned with impact initiatives and supported by evidence</i></p>

Figure 24 The IRHAMIX: A typology for assessing harmonization of impact reporting practices

The four profiles and their associated scoring are as follows:

1. **Self-Legitimizer:** this qualifies an impact report with a score between zero and eight, for both the alignment and evidence axes. Here, the impact report is mainly narrative-driven or at best with basic output indicators, while either it does not use international impact initiatives, or it does it, but the latter are not systematically applied, lacking methodological integration.
2. **Technocratic Individualist:** this represents an impact report scoring above average (i.e. eight) on the evidence axis but scoring below average on the alignment axis. In other words, the impact report is mainly data-driven, well structured, but it does not, or only partially implements international impact initiatives, making it less comparable.
3. **Symbolic Harmonizer:** this qualifies an impact report scoring above average (i.e. eight) on the alignment axis but scoring below average on the evidence axis. In this case, the impact report shows a partial or strong use of international impact initiatives.

However, the level of evidence presented remains mainly descriptive, lacking disaggregation of data and/or being mainly narrative-driven.

4. **Harmonizer:** this represents an impact report with a score between nine and sixteen, for both the alignment and evidence axes. It translates into an impact report showcasing a reasonable or good systematic integration of alignment with international impact initiatives, enabling a good level of comparison, coupled with a reasonable or good level of evidence, data is disaggregated and support the narrative.

These four profiles enable to represent a structured comparison and therefore nuanced understanding of diverse impact reporting approaches. It also offers insights into how microfinance funds navigate the tensions between harmonization and differentiation in their reporting practices.

Each microfinance fund impact report has been analyzed for each axis, looking at criterion by criterion. Then, the impact report was attributed a total score, between zero (lowest score) and sixteen (maximum score), for each axis, corresponding to a profile described above. Table thirteen below illustrates the analysis for two impact reports and for the criteria of both axes. The same approach has been replicated for the other impact reports analyzed.

Criteria	Score 0	Score 1	Score 2	Analysis Microfinance fund 7	Analysis Microfinance fund 14
Alignment axis					
1. Reference to international frameworks	No mention of international frameworks (e.g., SDGs, IRIS+, IMP).	Frameworks are briefly named, but without systematic or operational use.	Frameworks are systematically referenced and integrated into reporting.	1 Mention the SDGs	2 The SDGs and 60 Decibels are detailed and integrated in the report.
2. Use of global indicators	No use of standardized global indicators; entirely	Sporadic use of global indicators alongside fund-specific ones.	Systematic use of standardized indicators (e.g., IRIS+) across the report.	0 No statement as to whether the metrics reported are aligned with	1 They use the SDGs and 60 Decibels, and a proprietary framework.

	proprietary metrics.			the definition of a specific initiative or not.	However, they do not specify if KPIs are linked to a global initiative.
3. Mapping of results to frameworks	No mapping of results to international frameworks.	Partial or vague mapping to international frameworks.	Clear and systematic mapping of all results to global frameworks.	1 Mapping of output indicators with the SDGs	1 They systematically map their results to standards, but some are proprietary and others are global
4. Clarity and Disclosure of Indicator Definitions	Indicators are presented without any definitions or explanations.	Some key indicators are defined or explained, but many are not; definitions are partial or ambiguous.	Clear and systematic disclosure of definitions for all or most indicators.	0 Only indicator names are mentioned (no definition or methodology)	1 Partial clarity on the definitions, and transparency on the methodology for the KPIs
5. Reconciliation between internal and global indicators	No reconciliation between internal and global impact initiatives.	Partial reconciliation; loose or occasional links between internal and global impact initiatives.	Explicit, systematic reconciliation between internal and global impact initiatives, mainly explained.	0 Mention a ToC, an investment thesis and an ESG score, but no details are explained. No link is made between the elements in the report.	1 Reconciliation of the proprietary impact model with global standards (SDGs). But no reconciliation with 60 Decibels, which is presented as something separate.
6. Format and language consistency with standard reporting	Fully proprietary structure and language unrelated to standards.	Mixed: partly standard structure, but proprietary elements dominate.	Full consistency with international standard structures and sector-specific terminology.	1 There is a certain structure in the mapping of the SDGs and the output indicators used for their different portfolios (adapted to the goal). This is only for one page in the report	1 The structure is proprietary as they have their three dimensions, but they also integrate global standards like the SDGs. However, 60 Decibels and the outcomes results are not integrated into the proprietary model.

7. Justification of deviations	No explanation for deviations from impact initiatives.	Brief or vague justification provided.	Clear, detailed explanation of why deviations from impact initiatives occur.	0 No mention of deviation or justifications found for it in the report	0 No mention of deviation or justifications found for it in the report
8. Disclosure of methodology for alignment	No disclosure of methodology for alignment.	Partial methodology description; incomplete explanation.	Full and transparent disclosure of methods for alignment.	0 No methodology is explained	2 Description of the framework used for the reporting. Explain methodology of 60 Decibels, but no methodology for the SDGs. Considering this is already more advanced than most market practice a score of 2 has been attributed.
Total score alignment axis				3	9
Evidence axis					
1. Use of anecdotal evidence	Only anecdotes or isolated success stories are presented, with no supporting data.	Anecdotes are supplemented by minimal quantitative data, but data are not systematically used.	Report is primarily data-driven, anecdotes only complement systematically presented data.	1 Some quantitative data presented at the beginning, but the report is mainly driven by client stories	2 The frameworks used are clearly presented and applied to structure the report. Anecdotes are also complementing the structure
2. Outputs reported	No quantitative output indicators are reported (e.g., number of clients, loans disbursed).	Basic output indicators are provided but without detail or disaggregation.	Detailed and disaggregated output indicators are systematically reported (e.g., by product type, gender, region).	1 Basic output indicators are presented in one page at the beginning of the report	2 Detailed output indicators are used throughout the report, and are well integrated in the framework applied
3. Outcomes reported	No outcome-related data is	Some basic outcome	Several outcome indicators are	0 No outcomes	2 Strong use of

	presented (e.g., changes in client behavior, income, etc.).	indicators are reported, but with limited explanation or depth.	presented, with contextualization and preliminary interpretation.	related indicators are reported, only client stories at the outcome level	60 Decibels and detailed presentation, with explanation of results.
4. Disaggregation of data	Data are reported only in aggregate, no segmentation or disaggregation is provided.	Basic segmentation is provided (e.g., male/female), but limited in depth or categories.	Detailed disaggregation across multiple relevant dimensions (e.g., gender, region, loan size, client profile).	1 Basic disaggregation of data between female/male, rural/urban etc.	2 Data is detailed, disaggregated and also sometimes compared to a benchmark.
5. Use and operationalization of a ToC	No ToC is mentioned.	A ToC is claimed or vaguely mentioned, but not explained or operationalized.	A ToC is explicitly presented and at least partially linked to impact indicators, analysis, or evidence collection.	1 There is a reference to a ToC but no details are shared (no narrative, no indicator, no view on the categories).	0 No mention of a ToC
6. Internal Coherence of Evidence	Major claims made in the report are not supported by the evidence presented, or there are obvious contradictions between narrative and data.	Some claims are supported by data, but inconsistencies or missing links are noticeable.	All major claims are well-supported by the presented evidence; narrative and data are coherent and mutually reinforcing.	1 The report is mainly driven by client stories. Key basic output indicators are used to make claims.	2 The structure used is very clear, and the quantitative and qualitative data complement each other.
7. Transparency of methodology	No information is given on data collection, sampling, or methods.	Partial information is disclosed (e.g., some indicators are explained but not full methods).	Full methodological transparency: description of data collection methods, sample sizes, indicators definitions, and any limitations.	0 No transparency on the methodologies, frameworks etc. used	2 Methodology of the 3rd party is clearly presented
8. Evidence of learning or feedback loops	No reference to lessons learned or adaptation based on impact evidence.	Lessons or improvements are vaguely mentioned but not systematically linked to evidence.	Explicit discussion of learning processes, adaptations, and how impact evidence informed strategy or operations.	0 No wording reflecting lessons learned has been found in the report	0 No wording reflecting lessons learned has been found in the report

Total score evidence axis				5	12
Profile				Self-legitim�er	Technocratic individualist

Table 13 Results of the empirical analysis for two impact reports

The analytical framework provides a systematic and comparable approach to assess the level of harmonization in the impact reporting practices of microfinance funds. By translating the dimensions of evidence and alignment into clearly defined criteria and standardized scoring, the framework ensures transparency and replicability in the classification of reports. Nevertheless, several limitations and potential biases must be acknowledged. First, the use of profiles simplifies complex reporting practices and may not fully capture the granularity that can be found in certain reports. Some reports fall near or on the average, being eight, between categories, and despite defined scoring criteria, subjective judgments remain, particularly when assessing qualitative elements such as the clarity of indicator definitions or narrative coherence. Second, the analysis is based exclusively on publicly available impact reports. Therefore, this analysis does not capture internal decision-making processes or the strategic considerations that influence reporting practices, such as the choice of indicators to the balance between standardization and differentiation and the resulting costs and opportunities.

The purposive sampling approach used in this research allows for a targeted selection of experts but may introduce selection bias, as microfinance funds that engage in transparency initiatives or participate in public reports may be overrepresented. The geographical scope is also limited to funds investing in emerging and frontier markets, meaning that insights from funds operating in developed markets are not captured.

Impact reports of microfinance funds are public documents that can be found online. While it would have been possible to fully disclose the names of each impact report analyzed, this article

rather aims at analyzing the different reporting practices and how, collectively, the microfinance sector can evolve. As such, names of the impact reports are not published. However, should a microfinance fund be interested in understanding the author’s approach and her analysis, it can contact her by using the contact details provided with this article.

4. Empirical findings: patterns of alignment and evidence in microfinance funds impact reports

This section details the findings from the application of the methodology, with the objective to analyze, for each axis, the key results and trends, and then to combine the analyses into the matrix.

4.1. Patterns along the alignment axis

The results of the analysis on the alignment axis are represented in the heatmap below in figure twenty-five. On the left of the heatmap are the criteria used in the analysis of the alignment axis, while at the bottom of the heatmap, the letters represent the anonymized impact reports of the microfinance funds. The color scale indicates the score for each criterion, with lighter shades representing lower scores and darker shades representing higher scores, as shown in the bar on the right of the heatmap.

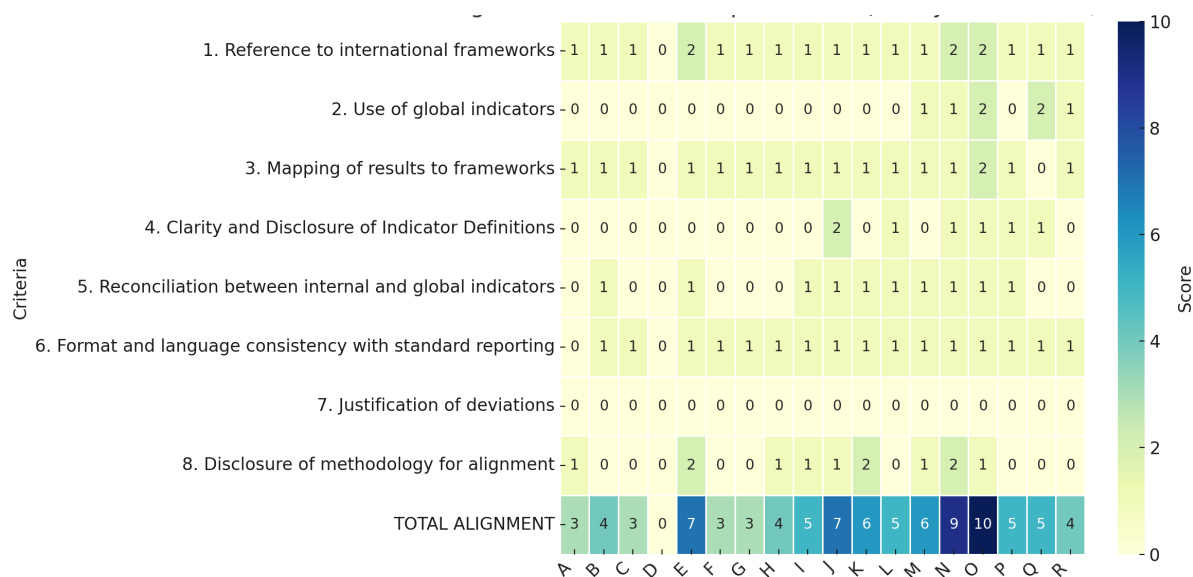


Figure 25 Alignment axis: heatmap of scores per impact report

Considering that some criteria are more closely linked to one another, the following analysis groups different criteria together to help better reflect trends.

4.1.1. Reference and adoption of impact initiatives

This sub-section combines the analysis of the following criteria: (1) References to international frameworks, (2) Use of global indicators, and (3) Mapping of results to frameworks.

References to international frameworks have become a near-universal feature of microfinance impact reporting. Of the eighteen reports analyzed, only one omits such references, while all others cite the SDGs. This mirrors sector-wide surveys showing that roughly three-quarters of funds map their objectives to the SDGs (Estoppey and Narayanan 2022). Yet, most of these references are superficial. Fourteen reports, over three-quarters of the sample, receive a score of 1, meaning that frameworks are briefly named but without systematic or operational integration. Only three reports embed frameworks consistently throughout their

reporting. This suggests that frameworks are invoked primarily as legitimacy signals rather than used as structuring tools, echoing broader discussions of symbolic adoption in impact investing.

The use of standardized indicators is even more limited. Thirteen reports, nearly three-quarters of the sample, score 0 because their indicators could not be clearly linked to impact initiatives such as IRIS+. Although some metrics resemble global standards, the absence of disclosure on definitions or explicit reference to established impact initiatives prevents confirmation. This opacity undermines comparability, since it is not possible to know whether indicators are measured consistently. Interviews with microfinance impact managers confirm this pattern, as many claim to “use” IRIS+, but in practice they consult it selectively or integrate metrics into proprietary frameworks rather than adopting it systematically (Robert Macherez 2024). Only two reports explicitly align their indicators with global initiatives, while three reference IRIS+ alongside proprietary frameworks, creating confusion about what is standardized and what is not. These findings highlight how reliance on proprietary metrics and the absence of definitional clarity weaken prospects for harmonization.

Reports that engage substantively with international frameworks tend to map their results systematically, while superficial references produce vague or partial mappings. Out of the eighteen reports, fifteen map partially or systematically their impact to the SDGs. Two reports get a score of 0, and only one gets a score of 2. Mapping to the SDGs is clearly a dominant practice, however it lacks rigor. Although common, this approach limits comparability as all actors are free to determine how they contribute to the SDGs as it is not pre-defined. Importantly, mappings to purely internal frameworks were not considered, since the purpose of this analysis is to assess alignment at the sectoral level. Where internal tools incorporate global frameworks, they are included in the analysis, but reconciliation remains partial and unsystematic.

4.1.2. *Consistency and comparability in reporting*

This sub-section brings together the analysis of three other criteria: (4) Clarity and disclosure of indicator definitions, (5) Reconciliation between internal and global indicators, and (6) Format and language consistency with standard reporting.

Two-thirds of the reports disclose indicators without providing definitions or assumptions, resulting in a score of 0. Five reports offer partial explanations, while only one consistently defines its indicators, albeit in an annex rather than integrated throughout the report. This lack of definitional clarity strongly correlates with the weak use of global standards: where frameworks are not referenced, indicators also remain undefined. Without definitions, comparability is illusory, as identical terms may mask divergent understandings and methodologies.

Criterion (5) highlights the tension between context-specific measurement and sector-wide comparability. Eight reports present only internal frameworks (score 0), while ten offer some reconciliation with global ones (score 1). Even the highest-scoring report places internal and global indicators side by side but does not clarify why both are necessary and/or how they relate. Reconciling indicators with the SDGs is not considered exemplary, given how widespread but superficial this practice has become. The reluctance to justify why proprietary frameworks are retained suggests that funds value internal flexibility but rarely make this choice transparent. Yet, given their role in financing sustainable development, microfinance funds face increasing expectations to ensure that their reporting is intelligible and comparable at the sector level.

Consistency would require impact initiatives to be applied systematically throughout a report, rather than confined to isolated sections. Yet none of the reports achieves this. Instead, fifteen reports (83%) score 1 for partial consistency, usually by including a table mapping indicators

to the SDGs. These mappings are typically placed in a separate section and disconnected from the rest of the narrative. Three reports score 0 for complete absence of consistency. The prevalence of SDG mappings reflects a common market practice, but their marginal placement indicates that frameworks are treated as add-ons rather than structuring principles.

4.1.3. Transparency and justification

Finally, this sub-section synthesizes the analysis of the last two criteria of the alignment axis: (7) Justification of deviations, and (8) Disclosure of methodology for alignment.

Criterion (7) produces the clearest uniformity: all eighteen reports score 0. None explains why they deviate from global impact initiatives or retain a proprietary approach. This silence undermines credibility and prevents readers from determining whether deviations are contextually necessary or strategically motivated. The absence of justification suggests that deviations are either not problematized by funds or are deliberate choices left unexplained. In both cases, the lack of justification reduces trust and erodes the potential for harmonization.

Methodological transparency is somewhat stronger but still limited. Nine, or half of the reports, provide no methodological explanation, while six offer partial details. Only three reports, those with the highest overall alignment scores, describe both their own methods and those of the global impact initiatives they reference. Yet even these reports map indicators to the SDGs without clarifying the methodological basis for doing so. This asymmetry reflects a broader dynamic: frameworks such as IRIS+ or 60 Decibels are treated as requiring methodological rigor, while the SDGs are invoked flexibly, reflecting both their aspirational nature and their susceptibility to selective interpretation (Hickel 2019).

Overall, the alignment axis reveals convergence around shared references particularly the SDGs, but with limited depth, consistency and transparency. Alignment thus remains more

symbolic than substantive. To assess whether harmonization extends beyond formal references, the analysis now turns to the evidence axis, which examines the extent to which reported impacts are substantiated and supported by methodological rigor.

4.2. Patterns Along the Evidence Axis

The results of the analysis on the evidence axis are represented in the heatmap below in figure twenty-six. On the left of the heatmap are the criteria used in the analysis of the evidence axis, while at the bottom of the heatmap, the letters represent the anonymized impact reports of the microfinance funds. The color scale indicates the score for each criterion, with lighter shades representing lower scores and darker shades representing higher scores, as shown in the bar on the right of the heatmap.

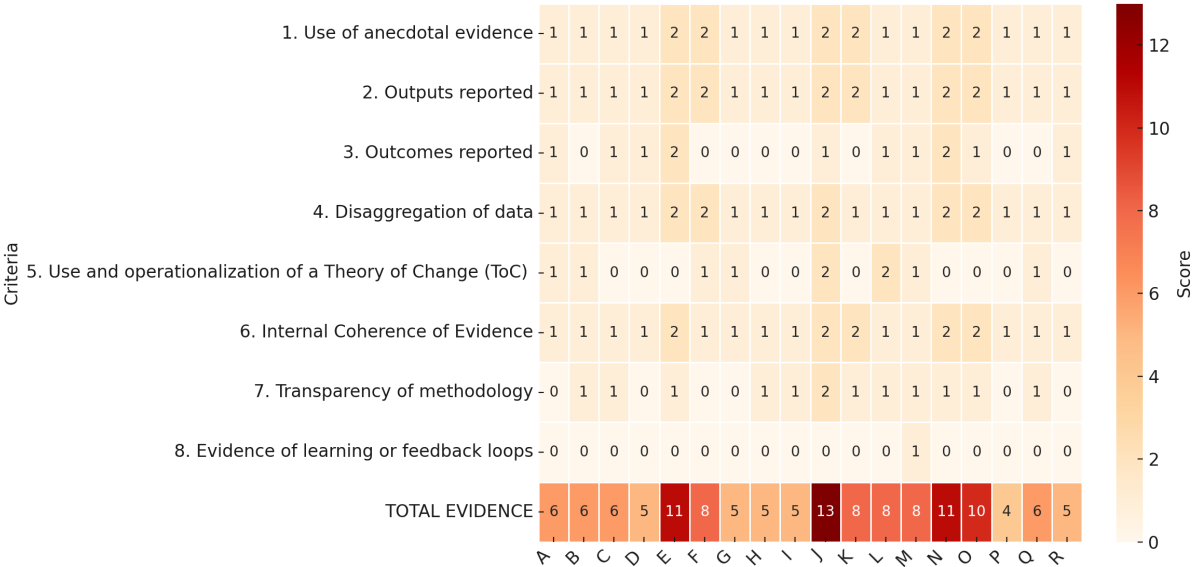


Figure 26 Evidence axis: heatmap of scores per impact report

For this analysis, the evidence axis is organized into three categories: (1) type and scope of evidence, (2) coherence, structuring, and transparency, and (3) learning from evidence. This

categorization makes it possible to identify broader tendencies in reporting practices and their implications for harmonization, rather than treating each criterion in isolation.

4.2.1. Type and scope of evidence

This sub-section combines the analysis of the following criteria: (1) Use of anecdotal evidence, (2) Outputs reported, (3) Outcomes reported, and (4) Disaggregation of data.

Two-thirds of the reports primarily disclose impact through client stories, complemented by minimal quantitative or structured qualitative data. Only six reports are considered data-driven, and even these continue to rely on anecdotes to illustrate their findings. This empirical pattern mirrors the tendencies highlighted in the literature: investment managers often privilege easily communicable narratives and basic outputs over more rigorous evidence. What appears in the literature as a theoretical critique of storytelling approaches (Gramling and Freudenburg 1992; Severino 2022) is thus clearly observable in current microfinance impact reports. The reliance on anecdotal material provides accessibility for investors but undermines comparability and reduces the credibility of claims.

The same pattern extends to outputs indicators. Reports that are data-driven typically report outputs, which are more straightforward to capture and deeply embedded in microfinance reporting traditions. By contrast, outcomes indicators, which would provide evidence of change at the client level, remain rare. Only three reports in the sample combine data-driven reporting with detailed outputs and contextualized outcomes.

Eight reports, representing almost half of the sample, score 1 for criterion (3), meaning that outcomes are mentioned only superficially. In most cases, this consists of a brief acknowledgement that outcomes data is collected, either directly or by an external service provider, and occasionally the disclosure of a single indicator. However, this information is not

further developed, contextualized, or integrated into the report's narrative or evidence base. This selective disclosure is noteworthy: while the sector frequently emphasizes the cost and complexity of gathering outcomes indicators, these reports suggest that such data is sometimes available but seems to be deliberately withheld from publication. Given that outcomes measurement is often considered the "gold standard" in microfinance IME, this reluctance to disclose points to a significant transparency gap between the information funds collect internally and what they choose to report externally. Yet the underlying discrepancy reveals a more profound limitation in current reporting practices. It highlights a paradox: although funds often claim to measure outcomes for transparency toward investors (Robert Macherez 2024), they remain reluctant to disclose such information in their published reports. The result is a selective transparency that prioritizes what is easy and uncontroversial (outputs) over what is more costly, complex, and potentially ambiguous (outcomes).

This pattern is reinforced by disaggregation practices. Of the six reports that score highest on anecdotal evidence and outputs, five also provide disaggregated data, typically by gender or region. Yet thirteen out of eighteen, almost three-quarters, of the reports disclose only basic segmentation, which constrains contextual understanding of impact. Taken together, the findings suggest that the sector converges on a minimal standard of reporting with anecdotes, outputs, and basic gender disaggregation, while the disclosure of outcomes remains fragmented and inconsistent. This represents a form of harmonization in a sense that most of the microfinance funds take the same approach when disclosing evidence. However, this lacks substance, and the evidence shared is not often comparable. Therefore, impact reports appear similar in structure but diverge in depth and quality of evidence.

4.2.2. *Coherence, structuring and transparency*

This second sub-section brings together the analysis of three other criteria: (5) Use and operationalization of a ToC, (6) Internal coherence of evidence, and (7) Transparency of methodology.

ToC are widely promoted in the impact investing sector as a framework to link activities to intended results and to provide a structure for presenting evidence. Yet, its presence in impact reports remains limited. Of the eighteen reports analyzed, eight (almost half) mention a ToC. Among these, two explicitly link their ToC to the evidence they disclose, while the remaining reports merely reference it and rarely use it to substantiate reported impact. Then, more than half of the reports make no reference to a ToC. Strikingly, even the most data-driven reports omit any reference to a ToC, suggesting that methodological sophistication does not necessarily translate into the use of this framework.

This finding reflects and nuances insights from the literature. Jackson (2013) emphasizes that although ToC exist at various levels of practice, they often remain implicit, invisible, or entirely absent, and their sector-wide application has yet to be critically assessed. The evidence presented here supports this observation but also extends it: not only are ToC frequently absent, but even when mentioned, they are rarely operationalized as a structuring device for evidence. This reveals a disjunction between the sector's rhetorical embrace of ToC as best practice and their limited practical use in fund-level reporting. From the perspective of harmonization, the absence of ToC as a shared structuring framework weakens comparability across reports and limits the capacity of impact evidence to demonstrate how reported results align with intended processes of change.

Internal coherence of evidence broadly correlates with data-driven reporting. Reports that rely on systematic indicators tend to achieve more consistent narratives. However, one exception shows the opposite risk: an excessively data-heavy report without adequate contextualization, resulting in coherence problems of a different kind. This underlines that coherence requires both data and interpretation.

A third of the sample provides no methodological detail, and only one report attains a score of 2. Almost two-thirds of the impact reports analyzed, eleven out of eighteen, offer partial transparency. Notably absent are explanations of how indicators are calculated, the frequency of data collection, coverage of MFIs, or treatment of missing data. What appears, at first glance, as harmonization through shared reference to international frameworks such as the SDGs masks substantial opacity in the production of data. The lack of methodological explanation is particularly striking for outcomes data. In several reports, outcomes are presented for only a portion of the portfolio, reflecting the resource-intensive nature of such studies, especially when they require reaching end-clients directly. The challenges associated with IME are well-known and often discussed among microfinance experts (Agrawal and Hockerts 2021). Yet, none of the reports explain why specific MFIs, over others, are selected for outcome analysis. This omission is not trivial: it raises questions about potential selection biases. One plausible assumption is that funds choose MFIs with which they have strong relationships, and which are more willing to participate, or alternatively those they expect to yield the most favorable results. While bias is inherent in any research process, transparency about such choices is essential for readers to evaluate the credibility of findings. Moreover, acknowledging these limitations would provide funds an opportunity to demonstrate reflexivity and to challenge themselves in addressing selection effects more systematically. Taken together, these shortcomings suggest that methodological opacity not only weakens the validity of reported evidence but also undermines the sector's ability to move toward meaningful harmonization. The absence of

clearer disclosure of how evidence is produced risks concealing deep inconsistencies in data quality and comparability. Among the criteria assessed, methodological transparency emerges as the most critical weakness in reports that otherwise present substantive evidence.

4.2.3. *Learning from evidence*

Finally, this sub-section synthesizes the analysis of the last criterion: (8) Evidence of learning or feedback loops.

Learning represents the least developed dimension of the evidence axis. Only one report briefly mentions a learning process, with no detail, and none demonstrates systematic feedback loops. The absence of learning suggests that impact reporting remains primarily an exercise in external disclosure rather than internal adaptation. This limitation is not merely technical but structural: without embedding learning, funds risk reducing IME to symbolic compliance, aimed at investors, rather than organizational development. From a harmonization perspective, the lack of feedback mechanisms means that even where disclosure practices converge, the sector fails to align on the actual use of evidence to improve practice.

In sum, the evidence axis shows that microfinance funds impact reporting practices converge on basic forms of disclosure but lack methodological rigor, coherence, and learning. Harmonization thus appears partial and often superficial. To capture how these findings relate to the alignment dimensions, the analysis now turns to the matrix, which brings the two axes together and develops a typology of impact reporting profiles across the sample.

5. Distribution of profiles in the IRHAMIX

Figure twenty-seven below illustrates the results of the different impact reports analyzed based on the two axes, alignment and evidence, in the IRHAMIX. This illustration helps identifying impact reporting profiles and trends.

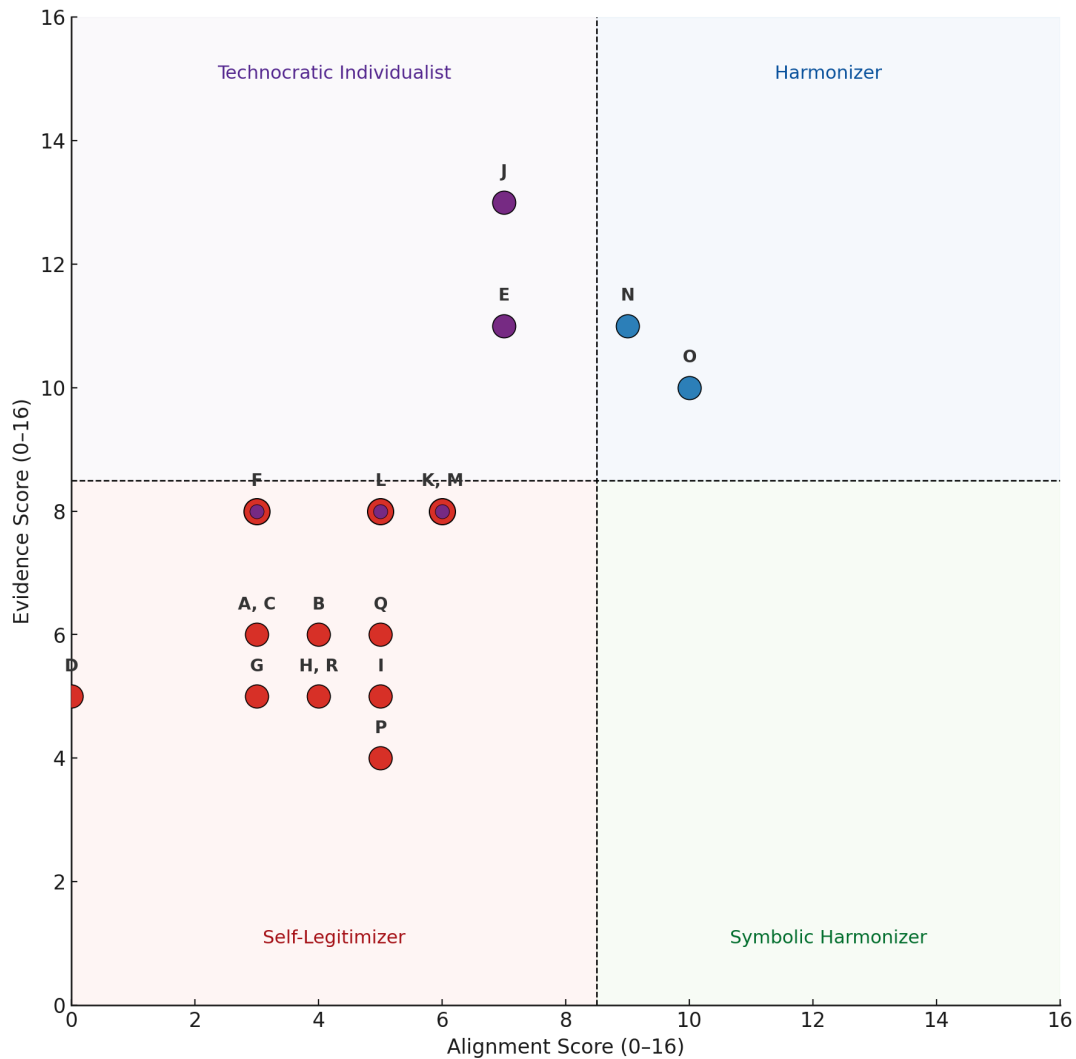


Figure 27 Impact report profiles in the IRHAMIX

The distribution of impact reports within the IRHAMIX reveals clear patterns across the four profiles. The most populated profile is the Self-Legitimizer, which gathers fourteen impact reports, representing more than two-thirds of the sample. More specifically, the highest concentration lies between scores five and six on the evidence axis, and three and five on the

alignment axis, where ten impact reports are scored, accounting for more than half of the sample.

By contrast, the most advanced profile, the Harmonizer, is occupied by only two impact reports. The Technocratic Individualist profile is represented by two impact reports, one of which achieves the highest evidence score (i.e. thirteen out of sixteen), while scoring only seven on alignment. No impact reports fall within the profile of Symbolic Harmonizer. This finding is not surprising as it would be difficult to demonstrate strong alignment with international impact initiatives without simultaneously presenting adequate supporting evidence. Four impact reports reach a score of eight on the evidence axis, positioning them on the average and therefore at the upper boundary of the low-evidence category. These are classified as Self Legitimizers, but are represented with a shade of purple to reflect their proximity to the Technocratic individualist profile.

Taken together, the IRHAMIX shows that impact reports tend to score higher on the evidence axis, compared to the alignment axis. In other words, this means that microfinance funds are more likely to disclose outputs and, in some cases, outcomes to substantiate their claims than to systematically integrate international impact initiatives that would allow for comparability. The imbalance highlights that while funds can demonstrate impact within their own reporting logic, they rarely translate this into a form that facilitates harmonization at the sector level. The predominance of Self-Legitimizers illustrates that, for the majority of the microfinance funds analyzed in the scope of this research, impact reporting remains largely a symbolic exercise aimed at satisfying external expectations, rather than a structured, methodologically strong, comparable assessment of results. The very few Harmonizers demonstrate that rigorous, transparent and standardized reporting is possible in the sector, but they remain outliers rather than representative. Finally, the other two Technocratic Individualists further confirm that strong evidence can exist without alignment, but they also suggest that greater transparency and

integration of global impact initiatives could readily elevate such reports into the Harmonizer profile. Overall, the strong predominance of Self- Legitimizers underscores that harmonization in the sector remains more rhetorical than operational.

6. Conclusions

This article sets out to answer the research questions of what patterns of alignment and evidence emerge in the impact reporting practices of microfinance funds, and what they reveal about the state of harmonization in the sector. The analysis shows that while references to international impact initiatives are widespread, their operationalization remains limited, producing symbolic alignment rather than substantive comparability. Similarly, although most reports present outputs and narratives, they rarely disclose outcomes or methodological details, resulting in weak evidence. As a result, the dominant profile in the sector is the Self-Legitimizer, while only a few funds reach the Harmonizer profile, where alignment and evidence converge.

Theoretically, these findings contribute to the literature on IMM by proposing the IRHAMIX, a matrix enabling a systematic classification of reporting practices across two dimensions. Empirically, they demonstrate that harmonization remains uneven, fragile and largely rhetorical in microfinance impact reporting. This unevenness underscores a tension between the sector's aspiration to comparability and accountability, on the one hand, and the persistence of idiosyncratic, narrative-driven practices, on the other hand. These results point to the need for greater methodological transparency, clearer justification of deviations from global impact initiatives, and more systematic use of evidence, particularly outcomes. These are not merely technical adjustments but conditions for safeguarding the legitimacy of microfinance, as an impact investing sector and as a distinct financial field.

A preliminary cross-reading of the interviews conducted in chapter three and the analysis of impact reports further reinforces this conclusion. While several interviewees shared during the interviews that they use pre-defined IME initiatives, the corresponding impact reports do not always mention nor disclose the results from such initiatives. This suggests a disconnect between IME practices and their translation into impact reporting, consistent with the predominance of symbolic alignment identified in this chapter. That being said, this observation remains exploratory and should be interpreted with caution, as the interviews were conducted prior to the development of the IRHAMIX framework and did not explicitly distinguish between initiatives used for IME and those mobilized for impact reporting. Moreover, one possible explanation for this discrepancy is a time lag between evolving IME practices and their formalization in publicly available impact reports, which may not yet fully reflect the recent internal practices described by interviewees, especially the ones not publishing an impact report on a yearly basis. Nevertheless, it points to an important avenue for future research: examining the organizational and strategic drivers that shape impact reporting choices, through targeted interviews with those directly responsible for impact reporting. Another avenue for future research would be to conduct a comparative analysis across sectors to assess whether the predominance of Self-Legitimizers is distinctive to microfinance or symptomatic of impact investing more broadly. Then, exploring the role of regulation, investor demands, and resource constraints may further illuminate the structural factors that shape harmonization.

Taken together, the findings suggest that harmonization in impact reporting is less a settled achievement than a contested process, shaped by competing imperatives of legitimacy, differentiation, and accountability. Whether microfinance funds will move from symbolic convergence toward substantive harmonization remains an open question, but one whose resolution will critically affect the credibility and future of impact investing.

CHAPTER 5 CONCLUSIONS

Introduction

This dissertation sets out to address a central problem in development finance: despite being early pioneers of impact investing, microfinance funds still struggle to demonstrate their impact in a credible, comparable, and transparent manner. This problem has gained urgency as financing for sustainable development becomes increasingly constrained, and as sustainable finance expands and absorbs attention, capital and regulatory focus. To maintain its legitimacy and distinctiveness within this evolving landscape, impact funds, including microfinance funds, must show not only that they generate impact, but that they do so in ways that can be meaningfully evidenced, compared and trusted.

Yet, the long-standing debate on the impact of microfinance has historically focused on whether microfinance has an impact, concentrating on MFIs' activities and their end-clients. Thus, this dissertation aims to bridge a gap in the literature by originally focusing on microfinance funds, as intermediaries within the microfinance investment value chain, governing capital allocation, defining what counts as an impact and shaping practices through which impact is measured and reported. By shifting the analytical lens toward microfinance funds, this dissertation examines how these actors understand and operationalize IME and impact reporting, to what extent such practices are harmonized and what this means for sustainable development. Another originality of this dissertation is the use of an institutionalist approach, which conceptualizes IME and impact reporting not merely as technical processes but as practices embedded in broader institutional logics, shaped by norms, incentives, organizational legacies, and power relations. Through a dual focus on actors and institutions, the dissertation connects its empirical analysis to the broader evolution of development finance. It argues that microfinance funds must be understood not simply as investment vehicles, but as governance actors whose practices directly

influence how impact is defined, measured, reported and communicated in the pursuit of sustainable development.

Summary of findings and answer to the research question

In the research process, it became apparent that while the impact investing sector is characterized by a proliferation of impact initiatives, creating a sense of crowdedness, microfinance funds tend to rely on a limited set of impact initiatives suggesting a sense of harmonization in the sector. Yet, as the analysis reveals, convergence in references masks significant divergences in use, interpretation and operationalization. Impact initiatives such as the SDGs or IRIS+ may offer shared entry points, but their integration into IME and impact reporting varies considerably, revealing that convergence in terminology should not be mistaken with convergence in practice. This discrepancy between reference and implementation is a key empirical insight. While the same initiatives are widely used, they are also adapted to the organizational needs of the different investment managers, which translates into a lack of comparable metrics, shared definitions or coherent approaches.

While the sector extensively discusses IMM, composed of IME and IMA, the empirical analysis reveals that microfinance funds' understanding of the relationship between the two terms is inconsistent. Only few respondents conceptualize IMM as an iterative process in which measurement informs management and vice versa. Similarly, impact reporting itself is ambiguously positioned by interviewees, some viewing it as part of IMA, others as an outcome of IME. This fragmented understanding of key concepts for the sector is a critical finding. It shows that institutionalization at the conceptual level is not complete: key terms that structure the sector's accountability lack shared meanings. Without conceptual clarity, coherence and comparability remain difficult to achieve, reinforcing the systemic complexities that motivated this dissertation.

Another central finding is the paradox of transparency. Indeed, during the interviews, transparency emerged as the most frequently cited motivation for conducting IME. Yet, when examining microfinance funds' impact reports, the evidence suggests otherwise: few funds set explicit targets, disclose methodologies and definitions or clearly articulate their rationale for measurement. Some even mention the name of impact initiatives without reporting related results. This gap between intention and disclosure suggests that transparency often serves a symbolic rather than substantive function, a form of selective transparency fulfilling expectations of legitimacy and accountability without necessarily improving the understanding, comparison or learning that can emerge from IME and impact reporting.

The IRHAMIX analysis confirms and nuances these patterns. Impact reporting emerges not as a neutral description of impact but as a performative exercise shaped by organizational identity, legitimacy concerns, and strategic positioning. The IRHAMIX matrix developed in this dissertation shows that the majority of impact reports falls into the Self-Legitimizer profile, characterized by low evidence and low alignment. Very few impact reports fall into the Harmonizer profile, providing both rigorous evidence and consistent alignment with recognized initiatives. These findings collectively reveal that impact reporting remains primarily a signaling exercise, used to demonstrate commitment rather than to evaluate or learn from results. Indeed, most microfinance funds refer to similar impact initiatives but adapt the latter to fit their internal strategies, producing a sense of symbolic harmonization. IME and impact reporting become thus strategic instruments of differentiation, reinforcing organizational identity in a competitive field rather than advancing collective accountability.

These findings indicate that the institutionalization of harmonization remains incomplete: no impact initiative or reporting practice has been broadly internalized across the sector. This reinforces the core argument of this dissertation, namely that harmonization is an institutional,

not merely technical, challenge. The discretion exercised by actors, what they measure, how they measure it, and why, plays a decisive role in shaping the degree of convergence. The systemic complexities observed in the sector stem not from the scarcity or abundance of impact initiatives, but from fragmented actor-driven choices shaped by incentives, constraints, and organizational cultures. Without conceptual clarity, shared definitions and coordinated adoption of practices, coherence and comparability remain elusive.

This incomplete institutionalization is further compounded by a fragmented regulatory environment. The EU's sustainable finance framework, especially the SFDR, introduces new expectations for disclosure and accountability, but these apply unevenly across microfinance funds: as MIVs would mainly fall within the scope of the SFDR, but not foundations investing from their balance sheet. This regulatory asymmetry creates uneven pressures and reinforces divergences. At the same time, the lack of shared definitions at the EU level, especially regarding impact and impact investing, generates additional confusion. This necessarily has repercussions on how impact is understood, measured, and reported, with the risk of creating scope for misleading claims. This ambiguity also genuinely places impact funds, such as microfinance funds, at a disadvantage, especially in the framework of the SFDR, which defines sustainable investing but does not yet adequately reflect the specificities of impact investing. These findings therefore highlight the strategic role that regulators could play in promoting harmonization by clarifying terminology and expectations, creating incentives for consistency and strengthening the architecture supporting impact accountability.

Contributions to the field

A core contribution of this dissertation is the conceptual clarification of harmonization. While complete standardization of IME and impact reporting would risk erasing crucial contextual differences and undermining the adaptive mission-driven nature of microfinance,

some degree of shared definitions, methods, and metrics is essential to make impact claims credible. This dissertation conceptualizes harmonization as comprising two interdependent dimensions: alignment with recognized and shared impact initiatives and the evidence underpinning impact claims. Together, these dimensions reveal that harmonization is not a singular process but a constellation of practices that evolve across organizations, shaped by the pursuit of legitimacy, the desire for differentiation, operational constraints, and the internalization of sector norms. This conceptualization positions harmonization as a social and interpretive process, embedded in organizational practices and influenced by sectoral power dynamics, including norms, habits, to name a few, rather than as a technocratic compliance exercise.

A second major contribution lies in demonstrating the actor-driven nature of IME and impact reporting. This dissertation shows that institutions and agents are co-constitutive: global impact initiatives may shape expectations, but it remains microfinance funds' decision to determine what is measured, how it is reported, and consequently which practices become institutionalized. This provides an important corrective to technocratic visions that underestimate the importance of agency, incentives, and organizational strategy.

Methodologically, this dissertation combines a qualitative interview-based approach with the establishment and application of the IRHAMIX, complemented by a review of primary and secondary literature. The interviews generate original empirical material on how microfinance funds interpret, operationalize and implement IME, while the matrix operationalizes harmonization of impact reporting practices, translating qualitative insights into a structured typology. This triangular research design enables to capture actors' perceptions and motivations, to quantify qualitative differences across impact reports, and to situate the

empirical and analytical findings within a broader scholarly and policy landscape of impact investing and development finance.

This dissertation deepens the existing literature of microfinance funds, by demonstrating their role in measuring and reporting their impact, but also by looking at the interdependence of the different stakeholders along the microfinance investment value chain. It shows that microfinance works through actors and institutions, as part of a system. Finally, this dissertation illuminates the broader relevance of harmonization for impact investing, development finance, and the SDGs. Impact investing has grown into a diverse sector, yet its credibility remains fragile in the absence of shared and transparent IME and impact reporting practices. As global sustainability challenges intensify, the SDGs have become a guiding framework for investment strategies, but their contribution to operational measurement and reporting remains very limited. Microfinance funds occupy a unique position in this landscape: their longstanding experience gives them the potential to share what harmonization for IME and impact reporting could look like. Their ability to demonstrate credible impact will be fundamental for attracting future capital needed to bridge the SDGs financing gap and to ensure that the growing role of private finance contributes effectively to sustainable development.

Implication and significance

Beyond their relevance for the microfinance sector, these results speak to broader governance questions concerning how private actors define, measure, and legitimize their contribution to common goals, and how institutional structures evolve in response to these pressures.

For IME and impact reporting, transparency alone is insufficient for accountability. Without shared definitions, methodological rigor and disclosure, and comparable metrics, impact

reporting risks functioning as a legitimacy exercise only. This dissertation demonstrates that accountability in practice requires not only more information, but better information, anchored in shared impact initiatives, clear methodologies, and credible evidence. Strengthening these institutional underpinnings is thus essential for building trustworthy impact systems.

While the SDGs have become a universally recognized reference point, their contribution to harmonization remains limited. They provide symbolic coherence but very little operational guidance, allowing microfinance funds significant discretion in how they define, frame, and report their SDG contribution. As this dissertation shows, actors' discretion in interpreting contribution narratives generates uneven evidence and weakens the SDG's capacity to steer practice in a meaningful way. The limited practicability of the goals at the meso- and micro-levels is therefore not merely a technical challenge but an institutional one, tied to the absence of shared norms.

For impact investing, the findings highlight that the credibility of the sector depends increasingly on demonstrable and comparable evidence of impact. Weak harmonization across conceptual, methodological and communicative dimensions undermines the field's integrity at a moment of rapid growth and intensifying scrutiny. The absence of regulatory definitions of impact investing, particularly within the EU sustainable finance framework, reinforces this vulnerability. Unless actors develop clearer institutional anchors and collectively align on shared conceptual and methodological foundations, the sector risks fragmentation and rising skepticism among stakeholders.

These dynamics also carry significant implications for development finance. Microfinance remains a cornerstone of financial inclusion, a prerequisite for equitable and sustainable economic growth, particularly in regions where formal financial systems are absent. Strengthening such institutional underpinning is essential not only to improving impact

reporting but also to sustaining confidence in private development finance instruments, particularly as they are increasingly relied upon to bridge the SDGs financing gap, especially in frontier and emerging markets, which are more disadvantaged.

Finally, at a macro level, the dissertation positions harmonization as a form of institutional change. Microfinance funds appear to be situated between the emergence and cascade stages of institutionalization: certain impact initiatives are widely spread, but none have been broadly internalized. This incomplete institutionalization is shaped not only by structural constraints but also by the absence of a collective actor-driven effort to converge. Harmonization, therefore, cannot emerge spontaneously. It requires intentional coordination, shared vision, and a willingness among actors to adjust internal processes in the pursuit of common goods. In this sense, the future of harmonization depends as much on institutional environments as on the agency of microfinance funds, and their investors, whose choices ultimately determine whether IME and impact reporting evolve toward greater alignment or continue to perpetuate fragmentation. In this scenery, one should also note that regulatory actors, such as the European Commission, could play a significant role in better integrating impact investing in its framework for sustainable finance.

Future Research

This dissertation opens several avenues for future research. Comparative studies could assess whether symbolic harmonization and actor-driven fragmentation are common across other impact investing sub-sectors. This approach could be done thanks to the replication of the IRHAMIX and the typology proposed with it in this dissertation. Longitudinal studies could analyze how reporting evolves alongside shifts in regulatory pressures and data infrastructure. Finally, organizational and ethnographic studies could further illuminate how internal governance, incentives, and organizational culture shape IME and impact reporting decisions.

Taken together, this dissertation portrays a sector in transition, striving for legitimacy and transparency but constrained by conceptual ambiguity, heterogeneous practices, and uneven regulatory pressures. Harmonization emerges not as a destination but as a continuous negotiation among actors navigating competing institutional logics. The microfinance investment sector appears to have reached an intermediate stage, one that sustains a shared language but still lacks the collective discipline needed for true comparability and systemic accountability. Advancing beyond this plateau will require concerted commitment to a common methodological core, clearer regulatory guidance, and sustained investment in data quality and evidence. If achieved, these steps could enable microfinance funds to reaffirm their pioneering role within sustainable finance and continue to serve as a credible and effective instrument for global sustainable development.

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Appendices

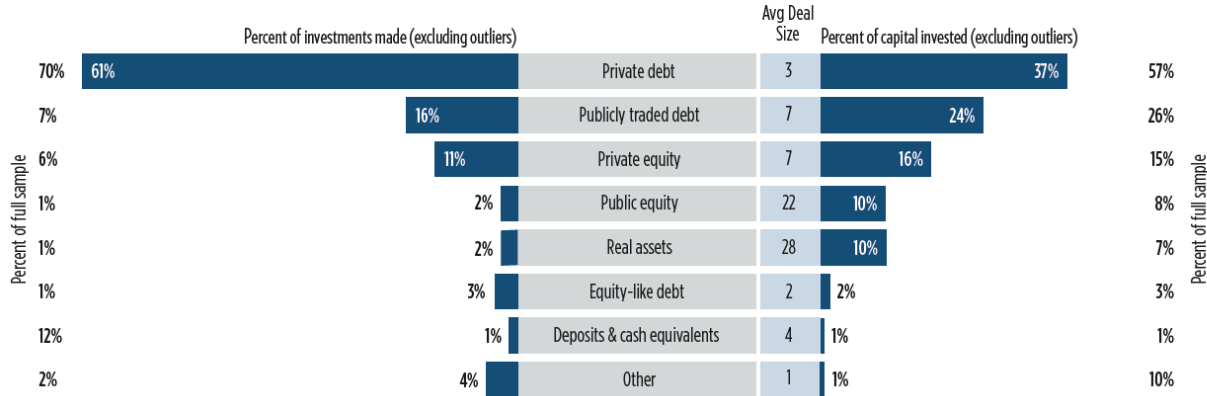
Appendix 1: List of the seventeen Sustainable Development Goals (SDGs)



Source: (United Nations Global Compact 2015)

Appendix 2: Invested capital and number of investments made in 2019, by asset class

n = 279; capital invested = USD 47 billion and number of investments = 9,807. Graph shows sample excluding outliers; percentages of full sample shown alongside each bar.



Note: Excludes six outliers and nine respondents that did not report 2019 investment activity. 'Other' includes guarantees, alternatives, mezzanine, New Market Tax Credits, and revenue-based financing.
 Source: GIIN, 2020 Annual Impact Investor Survey

Source: (Hand et al. 2020: 16)

Appendix 3: Questionnaire for the interview of impact managers for microfinance funds

Questionnaire for Impact Managers	
Topic	Question
Defining impact	<ul style="list-style-type: none"> • Could you please tell me more about your position
	<ul style="list-style-type: none"> • When was the first impact strategy of the microfinance fund defined?
	<ul style="list-style-type: none"> • How is the impact strategy defined? (who is involved, what is the process)
	<ul style="list-style-type: none"> • Are the end-clients, and/or the MFIs, involved in determining your impact approach?
	<ul style="list-style-type: none"> • Do you re define your impact strategy on a regular basis?
	<ul style="list-style-type: none"> • Do you differentiate between Impact Management (IMA) and Impact Measurement (IME)? How do you understand the difference? Is it relevant to your impact activities? Which of these 2 do you emphasize more? Why?
IME in practice	<ul style="list-style-type: none"> • Do you measure your impact? Why? And How?
	<ul style="list-style-type: none"> • Do you have representative samples?
	<ul style="list-style-type: none"> • Who is responsible for IME?
	<ul style="list-style-type: none"> • What is the objective of your IME?
	<ul style="list-style-type: none"> • Do you use impact initiatives (including principles and guidance, frameworks and methodologies, standards, certification and ratings and metrics and indicators), predefined for the industry? Which ones? Why (not)?
	<ul style="list-style-type: none"> • Do you use an external service or data provider?
	<ul style="list-style-type: none"> • What are the advantages and disadvantages of each IME tool?
	<ul style="list-style-type: none"> • Would you say that your impact initiatives are complementary to each other? Please explain.
<ul style="list-style-type: none"> • Would you say that you adapt your measurement to your investment's characteristics and to the purpose of the investment? 	

	<ul style="list-style-type: none"> • What are your main difficulties when measuring impact?
	<ul style="list-style-type: none"> • How do you use the results from your IME?
	<ul style="list-style-type: none"> • Do you communicate your IME results to your investees (i.e. the MFIs)?
	<ul style="list-style-type: none"> • From your point of view, what is missing in the industry in terms of impact initiatives? (<i>Questions to ask if needed to guide the interviewee: Are there not enough initiatives to guide you? To be implemented Not enough understanding? Others?</i>)
	<ul style="list-style-type: none"> • Which budget do you dedicate to IME? Is it adapted on a yearly basis?
Systemic Approach	<ul style="list-style-type: none"> • Do you adapt your IME to your investee (MFI), in particular in relation to the size of the MFIs (cf. different types of Tiers)? Why? How do you explain this approach?
	<ul style="list-style-type: none"> • To what extent is your investee involved in the IME process? Why? At which stage? If yes, how?
	<ul style="list-style-type: none"> • Do you compare practices to other peers? Why?
	<ul style="list-style-type: none"> • Do you use benchmarking to compare to standards? Why? Since when?
	<ul style="list-style-type: none"> • What value does the comparison and/or benchmarking add?

Appendix 4: Questionnaire for the interview of investment managers for microfinance funds

Questionnaire for Investment Managers	
Topic	Question
About the microfinance funds and its portfolio	<ul style="list-style-type: none"> • Could you please tell me more about your position.
	<ul style="list-style-type: none"> • On which microfinance fund are your working on?
	<ul style="list-style-type: none"> • Do they mainly (i.e. more than 50%) invest in MFIs? Could you share a % of your portfolio?
	<ul style="list-style-type: none"> • Do you use private debt? Is it the main instrument used (i.e. more than 50% of your portfolio)?

	<ul style="list-style-type: none"> • Could you tell me more about your investors? Are they mainly public or private? Do you have %? approximately?
Defining impact	<ul style="list-style-type: none"> • Are you involved in the process of defining the impact strategy? Why? How?
	<ul style="list-style-type: none"> • What is your role (if applicable)? When are you involved in the process of defining the impact strategy?
IME in practice	<ul style="list-style-type: none"> • To what extent are you in touch with the Impact Team regarding impact and the investment process? Are you regularly in touch? Do you have specific points that you regularly discuss? Are there any processes in place?
	<ul style="list-style-type: none"> • Do you adapt the investment and impact approach to the investee (MFI), in particular in relation to the type of Tier of MFIs?
	<ul style="list-style-type: none"> • Which impact initiatives (including: principles and guidance, frameworks and methodologies, standards, certifications and ratings and metrics and indicators) are you aware of in the industry?
	<ul style="list-style-type: none"> • To what extent is the impact strategy integrated as part of your investment analysis/decision? And does the use of impact initiatives have consequences on your investments? Could you explain.
	<ul style="list-style-type: none"> • Are results of IME (conducted) integrated to your investment analysis/decisions (for future investments)? Why and how, if applicable?
Systemic Approach	<ul style="list-style-type: none"> • Which criteria do you use to determine the Tier (i.e. the type) of an MFI?
	<ul style="list-style-type: none"> • To what extent are you in touch with the MFIs? Do you consider this as sufficient to conduct your investments aligned with the impact strategy? Would you say that anything is missing?
	<ul style="list-style-type: none"> • From your point of view and experience, what are the advantages and disadvantages of harmonization?
	<ul style="list-style-type: none"> • Do you compare practices to your other peers? Why?
	<ul style="list-style-type: none"> • Do you use benchmarking to compare to standards? Why? Since when?

	<ul style="list-style-type: none"> • What value does the comparison and/or benchmarking add?
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Appendix 5: Questionnaire for the interview of investors in microfinance funds

Questionnaire for Investors	
Topic	Questions
Defining the role of an investor	<ul style="list-style-type: none"> • Why did your institution choose to invest in a microfinance fund? What is expected?
	<ul style="list-style-type: none"> • What is your role as an investor?
	<ul style="list-style-type: none"> • How often are you in touch with other investors?
	<ul style="list-style-type: none"> • How actively involved is your institution as an investor in the microfinance fund?
Defining and measuring impact	<ul style="list-style-type: none"> • What is the impact strategy of the microfinance fund?
	<ul style="list-style-type: none"> • Was your institution involved in defining the impact strategy of the microfinance fund? Why? How (if applicable)?
	<ul style="list-style-type: none"> • When your institution invested in the microfinance fund, did it come with specific requirements for impact? Why? If yes, could you please share which ones?
	<ul style="list-style-type: none"> • Do you find that impact and investment are equally weighted in the strategy of the microfinance fund?
	<ul style="list-style-type: none"> • Do you find that impact and investment are equally weighted throughout the discussions you are participating to?
	<ul style="list-style-type: none"> • Based on your understanding, do you differentiate between Impact Management (IMA) and Impact Measurement (IME)? How do you understand the difference?
	<ul style="list-style-type: none"> • How useful do you find the results of the measurement of impact from the microfinance fund?
	<ul style="list-style-type: none"> • Do you find that the results of IME are integrated into the management of impact within the microfinance fund? If yes, how?

The future of IME	<ul style="list-style-type: none">• From your point of view and experience, what is missing in the industry in term of IME?
	<ul style="list-style-type: none">• What do you think about the idea of harmonizing IME practices between microfinance funds?
	<ul style="list-style-type: none">• From your point of view and in relation to IME, what would be the advantages and disadvantages of harmonization?
	<ul style="list-style-type: none">• From your point of view and experience, what do you consider as the most interesting proposals for the development of microfinance IME in the future?