Opportunity Data: The Other Half of the Information Equation

***Laura Sparks*[1]**

Citi Community Development and Citi Foundation

As a new, larger generation of consumers and investors look for ways to align their values with their purchases, investments and careers, momentum around "impact investing" has soared. This surge in interest has generated significant discussion and an emerging field of impact measurement and evaluation, presumably to generate better information about the societal[2] impact such investments generate. The goal, it seems, of this conversation is to generate information that will help attract vast sums of capital that can leverage or be leveraged to advance positive societal change at significantly higher orders of magnitude than is possible today. Exponents of "impact investment" believe that by systematically standardizing and cataloguing the positive impacts of investments, investors will be better able to discern investment choices and more motivated to invest in strategies deemed successful, resulting in new capital pouring into projects that advance positive change in society.

It is a classic market-based argument–that with more options and with more information about the characteristics and quality of those options, the likelihood of a market (in this case, a proactively impact-oriented capital market), increases. However, the likelihood of a robust and efficient market only increases with enough high quality information and clearly discernable choices, and the role of impact data is only half of the equation. The role of opportunity data is the other half. Data and analytics that inform prospective impact strategies are just as important, if not more important, than the post hoc use of data and analytics to evaluate activities and investments.

A focus on "investment" will inevitably generate a discussion about returns and how they are measured. It makes sense, then, that much of the "impact investing" discussion explores how best to capture and standardize societal return metrics, and the suggestion to proactively emphasize opportunity data is not meant to dismiss the focus on post-hoc evaluation that is dominating the "impact investing" conversation. Developing more standard ways of reporting on impact, if done well, may help simplify messaging and improve visibility among potential investors, bringing more capital to the table. Creating common standards for impact evaluation might create efficiencies that can lower the cost of assessing impact. Consistency of and increases in data collection could allow for more robust and useful research that could illuminate the most effective approaches to generating positive societal

1 With special thanks to the contributions of my colleague Jamie Alderslade, Vice President, National Initiatives, Citi Community Development.

2 I take my lead from Lisa Hall, President and CEO of the Calvert Foundation and the organization's use of the word "societal" to reflect both social and environmental change.

impact over time. There is also certainly an important role for policy makers to evaluate impact (vs. outcomes or outputs)[3] and to use that information to motivate investment in the most effective strategies, prioritizing the most significant need. This could, if done well, help channel more capital into proven strategies to address our greatest societal ills.

But while this discussion around standardizing impact measurement is important, the almost exclusive focus on post hoc impact evaluation may, if we're not careful, distract us from the equally if not more important conversation of up front data analysis. If we fall prey to this distraction and fail to focus on antecedent data analytics, we will miss an opportunity to have higher-level impact.

The quality of an "impact investment" should be evaluated by data that both frames the need and tells us what happened in response to an investment. Impact data only tells us whether we've been successful. Opportunity data is required to inform whether, where, why and how to best target investment in the first place. It is our ability to respond with effective and tested strategies tailored to the specific needs and circumstances of a community that will generate the highest societal impact, and it is data at the beginning of the work that can effectively and efficiently inform such a tailored strategy. While there are increasingly well understood ingredients (e.g., shelter, nutrition, health, education, employment, asset building opportunities) that can be used successfully in alleviating the effects and sources of poverty, they will be most effective if combined and deployed in ways that are uniquely suited to address the specific dynamics that may be at play in a particular community.[4]

The need for opportunity data is greatest when resources are scarce. Fewer government program dollars and a risk-averse investment climate challenge us to target investment in the activities that will generate the highest societal return. As both philanthropists and investors that have put hundreds of millions of dollars into Community Development Financial Institutions (CDFIs) and other funding opportunities that would likely be considered "Impact Investments" in the U.S., we certainly welcome post-investment evaluation of the societal return. However, as we are making our lending, investment and grant-making decisions, we focus even more of our time on understanding how the funding will advance a particular response to a particular challenge in a particular place or set of places. We look for funding opportunities that are informed by an analysis of community need and that represent a smart, efficient and direct response to those needs. By funding and deploying strategies that are not only affirmed by evaluations of prior activities, but also are grounded in upfront data analysis that helps us understand what the specific challenges are and how we might best alleviate them, we are able to prioritize limited resources to support the highest-impact opportunities.

For those of us interested in harnessing investment to address significant public policy concerns, opportunity data is the missing link that distinguishes investments that were profit-

3 The progression from inputs to outputs to outcomes to impact is a helpful framework presented in "Metrics Matter: A Human Development Approach to Measuring Social Impact," Burd-Sharps, Guyer, and Lewis contained herein.

4 I use "community" here to refer to communities defined by a variety of features (e.g., geography, race, ethnicity, culture, age, etc.)

able despite societal challenges and those that were profitable in direct response to those challenges. To corral more capital, direct it to the highest-return opportunities and identify ways to scale tailored strategies, we must focus on more widespread adoption of using data analytics to drive community development and private investment activity in distressed communities. This is why location-based data platforms like PolicyMap are so critical. PolicyMap[5] is a robust data and mapping platform that has democratized access to data that can be used to inform highly responsive community investment strategies. Unfortunately, adoption of this tool or others is not nearly as wide as it should be, and so the nearly exclusive focus in the impact investing conversation on post-activity evaluation seems misplaced. Without using data-driven strategies at the outset, we could easily miss the mark, and the after-the-fact impact measurement will be empty. As the energy increases around the development of societal and financial return metrics for "Impact Investing"–the post-investment evaluation–we would be well served to re-direct some of that energy toward honing and increasing the use of antecedent data analysis that has the power to drive impact-maximizing strategies.

Laura Sparks is the Director of Development Finance Initiatives at Citi Community Development and Citi Foundation. In this capacity, she works with Citi Community Development, the Citi Foundation, and a range of Citi businesses to develop innovative programs that expand Citi's partnerships and initiatives with Community Development Financial Institutions (CDFIs), locally and nationally, to innovate, attain scale and achieve financial sustainability. Prior to joining Citi Community Development, Laura served as the Director of Business Strategy for the CitiMortgage Strategic Markets division. In this capacity, Laura focused on initiatives designed to increase responsible and sustainable homeownership opportunities for low- and moderate-income and minority people and communities.

5 PolicyMap is a fully web-based Geographic Information System developed by The Reinvestment Fund (TRF), one of the nation's leading Community Development Financial Institutions. http://www.policymap.com.