OCEAN INNOVATION AFRICA

Feedback Report:

Impact Measurement & Management Workshop

28 July 2022

Background

The Ocean Innovation Africa July Stakeholder workshop series was held in honour of African Day of Oceans and Seas. The intention of the workshops was to facilitate action on some of the challenges and solutions raised during discussions at the annual Ocean Innovation Africa summit.

The "Impact Metrics & Management" workshop looked at what is needed for development or adaptation of ocean-impact metrics for the African continent.

This report is a summary of points raised during that discussion and as such statements do not necessarily reflect consensus from the workshop participants, nor the viewpoint of Ocean Innovation Africa.

Participants

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Introduction

Impact Measurement is a challenge in the ocean innovation space. Existing KPI frameworks are not readily adaptable to ocean-specific impact and can be cumbersome both from a reporting and interpreting side. The lack of clear methodology has resulted in deficient and inconsistent reporting in many cases. Without clear KPIs it is difficult to aggregate impact across the sector, making communication of impact difficult, with negative consequences for fundraising.

The Ocean Impact Navigator, launched by the 1000 Ocean Impact Startups coalition at June's UN Ocean Conference, aimed to develop a harmonised set of KPIs for the ocean space to address some of these challenges. The framework covers 30 KPIs addressing several key areas of ocean impact:

- Ocean Health (over-exploitation, pollution, etc.)
- Climate Change (mitigation and adaptation)
- Social (well-being, equity, etc)

While the navigator was designed with flexibility of user and geography in mind, it is intended as a global framework and as such could be optimised to better suit the African context. This workshop aimed to identify key points needed for adaptation of the framework to make it more applicable and drive its adoption in Africa.

Metrics to build a narrative

Impact measurement allows you to build a narrative that can motivate investment in the ocean. Impact investment, particularly in the oceans, is relatively new in the financial sector and a lot of advocacy and marketing is needed to bring financial institutions and investors on board. Listed institutions have target metrics, with KPIs tied to financial returns. Investors are asking about ESG causing more institutions to look into understanding the impact space.

The climate finance market is much more mature, with climate-related financial risks being integrated into financial institutions. This resulted from extended education and awareness around climate risks and financing models, which needs to be replicated for the ocean space. Biodiversity metrics are much harder to convey than carbon metrics. Scientific information needs to be transferred and communicated for the finance sector to understand the importance of ocean ecosystems and integrate ocean-health related risks into financial institutions as well.

In Europe and the US the focus of impact metrics tends to be more environmental, while in Africa they are by necessity more social – food security and job creation are priority on the continent. Despite this, the potential of the blue economy to provide solutions to these issues goes largely unrecognised in Africa. Impact on mindsets – advocacy, awareness, outreach – is particularly critical in Africa to driving blue economy growth. Making ocean-impact a buzzword will at least bring it to surface level, facilitating further negotiations with change-makers and investors.

It needs to be conveyed that all environmental impacts have social impact as well. This extends beyond the financial sector. ESG investors and consultancies working in the ESG space also need to be more aware of the importance and potential of ocean impact, as does government. Outlining what the blue economy means for job creation and GDP can help to create government buy-in. De-aggregation of employment data will be next step, extracting information on youth employment, for example, or quality of employment.

Metrics could also be used to juxtapose the impact of startups with that of existing corporates working in the ocean space, and to help corporates identify priority areas for action. While it's easy to point out what investors should avoid, it would be more constructive to point out tangible opportunities to invest in positive impact. Independent reporting from respected institutions on the ocean impact space – opportunities, importance, opinion pieces – helps to give credibility to the narrative and bring more institutions on board.

Metrics to Build a Narrative (Cont)

A systems approach is needed to create understanding that the ocean affects everyone and expand the circle of oceans-conscious businesses and investors. One thing is bringing decision-makers, investors and corporates to ocean-impact discussions, the other is taking ocean-impact discussions to those forums where it is mentioned without necessarily being understood.

Opportunities for action

- include an outreach/inspiration metric in the framework
- Ocean Innovation Africa as a platform to spread message
- highlight opportunities for impact investors. take ocean impact discussion to investment and ESG forums
- make ocean impact a buzz word among shareholders that drive ESG at institutional level.
- EY and OHA to look at compiling reports on the ocean impact investment space eg link between biodiversity and social impact
- Job creation should be a mandatory metric for all African ocean-impact startups.
- Widen scope of navigator user – outreach to corporate clients.
- Masterclass for angel academy on ocean impact and indicators using OIN and a couple of case studies

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Simplifying Metrics

Impact metrics can be laborious both to report and interpret. For entrepreneurs, inconsistencies between reporting frameworks mean investing large amounts of time and effort in transposing the same information to each platform. Further, entrepreneurs often lack the capacity to report on metrics. Complicated frameworks with technical output can also be difficult for investors to interpret. Adoption of consistent, easy-to-use metrics across the sector will simplify impact management for all parties involved.

Entrepreneurs should also be judicious in what metrics they report on. It might be overwhelming to report on four or five different metrics, but two or three key indicators might be less of a challenge. Core metrics should be those directly related to the company's goal or the funding call to which they are applying, and those that are indicators of business success as well as impact, as they will form the basis of business decisions. As the venture grows more metrics can be added.

Aside from metrics, frameworks need to provide a methodology to measure and report on those metrics. This can still be limited by capacity of the startups to measure specific metrics, particularly with more complex impacts like biodiversity. In such cases it may be useful to set out a hierarchy/progression of metrics to include as the company grows based on capacity for measurement. Incubators can also assist in capacitating startups to understand and measure their impact.

Opportunity for action

- put out call to test the framework on more startups to get more feedback on ease of use
- Test the framework on investors to get their opinion if it seems worthwhile.
- Metrics should be simple to use and include methodology for measuring and reporting
- Startups should select less metrics to start based on impact goals, business goals, and capacity for measurement
- Framework could lay out a hierarchy of metrics to report on as business grows.

Verification of Impact

Verification of impact for financiers must be carried out by an independent consultant. As the field is still growing the cost of this is still relatively high and is normally borne by the entrepreneur. In the carbon market sector, impact metrics, measurement, reporting, and verification are particularly strict, incurring even higher costs. Adoption of a standardised impact metrics framework like the Ocean Impact Navigator could help to streamline the verification process and reduce costs.

It seems counterproductive that the burden of verifying impact falls on the entrepreneurs, when they are already the ones building solutions to meet environmental and corporate ESG needs. Since the corporate entities that require the reporting and verification already have the expertise and funds to carry out such activities it stands to reason that the onus should be on them to pay for it. Some funds do operate in this manner but it makes it more difficult to get investors on board.

Opportunity for action

- Lobby for investors to adopt standardised framework like OIN and take on verification costs.

Solving Finance Access Challenges

At present there is a notable gap between initial seed funding and longer-term R&D funding. As impact reporting needs to take place from early stages, this places additional financial strain on early stage startups. Present options to get around impact measurement costs for early-stage startups include grant funding and crowd funding, but these are slow processes with no guarantee that the funding will be provided once they are complete and, in the case of grant funding, further administrative requirements if it is.

At the moment the priority is on creating awareness in the finance sector around the ocean economy and ocean impact space, to bring in more capital in order to increase scale of impact. Financial institutions require additionality, opening up of investments they would not usually have made, and large investments to make it worth their while. Patient capital is longer, lower returns with higher environmental/social impact.

Larger financial institutions have the funds and ability to affect change, they should be encouraged to take on the initial risk to open up the market. Risk needs to be quantified for this though. At the moment only the insurance industry pays attention to externalities. Part of narrative building and outreach is getting people to care about KPIs and understand their implications for future risk, as well as educating investors on opportunities.

Opportunity for action

- lobby for larger investment groups to derisk ocean space.

Points to consider for African ocean impact navigator:

- Inspiration
- Job Creation
- Ease of use
- Methodology and reporting guidelines
- Hierarchy of metrics for business growth
- Embedding impact in business model metrics
- Prioritisation of metrics
- Call to test on more startups
- Feedback from investors on startup reporting
- Encouraging adoption of ocean impact metrics in broader circles.

Points to consider on communication of ocean impact space

- Making ocean impact a buzzword
- Linking environmental impact to social impact
- Compare metrics from startups and corporates
- Independent reporting on ocean impact. Suggested topics:
    - Link between environmental and social impacts
    - Systemic impact of Ocean Businesses
    - Metric Verification in securing different types of finance
    - Framing/packaging impact for new-to-the-ocean-space investors
    - Educating the investor: demonstrating how to make up in other ways when taking a returns 'haircut'
- Outreach at OIA
- Taking the message to investment forums
- Angel investors masterclass

Priority points to improve finance access

- Lobby for investors to take on verification costs
- Lobby for large financial institutions to derisk space

Thank you to our fantastic workshop participants for getting this discussion going!