EVPA KNOWLEDGE CENTRE

A PRACTICAL GUIDE TO IMPACT MEASUREMENT

FIRST DRAFT

EUROPEAN VENTURE PHILANTHROPY ASSOCIATION NOVEMBER 2012

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PREFACE

Consultation Process

We are pleased to share with you this first draft of EVPA's manual on impact measurement which is an integral part of EVPA's Impact Measurement Initiative (IMI). Given EVPA's philosophy of taking a consultative approach on issues of particular interest to its members and the sector we are circulating this draft for consultation. Our objective is to produce as a first step a guide to impact measurement that is well grounded in current practice – and which also goes a step further to develop best practice. For that reason, we have worked together with a group of 27 experts: venture philanthropy investors, academics, consultants and representatives from other social investment networks ("The Expert Group"). This document has been developed through a combination of our own research and in close collaboration with the Expert Group. By publishing this first draft, we are opening up the process to consultation beyond the Expert Group. We appreciate you taking the time to read the manual and providing us with your feedback as well as with other examples and/or case studies which you think could be of interest. The workshop held in Dublin prior to the EVPA annual conference will also serve as a sounding board for this first draft of the manual.

We have set up the email address impactmeasurement@evpa.eu.com to which you can send your comments, or you can also post them directly on the EVPA Impact Measurement Initiative Expert Group on LinkedIn. Within this LinkedIn group there are also five sub-groups. The objective of these sub-groups is to facilitate particular discussions or debates on each of the five steps as set out in the manual.

Between now and the year-end (2012) we look forward to receiving your feedback, examples and case studies. The published final version of the manual is expected to be available in early 2013.

We thank you in advance for your contribution!

EVPA's Impact Measurement Initiative team

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EXECUTIVE SUMMARY

This manual is targeted specifically at venture philanthropy organisations and social investors, and more generally at impact investors, foundations and any other funders interested in generating a positive impact on society. Throughout the document, we use the term "VPO/SI" to refer to such social sector funders. The first objective of the manual is to create a roadmap or guidebook to help VPO/SIs navigate through the current maze of existing methodologies, databases, tools and metrics on social impact measurement. Therefore, we do not take a stand to recommend a particular tool, but rather have attempted to distil best practice from the various ways of measuring social impact. The second objective is to trigger a movement towards best practice when it comes to impact measurement. We would like the manual to become a working document that evolves with new versions over time as our industry knowledge develops.

The manual should be useful both for beginners in impact measurement, who are considering how to get started, and for more advanced investors who are struggling with how to better integrate an impact focus into everyday investment management decisions. Within the VPO/SI, the person (or a team) assigned to measure impact will be the natural reader/user of the manual, but we also recommend executive directors, Boards and investment managers to use the manual as a reference for key decisions on topics such as resource allocation, deal selection and investment management. The manual uses plenty of real-life examples from VPO/SIs as well as five longer case studies that were developed by the impact measurement initiative (IMI) expert group members. The manual does not consider how to measure financial impact but focuses solely on social impact (using a broad definition of social that may also include environmental, cultural or medical impact).

Our starting point has been to devise a process of Impact measurement for a VPO/SI wanting to measure the impact of their investment[1] in a Social Purpose Organisation ("SPO"). This process is the "how to" of impact measurement and is often what is most needed by venture philanthropy organisations and social investors in general to get started. Analysis of existing methodologies for impact measurement and the experience of working together with VPO/SIs showed that most methods and tools to measure impact share a general framework. We represent the framework as having five steps as shown in the following diagram:

The 5 steps of social impact measurement

Source: EVPA

[1] *"We use "investment" throughout as including the range of financing instruments from grants to loans and equity"*

EXECUTIVE SUMMARY

Although the steps are presented in sequential order, in practice, they are not necessarily performed one after the other. It makes sense to start the analysis by setting objectives, but these may well be revised and re-adjusted based on the outcome of each of the steps of the analysis.

The goal of impact measurement is to manage and control the process of creating social impact in order to maximise or optimise it (relative to costs). Managing impact occurs continuously and is facilitated by integrating impact measurement in the investment management process. It is important to identify what may need to change within the investment management process so you are able to maximise social impact. That is why Managing Impact is the core of the impact measurement process. For each step in the process, one should consider how this relates to the everyday work of funding and building stronger social purpose organisations.

The impact value chain was the starting point for the definitions used in this manual as it clearly sets out the differences between inputs, outputs, outcome and impacts.

The Impact Value Chain

SPO's Planned Work		SPO's Intended Results		
1 Inputs	2 Activities	3 Outputs	4 Outcomes	5 Impacts
Resources (capital, human) invested in the activity	Concrete actions of the SPO	Tangible products from the activity	Changes resulting from the activity	Outcomes adjusted for what would have happened anyway, actions of others & for unintended consequences
€, number of people etc.	Development & implementation of programs, building new infrastructure etc.	Number of people reached, items sold, etc.	Effects on target popilation e.g. increased access to education	Attribution to changes in outcome. Take account of alternative programs e.g. open air classes
€ 50k invested, 5 people working on project	Land bought, school designed & built	New school built with 32 places	Students with increased access to education:8	Students with access to education not including those with alternatives: 2

Source: Elaborated by EVPA from Rockefeller Foundation Double Bottom Line Project

In this manual, the following definitions are used:

Inputs: all resources, whether capital or human, invested in the activities of the SPO.

Activities: the concrete actions undertaken by the SPO in order to achieve their social objectives.

Outputs: the tangible products and services from the activity.

Outcomes: the changes (both long and short term) in the social situation of the target population resulting from the activity.

Impact: the long term outcomes adjusted for what would have happened anyway (in some methodologies called "deadweight") and the action of others (in some methodologies considered under "attribution") and for unintended consequences (which could be negative or positive).

In what follows, we provide a quick glance at the recommended impact measurement process as detailed in the manual.

Step 1: Setting objectives

Setting objectives is a vital step in any impact measurement process and needs to be considered at both the level of the VPO/SI and the investee SPO. Often VPO/SIs do not spend enough time upfront considering why they want to measure impact, which later makes it difficult to take decisions regarding what is relevant and what is not when faced with scarce resources.

The more specific the objectives the better the impact measurement that can be prepared. For a VPO/SI, objectives should be set at two levels:

(i) Objective setting at the level of the VPO/SI. The VPO/SI should aim to answer four questions upfront:

   a. **What is your motivation for measuring social impact?** There are many different purposes for using impact measurement and these could each imply different target audiences and outlook.

   b. **What resources can you dedicate to impact measurement?** Resources to be considered include financial, human, technological and time.

   c. **What type of SPOs are you working with?** The maturity i.e. the stage of development of the SPO will potentially limit the type of information that the SPO can provide to you.

   d. **What is your time frame for measuring impact?** Depending on your timeframe, you will be able to draw either very specific or more general conclusions about the impact of the SPO.

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(ii) Objective setting at the level of the SPO. At a minimum you should answer these questions about the SPO:

a) **What is the social problem or issue that the SPO is trying to solve?** The response should include information about the nature and magnitude of the problem or opportunity; which populations are affected; whether the matter is changing or evolving as well as in what way it is changing or evolving.

b) **What activities are the SPO undertaking to solve the social problem or issue?** This should include a description of exactly what the SPO is doing to try to effect a change.

c) **What resources or inputs (as per the impact value chain) does the SPO have and need to undertake its activities?** This should include the time, talent, technology, equipment, information and other assets available to conduct the activities, as well as the VPO/SI's contribution to helping the SPO to solve the issue.

d) **What are the expected effects?** This should include what the SPO must achieve to be considered successful and will form the basis of the milestones against which the SPO will be measured. If possible some forethought can be given to anticipate potential unintended consequences of the SPO's activities.

Key recommendations:

- Defining in the initial stages of the relationship with the SPO exactly what they want to deliver facilitates assessment of achievement at later stages in the investment process.
- Understanding the current and expected social impact of an SPO early in the decision process is extremely valuable. It creates a common understanding of the impact of an organisation among all stakeholders and allows the VPO/SI and SPO to "speak the same language".
- The resources of any SPO are limited and decisions have to be made about the amount of time and resources that a SPO should dedicate to impact measurement. An important role of the VPO/SI is to convince the SPO of the value of impact measurement and ask them the essential questions that help them express their objectives.

Step 2: Stakeholder analysis

VPO/SI investments generate value for a variety of stakeholders. A stakeholder is defined as, *"Any person or organisation involved in and/or affected by the investment."* This is an important step because the VPO/SI needs:

- To understand the expectations of the stakeholders, their contribution to and the potential impact the SPO's work will have on them
- The co-operation of the main stakeholders in the impact measurement process.

There are two aspects to stakeholder analysis:

(i) Stakeholder identification; which includes stakeholder mapping, stakeholder selection and analysis of stakeholder expectations.

(ii) Stakeholder engagement; which includes communicating with the selected stakeholders and is vital to be able to check their expectations and, later in the process, verify if their expectations have been met. This is described in more detail in Step 4.

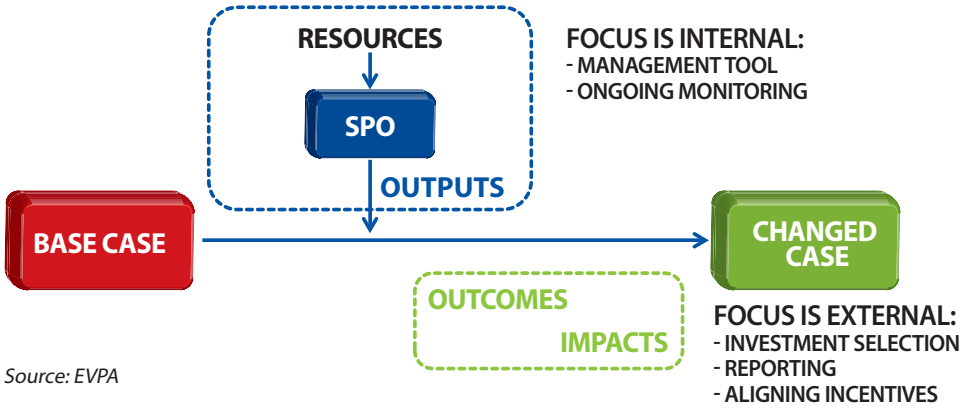
Key recommendations:

- Begin the analysis by focusing on a small number of relevant stakeholders and expanding from there, rather than trying to measure everything in one go. The list of potential stakeholders should be screened for the relevance of each stakeholder to the SPO's achievement of its mission and the significance of the benefits or contributions of these stakeholders.
- When stakeholder analysis is included during the due diligence phase; to avoid wasting resources, increase the intensity of the analysis as your confidence that you will pursue an actual investment increases.
- Engaging with stakeholders on multiple occasions may not be feasible. Assess when it may be the optimal time to engage and also ensure all possible preparations has been completed prior to such time to get the most out of the interaction.
- Consider upfront when would be the appropriate time to revisit stakeholder analysis together with the SPO.

Step 3: Measuring results: Outcomes, Impact and Indicators

To transform the objectives set in Step 1 into measureable results the VPO/SI must consider outputs, outcomes, impact and indicators. Outputs are directly related to the activities of the SPO, what is done to try and make a change in the base case, hence these are generally easier to measure. Outcomes and impacts are related to the expected effects of the activities of the SPO, hence they are outside the scope of the SPO and generally more difficult to measure. What you choose to focus on relates back to your set objectives of impact measurement. If you use impact measurement as a management or monitoring tool then focusing on outputs may be sufficient. However if your rationale for measuring impact is to make better informed investment decisions, report externally or align incentives then you should focus on outcome measures.

Internal vs external focus: the use of outputs, outcomes or impacts



Source: EVPA

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Indicators are used to show progress towards either the output or outcome measures. If output indicators are required these should be sourced as much as possible from public databases such as IRIS, Wikivois or other databases. If these output indicators point in the same direction as the outcome you are targeting then some may also be used as outcome indicators. If not we recommend the following ***process to select outcome indicators:***

(i) **Define outcomes** as change statements, target statements or benchmark statements

(ii) **Select outcomes**: you may have a list of outcome statements but you must select those outcomes that are most important, meaningful, useful and feasible

(iii) **Select indicators** i.e. identify two to three factors that provide measurable evidence for a sub-optimal situation. There are four aspects to a good indicator:

a) Indicators must be aligned with the purpose of the SPO

b) Indicators should be "SMART"

c) Indicators should be clearly defined so they can be reliably measured

d) More than one indicator should be used

Impact itself is a technical and often academic discussion including concepts such as drop off, displacement, deadweight and attribution. Given it is in practice very difficult to measure accurately we encourage VPO/SIs to focus their efforts on outcomes and acknowledge those factors that may mean that the outcomes are not equal to the impact.

Key recommendations:

- Clarify at the beginning of the relationship (i.e. during due diligence and within deal structuring) who is responsible for measuring what.
- The VPO/SI should ask the SPO to focus on those indicators that are directly related to the SPO's theory of change and hence in line with their operational process. Any additional indicators required for the VPO/SI to satisfy its impact measurement needs should be collected by the VPO/SI.
- The expected outputs, outcome and impact, and the corresponding indicators should be defined before the investment is made and agreed upon by the VPO/SI and the SPO. The indicators can be revised if significant changes are made in the business and impact model of the SPO during the investment process.
- If a SPO is claiming a certain outcome then they need to prove it. If the SPO cannot deliver the data then the VPO/SI must evaluate whether they will bring in the expertise and provide the necessary support so the data can be collected or question whether the SPO really is an appropriate investment at all.
- "Pick and mix" of indicators from existing databases without the background work associated with following the impact measurement process is not advisable.

Step 4: Verifying & Valuing Impact

In this step, we need to verify whether the claim we make on having positive social impact is true, and if so, to what extent (i.e. to what value). The responses to these questions will allow us to refine the target outcomes and associated indicators, creating a positive feedback loop in the impact measurement process. This step also helps identify the impacts with the highest social value, which can help the SPO and VPO/SI focus their resources towards those initiatives that create most impact on society.

Again, this step needs to occur at two levels: both at the level of the VPO/SI as well as at the level of the SPO. The VPO/SI must verify (or at least record) the non-financial assistance provided to their investees. They should then confirm with the investees that this assistance was in fact valued. At the level of the SPO, it is important to verify whether the outcomes make sense for the stakeholder i.e. if the outcomes were realised during the timeframe and in the quantities expected. The next step is to understand if the outcome was important i.e. of value to the stakeholder.

Verifying impact can be done via:

- **Desk research**: confirming whether the trends detected and interpreted by the SPO can be triangulated with other data (external research reports, databases, government statistics etc.);
- **Competitive analysis**: comparing the results of the SPO with other comparable organisations in terms of similar issues, geographies and populations targeted;
- **Interviews / focus groups**: asking neutral questions to a representative sample of your key stakeholders.

Numerous techniques and methodologies exist for **measuring value** created. We have chosen not to list all the possible techniques preferring instead to cite certain useful references. Two general categories can be identified: qualitative and quantitative (monetisation).

- **Qualitative**: storytelling, client satisfaction surveys, participatory impact assessment groups, progress out of poverty index
- **Quantitative (monetisation)**: techniques for valuing e.g. perceived value / revealed preference and Value Game or techniques for cost/benefit analysis e.g. cost savings methods and quality adjusted life years calculations.

Whether you select a quantitative or qualitative technique for valuing impact will depend on your rationale for measuring impact in the first place. Governments tend to prefer quantitative approaches whereas the general public may prefer qualitative methods.

Key recommendations:

- Be clear about what needs to be verified: the results of the SPO to the beneficiaries, or the VPO/SI's role to the SPO (for example: learning and growth of SPO)
- This step should be taken more seriously as it may prevent poor investments, and can create a learning and entrepreneurial environment.
- Verifying and valuing results should not only be done at the last phase of an investment: it should be repeated as a "reality check" at several points during the investment process of a VPO/SI.
- Make clear assignments between SPO and VPO/SI about who is responsible for which parts of the verifying and valuing process
- The choice of quantitative or qualitative techniques to value the impact should be driven by the objectives of the impact measurement process and by the prioritisation assigned to different stakeholders.

Step 5: Monitoring & Reporting

For monitoring and reporting we again must consider the process at two levels: the VPO/SI and SPO. There are three aspects to consider:

- **Monitoring**: systemising data collection
- **Evaluating**: interpreting the data
- **Reporting**: transforming data into presentable format

Once you have decided on the indicators to be measured and verified them with the key stakeholders, you need to start systemising the data collection. Data collection takes place throughout the impact measurement process, but it is during this step in the process that a system for data collection is set up. You also need to process the data collected, performing the necessary analyses to gain a better and more complete understanding of the impact achieved. Once the data has been collected and analysed, you need to consider how to present this information. The purpose of reporting will impact on the information that should be included. Depending whether the focus is on an internal or an external audience, the various stakeholders may require different types of reports. The stakeholder analysis conducted in Step 2 should guide the development of reporting, considering the stakeholders' multiple objectives.

Key recommendations:

- Check whether the monitoring and reporting system the SPO already works with is sufficient to meet your requirements – if not, a VPO/SI should be prepared to contribute to improving it through pro-bono partners or other resources.
- The objective of the monitoring system is that it should be of value to the SPO as a management tool!
- Early stage SPOs may not be ready to implement a complex monitoring and reporting system – it is recommended to start with a simple one (e.g. Excel) and increase the level of sophistication as the organisation matures and is able to free up additional resources.
- For the VPO/SI, it can be challenging to aggregate results across a portfolio with many different measurement systems used and different types of impacts achieved. Some tools such as Pulse may be helpful in this situation.
- Agree on reporting requirements upfront with SPO and co-investors to eliminate the burden of multiple reporting on the SPO.
- As a sector, we should move towards standardisation on reporting to remove inefficiencies. The German Social Reporting Standard is a positive step in that direction.

Managing impact

The impact measurement process outlined in the five steps should allow the VPO/SI to better manage the impact generated by its investments. To manage impact, the VPO/SI should continuously use the impact measurement process to identify and define corrective actions if the overall results deviate from expectations. It will also have become clear that impact measurement is very closely aligned to your investment management process. Given most VPO/SIs are aiming to maximise impact, the corrective actions taken may apply as much to the investment management process as to impact measurement itself.

INTRODUCTION AND OVERVIEW

PART 1

This manual is targeted specifically at venture philanthropy organisations and social investors, and more generally at impact investors, foundations and any other funders interested in generating a positive impact on society. Throughout the document, we use the term "VPO/SI" to refer to such social sector funders.

The first objective of the manual is to assist investors in improving the way they measure impact, providing practical tips and recommendations for how it works in real life situations. For that purpose, the manual is a roadmap or guidebook to help VPO/SIs navigate through the current maze of existing methodologies, databases, tools and metrics on social impact measurement. The manual does not recommend a particular tool, but rather attempts to distil best practice from the various ways of measuring social impact. The manual should be useful both for beginners in impact measurement, who are considering how to get started, and for more advanced investors who are struggling with how to better integrate an impact focus into everyday investment management decisions. The manual does not consider how to measure financial impact but focuses solely on social impact (using a broad definition of social that may also include environmental, cultural or medical impact). The second objective is to trigger a movement towards best practice when it comes to impact measurement. We would like the manual to become a working document that evolves with new versions over time as our industry knowledge develops.

The manual focuses on two levels, how to measure the impact of specific investments and how the VPO/SI itself contributes to that impact. It focuses on devising a process of Impact measurement for a VPO/SI evaluating the impact of their investment in an SPO. This process is the "how to" of impact measurement and is often what is most needed by VPO/SIs to get started. The ultimate goal is for impact to become an integral part of the investment management process. Within the VPO/SI, the person (or a team) assigned to measure impact will be the natural reader/user of the manual, but we also recommend executive directors, Boards and investment managers use the manual as a reference for key decisions on topics such as resource allocation, deal selection and investment management.

In order to ensure the inclusion of the opinions and experiences of various stakeholders, EVPA convened an expert group consisting of twenty-seven venture philanthropy practitioners, consultants, academics and representatives of other organisations involved in impact measurement. We have benefited greatly from the collaboration of these experts who freely and enthusiastically contributed their time and knowledge to the development of this document. The members of the expert group are listed in the preface and we are extremely grateful to them. The manual uses plenty of real-life examples from VPO/SIs as well as five longer case studies that were developed by the impact measurement initiative (IMI) expert group members.

This practical guide is presented through a framework of five steps that an investor should go through when measuring impact. The process finishes with a section on managing impact which attempts to activate the elements of impact measurement into the investment process. We have stayed away from set methodologies and instead tried to provide specific recommendations and practical examples. The manual provides a background and definitions, and then dives into the five steps of the impact measurement process and the section on managing impact. Five concrete and detailed case studies are provided to further show how real VPO/SIs are dealing with impact measurement. These cases studies are examples of the current state of the field and show how VPO/SIs are addressing the challenges they face in measuring impact. Finally, the document provides a glossary and additional resources.

INTRODUCTION AND OVERVIEW

1.1 Background

Venture philanthropy (VP) works to build stronger investee organisations with a social purpose (SPOs) by providing them with both financial and non-financial support in order to increase their social impact. Although we use the word social we include impacts that may be social, environmental, medical or cultural. The venture philanthropy approach includes both the use of social investment and grants. The key characteristics of venture philanthropy include high engagement, organisational capacity-building, tailored financing, non-financial support, involvement of networks, multi-year support and performance measurement.

An integral part of the VP approach is the measurement of performance; placing emphasis on good business planning, measurable outcomes, achievement of milestones and financial accountability and transparency. The focus of this manual is social impact measurement.

1.2 How is social impact currently measured by social investors and venture philanthropists?

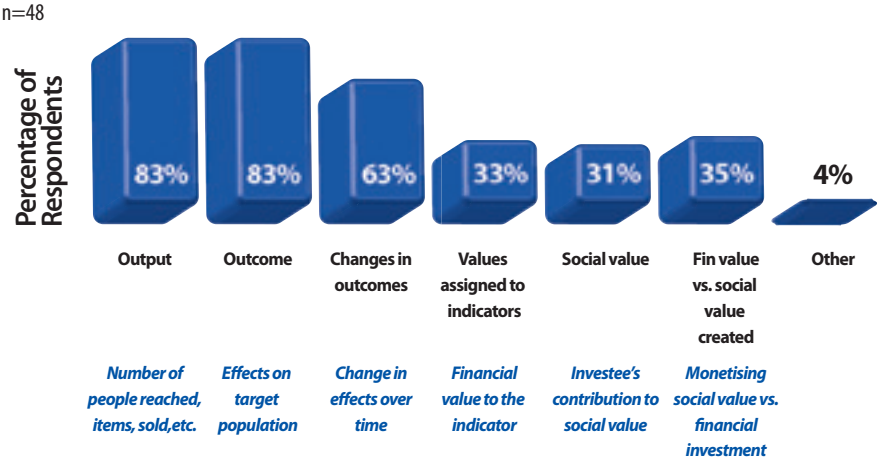
The rationale for undertaking this impact measurement initiative was inspired by the outcome of a workshop on impact measurement organised by EVPA in June 2011, and the results of the 2011 EVPA Knowledge Centre survey of European VPO/SIs, collecting data on 50 VPO/SIs based in Europe with investments in Europe and abroad. The general opinion that came out of the workshop was that there was a strong need for further direction.

The key highlights of the survey with respect to impact measurement were as follows:

- VPO/SIs focus on outputs & outcomes rather than impact: Although 92% responded that they were measuring the social performance of their investees, most cited their objectives of impact measurement as focusing on output measures, with few actually measuring impacts.
- Lack of standardisation indicates a high degree of fragmentation in the use of impact measurement tools and systems: A majority of VPO/SIs (57%) indicated that they were not

Objectives of social impact measurement system

n=48



Source: EVPA Knowledge Centre

using a standardised tool to measure social impact. Those that did generally used a mix of tools and methodologies (e.g. SROI, balanced scorecard), different types of indicators (e.g. IRIS, KPIs) and reporting standards.

- Impact measurement is not fully integrated into the decision-making process: 52% never or only sometimes take the social performance into account before releasing new funds.
- A specific budget is rarely assigned to impact measurement: Few respondents were able to specify the annual budget destined to impact measurement, with an average of approximately €18,000 and 62 days.
- Impact measurement does not inform employee compensation: Only 13% of the VPO/SIs include social performance in the compensation schemes for their own staff

The outcome of the workshop and the results of the survey reinforced EVPA's opinion that there was a need for additional clarity and guidance on impact measurement.

1.3 Five-step framework

Analysis of existing resources on impact measurement and the experience of working VPO/SIs showed that most methods and tools to measure impact share a general framework. This general framework was the starting point for the discussions on impact measurement.

We see the framework as having five steps, which will be explored in greater detail in the main body of the manual (sections 2-6). The five steps are as followws:

1. **Setting Objectives**: setting the scope of the impact analysis (why and for whom), the level (portfolio of social investments/individual social enterprise) and what the desired social change is. Objectives should be set at:
   - level of VPO/SI (motivation for measuring, resources available, time frame)
   - level of investee (social issue solved, inputs/activities, expected effects)
2. **Analysing Stakeholders**: ranking the multitude of potential stakeholders in order of priority, weighing their contribution to the completeness of the analysis against the resources required, and analysing their inputs (if any), activities and potential outputs.
3. **Measuring Results - Outcome, Impact and Indicators**: measuring the output, outcome and impact[2] that derive from your activity for the key stakeholders, and understanding how different types of indicators can be used to map the social result of the social enterprise's and VPO/SI's work.
4. **Verifying & Valuing Impact**: verifying that the impact is not too subjective and whether it indeed was valued by the key stakeholders - considering quantitative and/or qualitative methods (by calculating the social value of an investment or otherwise) and comparing the results of the work against relevant benchmarks.
5. **Monitoring & Reporting**: collecting data and devising a system to store and manage the data as well as integrating this information into overall operations and reporting the data to relevant stakeholders.

Although the manual presents the steps in a sequential order, in practice, they are not necessarily addressed in that order. For example, when planning for analysing impact you might consider certain steps at the same time and often the process is reiterative until you have decided what outcomes to manage. However, it makes sense to start the analysis by setting objectives, although they can be revised and re-adjusted throughout the process based on the outcome of the rest of the analysis.

[2] *The definition of these terms are explored in section 1.5*

INTRODUCTION AND OVERVIEW

Working through impact measurement it will become clear that each step also has ramifications for the investment management process. Given VPO/SIs are interested in maximising impact it is important to identify what may need to change within the investment management process so you are indeed able to maximise impact. Within this manual we call this managing impact. For each step in the process, the VPO/SI should consider how it relates to the everyday work of funding and building stronger social purpose organisations.

The five steps of social impact measurement

Source: EVPA

1.4 Methodology

EVPA proposed a five-step process for how to measure social impact based on our own research on impact measurement and the practical experience of working with VPO/SIs that measure impact. A brief description of the contents of the five-step process was circulated to the Expert group in the spring of 2012. Between April and July of 2012, six webinars were held, each webinar related to a particular step in the process (plus an introductory session). The members of the expert group were divided into five working groups and asked to prepare a presentation, including a case study on a particular step. The experiences and discussions among the participants in these webinars have served to adjust and edit the framework put forward in this manual to ensure it is well grounded in the practice of EVPA members and other social investors. The data gathered from the Expert Group members was complemented with more in-depth interviews with selected VPO/SIs. This document is the first draft of the manual and will benefit from the feedback of a consultation process and input from a workshop to be held in November. The final version is due in the first quarter of 2013. The timeline of the Impact Measurement Initiative is shown below.

Timeline of the Impact Measurement Initiative

1.5 Definition of social impact

There is currently a large amount of discussion and debate around social impact measurement. However, before diving into the topic it is important to agree the definitions of certain frequently used words in the impact measurement dialogue.

The impact value chain has become a popular starting point for defining social impact as it clearly sets out the differences between inputs, outputs, outcome and impacts.

The impact value chain

SPO's Planned Work		SPO's Intended Results		
1 Inputs	2 Activities	3 Outputs	4 Outcomes	5 Impacts
Resources (capital, human) invested in the activity	Concrete actions of the SPO	Tangible products from the activity	Changes resulting from the activity	Outcomes adjusted for what would have happened anyway, actions of others & for unintended consequences
€, number of people etc.	Development & implementation of programs, building new infrastructure etc.	Number of people reached, items sold, etc.	Effects on target popilation e.g. increased access to education	Attribution to changes in outcome. Take account of alternative programs e.g. open air classes
€ 50k invested, 5 people working on project	Land bought, school designed & build	New school built with 32 places	Students with increased access to education:8	Students with access to education not including those with alternatives: 2

Source: Elaborated by EVPA from Rockefeller Foundation Double Bottom Line Project

The impact value chain was also the starting point for the definitions used in this manual. Based on the discussions in the Expert Group, EVPA has agreed the following definitions:

Inputs: all resources, whether capital or human, invested in the activities of the SPO.

Activities: the concrete actions undertaken by the SPO in order to achieve their social objectives.

Outputs: the tangible products and services from the activity.

Outcomes: the changes (both long and short term) in the social situation of the target population resulting from the activity.

Impact: the long term outcomes adjusted for what would have happened anyway (in some methodologies called "deadweight") and the action of others (in some methodologies considered under "attribution") and for unintended consequences (which could be negative or positive).

As with all definitions, they are most effectively demonstrated through the use of an example[3]. Let us look at an investment in an organisation that focuses on increasing access to education for primary school age children in developing countries. We have introduced the key factors from the case in the impact value chain above to illustrate the difference between input, output, outcome and impact.

The Theory of Change for this organisation is that lack of access to education is a key factor in preventing the poor from moving out of poverty. Hence to increase access to education the organisation builds educational infrastructure in developing countries. Their inputs are

[3] *Elaborated from Grabenwarter & Liechtenstein, 2011, "In search of gamma: an unconventional perspective on impact investing."*

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the money invested and the people employed to build the educational infrastructure. Their principal activity (although they may have other complementary ones) is building new schools. One particular output would be a new school built with places for 32 primary school children, although the actual outcome with respect to increased access to education is only 8 as 24 of the other potential primary school children were kept at home to work on the harvest and do other essential work for the family. In fact, the impact is even less when adjusting for the change that would have taken place if the SPO had not performed its activity: of those 8 primary school children, 6 were already receiving some form of education through open air classes and visiting teachers.

This example shows the importance of understanding the difference between impact, outcomes and outputs when considering the social impact of a SPO.

THE IMPACT MEASUREMENT PROCESS PART 2

STEP 1: SETTING OBJECTIVES

In the following sections, we will go through each step in the impact measurement process. For each step, we will explain what it means, how the step is implemented, provide concrete recommendations and illustrate by using a real-life example.

2.0 STEP 1: SETTING OBJECTIVES

2.1 What?

Setting objectives may appear an intuitively simple task but in practice there is often confusion. Without a clear understanding of objectives it is difficult to proceed with the impact measurement process and this can lead to overburdening the SPO and even VPO/SI with excessive data collection requests.

The more specific the objectives the better the impact measurement can be prepared. For a VPO/SI, objectives should be set at two levels:

(iii) Objective setting at the level of the VPO/SI; and

(iv) Objective setting at the level of the SPO

2.2 How to?

Objective setting at the level of the VPO/SI

VPO/SIs should consider four factors when defining the scope of their impact measurement:

(i) **What is your motivation for measuring social impact?**

There are many different purposes of impact measurement and these imply different target audiences and outlooks.

A VPO/SI may want to use impact measurement for several reasons. The following list is not exhaustive but provides the main reasons why a VPO/SI should strive to measure impact. Each motivation in turn has implications for how impact is measured:

1. **A tool to assist with investment selection**, allowing the VPO/SI to prioritise where to invest its resources for greatest impact. In this case the target audience of the impact measurement will be internal to the VPO/SI, most likely the VPO/SI portfolio managers, and the outlook will be forward looking.
2. Once an investment is made, the VPO/SI will want to **evaluate the progress of the SPO**. Again the target audience is internal, however this will also include the management and board of the VPO/SI as well as the individual portfolio managers and, rather than being prospective, monitoring occurs on a continuous basis.
3. The management of the VPO/SI may want to measure impact to provide them with an additional **management tool to ensure that social impact is integrated into strategy and operations**. This form of impact measurement would also be done on a continuous basis.
4. Another reason for impact measurement is to **facilitate the aligning of incentives**. This can be done either with an internal audience in mind: incentive schemes for portfolio managers based on social impact achieved to steer their work towards achieving maximum impact; or with an external party in mind, specifically the SPO management: setting funding milestones based on social impact objectives achieved. In both these cases there are elements of continuous but also retrospective measurement of impact.
5. Finally a VPO/SI may want to measure impact for **reporting purposes**, so it can communicate the social impact achieved to external stakeholders in order to facilitate marketing or fundraising efforts. This is almost always done on a retrospective basis.

THE IMPACT MEASUREMENT PROCESS

In practice a VPO/SI is likely to use impact measurement for a number of different purposes.

Even though Ferd Social Entrepreneurs (please refer to case study) has only one owner rather than a large external investor group, they still believe it is important to measure impact. They do so for a number of reasons including demonstrating to Ferd's board and to owner Johan Andresen that it is possible to create social impact in a country with a well-developed welfare state and to motivate other investors to follow a VP approach.

The Bill & Melinda Gates Foundation[4] cites 3 different reasons for impact measurement:

(i) Track their progress i.e. for monitoring: hold themselves accountable for what they do and how they do it by measuring inputs, activities and outputs of their work as well as those of their investments.

(ii) Inform their strategies i.e. as a management tool: test assumptions and track achievements by measuring outputs, outcomes and impacts as well as understanding how and why they have succeeded or failed.

(iii) Contribute to the field i.e. for reporting: contribute to accomplishing shared goals by measuring outcomes and impact, sharing results and collaborating with partners to understand what works and why in the populations they serve.

The table below provides an overview of the principal motivations for measuring impact and their associated audiences and outlooks.

Motivation	Target Audience	Outlook
Investment Selection: prioritise where to invest resources for greatest impact	Internal (VPO/SI portfolio managers)	Prospective
Monitoring: evaluate progress of the SPO against milestones, with increased transparency	Internal (VPO/SI portfolio managers, management, board of VPO/SI)	Continuous
Management tool: a framework to integrate social impact into strategy and operations	Internal (VPO/SI portfolio managers and management)	Continuous
Aligning incentives: generates incentive schemes that steer work towards achieving impact, and/or for setting funding milestones with the SPO	Internal (VPO/SI portfolio managers, management and board of VPO/SI) & external (SPO management)	Continuous/ Retrospective
Reporting: communicate impact to external stakeholders for marketing and fundraising purposes	External (other stakeholders)	Retrospective

Source: EVPA

[4] *Nelson & Ratcliffe, 2010, "A Guide to Actionable Measurement", Bill & Melinda Gates Foundation*

STEP 1: SETTING OBJECTIVES

Reality Check

The reality is that no two VPO/SIs are the same, and your understanding of your motivation for impact measurement needs to be framed in the context of what is reasonable with your resources, the type of SPOs you invest in and the timeframe you are considering for your analysis.

(ii) What resources can you dedicate to impact measurement?

Resources to be considered include financial, human, technological and time. The more resources available, the higher your expectations can be as to what you can achieve from impact measurement and the greater the rigour and complexity that can be applied in the process. But with limited resources, what you would like to achieve from impact measurement needs to be much more tempered and focused.

In fact there are two parts to this resources question. The first is the resources required to set up the process and the second those required to implement and use the process. Depending on the complexity of your approach, you could expect to spend three to six months establishing the methodology and training the team. To implement and use the process you could expect to have one person dedicated part time to impact measurement. The aim is for impact measurement to become an integral part of the investment process so that it is used by all VPO/SI team members on a daily basis, but it is useful to have someone responsible for the overall process.

Although the question of resources is important, one of the objectives of this manual is to reduce the resource requirement in terms of background research needed before getting started with impact measurement.

LGT VP estimates that it took them six months to establish the methodology and another three months to train the team. For them terminology was the main issue as it was important to establish a common dialogue within the team. They selected the Logic Model as the principal framework, given its clear definitions, guidelines and examples. However despite the clarity in the framework it took a while for the team to get up to speed. LGT VP then mapped the Logic Model to the Millennium Ecosystem definitions of quality of life. This enhancement of the original model to describe how outcomes improve a specific dimension of quality of life added complications and increased the time needed for the team to become comfortable with the approach.

(iii) What type of SPOs are you working with?

All SPOs are different. Specifically, the maturity i.e. the stage of development of the SPO will potentially limit the type of information that the SPO can provide. You should also consider what assistance the SPO requires in order to provide you with the data needed to measure impact. In addition, the complexity of the issue that the SPO addresses may also constrain your impact measurement process and should be considered upfront when deciding on the scope of your impact measurement.

THE IMPACT MEASUREMENT PROCESS

Ferd Social Entrepreneurs investing in The Scientist Factory illustrates a complex issue. Their vision is that by providing interesting and exciting after-school science classes to primary school children, more children will be inspired to consider natural sciences as a career path and opt for science classes in high school and at university. Trying to show the impact that these classes have on the children who participate is very difficult given the timeline involved as well as the problem of attributing any decision by the children to later pursue a scientific career path to the influence of the classes.

(iv) What is your time frame for measuring impact?

Different VPO/SIs will have different time frames during which they can collect data to measure impact. If your time frame is short-term (i.e. one to three years) then it is unlikely that you will be able to draw far-reaching conclusions about the impact of the SPO. However if you have a much longer-term time frame (seven years plus), then it may be relevant to do so. We recommend that although there is often a temptation to measure only outputs, all VPO/SIs should aim to go a step further and concentrate on the outcomes of their investments. We discuss the difference between outputs, outcomes and impacts as well as how to select appropriate indicators in step 3.

Objective setting at the level of the SPO

To understand and set the objectives of a particular investment or intervention, a wide range of support systems, methods and tools are available. You may find tools such as Theory of Change, Logic Model, and particular parts of methodologies such as SROI or Balanced Score Card (which are themselves based on the theory of change) particularly useful for this step of the process. The manual has extracted the commonalities of the various tools mentioned to come up with a recommended list of questions to go through when defining objectives at SPO level.

At a minimum you should answer these questions about the SPO[5]:

(i) What is the social problem or issue that the SPO is trying to solve?

The response should include information about the nature and magnitude of the problem or opportunity; which populations are affected; whether the issue is changing or evolving and in what way it is changing or evolving. This analysis will allow you to understand the base case and therefore, at a later stage, allow you to see whether there has been any change from this base case.

(ii) What activities are the SPO undertaking to solve the social problem or issue?

This should include a description of exactly what the SPO is doing to try to effect a change. It should include a set of specific steps, strategies or actions arranged in a logical sequence demonstrating how each activity relates to another.

(iii) What resources or inputs, as per the impact value chain, does the SPO have and need to undertake its activities?

This should include the time, talent, technology, equipment, information and other assets available to conduct the activities. Ideally it should also consider whether a mismatch exists between the activities and the resources available to execute those activities. As a VP investor, you should also consider what would be your contribution to helping the SPO to solve the issue (access to networks, capacity building etc.) as a key input.

STEP 1: SETTING OBJECTIVES

(iv) What are the expected effects?

This should include what the SPO must achieve in order to be considered successful and will form the basis of the milestones against which the SPO will be measured. Given these are likely to evolve over time, it is best to organise by time, ranging from specific (i.e. immediate) to broad (i.e. long term). If possible some forethought can be given to anticipate potential unintended consequences of the SPO's activities but this is not essential at this stage.

"SMART" Objectives[6]

The concept of "SMART" objectives are now commonplace in management dialogue and business school text books, but the principles should also be applied to objective setting in the context of venture philanthropy and social investment.

An objective is considered as "SMART" if it is specific, measureable, attainable, realistic, and time bound:

- "S" – specific: if it is clearly written so relevant parties easily understand it. The party should be able to define what is to be done, the rationale or benefit related to meeting the outcome or goal and what requirements are necessary.
- "M" – measurable: the objective is measurable if it covers at least one measure of a quality metric, quantity, time and/or cost-effectiveness. Measurable means not just meeting a standard but evaluating to what extent the standard needs to be met. Without a specific measure the party is not able to self-monitor how they are doing related to their performance or achieving the overall objectives of the organisation.
- "A" – attainable: the objective is attainable by the SPO if it is appropriate given the resources (time, human, capital, technology) they have at their disposal. It should allow for some stretch to encourage the organisation to meet its goals.
- "R" – realistic: the objective is realistic if it is within reach of the SPO to achieve given the external context in which the SPO's activities take place.
- "T" – time bound: the objective is time bound if it can be accomplished within the evaluation period that has been set by the SPO and/or VPO/SI.

"SMART" objectives can be focused on process objectives, such as infrastructure, human resources, systems, policies and procedures or on results objectives such as outputs (or outreach) and outcomes, which usually have a quantitative target with a deadline. An example of a SMART process objective would be, "Create a new loan product to fit the needs of rural women by the end of 2014". An example of a "SMART" results objective would be,"25% of our clients will move above the poverty line by 2016."[7] In impact measurement we are generally focused on results objectives when considering the specific objectives of an organisation, however in very early stage organisations it may be relevant to also include process objectives, the attainment of which are vital in order to reach any longer term results objectives.

[5] *Elaborated from Centers for Disease Control & Prevention, "Framework for program evaluation in public health"*

[6] *Doran, G. T. (1981). There's a S.M.A.R.T. way to write management's goals and objectives. Management Review, Volume 70, Issue 11 (AMA FORUM), pp. 35-36.*

[7] *Examples thanks to Social Performance Management Resource Centre: http://www.spmresourcecentre.net/index.cfm/translating-your-mission/setting-objectives/*

THE IMPACT MEASUREMENT PROCESS

2.3 Recommendations

- Setting objectives is a vital step in any impact measurement process and needs to be considered at both the level of the VPO/SI and the SPO.
- Often VPO/SIs do not spend enough time upfront considering why they want to measure impact, which makes it difficult to take decisions regarding what may be relevant and what not when faced with scarce resources.
- Defining in the initial stages of the relationship with a social entrepreneur exactly what they want to deliver makes it is much easier at a later stage to assess whether this has been achieved.
- Understanding the current and expected social impact of an organization early in the decision process is extremely valuable. It creates a common understanding of the impact of an organization among all stakeholders and allows the VPO/SI and SPO to "speak the same language".
- The resources of any SPO are limited and decisions have to be made about the amount of time and resources that a SPO should dedicate to impact measurement. An important role of the VPO/SI is to convince the SPO of the value of implementing impact measurement and asking them the essential questions to help them express their objectives.

2.4 Worked Example[8]

Throughout the manual we will be illustrating the various steps in the process through the use of a worked example. The worked example focuses on a VPO/SI who is investing in early stage SPOs in Africa. The VPO/SI's vision is to improve the lives of people living under the poverty line and they have a small group of investors in the fund. Like many VPO/SIs, the investment team is small and resources are tight. Their investment approach includes a focus on providing technical assistance and measuring impact as well as the other inherent characteristics of a venture philanthropy approach. Their timeframe for each investment is generally five to seven years. In this manual we consider one of their investments in a for-profit organisation that is aiming to build and scale viable sanitation infrastructure in Kenyan slums, beginning with Nairobi.

The VPO/SI focuses on impact measurement for three reasons:

- Investment selection: to ensure they are selecting investments that are not only financially viable but also having significant impact in their area of focus.
- Ongoing monitoring: facilitating their offering of technical assistance.
- Reporting: to existing shareholders as well as to assist in raising additional funding from other parties.

Following the questions set out above, the objectives for the SPO can be considered as follows:

- **Social problem or issue**[9]: 2.6 billion people do not have access to adequate sanitation and this number is not decreasing despite billions of dollars of aid. The resulting disease and water pollution cause 1.7 million deaths and a loss of $84 billion in worker productivity each year. In Kenya's slums, 8 million people lack access to adequate sanitation causing disease and deaths.
- **Activities: the model involves 4 parts**: (i) building a network of low-cost sanitation centres in slums; (ii) distributing them through franchising to local entrepreneurs; (iii) collecting the waste produced; (iv) processing waste into electricity and fertiliser.

[8] *Thanks go to Beyond Capital Fund for introducing us to this example, which is inspired by and elaborated from Sanergy's website: saner.gy. The views contained in this document are those of EVPA and not of Beyond Capital Fund*

[9] *Source: Sanergy website - Saner.gy*

STEP 1: SETTING OBJECTIVES

- **Resources or inputs**: equipment (sanitation centres, vehicles for collection, digesters to convert faeces to fertiliser and to generate electricity); staff (qualified personnel on the ground in Kenya to supervise building of sanitation centres and selection of franchisees, employees to collect waste products and transport to digesters, operators of digesters to produce electricity and fertiliser); partners (implementation partners for education about sanitation, technical partners in the design of toilets, digesters / composters, microfinance organisations to support franchisee purchases); funding (grants and investments from foundations and social investors).
- **Expected effects**: positive expected effects at a local level include increased access to sanitation facilities for slum dwellers, increased employment levels among slum dwellers, improved health for toilet users and overall slum; increased income for toilet operators; improved environmental situation (less waste in open waterways). At a national level positive effects could include a decrease in the number of power shortages, a decrease in carbon emissions, a decreased reliance on imported fertilisers and a decrease in the use of chemical fertilisers leading to positive environmental effects. Potential negative effects could be displacement with respect to existing operators of toilets in the slum; zero job creation through people leaving one organisation to work with this one; reductions in sales and hence livelihoods of existing producers of fertiliser.

THE IMPACT MEASUREMENT PROCESS

3.0 STEP 2: ANALYSING STAKEHOLDERS

3.1 What?

There is a strong link between the setting of objectives and analysing the stakeholders as, depending on your objectives for social impact measurement, the stakeholders to be considered will be different. However to ensure sufficient focus on each step we will consider them separately here below.

VPO/SI investments generate value for a variety of stakeholders. We define a stakeholder as, *"Any person or organisation involved in and/or affected by the venture philanthropy investment."*

There are different categories of stakeholders (which are not necessarily mutually exclusive). Some contribute with inputs in the process, others to the results and / or impacts, and others only contribute to the outcome. These stakeholders can be considered direct or indirect and as beneficiaries or contributors. Beneficiaries can be positively or negatively affected by impact and contributors can enhance or decrease impact.

Stakeholder analysis is an important part of impact measurement because:

- We need to understand the expectations of the stakeholders, their contribution to and the potential impact our work will have on them. If these expectations are in opposition to each other then it is likely that the SPO will have severe difficulties in achieving its social impact objectives.

A SPO that focused on getting long term unemployed people back into employment based on a variation of "welfare to work" programmes is a good example. For two years these people received a salary from the SPO (subsidised by the government) rather than from the employing company. Other than the participants themselves, two important stakeholders were the government (subsidising the salaries for two years) and the employing company (accepting to take on the long term unemployed for two years). For the government, the expectation was that after the 2-year period, the people receiving subsidised salaries would be offered a permanent job and taken onto the payroll of the company. However, the company saw this as an opportunity to have free labour for 2-years and did not intend to hire the participants at the end of the 2-year period. Unsurprisingly the SPO did not achieve its impact objectives and eventually closed.

- The co-operation of the main stakeholders in the impact measurement process is critical.

LGT VP interviews during its due diligence process people who have already benefitted from the products or services of an organisation. For them these real case studies provide an important source of information regarding the organisation's impact on less advantaged people.

STEP 2: ANALYSING STAKEHOLDERS

3.2 How to?

There are two important aspects of stakeholder analysis: stakeholder identification and stakeholder engagement

(i) Stakeholder identification

Under stakeholder identification we have identified three separate but equally important tasks: (a) stakeholder mapping, (b) stakeholder selection and (c) analysis of stakeholder expectations.

(a) Stakeholder mapping

To perform the stakeholder mapping we need to keep in mind the objectives that have been set in step 1 at the level of the VPO/SI and the SPO. At the level of the VPO/SI we need to remind ourselves what is the overall reason for the VPO/SI to measure impact and who the target audience is for the impact measurement. This will ensure we select relevant stakeholders in relation to what we want to measure.

At the level of the SPO, we have already answered questions around the issue being addressed, the activities of the SPO, the available resources and the expected effects. These answers should guide us as we list the direct and indirect contributors as well as the direct and indirect beneficiaries from the SPO's actions. As an example we can consider a SPO who supports ex-offenders in seeking employment with the aim of reducing re-offending rates. In this case we can highlight certain stakeholders within this framework. The direct contributors are the staff at the SPO, the indirect contributor is the family of the ex-offender, the direct beneficiary is the ex-offender who is the focus of the SPO and the indirect negative beneficiaries are those people who do not receive job offers because the ex-offender was employed instead (an effect also known as job displacement).

The matrix below classifies the various types of stakeholders.

	Direct	Indirect
Contributor	Direct contributor e.g. Staff at SPO	Indirect contributor e.g. family of ex-offender
Beneficiary	Direct (positive) beneficiary e.g. ex-offender who is the focus of the SPO	Indirect (negative) beneficiary e.g. those that do not receive job offers due to ex-offender being employed

Source: EVPA

(b) Stakeholder selection

To mitigate potential selection bias when asking the SPO to provide a list of stakeholders for you to contact you can:

- Explicitly ask the organisation to include some parties where the outcomes were not ideal.
- Reach out to parties through your own network who were not necessarily identified by the SPO but who are familiar with its work
- Always ask the stakeholders to discuss the successes and failures they have experienced.
- A the end of the interaction with the stakeholders ask them to identify other parties with whom they think you should speak in order to build a balanced view of the SPO's work.

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At this stage it is likely that you will have a long list of stakeholders. Informed by the objectives of the VPO/SI and those of the SPO you should be able to rank those stakeholders in order of importance. You should then select the top five to ten stakeholders to be the focus of the rest of the analysis. At this point concerns regarding resources (time, manpower, capital) come to a fore, as you must decide how "deep" and to what detail you need to go in order to perform a valid analysis.

Two important questions you can ask to help reduce the number of stakeholders are:

(i) How relevant is the stakeholder group to my primary mission?

(ii) How significant are the benefits and inputs provided by these stakeholders?

(c) Stakeholder expectations

With this list of 5 to 10 stakeholders you should then think about their expectations. Even if the stakeholders share a common objective, the expectation on how impact materialises for each of them in a tangible way may differ considerably. For example, in the UK a social impact bond linked to an organization that aims to reduce the reoffending rate of ex-prisoners has the UK government and the entrepreneur of the SPO among its stakeholders. The objective of both these stakeholders is to reduce the reoffending rate of ex-prisoners, however the UK government's expectation for impact is in the reduced problems (particularly budgetary and prison over-crowding) caused by re-offenders, whereas the entrepreneur sees impact more in increasing the quality of life of the ex-prisoner so they have no desire to re-offend.

Importantly there is a distinction between differing expectations, something that is natural and inherent in venture philanthropy and social investment, and opposing expectations, which as we demonstrated earlier, can be disastrous for the success of a VP investment. If it is found that stakeholders do have opposing expectations, then you should take action in the form of assessing how this may impact on the success of the investment and decide whether or not to continue or not with the investment. Generally the only way to find out the expectations of your stakeholders is by asking them. We discuss how to do so in more detail in the section on stakeholder engagement below.

Mapping stakeholders with respect to accountability: a more in depth way of thinking about stakeholder relevance

A more in-depth way to consider mapping and then selecting the most relevant stakeholders is to determine the level of accountability of the SPO in question. For example should the SPO be accountable for just the intended outcomes on the target beneficiaries or for the outcomes on all stakeholders (positive and negative). We have identified a spectrum of levels of accountability between these two concepts and illustrate them through an example of an organisation that wants to help people find employment:

(i) Accountability for the intended outcomes on the main beneficiaries. For example you would focus on the employment outcomes

(ii) Accountability for material but only positive outcomes on the main beneficiaries, generalised for the whole group. For example we would consider the trainees that gained employment but we would not consider the extent to which family support was critical.

STEP 2: ANALYSING STAKEHOLDERS

(iii) Accountability for material but only positive outcomes on the main beneficiary group but analysing this for sub-groups. For example you would consider those trainees that gained employment and who had family support

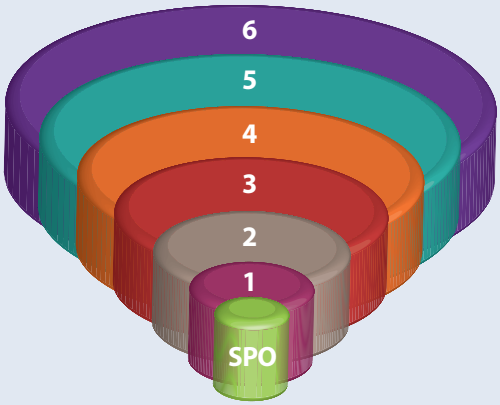
(iv) Accountability for material positive and negative outcomes on the main beneficiary group and sub-group. For example you would also consider those trainees who gained employment who had family support and those that did not.

(v) Accountability for material positive and negative outcomes on a selection of the stakeholders (i.e. not just focusing on the main beneficiary group and sub-groups) For example you would consider the trainees with family support, those without, the families of the trainees and the employees of the organisation but you would not consider all stakeholders.

(vi) Accountability for material positive and negative outcomes on all stakeholders e.g. SROI. For example you would consider the trainees with family support (positive outcome, may gain employment), trainees without family support (negative outcome as they did not gain a qualification nor employment, in fact they became more depressed meaning they are less likely to gain employment in the future), families of the trainees, employees, suppliers, funders etc.

It is evident that focusing solely on level 1 will bring a quicker estimation of social impact, however there is higher risk that the impact is misstated and that the SPO could even be having an overall negative social impact. Level 6 is certainly a slower and more resource intensive way of considering the social impact of the SPO, however there is less risk that impact is misstated as social impact on all potential stakeholders is considered. This trade-off is a decision for the VPO/SI and should be based on its motivation for impact measurement, its resources (human, capital, time) as well as the relationship with the SPO and itsresources and motivations.v

Stakeholder mapping and selection based on the concept of accountability



Source: EVPA

1. Accountable for SPO intended outcomes on main beneficiary
2. Accountable for material but only positive outcomes on main beneficiary generalised for whole groups
3. Accountable for material but only positive outocmes on main beneficiary groups & analising these for sub-groups.
4. Accountable for material outcomes on main beneficiary group & analysing thes for subgroups (positive & negative)
5. Accountable for material outcomes on some stakeholders (positive & negative)
6. Accountable for material outcomes on all stakeholders (positive & negative)

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(ii) Stakeholder engagement

Within a particular stakeholder group you should aim to construct a sample that is of an appropriate size and diversity. For example a mix of male and female, older and younger people etc. The size of the sample will depend on the reach of the SPO. If the SPO's total client base is 100 people then interacting with 5 to 10 people is likely to be sufficient. However, if the direct beneficiaries number in the thousands then interaction with a much larger number, in the hundreds, is likely to be necessary. A good rule of thumb is to continue until you see the same type of results repeating i.e. you are getting the same type of stories.

Engaging in communication with the selected stakeholders is vital to be able to check their expectations and, later in the process, verify if their expectations have been met, which is discussed in more detail in Step 4.

The communication channel selected should be appropriate for the stakeholder, and may require different methods for different stakeholders. For example, an elderly population will need to be approached via face-to-face interviews, while a group of youths can be polled via internet surveys. One point to keep in mind in any interaction however is the importance of "neutral" questioning, so that the stakeholders can give their answer without overt direction or pressure from the VPO/SI.

In some cases it may appear difficult if not impossible to communicate with a stakeholder (for example the families of the ex-offenders). Our recommendation is that if a stakeholder is to be included in the analysis then a method of communication needs to be found. Without engaging with the stakeholders it is impossible to check their expectations and then verify whether those expectations have been met. If this cannot be done then any data related to this stakeholder cannot be considered sufficiently reliable to be used in the analysis.

3.3 Recommendations

- It is advisable to begin the stakeholder analysis focusing on a small number of relevant stakeholders and expanding from there, rather than trying to measure everything in one go. The list of stakeholders should be screened for the relevance of the stakeholder to the SPO's achievement of its mission and the significance of the benefits or contributions of these stakeholders.
- As you become more experienced in impact measurement you can consider those stakeholders who contribute to or benefit from the side effects (negative or positive) of the SPO's work.
- Stakeholder analysis is often first performed during the due diligence phase of an investment. To avoid wasting resources, increase the intensity of the analysis as you increase your confidence that you will pursue an actual investment.
- Engaging with stakeholders on multiple occasions may not be feasible. Assess when is the optimal time to engage and then ensure all possible preparation has been completed prior to such time in order to get the most out of the interaction.
- Consider upfront when would be the appropriate time to revisit stakeholder analysis with the SPO. For example this could be when significant developments occur, such as a change to outcomes being achieved, major new funding streams, new business lines being entered, changes to policy environment etc.

3.4 Worked Example

In our example we can consider the stakeholders as the toilet users, the toilet operators, the waste collectors, the broader slum dwellers, the employees of the SPO, other health & sanitation organisations working on educational initiatives, microfinance organisations, the government, existing fertilizer producers, existing power companies, farmers and the VPO/SI itself. These are classified as direct or indirect and contributor or beneficiary in the table below.

	Direct	Indirect
Contributor	Toilet operators SPO's employees VPO/SI	Government Health & sanitation organisations Microfinance organisations
Beneficiary	Toilet users Toilet operators Waste collectors	Slum dwellers SPO's employees Government Farmers Existing fertiliser companies (-ve) Existing power companies (-ve).

The VPO/SI would rank the importance of these stakeholders as follows: toilet users, toilet operators, broader slum dwellers, waste collectors, SPO employees, farmers, existing fertiliser producers, existing power companies, government. Given the resources and time that the VPO/SI has available, the early stage nature of the SPO and the view that these stakeholders are most relevant for the VPO/SI to decide if it is achieving its mission; the VPO/SI decides to focus its analysis on the first three stakeholders: toilet users, toilet operators and broader slum dwellers.

You can consider the expectations of these stakeholders as follows:

- Toilet users: pay an amount of money to use a clean toilet, they therefore expect the toilet to be clean and that as a result they will have less health problems.
- Toilet operators: earn income on from the toilets and pay franchise fee. They expect to have steady stream of customers for their toilets and the necessary franchisor support from the SPO in case of any problems with the toilet.
- Broader slum dwellers: if the installation of toilets results in less human waste in the slums then all slum dwellers may have less health problems. However it is unlikely that slum dwellers will necessarily have this expectation.

Although these expectations do differ, none of them are opposing, therefore we can assume that the SPO will not have difficulties in this area. To check the expectations, you should engage with the specific stakeholder, remembering the neutral questioning techniques and the advice on sampling detailed above.

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4.0 STEP3: MEASURING RESULTS: OUTCOME, IMPACT, INDICATORS

4.1 What?

To transform the objectives set in Step 1 into measureable results we need to consider outputs, outcomes, impact and indicators.

In section 1.5 we defined, through the use of the impact value chain and the example of the SPO building schools in Africa, the first three of these concepts:

Outputs: the tangible products and services from the activity.

Outcomes: the changes (both long and short term) in the social situation of the target population resulting from the activity.

Impact: a measure of the long term effects on stakeholders that can be attributed to the activities of the SPO adjusted for what would have happened anyway, because of other activities or unintended consequences.

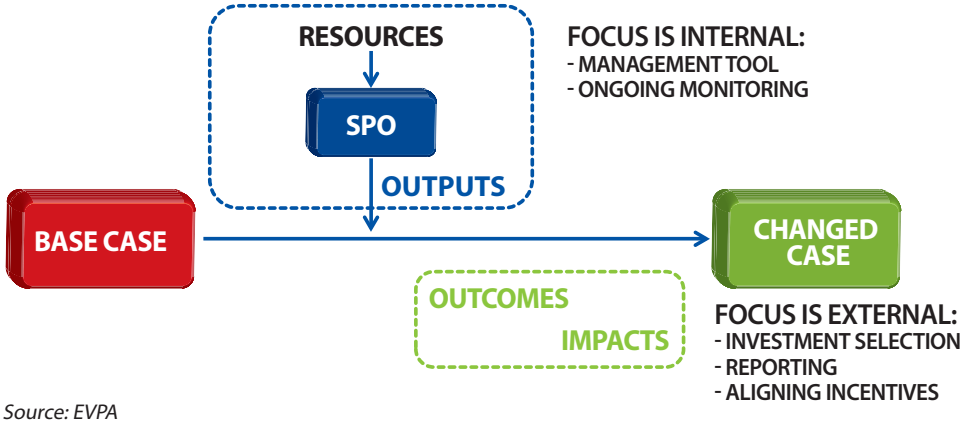
Many VPO/SIs may be tempted to focus their measurement on outputs, but often, simple output measures say very little about the actual outcomes. Imagine a nature conservancy organisation whose mission is to conserve natural species, which measures membership numbers (an output measure) as a measure of its effectiveness. From 1980 to 2010, membership numbers increase significantly, hence they conclude that they are being effective and achieving their mission. However, the membership numbers might have increased due to the escalating problem of depleted biodiversity. Indeed, if they were to look at the number of species present in the geographic area where they are active during the same period they would see that this number has decreased significantly. By focusing on an output measure, which was not aligned with their mission of conserving species, they were unable to measure the true impact of their work. On the other hand, if their mission had been to increase awareness of the nature conservancy issue then membership numbers (despite being an output measure) could have been one of the relevant indicators.

The difference between outcomes and impact can very quickly become theoretical when considering concepts such as attribution and deadweight. In reality there is no tool or methodology to accurately measure these aspects. The types of studies, which would stand up to scrutiny (e.g. randomised control trials etc.), are very costly, time consuming and may also open up ethical questions when it comes to excluding potential beneficiaries from the SPO's solution for the sake of the study. We therefore recommend that VPO/SIs focus their efforts on measuring the outcomes of their investments while acknowledging where other programmes could have contributed (e.g. the effect of the welfare state in developed countries) or where there may be negative effects. In theory, one could argue that impact should be very closely related to outcome, as venture philanthropists and social investors should already be aware of the other parties working in their sector of focus. If there is already a large amount of activity we could question whether investing in that sector is the best use of the VPO/SI's funds or whether they should be targeting different areas where they can really add value. In practice, a rule of thumb could be to focus on outcomes and impacts that the SPO can actually influence. If outcomes and impacts become too detached from the operations of the SPO, the SPO will lose ownership of the impact analysis.

Reverting back to the Step 1 of setting objectives, you can consider outputs as directly related to the activities of the SPO i.e. what is done to effect change in the base case. These outputs are internal to the SPO and hence easy to measure, whereas outcome and impact are related to the expected effects of the activities of the SPO i.e. what effects the activities of the SPO have on the base case. These are by definition, outside the scope of the SPO and hence more difficult to measure. Given that outputs are focused on the internal activities of the SPO, whereas outcomes focus on the external effects of the SPO's activities, what you measure is also related to your rationale for measuring impact. For example if your rationale for impact measurement is to use it as a management tool or for on-going monitoring you are more likely to focus on output measures. On the other hand if your rationale for impact measurement is to inform investment selection, report externally or align incentives you are more likely to use outcome measures.

STEP3: MEASURING RESULTS: OUTCOME, IMPACT, INDICATORS

Internal vs external focus: the use of outputs, outcomes or impacts



Source: EVPA

But do note that there are always counter examples to this generalisation and that well-known tools and methodologies can focus on different concepts.

VPO/SIs and SPOs identify and use indicators to manage outputs, outcomes and determine impacts.

We define output indicators as *"Specific and measurable actions or conditions that assess progress against specific operational activities."*

We define outcome indicators as, *"Specific and measureable actions or conditions that demonstrate progress towards specified outcomes."*

An indicator can be expressed in different ways, for example as numbers, as a ranking of systems or as changes in the level of user approval and further be used to express qualitative and/or quantitative information. Quantitative indicators are numerical. Qualitative indicators are those based on individual perceptions, for example responses to survey questionnaires. The types of indicators that exist can also be described at a more granular level e.g. sector specific, leading, lagging etc. We do not go into more detail in the manual on the different types of indicators as no one type of indicator is better than another; its suitability depends on how it relates to the result it intends to describe.

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For example[10], if a VPO/SI is investing in an SPO focused on increasing access to clean water then two output indicators could be the number and type of wells installed. The specified outcome could be a reduction in ill health and mortality and a relevant outcome indicator could be the increase in the number and proportion of the target population with sustained availability of clean water for domestic use.

If instead we consider an SPO focused on women's empowerment through the use of microfinance, a target outcome could be improved economic control, choice and status with respect to men. An output indicator could be the number of loans given and repaid as agreed. Two outcome indicators could be the % of women with increased disposable income; and the expansion of their options towards diverse social and economic roles.

The United Nations Millennium Development Goals[11] are lofty goals, however they have identified specific indicators to demonstrate progress towards those goals. For example goal 1 is to eradicate extreme poverty and hunger, specifically to:

(i) Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day

(ii) Achieve full and productive employment and decent work for all, including women and young people

(iii) Halve, between 1990 and 2015, the proportion of people who suffer from hunger.

For each of these outcomes between 2 and 4 of indicators have been identified. These are then monitored on a country-by-country basis. The indicators selected are:

1.1 Proportion of population below $1 (PPP) per day

1.2 Poverty gap ratio

1.3 Share of poorest quintile in national consumption

2.1 Growth rate of GDP per person employed

2.2 Employment-to-population ratio

2.3 Proportion of employed people living below $1 (PPP) per day

2.4 Proportion of own-account and contributing family workers in total employment

3.1 Prevalence of underweight children under-five years of age

3.2 Proportion of population below minimum level of dietary energy consumption

4.2 How to?

Output and outcome measures are different and should be used in different circumstances.

Output measures are suitable when the focus is on the operational aspects of the SPO (e.g. as a management tool or for day to day monitoring). However they may be also useful in determining outcomes when they point in the same direction as the specified outcome. For example if the objective of the SPO were to raise awareness through advocacy then the number of participants at an event organised by the SPO (an output measure) would be an appropriate measure to use. However if the objective were to change people's opinions about a certain issue, then counting the number of participants would not be appropriate as it says nothing about whether the event had any effect on the opinions of those participants.

[10] *Inspired from Ruby Sandhu-Rojon, UNDP, "Selecting Indicators for impact evaluation"*

[11] *http://www.mdgmonitor.org/goal1.cfm*

STEP3: MEASURING RESULTS: OUTCOME, IMPACT, INDICATORS

When focusing on output measures, there are a few databases that include a large number of output indicators e.g. IRIS and Wikivois. Where possible we would recommend that if you do require an output indicator that you first see if an appropriate indicator exists within the one of these databases and only if it does not, develop your own indicator. Indeed a number of VPO/SIs follow this policy.

Standardisation of output indicators serves two important purposes:

(i) Ensuring that you and the SPO are aligned on the specifics of the indicator (the indicators in databases are very clearly defined).

(ii) Reducing the burden on the SPO as if all VPO/SIs can request the same output indicators then this reduces the multiple reporting burden of the SPO.

LGT Venture Philanthropy and Bamboo Finance try as much as possible to use IRIS indicators. In case indicators do not exist in IRIS then they define their own in close collaboration with the social organisations.

Outcomes should be your key focus as soon as your rationale for impact measurement moves beyond the operational towards investment selection, external reporting etc. Whether you then consider output or outcome indicators as relevant for showing your progress towards your outcomes will depend on the nature of the business and the outcomes you are targeting. Output indicators may be sufficient if the operations of the SPO are very directly generating impact.

This focus on outcomes is reflected in other impact measurement initiatives that are taking place at the European level.

Big Society Capital ("BSC"), the UK government's social investment initiative, is currently spearheading a project to agree with leading venture philanthropists and social investors the outcomes for various target social sectors in the UK. Once the target outcomes are agreed it will be up to these investors to select the relevant indicators to show progress towards those target outcomes. BSC is not defining the core indicators that should be used.

Given our recommendation to VPO/SIs to focus on outcomes and then select appropriate indicators, the next paragraphs provide guidelines on how to do this in practice.

(i) Defining outcomes

As a starting point to transform objectives into more concrete and measurable results, the VPO/SI may state outcomes in a number of different ways[12]. The desired outcomes should be in line with the objectives set in step 1 and the VPO/SIs should be aware that different stakeholders seek different outcomes.

We accept that defining outcomes in line with objectives implies that the focus is on intended consequences. We acknowledge that it is important to consider the unintended consequences of the work of the SPO when reporting on outcomes, however this is not a key part of the analysis at this stage. With additional resources available a VPO/SI may be able to spend more time analysing the unintended consequences of the activities of their investees.

[12] *Organisation Research Services. "Outcomes for Success!" A product of the Evaluation Forum, Jane Reisman, Judith Clegg, 2000, pg 3-22 (inclusive)*

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We identify three main types of outcomes:

- Outcomes focused on change: including the increase, maintenance, or decrease in behaviour, skill, knowledge or attitude e.g. increase immunization among young children
- Outcomes focused on targets: stating specific levels of achievement e.g. immunize 80% of 2 year old children in the community according to recommended public health schedules
- Outcomes focused on benchmarks: including comparative targets, generally related to other time periods or organisations e.g. increase the current 70% immunization rate for children aged 0 – 24 months to 90% by the year 2015.

The following tables can help you define specific types of outcomes.

(i) Outcomes focused on change

The change or desired effect	In what	For whom
Such as: increase, decrease, maintain, improve, reduce, expand	Attitude, perceptions, knowledge, skill, behaviour, condition, agency, organisation, community	Population group, program participant, client, individual, family, neighbourhood
Example: Increase	Awareness of environmental protection activities	Among community members

(ii) Outcomes focused on targets

The amount of change	For whom	In what
Such as: Percentage, rate, ratio, amount	Population group, program participant, client, individual, family, neighbourhood	Attitude, perceptions, knowledge, skill, behaviour, condition, agency, organisation, community
Example: 55%	Of community members	Will increase their involvement in environmental protection activities

(iii) Outcomes focused on benchmarks (converted from a target statement)

The amount of change	For whom	In what	Against what standard
Example: 55%	Of community members	Will increase their involvement in environmental protection activities	As compared to the 2010 rate Or To exceed the national standard of 50%

STEP3: MEASURING RESULTS: OUTCOME, IMPACT, INDICATORS

There is however an issue when using any form of percentage statements in that without a proper context you cannot know whether the change you are seeing is positive or negative. For example if the % of community members who are active in environmental protection increases from 55% to 60% but the community itself reduces in size, then the % increasing on its own does not tell you much about whether more or less people are involved in environmental protection activities.

(ii) Selecting outcomes

Outcomes are often lofty and abstract, so how do you set a concrete target for whether the desired outcome has been achieved or not? This is where indicators come into play because if you claim you have an outcome you need to be able to measure it.

Having gone through the process you may have a number of outcome statements, but it is important to select only the relevant outcomes as informed by your mission, rationale for impact measurement and the stakeholders you are focusing on. Some methodologies aim to assign outcomes per stakeholder however we prefer to use stakeholders as a filter to select among outcomes. To assist in the selection you can ask yourself the following questions[13]:

- Which outcomes are **most important** to achieve (this will depend on the prioritisation you assign to the stakeholders)? Which are most closely related to the core business of the SPO?
- Are the outcomes **meaningful**? Is the change or benefit something that makes a real difference for the key stakeholders?
- Which outcomes are **most useful**? Which will provide the best information for management decision-making, investment selection, reporting or whatever other purpose you have for impact measurement?
- Which outcomes are **most feasible**? Which are most likely achievable with the resources available? Which are likely achievable within the designated evaluation period?

(iii) Selecting indicators

Having selected the outcomes you need to select appropriate indicators. The key challenge with indicators is to ensure their quality and integrity. Indicators should generate data that are needed as well as useful because if they are not used carefully they can consume extensive resources and generate data with little or no value

A guiding principle for selecting indicators is that if you are looking at a sub-optimal situation *e.g. low self-esteem of adolescents* then there must be some measurable evidence of this within that group versus the norm *e.g. not finishing school and/or not paying debts*. It is that type of evidence that needs to form the basis of the indicator. We recommend that you select the top three issues that demonstrate that a situation is sub-optimal. These issues should form the basis of your indicators.

We have identified four factors that constitute a "good" indicator:

(i) Indicators must be aligned with the purpose of the SPO (but please note the comment above regarding intended and unintended consequences).

(ii) Indicators should be SMART: specific, measurable, achievable, relevant, time-bound.

(iii) Indicators should be clearly defined so that they can be reliably measured, and ideally, comparable with those used by others so that performance can be better benchmarked and understood in a broader context.

[13] *Organisation Research Services. "Outcomes for Success!" A product of the Evaluation Forum, Jane Reisman, Judith Clegg, 2000, pg 3-22 (inclusive)*

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(iv) Indicators i.e. more than one should be used, with a preference for two to three. For example if your objective is to increase women's empowerment and one outcome is that they take better care of their health, then an appropriate indicator could be the number of times they visit their doctor in a certain period. However whether this number goes up or down, it is very difficult to draw a conclusion as to whether they are taking better care of their health. At least one other indicator is required and a conclusion can only be drawn about whether the outcome is achieved by seeing if they all point in the same direction.

Grameen Foundation's Progress Out of Poverty Index ("PPI")[14] estimates the likelihood that an individual falls below the national poverty line, the $1/day/PP and $2/Day/PPP international benchmarks. The PPI uses 10 simple indicators that field workers can quickly collect and verify. These indicators are derived from the most recent national household income or expenditure survey or the country-specific World Bank Living Standards Measurement Survey, depending upon which dataset has the most complete information, for each country. All indicators on the national household survey are ranked according to how strongly they predict poverty levels. The full list of 400-1000 indicators is narrowed to the 100 most powerful ones. Using both statistics and expert judgement a 10-indicator scorecard is constructed. Each possible response is assigned a point value on the original national survey responses. The total score (summing from 0 to 100) is then linked to the probabilities of falling above or below the poverty lines.

(iii) What do you need to consider if you are aiming to measure impact?

To move from outcome measures to understand if the SPO is having an impact, four factors need to be considered:

- "Drop off": this is related to the fact that over time the importance of impact decreases. Impacts don't last forever so you need to make some estimation as to time period for the impact.
- "Displacement": this relates to the fact that with some interventions the positive effect that is seen in a certain group can be offset by the negative effect seen in a different group (which was not the target beneficiary of the SPO).
- "Deadweight": this relates to a consideration as to what would have happened anyway.
- "Attribution": this relates to understanding how much of the change that has been observed is the result of the SPO's actions or of the actions of other organisations / government etc. taking place at the same time.

These terms are very theoretical and are very difficult to calculate in practice. As we mentioned before, we believe that the resources required to estimate these aspects in a rigorous manner are beyond the scope of most VPO/SIs. Therefore we recommend that the focus be on measuring outcomes, while acknowledging that these effects may exist (with qualitative details provided where possible). To gain an idea of what is involved in measuring impacts we would recommend reviewing the study undertaken of Grameen Danone Foods Ltd[15] in Bangladesh by the NGO GAIN and John Hopkins university and MIT's Department of Economics working paper[16], "Up in Smoke: the influence of household behaviour on the long-run impact of improved cooking stoves."

[14] *For more information refer to progressoutofpoverty.org*

[15] *Found at www.danonecommunities.com*

[16] *Rema Hanna, Esther Duflo, Michael Greenstone, Working Paper 12-10, April 16 2010, Reviser April 30 2012, "Up in Smoke: the influence of household behaviour on the long-run impact of improved cooking stoves."*

STEP3: MEASURING RESULTS: OUTCOME, IMPACT, INDICATORS

LGT Venture Philanthropy's investment in a ready to use food ("ruf") producer in Haiti called MFK illustrates the challenges in moving from outputs to outcomes and then to impact. MFK dries, stores, roasts and then grinds peanuts into a paste, before mixing them with proteins, vitamins and minerals. The resulting mixture is packed into sachets and sold to institutional clients who distribute them for free to malnourished children in Haiti. LGT VP use the Logic Model to understand the SPO's objectives and map their inputs, outputs, outcomes and impacts. They then overlay the five dimensions of quality life, inspired by the UN Millennium Ecosystem Assessment.

Logic Model applied to MFK[17]

Model	
Resources	**Organisation Activities**
Equipment: peanuts processing factory, transportation vehicles **Supplies**: peanuts / peanut paste, vitamins & mineral mix **Staff**: qualified personnel with medical and technical expertise on the ground in Haiti, trained labour force to run factory, international support team in the USA **Partners**: institutional programs / demand for RUFs, international support for agricultural development operations **Funding**: philanthropic support to combat malnutrition	**Production of medicines known as RUFs**: MFK produces 75MT of fortified peanut based foods (RUFs) p.a. in its current factory and expects to be producing 800MT p.a. by 2015 in an upgraded facility. **MFK Agricultural Development**: MFK conducts 3-5 workshops p.a. with Georgia University to teach subsistence peanut growers how to increase yield and quality of harvests, MFK manages 5 demonstration plots and sources 40% of its peanuts locally

Intended Results		
Resources	**Organisation Activities**	**Impact (systemic)**
Products: MTs of RUFs produced p.a.: 75 (2011), 800 (2015e) # of products: 2 (2011), 5 (2015e) MTs of local peanuts purchased p.a.: 40MT (2011), 400MT (2015e) **Services**: # of farmers trained in agricultural skills and provided with a stable market at fair prices: 100 (2011), 1000 (2015e)	**Improve physical wellbeing:** ● In 6-8 weeks, a child treated with RUF has 80% likelihood of recovery. Once severe malnutrition has been treated the child can survive on a local diet. Children cured of severe malnutrition before age 5 perform better at school and develop to be healthier and stronger. # patients treated p.a.: 80,000 # patients treated against severe acute malnutrition: 20,000	**Eradicate malnutrition in Haiti** **Build food security in Haiti**

[17] *Source: LGT Venture Philanthropy*

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Quality of Life Assestments ("QoL")

- No impact
- Low impact
- Medium impact
- Strong impact
- Very strong impact

children saved from becoming malnourished: 60,000

Improve social well-being: Preventing a child's illness and eventual death leads to avoiding negative impacts, severe trauma and emotional shock for the family circle

Improve material well-being: Parents of malnourished children treated with RUFs can go on with their lives normally as the medicine does not require medical supervision, cooking of cooling.

Farmers supported by MFK's agricultural operations are provided with technical support and access to a stable market

Improve security: N/A

Improve freedom: N/A

For LGT the most difficult part of defining their impact measurement process was to find a rating method that described the contribution of an organisation towards the improvement of quality of life. For example MFK improves the health of children. On average, the families of healthy children have more money than those of sick children (less spent on medicine etc). Hence, MFK contributes to the material well-being of the families of the healed children. But how large is that contribution towards the improvement their quality of life? Answering this question remains a challenge. They try to find a pragmatic though reliable way to rate the impact but it's still the most challenging exercise.

4.3 Recommendations

- Clarify at the beginning of the relationship (i.e. during due diligence and within deal structuring) who is responsible for measuring what.
- The VPO/SI should ask the SPO to focus on those indicators that are directly related to the SPO's theory of change and hence in line with their operational process. Any additional indicators required for the VPO/SI to satisfy its impact measurement needs should be collected by the VPO/SI.

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- The expected outputs, outcome and impact, and the corresponding indicators should be defined before the investment is made and agreed upon by the VPO/SI and the SPO. The indicators can be revised if significant changes are made in the business and impact model of the SPO during the investment process.
- If a SPO is claiming a certain outcome then they need to prove it. If the SPO cannot deliver the data then the VPO/SI must consider whether they will bring in the expertise and provide the necessary support so the data can be collected or question whether the SPO is an appropriate investment at all.
- "Pick and mix" of indicators from existing databases without the background work associated with following the impact measurement process is not advisable. It may save some time upfront, however you are more likely to conclude that you are wasting resources collecting data on irrelevant points if you have not gone through the process.
- Don't just select indicators that are likely to show short-term positive impact. For example if the Theory of Change of an SPO states that providing language training to economic migrants will empower these people, making them less dependent on government provided services and therefore reduce costs for the government; then a potential indicator would be the number of people from this community using government services. In the short term this number may increase as language skills mean the people can now ask for these services, however in the long term the number may reduce.

Aggregation at the portfolio level

Aggregation of impact at the portfolio level is a hot topic in impact measurement at the moment, especially given the discussions that are taking place the level of the European Commission. This is not a focus topic of this manual, however VPO/SIs should be aware that three different practices are emerging:

- Aggregation of output data e.g. lives touched. VPO/SIs can view the Impetus Trust Impact Report 2010 - 2011[18] as an example.
- Measurement of success in achieving defined goals i.e. different indicators per investment but with an additional overlay of assessing whether or not the goals have been achieved per investment e.g. Grabenwarter & Liechtenstein's "Gamma" factor.[19]
- Selection of common outcomes at the portfolio level. For example Big Society Capital is in the process of defining with the UK government, venture philanthropists, social investors and SPOs a number of outcomes in each sector in which it operates. Their focus will be on ensuring that reporting from investees focuses on these outcomes rather than attempting to define common indicators. Further details will soon be released to the public.

4.4 Worked Example

Having a clear idea of the VPO/SI's and SPO's objectives and the key stakeholders, we are in a position to consider outputs, outcomes and impacts, as well as the appropriate indicators. The table below shows the SPO's theory of change and highlights the various outputs, outcomes and impacts.

[18] *Accessed from www.impetus.org.uk*

[19] *Further details can be found in the paper: Grabenwarter & Liechtenstein, 2011, "In search of Gamma: an unconventional perspective on impact investing."*

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Business Model	
Inputs	**Activities**
Equipment: sanitation centres, vehicles for collection, digester to process faeces to fertilizers to generate electricity	Installing toilets
Staff: qualified personnel on the ground in Kenya to supervise building of sanitation centres and selection of franchisees, employees to collect waste products and transport to digester, operators of digester to produce electricity and fertiliser	Recruitment of franchisees
Partners: implementation partners for education about sanitation, technical partners in design of toilets and digesters / composters, microfinance partners to support franchisee purchase	Sale of sanitation services (via franchisee)
Funding: grants and investments from foundations and social investors	Waste removal, collection and processing
	Electricity generation
	Fertiliser production

Expected Effects		
Outputs	**Outcomes**	**Impact**
Number of toilets installed $ revenue from toilet sales	Increased access to sanitation facilities for slum dwellers	Improved physical well-being (reduce disease)
Number of toilet operators	Increased employment levels among slum dwellers	Improved material well-being
Number of users (per toilet & total) Number of visits to toilets $ income of toilet operators	Improve health for toilet users and overall slum Increased income for toilet operators	Improved physical well-being Improved material well-being
Kg waste collected (assuming kg processed = kg collected)	Improved environmental situation in slums (less waste in waterways)	Improved physical well-being
kWh of electricity produced $ revenue from electricity sales	Decreased number of power shortages / outages Decreased carbon emissions	Improved energy security Improved environment
Kg of fertiliser produced Kg of fertiliser sold $ revenue from fertiliser sales	Decreased reliance on costly imported fertilisers Decreased reliance on chemical fertilisers	Improved material well-being Improved environment

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Output	IRIS Indicator
Number of toilets installed	PI9601: Number of units installed by the SPO during the reporting period
$ revenue from toilet sales	PI1775: Revenue from the sales of the product or service during the reporting period
Number of toilet operators	PI2758: Number of micro-entrepreneurs distributing the SPO's products/services during the reporting period
Number of visits to toilets	PI8783: Average number of client visits to facilities during the reporting period
Number of users of toilets (per toilet & total)	PI4060: Number of individuals who were clients during the reporting period
$ income of toilet operators	PI4881: Total earnings generated by the micro-entrepreneurs from selling the SPO's products / services
Kg of waste collected	Not within IRIS so indicator created as: Number of kgs of waste collected from the toilets during the reporting period
kWh of electricity produced	PI8706: Energy produced during the reporting period
$ revenue from electricity sales	PI1775: Revenue from the sales of the product or service during the reporting period
Kg of fertiliser produced	PI1290: Amount of product or service produced by the organisation during the reporting period
Kg of fertiliser sold	PI1263: Amount of the product or service sold by the organisation during the reporting period
$ revenue from fertiliser sales	PI1775: Revenue from the sales of the product or service during the reporting period

Given one of the objectives of impact measurement for this VPO/SI is to monitor the operations of the SPO, we need to set certain output indicators. These output indicators need to be in line with the theory of change shown above and to promote standardisation we will look where possible to use the IRIS indicators.

Despite being important for monitoring the operations of the SPO, these output indicators do not necessarily tell us whether the SPO is making progress towards its outcomes. To do that firstly we need to select the outcomes that are relevant for the VPO/SI to focus on. Given the VPO/SI's objective is to improve the lives of people living in poverty we would naturally focus on those outcomes related to physical and material wellbeing, over and above those related to the environment. We mentioned previously that the stakeholders of focus were the toilet users, toilet operators and slum dwellers. With this filter we should therefore focus on the following outcomes arranged according to the themes of material and physical well-being.

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Improved physical well-being:

- Increased access to sanitation facilities for slum dwellers
- Improved health for toilet dwellers and overall slum
- Improved environmental situation in the slum (less waste in waterways)

Improved material well being:

- Increased employment levels among slum dwellers
- Increased income for toilet operators

Given the technical equipment needed to test the level of sewage in the slum waterways the VPO/SI decided to focus on the remaining four outcomes. With each of these you need to think of the two to three issues that evidence the situation is sub-optimal at present in order to select appropriate indicators.

For increased access to sanitation facilities, two appropriate outcome indicators can be found among the output indicators detailed above:

- Number of toilet units installed by the SPO during the reporting period
- Number of individuals that were clients in the reporting period

However an important indicator to add to these two would be to understand how the sanitation situation has evolved generally:

- Increase (versus the beginning of the SPO's operations) in the number of toilet type (including latrines etc) units installed (by the SPO or by any other organisation) during the reporting period.

For the improved health of the toilet users and slum dwellers, the users may have to be surveyed so as to collect data on the following indicators:

- Number of days a toilet user has not been able to be up and about during the reporting period due to some stomach related illness (deliberately left broad to include the possibility of diarrhoea, intestinal worms etc.)
- Number of outbreaks of typhoid or cholera in the slum area served by the toilets during the reporting period
- Average Number of days a slum dweller has not been able to be up and about during the reporting period due to some stomach related illness.

For the increased employment levels among slum dwellers, it is important to track the following indicators:

- Proportion of community with some form of regular income through full time and part time work as at the end of the reporting period
- Number of employees (toilet operators, waste collectors etc) of the SPO, including full-time and part-time (but not temporary), as at the end of the reporting period that reside in the community where the toilets are situated

For the increased income of the toilet operators, another of the output indicators can be used as well as two indicators that point towards increased wealth:

- Total earnings generated by the micro-entrepreneurs from selling the SPO's products / services
- Proportion of toilet operators with all their children attending school
- Proportion of toilet operators with their house's outer walls made from strong materials (e.g. iron, aluminium, tile, concrete, bricks, stone, wood)

Of the eleven outcome indicators selected, three are also used as output indicators and one other (SPO employees from the slum) should be relatively easy for the SPO report. However the remaining seven, which are required to show the progress (or not) towards the target outcomes, require further investment of time and resources (e.g. information gathering via surveys) on the part of the SPO. Given the SPO is claiming these outcomes they should be willing to spend the time necessary to collect the data. However in very early stage entrepreneurs it is important for the VPO/SI and SPO to agree when this level of reporting should begin, although the VPO/SI should not be too accommodating in this respect.

5.0 STEP 4: VERIFYING & VALUING IMPACT

5.1 What?

A focus on verifying and valuing companies' products and services has been present in management for a long time. The initial focus in this research and within commercial organisations was on the quality of the product offered i.e. the process of how the product was made or the service was provided. Management then realised that quality alone was not enough to satisfy the customer so the focus moved to client satisfaction. Today the focus has moved again, to demonstrating the value the customer gets from the product or service. The importance of putting customer value at the centre of your assessment is not just relevant for commercial organisations but also for social entrepreneurs, their organisations and VPO/SIs.

Verifying & valuing impact is a step that occurs at 2 levels: that of the VPO/SI and the SPO.

(i) VPO/SI level: as a VPO/SI you believe you are creating value by providing non-financial assistance. Unless you verify whether this has occurred and how much the SPO values this assistance, you cannot credibly make that statement.

(ii) SPO level: When we set objectives, identify the stakeholders and select the relevant outcomes and indicators (steps 1-3), we need to know whether we are really making progress towards the desired change and the desired outcomes. We need to know whether we are achieving our objectives, and if so, whether we are achieving them in the expected amounts.

The focus of this step is predominantly on the second level, the SPO given there are generally more challenges in this area. However VPO/SIs should not overlook the importance of verifying and valuing their own impact on the SPOs.

With respect to the SPO level, we may have different stakeholders with different expected outcomes, we need **to verify** the results at the level of these stakeholders. This can be a time consuming activity, so it is preferable to start with your most relevant stakeholder group(s), which in many cases is the target group of the intervention.

In addition, when we verify whether the outcome makes sense for the stakeholders and if the expected outcomes are realized (within the timeframe and quantity expected) we also need to verify whether this outcome was important i.e. **valuable** to the stakeholder(s). The latter is what we call "valuing impact". In other words: we need to verify whether the claim we make on having positive social impact is true, and if so, to what extent (i.e. to what value). The responses to these questions will allow us to refine the target outcomes and associated indicators, creating a positive feedback loop in the impact measurement process.

Value is **weighing the benefits versus the costs/sacrifices** for the stakeholder (whoever that may be). VPO/SIs and SPOs normally incur costs, to create value for other stakeholders (i.e. the direct or indirect beneficiaries). And it is common that the direct or indirect beneficiaries reap the benefits, without incurring (financial) costs themselves. In other words costs are incurred by one stakeholder, in order to create value for another. This is one of the reasons why the impact of venture philanthropy and social investment is difficult to value. How value creation ("VC") is linked to benefits and sacrifices is illustrated in the chart below.

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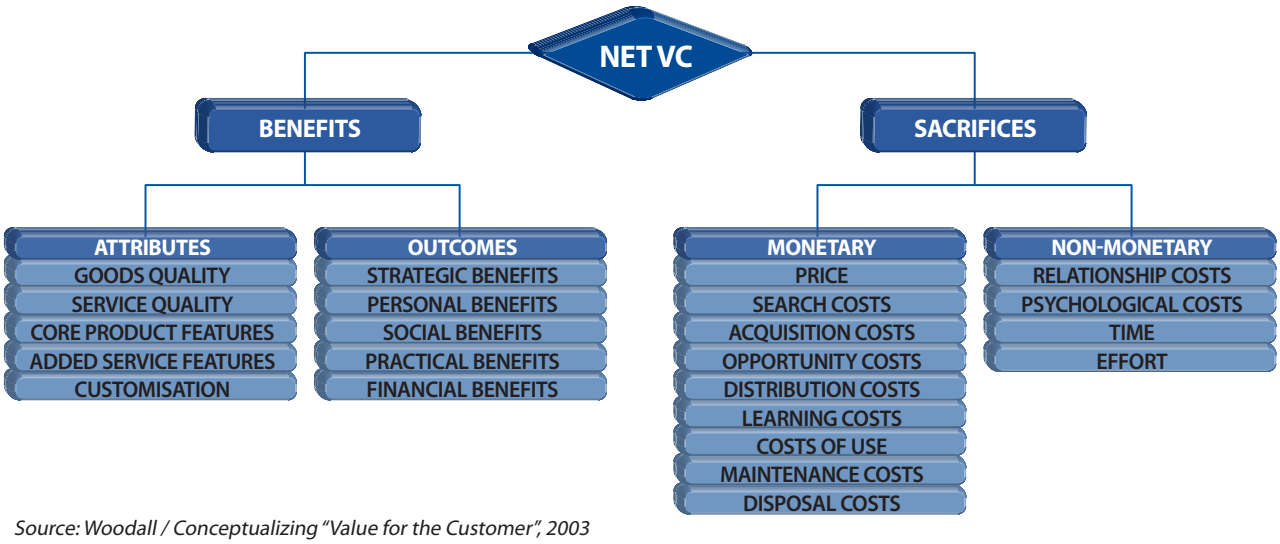
The link between value creation, benefits and sacrifices



Source: Woodall / Conceptualizing "Value for the Customer", 2003

This step is also important in assessing whether the SPO has improved its product or service delivery post VPO/SI intervention (this is why it would be important to make such an assessment at the beginning and the end of the intervention). The choice of method depends on the mind-set of the VPO/SI, the characteristics of the investors (whether more or less focused on numerical or emotional value), and resources available.

Additionally, verifying and valuing impact helps identify the impacts with the highest social value, which can help the SPO and VPO/SI focus their resources towards initiatives that create most impact on society.

Verifying and valuing results should not only be done at the last phase of an investment: it should be repeated as a "reality check" at several points during the investment and value creation process of a VPO/SI. We recommend that this step be performed at the beginning of an investment (as part of the due diligence), at least once during the investment period (to check that the impact is achieved and valued) and again at the time of exit (as a way to check that the desired impact has been achieved and makes sense).

One question that is often raised is who is responsible? At the level of the VPO/SI, it must be the VPO/SI who takes responsibility for verifying and valuing the impact of their non-financial assistance on their investees. At the level of the SPO, a SPO may claim they are too busy or do not have the time nor incentives to do it. VPO/SIs often do not want to "burden the investee". It is up to the VPO/SI to encourage the SPO to dedicate the time and the resources to this step, given it adds more credibility to any information provided. However in practice, many investors in the social sector tend to "trust their gut feeling" rather than investing in the verifying and valuing process.

5.2 How to?

Verifying results

What we need to verify is what has been developed through the rest of the impact measurement process. With respect to the SPO these are the outcomes that the SPO plans to or claims to be delivering i.e. how the key stakeholders are / were affected by the work of the SPO. With respect to the VPO/SI, this is the added value provided to the SPO from the VPO/SI's non-financial support. In other words we are triangulating the information we have received by verifying it against other sources

There are three principal approaches for this:

(i) Desk research

By looking at external research reports, databases, government statistics etc. it is possible to confirm the trends that the SPO has detected through the outcome indicators. This can be done by the VPO/SI and / or SPO or can be outsourced. For the VPO/SI this desk research can and should occur at various points in the investment process. Prior to investment this information provides data on the size and importance of the issue and establishes a base case. During the investment this data is useful for triangulation purposes.

(ii) Competitive analysis

We can compare the data of the SPO with the data of other comparable organizations operating in similar geographies on similar issues. We can ask the question of whether the activity has been tried before and what were the results and learnings. Competitive analysis helps with setting objectives and with judging the outcomes. But the danger with this method is, that organisations may only share "good" results and not always the information about projects that failed or were less successful.

(iii) Interviews / Focus groups

Probably the best way to verify expectations and results is to ask the stakeholders: by personal interviews or in the form of focus groups. In both cases you ask your stakeholder about the results of the intervention. This is particularly the case when the VPO/SI is assessing the value of its non-financial assistance to the SPO.

One of the most crucial issues is to ask questions in a neutral way so as to prevent "leading questions". For example, if a project manager asks a participant "do you like my project?" there is the risk that the participant will answer the way project manager would prefer. It is preferable to have a neutral interviewer (i.e. relative outsider) asking open questions such as "What do / did you need?" "What has changed?"

Don't worry about criticisms on the subjectivity of this method. At this stage we are looking for people's opinions to triangulate with data we already have. However what is important is ensuring that the sample is representative.

We highlight a few references that we believe are useful for this method:

- http://www.roguecom.com/interview/overview.html
- http://techinlibraries.com/cowgill.pdf
- http://www.fhi360.org/NR/rdonlyres/exojqw6qwz2dfbxk2rdix3dmwzr5i4eviuqzhlu2qk25eabfd6tyttmnmqmo6epkn7mecnva7bw5bh/focusgroups1.pdf

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Valuing results

There are numerous methods and techniques to measure the value created. They can be divided in two categories:

- Qualitative
- Quantitative (monetised)

The objective of this manual is not to list the full plethora of tools available for measuring value, instead we focus on a number of the most commonly used methods and describe them briefly. We have also provided specific websites and reports where you can find out more about a particular technique.

(i) Qualitative

- *Storytelling*

  Almost all organizations use storytelling in one way or another. These stories can be found in annual reports, project reports, and magazines, etc. In fact storytelling is a structured approach which describes the outcomes of an intervention / investment from the point of view of a stakeholder. Through structured interviews, stakeholders are asked about their experiences with the SPO. Every interview is executed with the same framework of questions. Finally a picture (story) will emerge about the change that the particular stakeholder experienced. A number of frameworks are available on the internet to help create a structured interview and hence effective story.

  Website: http://www.eldrbarry.net/roos/eest.htm

  The reason why storytelling is popular is that numbers do not always tell a story, and it is often easier to communicate the value of an outcome through a story. The downside of storytelling is that it is generally unclear how many people are having or have had, that particular experience i.e. the story may not be representative. We recommend the use of storytelling as one component of your reporting; not as the only way of reporting.

- *Client satisfaction survey*

  This is an often-used method to measure the level of satisfaction among one's (target) stakeholders. On the internet you will find a large numbers of alternatives for this type of research, including online questionnaires, interviews, focus groups, etc. Often this will be done by an outside organization.

  VPO/SIs may find this technique especially useful for assessing the value of non-financial support provided to their investees.

> One Foundation commissions independent feedback from their grantees through a quantitative survey, carried out by Centre for Effective Philanthropy every second year. The Grantee Perception Report® (GPR) shows an individual philanthropic funder its grantee perceptions relative to a set of perceptions of other funders whose grantees were surveyed by CEP.

Using client (or customer) satisfaction research can deliver important information on the value of the product or service to the stakeholders. However do note that "satisfaction" does not always imply the issue at stake is (very) important to the specific stakeholder. You should therefore include questions focused on value, for example: how important is the change for the beneficiary?

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Many organisations ask the question, "how many interviews or how much feedback is required? 40%? 80%?". In general it really depends on availability of resources. In reality the representativeness of the research population is much more important than just the number of interviews. It is better to have 20% coverage of a good representative group, than 50% of a non-representative group.

- *Participatory impact assessment (focus groups)*

  This method is popular in developing countries with target groups that cannot read or write as it makes it possible to rank preferences among stakeholders through the use of pictures. Participants are shown a number of pictures (or in some cases they first make these pictures themselves) of products that are relevant and significant to them. A new item (the offer from the SPO or VPO/SI for example) is inserted. Participants receive small stones as "money" and can rank their preferences by paying more or less stones to the different products.

- Progress out of poverty index (Grameen Foundation)

  We have already described this method in step 3 where the focus was on selecting appropriate indicators. In Step 4 we would use the PPI as a measure of the effectiveness of the SPO at moving people out of poverty and therefore the value of the SPO's work to the group in question.

(ii) Quantitative (monetisation)

Different stakeholders are likely to require different techniques. We identify two principal techniques:

- Perceived value
- Cost savings / cost reallocation

Please also note that social return on investment or cost/benefit analysis are not techniques in themselves, rather frameworks using one of the two techniques.

For individuals and/or target populations cost savings are hardly ever relevant as it is not generally the individual or broader population who is bearing the cost. For them, perceived value methods should be use. On the other hand, governments, institutions and organisations generally prefer cost saving methodologies, given this is their focus.

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In the case study of Esmée Fairbairn Foundation investing in the social impact bond managed by Social Finance it is clear that the bond focused on cost savings given this was the governments focus and the buy-in from government was crucial to the whole structure.

One benefit assigned to monetization techniques is the ease of aggregating values across the portfolio. But be aware that this can only be done if in each case you are looking at either values or costs.

(a) Perceived value

- Perceived value / revealed preference

  These techniques infer prices from related market-traded goods. The idea is that people are "revealing" their preferences every time they make a trade. In scientific literature these methods may be referred to as contingent valuation methods. Basically they address two main questions to infer:

  (i) Willingness to pay

  (ii) Willingness to accept

  Because these methods use "money" in the research, the answers of the respondents may be biased: either they give strategic answers (lower value when they are afraid their willingness to pay will lead to a higher real price); or, if they can't afford the service anyway, they may give unrealistically high answers

  Useful references in order to find out more about this technique are:

  - Mitchell, R. and R. Carson (2005). Using surveys to value public goods; the contingent valuation method. Washington USA.
  - Champ, P., Koyle, K. en Brown, T. (2003). A Primer on nonmarket valuation. Dordrecht (NL): Kluwer.

- The Value Game

  A specific form of the revealed preferences method is the ValueGame. The ValueGame combines participatory impact assessment (as described above) and willingness to pay-method, without the "money-component" of willingness to pay. Participants rank pictures with relevant products, and a picture of the service/activity/impact with unknown value, in order of their preference. The ranking gives information about the ranking and the rating of the service and can be compared to the (money) value of the surrounding products.

  More information on ValueGame can be found at www.valuegame.org

(b) Cost savings

- Cost saving methods / stated preferences

  Stated preference methods use real financial data to assess the value of the outcome by using information about prevented costs, spending, and changes in financial income. The most commonly used methods are:

  o Prevention costs method: for example when a new hospital treatment results in a shorter stay in hospital for the patient, hospital costs will be prevented.

- Travel cost method: for example the costs people are incurring to get to a service. These costs indicate the minimum price they are paying to receive the service.
- Hedonic pricing model: is measuring the value of a change, resulting from changes in the environment. For example: a house has a value of 1 million euro's. When an airport is built right beside the house, the value may drop down (although the house is still the same).
- Wellbeing valuation: a recently developed technique for valuing the effect, in monetary terms, of a health problem on an individual's well-being. The method involves calculating the compensating variation necessary to maintain the same level of well-being after suffering from a particular health problem, and is hoped to offer a solution to the problems of revealed preference and contingent valuation methods. Ref.: www.ncbi.nlm.nih.gov/pubmed/17380470

These methods give a good indication of the volume of value created, and are popular in cost benefit analysis. Originating from the infrastructural and environmental sectors, these methods are increasingly finding their way into social sectors.

- Quality Adjusted Life Years ("QALY") is a form of cost / benefit analysis

  The basic idea of a QALY is straightforward. It takes one year of perfect health-life expectancy to be worth 1, but regards one year of less than perfect life expectancy as less than 1.The QALY is based on the number of years of life that would be added by an intervention. Each year in perfect health is assigned the value of 1.0 down to a value of 0.0 for death. If the extra years would not be lived in full health, for example if the patient were to lose a limb, or go blind or have to use a wheelchair, then the extra life-years are given a value between 0 and 1 to account for this.

  Although one treatment might help someone live longer, it might also have serious side effects. For example, it might make them feel sick, put them at risk of other illnesses or leave them permanently disabled. Another treatment might not help someone to live as long, but it may improve their quality of life while they are alive (for example, by reducing their pain or disability). The QALY method helps to measure these factors so that we can compare the cost of different treatments for the same and different conditions. A QALY gives an idea of how many extra months or years of life of a reasonable quality a person might gain as a result of treatment.

  QALYs have been criticized because there is an implication that some patients will be refused or not offered treatment for the sake of other patients and, yet such choices have been made and are being made all the time. However big the pot, choices still have to be made.

  Further information on QALY can be found at: http://www.medicine.ox.ac.uk/bandolier/painres/download/whatis/QALY.pdf

  The above list is not and is not meant to be conclusive. We have highlighted some of the often-used methods that we think are most prevalent and most useful. More information on these techniques (and many others) can be found in the TRASI database: http://trasi.foundationcenter.org/

5.3 Recommendations

- Be clear about what needs to be verified: the results of the SPO to the beneficiaries, or the VPO/SI's role to the SPO (for example: learning and growth of SPO)

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- Take this step (more) seriously as it may prevent poor investments, and can create a learning and entrepreneurial environment.
- Verifying and valuing results should not only be done at the last phase of an investment: it should be repeated as a "reality check" at several points during the investment process of a VPO/SI.
- Make clear determinations between SPO and VPO/SI regarding who is responsible for the which parts of the verifying and valuing process
- Manage expectations about frequency and level of detail for reporting: and the way SPO's report: will they just report on numbers, or also on verification (and if so, with what frequency).
- Your choice of quantitative or qualitative techniques to value the impact should be driven by the objectives of your impact measurement process and by the prioritisation you assign to different stakeholders.

5.4 Worked Example

The VPO/SI in our worked example wants to verify and value the technical assistance it has provided to the SPO and the outcomes of the SPO. To achieve the first the VPO/SI ensures that it tracks all the pro-bono assistance it provides to the SPO in terms of type, hours, and where possible assigning a $ value to how much that assistance would cost if it were to be purchased in the commercial world. On an annual basis it surveys all its investees to understand the value the SPOs see in the technical assistance. The first such survey was developed with the help of an external consultant, however it now does the surveying and the necessary tweaking itself to reduce costs.

At the same time the VPO/SI collects as much data for the verifying process as possible by using desk research combined with competitive analysis. For example it tracks government data on disease outbreaks in and around Nairobi as well as keeping an "ear to the ground" on the activities and results of any similar companies working in a similar setting (although not necessarily the same country).

The VPO/SI is not yet working with the SPO to value the outcomes of the SPO's activities, given the two techniques that they would consider (perceived value of Progress out of Poverty Index) are very time consuming. Given the early stage nature of the SPO they feel the time is better spent on refining the business model and consolidating its sales. Additionally the required outcome indicators already take up a significant amount of time and the VPO/SI does not want to overburden the VPO/SI with other requests at this early stage.

6.0 STEP MONITORING & REPORTING

6.1 What?

When considering monitoring and reporting we again must consider the step at two levels: the VPO/SI and SPO. There are three aspects to consider:

- Monitoring: systemising data collection
- Evaluating: interpreting the data
- Reporting: transforming data into presentable format

(i) Monitoring

Once you have decided on the indicators to measure and verified them with the key stakeholders, you need to start systemising the data collection. Data collection takes place throughout the impact measurement process, but it is in this step that a system for data collection is set up. A VPO/SI needs to gain an understanding of the ways its investees are already gathering data and assess whether or not the relevant data is collected in a systematic way. A VPO/SI also needs to collect data about its own activities as a high engagement investor. This involves keeping track of all non-financial and financial support provided to each investor and the total costs thereof.

(ii) Evaluating

The next step involves processing the data collected, performing the necessary analyses to gain a better and more complete understanding of the impact achieved. The objectives you may have for evaluating data are varied, but include the following:

- To understand what has happened (vis-à-vis hypothesis), does this change matter and what strategies and interventions worked and what did not
- To analyse your role as an investor in the change process
- To validate that you are doing the right things and otherwise go back and revise the strategy

(iii) Reporting

Once the data has been collected and analysed, you need to consider how to present this information. The purpose of reporting changes the information that should be included. Depending whether the focus is on an internal versus external audience, the various stakeholders may require different types of reports. The stakeholder analysis conducted in Step 2 should guide the development of reporting, considering their multiple objectives. One of the challenges of the social sector is that each SPO needs to report in different ways to each funder. Some initiatives are trying to overcome this problem, but there is still a problem of lack of standardisation that leads to inefficiencies.

6.2 How to?

A single system can be used that includes functionality for all three aspects of this step or different tools can be used in each part.

(i) Monitoring

The first step for a VPO/SI to monitor data is to gain an understanding of the data already collected by the SPO and assess whether the data is of sufficiently high quality and enables the VPO/SI to assess whether the SPO is achieving its impact objectives. Many times, SPOs have systems in place to collect data on output indicators, but not on outcomes. The key

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recommendation for any VPO/SI is not to ask the SPO to collect data that will not be useful in any way to the management of the SPO itself. The danger is to start asking the SPO for long lists of data that take a lot of time and effort to collect, when in the end only some of this data is truly relevant. This is why it is so relevant for the VPO/SI to go through the entire impact measurement process and spend some time on setting objectives and defining relevant indicators, before starting to collect data. If the VPO/SI discovers at this stage that it is impossible to gather data on a specific indicator, it makes sense to go back to step 3 and reconsider the indicators to align them with the real situation at hand. Furthermore, if the VPO/SI asks the SPO to implement major changes in its information management system, it must also be willing to contribute some of the resources (financial and non-financial support) required. Using the VPO/SI's network of pro-bono consultants can also be valuable to provide key resources.

In the case of Papilio, the investee of Auridis highlighted in the case study on step 5, the investee itself developed an information system to collect relevant data. The Papilio team previously used a mix of Excel sheets, Word lists, and paper lists spread all over the team, which made it very difficult to manage the data and gain a quick overview of how the organisation was progressing. Supported by Auridis and another major funder, the Papilio team started to develop their own information management system. The recommendations when implementing an information management system are as follows:

- Usability is the key success factor of any system.
- The underlying processes are more important than technology which is why the system has to be well planned.
- Unless the SPO has relevant technological skills, it is advisable to hire a separate IT consultant to implement the system
- The whole SPO team and some of the other (external) users need to be integrated in the development process as they will be the main beneficiaries of the system. It has to be useful for them.
- The development of an information management system needs an iterative process and a lot of end consumer testing and reversing.

The VPO/SI itself also needs a system to monitor data.

Auridis, for example, has developed an investee database using Microsoft Access. It collects information such as financial data, grant history, essential documents such as grant agreements, investees' progress reports, and the milestones. At a portfolio level, Auridis does not aggregate output, outcome, or impact data because the indicators are not comparable across the portfolio. Some very basic aggregate indicators such as "number of lives touched" can be aggregated across its investments.

PULSE[20] is a numeric metric data collection and reporting tool and was created between Acumen Fund and engineers from Google.com and developed with help from the Skoll Foundation, the WK Kellogg Foundation, the Lodestar Foundation and Salesforce.com Foundation. If you work with multiple organizations, and you have metrics that you want to track and report back to your stakeholders, PULSE can help you do that.

[20] *http://pulse.app-x.com*

(ii) Evaluating

For VPO/SI s, evaluation occurs at 2 levels:

(i) At the level of the SPO

- Evaluate the outcomes or impacts that are being achieved through the activities of the organisation.

(ii) At the level of the VPO/SI

- Evaluate your contribution to strengthening the SPO
- Analyse the capacities of the SPO and whether you have a role to play to strengthen these?
- Is the SPO effectively monitoring its activities and does the VPO/SI have a role to play in improving the impact measurement practices of the investee?

For example, in the Social Balanced Scorecard developed for the UK social enterprises[21], a performance measurement schedule is used to evaluate performance against objectives, including the initiatives that lead to achieving the objective and who is responsible. It provides a template to be used as a management tool for the social enterprise. An example is included in the table below:

Outcome: Promote financial sustainability							
Objective	Indicators	Targets Q1	Q2	Q3	Q4	Initiatives	Owner
Increase trading income	% of income from new products and services	1% of overall budget	2% of overall budget	3% of overall budget	4% of overall budget	Launch of online shop	Director of marketing

Similarly, the VPO/SI should try to evaluate whether its non-financial support is achieving its impact objectives. This topic has been discussed in more detail in step 4.

(iii) Reporting

As a VPO/SI, you should agree with the SPO before the investment the level of reporting required. Considerations include:

- What to report on: which information should be included in the report?
- Format of reporting: which format can easily be used by the SPO based on the management system they have developed, and can is clear and transparent for the VPO/SI?
- Ownership: who is responsible for reporting within the SPO?
- Frequency and time horizon of reporting: how often (monthly, quarterly, annually, etc.) should the reporting take place and which should be the time frame included for comparison (one year, three years)

If you co-invest with other funders, consider the possibility of developing common reporting frameworks so that the SPO is spared the burden of multiple requirements. As long as the funders are able to extract the necessary information from the report, they should not necessarily push their own format.

[21] *http://www.sel.org.uk/uploads/Ali-Somers_BSC-Paper_FINAL.pdf*

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German Social Reporting Standard

An initiative to deal with multiple reporting requirements is the German Social Reporting Standard (SRS)[22]. Apart from providing guidelines on reporting, it provides the following framework for impact-oriented reporting of SPOs:

1. Problem to be solved
2. Scale of the problem
3. Contribution of the organisation to a solution and expected impact
4. Actual social impact
   - resources used (input)
   - work performed (output)
   - impact (incl. outcome)
5. Plan and outlook
6. Organisation
7. Finances

Some indicators may be reported more frequently than others. Typically, output indicators can be captured more frequently than outcome indicators that might require more time and effort to collect data on. The German SRS recommends that the reporting period should be the calendar year and relate to the prior financial year. It is recommended that the SPO completes the report by the end of the first quarter of the financial year following the reporting period, in parallel with your annual financial statements.

For a VPO/SI, the next layer of reporting is external, mainly related to reporting to donors or investors. This reporting has different levels of detail depending on the stage of the investment process. At a deal screening phase, the report to investors includes a low level of detail, whereas much more information will be reported on after a due diligence has been conducted. Once the investment has been made, the agreed-upon impact targets should be communicated to investors. During the investment period, reporting should allow investors to determine whether impact targets are being met, and at the end of an investment, a detailed report should be completed with more long-term impacts included and how the VPO/SI has helped the SPO achieve those. A VPO/SI should also consider how to report the progress of its entire portfolio.

Reporting at LGT Venture Philanthropy

LGT VP's social impact reporting tool was developed in-house using a combination of Excel and Word. SPOs can add their latest outcome figures. In addition, LGT VP introduced Pulse in their Salesforce tool to capture the key indicators. Investee organisations can use their own reporting tool if the information provided fits LGT VP's requirements. If this is not the case, investees are kindly asked to use LGT VP's tools. The standard frequency of reporting is every 3 months. Social impact might be reported less often, as many of the indicators are not easy to capture. Effort/benefits to capture reliable data frequently must be balanced.

[22] *www.social-reporting-standard.de*

6.3 Key recommendations

- Check whether the system the SPO already works with is sufficient to meet your requirements – if not, be prepared to contribute to improving it through pro-bono partners or other resources. The objective should be a system that is of value to the SPO as a management tool!
- Early stage SPOs may not be ready to implement a complex monitoring and reporting system – start with simple (e.g. Excel) and increase level of sophistication as organisation matures and can free up resources.
- For the VPO/SI, it can be challenging to aggregate results across the portfolio with many different systems and types of impacts. Some tools such as Pulse may be helpful.
- If possible, try to share the development of systems with others, and do not invest on your own in expensive systems e.g. specific IT system. One of the main problems of specific IT systems is that they are generally standalone and cannot communicate with common file formats e.g. excel
- Agree on reporting requirements upfront with SPO and co-investors to eliminate multiple reporting for SPOs.
- As a sector, we should move towards standardisation on reporting to remove inefficiencies. The German Social Reporting Standard is a positive step in that direction.

6.4 Worked Example

In our example, given the SPO is at a very early stage it is sensible to begin collecting data through the use of spread sheets. The VPO/SI can take the initiative with other investors and create a template for reporting that the other investors are also happy to receive. This can therefore reduce the burden on the SPO. Given the VPO/SI's objective is also to provide technical assistance to the SPO, one such assistance could be the use of pro-bono consultants to help the SPO develop a more robust (vs. excel) internal monitoring system to facilitate the monitoring of the output and outcome indicators alongside standard financial information.

The VPO/SI itself should probably have some form of internal system for collecting and aggregating data (where feasible). Given the VPO/SI is also a young organisation, this system can begin as an access database, but given the VPO/SI has plans in the short term to implement a salesforce style CRM system, moving the monitoring to a system based on Pulse may be a good medium term option.

THE IMPACT MEASUREMENT PROCESS

7.0 MANAGING IMPACT

The goal of impact measurement is to manage and control the process of creating social impact in order to maximise or optimise it (relative to costs). The impact measurement process outlined in the five steps should allow the VPO/SI to better manage the impact generated through its investments. To manage impact, the VPO/SI should continuously use the impact measurement process to identify and define corrective actions if the overall results deviate from expectations. This involves revising and readjusting the steps in the impact measurement process as lessons are learned, additional data is collected, or the feasibility of objectives set is questioned. It is important to see impact measurement as a learning process.

Throughout the document, the impact measurement process has been related to the investment management process of the VPO/SI. Given that most VPO/SI's are aiming to maximise impact, the corrective actions taken may apply as much to the investment management process as to impact measurement itself. In the table that follows, the components of the impact measurement process have been integrated into the overall investment process of a VPO/SI. The objective of the table is to assist VPO/SI s that are trying to make impact measurement integral to their investment process. Such an approach may

Managing impact in the investment process

1 Deal screening	2 Due diligence (detailed screening)	3 Deal structuring	4 Investment management	5 Exit
Assess whether investment opportunity fits with VPO/SI strategy by asking questions detailed in Setting objectives.	Dig deeper into questions asked in Setting objectives. Perform stakeholder analysis. Verify and value expected results	Map outputs, outcomes and impacts and decide on key indicators against which progress will be measured. Decide on monitoring and reporting content and frequency and assign responsibilities.	Regularly assess impact results against key indicators. Verify and value reported results at regular intervals. Revise indicators if significant changes are made in the business and impact model.	Perform thorough analysis of impact results against objectives – verifying and valuing reported results.

Source: EVPA

Several VPO/SI s that have worked many years on impact measurement, such as Noaber Foundation, LGT Venture Philanthropy, Impetus Trust and NESsT, have fully integrated impact analysis into their investment process.

The chart below illustrates how LGT VP integrates social impact into the overall investment process and who is involved and what is produced. Prior to an investment, during the due diligence process, the principal users of the social impact information are internal to LGT both at a team and board level. However once the deal is in execution the SPO itself also needs to be on board with regards to the definition of social impact targets. Post investment, monitoring and reporting assesses how the SPO has performed relative to the social impact targets. Here there are two principal audiences, internal and external, and LGT produces different reports for each group.

Due diligence

	DEAL SCREENING	PRELIMINARY REVIEW	DEAL EXECUTION
WHO USES THE SOCIAL IMPACT INFORMATION?	LGT VP TEAM	BOARD	LGT VP TEAM BOARD ORG
HOW IS THE SOCIAL IMPACT INFORMATION USED?	• INITIAL UNDERSTANDING OF IMPACT • DECIDE IF ORG WILL BE PRESENTED TO THE BOARD	• DEEPER UNDERSTANDING OF IMPACT • BOARD APPROVAL OF RESOURCES FOR LOCAL DD	• BOARD APPROVAL OF ENGAGEMENT • DEFINE IMPACT TARGETS
DELIVERABLES	IMPACT MODEL LIGHT	IMPACT MODEL	INVESTMENT MEMO (IMPACT TARGETS)

SIGN CONTRACTS AND DISBURSE CAPITAL

Post-Investment Monitoring

	PORTFOLIO CONTROLLING & REPORTING	EXIT
	Y1 Y2 Y3 Y4	
WHO USES THE SOCIAL IMPACT INFORMATION?	TEAM + BOARD + FUNDERS / INVESTORS + PUBLIC	
HOW IS THE SOCIAL IMPACT INFORMATION USED?	ASSESS AND REPORT ON ACHIEVED SOCIAL IMPACT (QUALITATIVE AND QUANTITATIVE)	
DELIVERABLES	IMPACT REPORTS (INTERNAL + PUBLIC)	

8.0 CONCLUSION

The first objective of this manual was to provide a guide on how to measure social impact for VPO/SIs and other funders interested in generating a positive impact on society. For that purpose, we researched the various existing approaches, interviewed several VPO/SIs to find out how impact measurement is currently done in the field, and convened an Expert Group that helped us develop practical case studies. Importantly, we tried not be partial to any existing approach, but rather attempted to provide practical recommendations to social sector funders. The second objective was to trigger a movement towards best practice on impact measurement. We envisage further work during coming years to provide more high-level guidelines on impact measurement and reporting following this hands-on practical guide.

At EVPA, we encourage our members to work hard to measure, monitor and report impact, but also to increasingly integrate an impact approach into each important decision along the investment process; from deal selection to exit. This is why managing impact is at the core of the impact measurement process. For each step in the process, one should consider how this relates to the everyday work of funding and building stronger social purpose organisations. Our aim is for this guidebook to encourage more and better work on impact measurement within EVPA's membership and beyond.

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PART 3

9.1 Step 1: "Setting Objectives". Case Study: Ferd Social Entrepreneurs investing in The Scientist Factory ("TSF")

This case study first introduces the social issue at hand and how the social purpose organisation TSF supported by the venture philanthropy organisation Ferd Social Entrepreneurs is trying to solve the issue. It then discusses the impact measurement undertaken by the social purpose organisation and finally moves into how the VPO/SI can go about setting objectives for its own impact measurement as well as for the particular case.

Introduction – social issue

The challenge in question in this case study is that we live in an era where natural sciences and technology develop at a very rapid rate. The gap between what children learn in school and what is happening in the real world grows bigger every year. At the same time, research within natural sciences and technology is central and vital for the development of society. The issues we face in the years to come include climate change, food production and distribution, and medicine and health. These issues cannot be solved without the use of natural sciences and new technologies. TSF was founded in 2002 to meet the educational challenges related to natural sciences and technology. TSF's main goals were to increase the number of students who choose an education in natural sciences, and to develop an interest in research and technology among children and young people.

Ferd Social Entrepreneurs (FSE) was established in 2008 and TSF was the first investment we did. Ferd itself is part of the Norwegian industrial group of the same name. Ferd recognizes its corporate social responsibility as an integral part of its business activities. We also consider it natural to play a role beyond this, principally by supporting social entrepreneurs who reflect Ferd's vision to create enduring value and leave clear footprints. Ferd therefore supports selected organisations, projects and individuals who work to help ensure that people - and particularly children and young people - can realise their opportunities and ambitions. The due diligence process with TSF was initiated by the CEO of Ferd at the same time as he hired the CEO of FSE.

The investment decision of FSE was based on a "gut feeling" regarding the impact that TSF would have and a belief in the work of the entrepreneur Dr. Hanne Finstad. After interviewing her and visiting some of the classes, FSE believed this project would create added value for the participants (learning, motivation, fun) and hopefully in a longer term create a change in the way natural science is taught in Norwegian schools.

How TSF assesses impact: starting point

Our starting point for measuring the impact of TSF before participating in the EVPA initiative was to check what the organisation itself was already doing. In the autumn of 2011, after TSF had been running for 10 years a web-based survey was launched to seek answers to what we considered to be the most important question: does TSF matter? The survey was answered by 75 out of 229 participants who followed a TSF course in the period 2002-2003 (a response rate of 32%, which is considered high for this type of survey).

The following results were found:

- all respondents have positive memories of the course
- 93% are still interested in natural sciences
- 18 respondents (25%) state that the TSF courses were an important factor when they decided to choose natural science in their secondary education

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- a positive correlation between the level of motivation and the interest in natural science
- a positive correlation between the number of courses pupils attended and the focus on natural science in their secondary education

Motivation and interest in the natural sciences among children are the main goals of TSF, and are therefore important factors that they have in mind when creating the courses. At the same time, the courses centre on the most important concepts in the fields of chemistry, physics and biology. The participants perform experiments and receive a few facts about the different assignments before, during, and after each course session. Furthermore, TSF always asks the pupils if they feel that they have learned something from the course. 99% of the participants say that they learned a lot, or something, and many of them can talk about the topics they have learned in their own words. Therefore, Ferd has reason to believe that the courses provide a good learning platform where children gain knowledge, in addition to giving them exciting and motivating experiences in natural sciences.

In the context of impact measurement the important question for us is whether the survey provides information about the impact created by TSF.

To consider whether impact is measured with this survey we would have to ask certain critical questions:

- Can we establish a base case? i.e. What percentage of children generally choose a natural sciences-focused education later on (secondary/tertiary)?
- What percentage of participants of TSF classes chose a natural science focused education?
- How many of the participants in TSF were already interested in natural sciences?
- How many of them would have chosen to focus on the natural sciences anyway (a concept that in some methodologies is called dead weight)?

Although the survey can provide us with some information about the % of participants of TSF classes that choose a natural sciences focused education, it cannot provide answers to the latter two questions. However some comparison of the TSF group to the general population of Norway can probably be made.

One of the suggestions of the expert group, and particularly relevant for this step was the importance of accurately describing the situation at the start of the period under analysis i.e. the situation 10 years ago and then thinking through the outcome objectives or social changes that TSF would like to achieve.

One of the biggest problems for us is that the typical starting age of participants in TSF classes is 10-12 years (5/6 graders). The reason for targeting children of this age was that children find science interesting and are curious about nature, so it is essential to maintain their interest and curiosity and not lose it on the way to higher education. However when the survey was conducted the original children were just about to finish their secondary education (high school) or were at the beginning of their tertiary education (college/university). Given so many changes occur during this time of their life it was difficult for them to remember their views back in 2002/2003 and think about whether TSF was responsible for any change in opinion or increase in motivation towards the natural sciences.

Input from the Expert Group – Setting Objectives

From our discussions in the expert group we decided to take another look at TSF and how we could potentially understand and measure their social impact.

Firstly we realized that it was vital to understand why we (as Ferd Social Entrepreneurs) wanted to measure the impact of TSF. Ferd is different from many VPO/SIs as it has just one owner, so our focus does not need to be directed to a larger external owner group. Nevertheless we believe it is important to measure impact for a number of reasons:

1. To demonstrate to Ferd's board and to Johan Andresen that it is possible to create social impact in a country that has a well-developed welfare state. And in addition, that small amounts of money (as a proportion of the total welfare spend) can achieve quite some impact.
2. To encourage the social entrepreneurs themselves to measure social impact so they can improve their sales message and more effectively compete for government contracts or sell their products / services.
3. To more effectively manage our portfolio. Our focus is on how we scale social impact (versus scaling the economics per se) so we need to have a very clear understanding of what elements of a social entrepreneur's work generates the most impact so we can ensure any scaling strategy focuses on these areas.
4. To select investments. Although we have not yet fully implemented social impact analysis into our investment process we know this is important. We have scarce resources (in terms of people and available funds) so we need to be sure we are spending our time and funds with the social entrepreneurs that are generating the most social impact.
5. To motivate other investors to follow a VP approach. We feel that if we can demonstrate our own social impact then it will be easier for other organisations to work with social entrepreneurs and more generally in the field of social innovation. At the moment, although we are not entirely alone in the VP landscape in Norway we are definitely a dominant player and it would be good to have some other organisations doing the same.

Quote from Johan Andresen[23] to illustrate Ferd's approach: *"An advantage of focusing on a significant social problem is that when you find a solution that works, it is worth investing in it to allow as many people as possible to benefit from it. There is a need, but also an enormous challenge, to try to measure impact in order to document that real social value is created, a value that someone, private, business, or government should be willing to pay for".*

In the context of the TSF case study we were specifically interested in finding evidence to prove that TSF's approach was an important factor in motivating younger people to choose education within the field of natural sciences. In the longer term we would like to know whether TSF is creating a system change in the way in which natural sciences are taught at primary schools in Norway. It was basically a retrospective evaluation of TSF, which would allow us to better consider any future investments in TSF and also work with the entrepreneur on their scaling strategy.

Secondly, from the Expert Group discussions, it was decided to use the theory of change to better understand the objectives of TSF and how they are working towards achieving them. The rationale for this choice was that it is a simple framework that can guide you as you think about the overall objectives of an investee especially when the impact of that investee is potentially difficult to measure, intangible and only observable after significant period of time. We generally spend a lot of time (in person) with our entrepreneurs so we gain a good

[23] *http://www.forbes.com/sites/rahimkanani/2012/09/16/johan-andresen-of-ferd-on-social-entrepreneurship/*

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understanding of what they are doing and why. We found that the theory of change was a good technique / methodology for helping an entrepreneur "get down on the paper" the key points of what they are trying to achieve. However it is important to highlight that in these initial stages we are just "building the foundation" for the rest of the impact measurement process. The elements of the theory of change will need to be renewed and refined throughout our journey with the entrepreneur, as things will and do change.

With regards to TSF we asked ourselves the following questions:

- What is the social issue TSF is trying to solve and why is it important?
- What is TSF doing to try and find a solution to this issue?
- When can TSF be considered successful?
- What would happen without TSF?

Our responses were as follows:

- **Social issue**: There is a lack of young people who choose an education in natural sciences (chemistry, physics, biology), which creates unfulfilled vacancies in the workforce. This is caused by the way education is delivered: many teachers in primary school are not able to motivate and stimulate children in natural science because of a lack of confidence and equipment. This has a negative effect on the self-image among children regarding this topic therefore not enough children choose/focus on natural sciences in their secondary education.

  As we made this statement, we realized that there were even more questions that we needed answered upfront especially to try and understand why this topic is important. On the one side we can make the statement that research within natural sciences and technology is central and vital for the development of society. As stated above, we believe that the issues society faces (climate, food production, distribution, medicine and health) can't be solved without the use of natural science and new technologies. However we were encouraged to provide sources and support for this statement, which led to more questions.

  These questions are as follows but we still don't have answers to all of them. We accept that the macro level questions can probably be answered from generally available statistics but the mezzo and micro levels would require us to conduct surveys from a large enough sample group and we do not have the resources (human or financial) to do that at the moment.

  Macro level:

  - How many young people choose an education in the natural sciences (at the moment)?
  - How many unfilled vacancies are there in the workforce?
  - i.e. how large is this gap?

  Mezzo level:

  - How many (attending) teachers have a lack of confidence and equipment?
  - And how does a lack of confidence show?
  - And what kind of equipment?

  Micro level:

  - What is the level of interest of the participating children in natural science?
  - How many children have a negative self-image regarding this topic?
  - And what causes a negative self-image regarding this topic?

TSF Solution: The (after-school) courses provided by TSF are designed to create a long-lasting inner motivation for natural sciences for children from 9 till 13 years old. There are 4 to 6 courses within a school year and each course (2-3 hours) focuses on a different topic. The courses aim to create positive experiences, through fun and creative teaching situations (socially interactive, practice and theory and experiments to stimulate the five senses). Alongside the courses for children TSF also offer "teach the teacher" programs.

Success: We decided that there were two ways of considering whether TSF had been successful. First the implementation of the teaching principles of TSF within the primary education system of Norway, and second the increase in the number of students who choose an education in natural science (secondary and beyond).

What would happen without TSF: Despite acknowledging the importance of this question for us to be able to truly measure impact, we think that this is a question is almost impossible to answer due to the age of participants. What children want to be when they grow up when asked at the age of 10 is in most cases not what they end up being. One could try to set up randomized control groups to provide more information and data but we believe this would be a waste of resources. We therefore will be focusing on comparing the % of participants in TSF classes who elect natural sciences at the level of higher education to the average in Norway.

Conclusions

Some of the challenges of measuring the impact of TSF are due to the difficulty of setting the goals and then isolating the findings from other sources of influence. We can state our main objective as, "The percentage of TSF participants choosing natural science in higher education should be higher than the average in Norway". But, again, it is difficult to tell if TSF is the key differentiator or not. The participant children may have parents or siblings with this interest, they may have an exceptional teacher, choose a role model with that type of background, watch a video clip on YouTube, etc. and one of these events may be the true trigger. However if the proportion of children from TSF classes choosing natural sciences in higher education is significantly greater than the average and in the surveys the children state that the TSF courses were important to them – then it is safe to make the assumption that TSF works. And that is the best answer we think we can get and for us it is good enough!

Recommendations

From our experience and the expert group discussions we have a number of recommendations for other VPO/SIs:

- Setting objectives is an absolutely vital step in any impact measurement process. Understanding why you want to measure impact is an obvious step. And if you can define exactly what the social entrepreneur wants to deliver then it is much easier at a later stage to assess whether this has been achieved. It may be easier to follow a "gut feeling" but it is much better to be more specific.
- If possible the discussion on objective setting should begin within the due diligence process as this then sets the tone for your future collaboration with the entrepreneur. The theory of change can help the entrepreneur better express their goals, aided by the VPO/SI.
- The investor should convince the social entrepreneur of the value of considering impact measurement and using the theory of change methodology, even if it means they have a few hours less sleep some nights!

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9. 2 Step 2: Analysing Stakeholders. Case Study: Impetus Trust Investing in Blue Sky

This case study considers stakeholder analysis through the lens of Impetus Trust's investment in Blue Sky Development and Regeneration (Blue Sky).

Introduction – social issue

There is substantial evidence that employment is the single most effective way to enable an individual to escape the cycle of re-offending. Blue Sky offers ex-offenders "a proper job with a proper company," employing individuals with criminal records in entry-level positions in the grounds maintenance and recycling sectors for up to six months. The ex-offenders work in small teams and are supervised by an ex-offender team leader, who serves as a mentor, and the Blue Sky team provides additional pastoral support (for example, help to secure a bank account or to find accommodation, etc.). Four months in, employees are given a training budget that they may use to pursue a qualification of their choice. As employees near the end of their six months with Blue Sky, they are offered help in finding onward employment.

In 2008, Impetus invested in Blue Sky, a social enterprise that helps reduce re-offending by employing ex-offenders and supporting them into sustained onward. Impetus Trust works to break the cycle of poverty by investing in ambitious charities and social enterprises that fight economic disadvantage using its highly effective venture philanthropy model. Impetus Trust pioneered the venture philanthropy model of long-term financial support plus specialist business support delivered on a pro bono basis plus careful hands-on investment management in the UK. Since its launch in 2002, Impetus has invested in 24 charities and social enterprises, helping them achieve average annual growth in income and people helped of 23% and 30%, respectively.

Working Definition of Stakeholder Analysis

For the purposes of this case study, we have defined a stakeholder to be "any person or organisation who is involved and/or affected by the venture philanthropy investment." The primary stakeholders are the intended direct beneficiaries of the project (in Blue Sky's case, these are the ex-offender employees), but there are also indirect beneficiaries, other parties that contribute to the change experienced by the ex-offenders, as well as stakeholders who either indirectly contribute to or are affected by the project. From our perspective, as an investor, the investee is also a stakeholder, one with which it is important for the investor to build and maintain a positive relationship. When we think about stakeholder analysis, it involves both stakeholder identification as well as stakeholder engagement.

Impetus's Approach to Stakeholder Analysis vis-à-vis the Blue Sky Investment

The Impetus team considered stakeholder analysis at three stages during its investment in Blue Sky: as part of our pre-investment due diligence, as part of our ongoing investment management, and during a one-off impact evaluation project.

Pre-investment due diligence: We do not necessarily need, at this stage, a perfect understanding of all the stakeholders – just a working picture of how the organisation creates impact and an opportunity to speak to some of the most critical stakeholders to confirm that our assumptions have validity.

Stakeholder analysis is important during this phase because we cannot develop a picture of the impact that is created by the organisation without identifying and then speaking to the individuals who are affected by Blue Sky's intervention and without understanding who else, besides Blue Sky, plays a role in creating the change that is experienced by stakeholders.

A key consideration at all stages but which is of particular importance during the pre-investment stage is stakeholder selection: in order to form an accurate view of the impact created by the organisation, we need to ensure that the stakeholders we interview have not been "cherry picked." The need for a balanced view from stakeholders is complicated by the fact that we often have to rely on the potential investee to identify and provide access to its service users and other parties who are closely familiar with its work, and the potential investee obviously has an interest in presenting as positive a view of its work as possible. In addition, an organisation is often, almost by definition, less likely to be in a position to maintain contact with individuals who drop out of their programme. To mitigate the potential for selection bias, we have a number of strategies:

- When developing the list of service users / other partners to be interviewed, we explicitly ask the organisation to include some parties where the outcomes were not ideal
- Using our own contacts, we reach out to parties who were not necessarily identified by the potential investee, but who are familiar with its work
- In all interviews, we ask stakeholders to discuss both successes and failures that they and others have experienced, and we ask them to identify any other parties with whom they think we should speak in order to build a balanced view of the potential investee's work

Also of critical importance to Impetus at the pre-investment stage is effective resource allocation: we don't want to commit too much time to organisations in which we don't ultimately make an investment. We therefore seek to employ a method of stakeholder analysis that involves increasing intensity only as we increase our confidence that we will pursue the investment. We typically invest c. two to three days of staff time in total in stakeholder analysis during due diligence, and this was the case with Blue Sky. This is largely managed in-house, although we do on occasion commission external consultants on a pro bono basis, always led by an Impetus investment executive, to assist with due diligence.

We begin with conversations with the senior management team probing the theory of change and developing a picture of who are the key stakeholders who would need to be interviewed prior to making an investment decision. Our discussions led us to the following conclusions:

- Key social change the organisation is trying to achieve: reducing re-offending through the employment of ex-offenders
- Primary beneficiaries of this change: Ex-offender employees (who benefit from employment and from support in turning their lives around) and government/local communities (which save money through fewer crimes and related costs)
- Other parties that might contribute to this change: We understood that families, probation officers, and other support workers might be involved in helping the employees turn their lives around, and we wanted to investigate further how much of the observed change could be attributed to these groups
- Other parties who might be impacted by Blue Sky's work (either positively or negatively): we were interested in understanding what happens to employees who drop out of the programme and also whether the programme creates any job displacement

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The next step involved desk research and interviews with key stakeholders identified in step one. We focused our work at this stage on three groups:

- Employees: We interviewed some current and former Blue Sky employees to understand better what changes for them and how Blue Sky contributes to this. We also wanted to know if there were any negative changes experienced and the extent to which the employees felt that other parties were responsible for helping them turn their lives around. Finally, we wanted to understand more about the employees, in particular, how similar they are to an "average" person coming out of prison, so that we could develop an understanding of how much change we might expect to have occurred even without Blue Sky. Through our due diligence, including interviews with employees, reference checks with other agencies familiar with Blue Sky's work, and analysis of the Blue Sky employee database (and comparison with publicly available datasets), we got comfortable that Blue Sky's employees were not particularly "easy to reach" relative to other people coming out of prison. We also satisfied ourselves that while there might be other groups of stakeholders who played some part in an individual's journey towards turning his/her life around (people like probation officers, family, etc.), that the Blue Sky intervention was very decisive and without it, the change would not have happened. This gave us confidence that we didn't need to discount significantly the outcomes achieved by the Blue Sky employees significantly for deadweight or for the contribution from other stakeholders. As such, we did not conduct significant further interviews with these other stakeholders at this time.
- Government / local communities: We did undertake some reference checking with local authorities who were familiar with Blue Sky, but they were primarily able to comment on the quality of the work performed by the employees rather than the social impact created. As such, we amplified the findings of these conversations with desk research looking at the potential for cost savings when positive outcomes are achieved.
- Potentially displaced employees: Our interviews with SMT around the profile of employees they hire, plus further desk research on the labour market, gave us confidence that permanent job displacement was de minimus, so we also did not consider this further at this time.

Ongoing Investment Management: Having committed to invest in Blue Sky, our primary objective during the investment management phase is ensuring that the organisation continues to meet the social impact objectives agreed at the time of our investment. Our investment management model involves

- Monthly meetings with the CEO to review progress against investment milestones and to get an update on developments within the organisation
- Biannual reviews with CEO and Chair to reflect on "bigger picture" issues
- Periodic site visits, including informal interviews with employees, and preparation of further case studies each year to help keep our understanding of the work "on the ground" fresh
- Quarterly reporting by Impetus to our Board on progress against investment milestones
- Biannual published reports to Impetus's external stakeholders on the impact achieved within our portfolio; more regular reporting to particular stakeholders, such as investors in our various initiatives or co-investors in particular organisations, on a case-by-case basis

As the core business model doesn't change that much, we do not have to revisit our stakeholder analysis often. Significant developments that might lead us to return to stakeholder analysis include:

- A change to outcomes being achieved: we would want to understand what is driving this new outcome and whether there are any stakeholder groups that need to be considered
- Major new funding streams, particularly if the funder has specific objectives: we would want to consider the impact that these have on Blue Sky's work
- New business lines being entered: we would want to look at whether these involve different market dynamics and therefore increased displacement or other positive or negative impacts that we would need to consider
- New recruitment practices: we would want to understand whether this changes the make-up of the employee group, either increasing or decreasing what we should assume about deadweight and attribution
- Changes to the policy environment: we keep an eye on the overall environment around ex-offenders and employment of hard to reach groups to understand the impact that other actors might have on the Blue Sky employees and our assumptions around deadweight and attribution

Given our relatively light-touch and by exception approach to stakeholder analysis during the ongoing investment management phase, stakeholder engagement usually takes up no more than a day or two of staff time per year and is managed entirely in-house.

One-Off Impact Analysis: Mid-investment, we decided to undertake an in-depth review of the impact created by Blue Sky. Our objective was to deepen our understanding of and to quantify the social value created by the Blue Sky intervention using a methodology that would be externally recognised as rigorous. We chose to conduct a social return on investment (SROI) analysis that was capable of achieving assurance by the SROI Network, which meant closely following the principles laid out in their guide to SROI.

The stakeholder analysis and engagement undertaken during this phase was similar to, but more in-depth than the process adopted during due diligence, as we needed to justify and document all the assumptions we had made regarding stakeholders. As an initial step, we identified a very long list of potential stakeholders (including groups considered earlier and many more). We then screened this list for relevance (how relevant is the stakeholder group to Blue Sky's primary mission of reducing re-offending through employment) and significance (how significant are the benefits and inputs provided by these stakeholders). Once we had identified the groups of stakeholders to be interviewed, we then created lists of individual stakeholders within these groups to consult, taking care to reflect the range of stakeholder experiences by constructing a sample that was of an appropriate size and diversity. For example, when selecting which employees to interview, we went for a mix of male and female, current and former, older and younger employees, and we also explicitly sought out some employees who had left the programme early. Next, we conducted detailed stakeholder interviews focused on understanding how they experience and contribute to the social change delivered by Blue Sky. Finally, we "played back" our conclusions to the stakeholders to ensure that we had accurately reflected their views and to see whether there were any additional points that we needed to consider. We engaged a team of about four people from Blue Sky and Impetus to carry out the stakeholder engagement, and in total, we invested about eight to ten days of staff time to select the stakeholders, develop the interview questions, set up and carry out the interviews, and then to follow up with the stakeholders once the SROI analysis was

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complete. Although there were some arguments in favour of engaging a third party to conduct the stakeholder engagement during this phase, we ultimately opted to conduct this work in-house in order to proceed quickly and to conserve resources (we had a very limited budget for this project and, going into the project, were unclear as to how much time it would consume).

The SROI Network's principles emphasise the importance of evidence collected from stakeholders. This led to an interesting debate within the team working on the analysis as to how to treat the families of ex-offenders. We knew that in the relatively small number of instances where employees' families had proactively contacted Blue Sky to share their stories that the intervention had made a very significant difference in their lives, one which could have had a material impact on our calculation of the overall value created and which therefore should be captured as part of the analysis. We could point to a number of third party studies that enumerated in detail the positive impact on families of the ex-offender turning his life around and of the negative impact that an offender's return to prison has on families. However, the SROI Network's principles would have required us to interview Blue Sky families directly to substantiate these claims, and the Blue Sky team felt strongly that this would be inappropriate. Their position was that an important part of their intervention is that they treat their employees as would any other employer, and we did not think that asking to interview a random selection of employees' families was something that would happen at other companies. This left us in the unsatisfactory position of knowing that there was material value that we were not able to capture and include in the analysis. Because we wanted to have our study externally assured, we excluded the value of changes that we believe are experienced by this group of stakeholders.

Another challenge we encountered was around extracting from the stakeholder engagement the evidence we needed for our SROI analysis in a manner that preserved the integrity of the process and of our relationships with the stakeholders. For instance, we needed the employees to share with us as much detail about what had changed, both positively and negatively, in their lives as a result of working with Blue Sky. However, even though we made it clear that we wanted employees to be as open an honest with us as possible, we could not get around the risk that some current employees might be nervous about saying something that wasn't positive about their employer. We tried to focus on open-ended questions, but some employees were understandably reluctant to open up with us about a time in their life that has been challenging, meaning that some of their answers to our open-ended questions were quite brief and not very illuminating; we, therefore, had to find a way to ask for additional information gently and without leading the employees towards a particular answer. The part of the process where we played back our findings to stakeholders was particularly challenging: while it was straightforward to confirm that we had accurately captured the employees' stories of change and had concentrated our analysis on the outcomes that were most meaningful to them, we found it difficult to talk about how we translated those stories of change into financial proxies in a way that was meaningful to them. Consistently, employees told us that the most meaningful change they had experienced was that they had managed to secure and hold onto their freedom, and they also consistently told us that it was impossible to put a value on this – that it was literally priceless. While we could reflect those conversations in the paper, we ultimately had to try to assign some type of financial value to each of the significant outcomes detailed in the paper, and finding a way to talk about this constructively was challenging. There are some resources that provide suggestions on how to engage with stakeholders (see Resources, below), which we found helpful. Ultimately, though, each situation is unique and will require an exercise of judgment to balance the requirements of the analysis with the need to preserve the dignity of the stakeholders and the integrity of your relationship with them.

Lessons Learned / Tips for Other Venture Philanthropy Organisations

In the end, the results that we achieved from the more rigorous, structured examination of stakeholders that we performed as part of our SROI analysis did not lead us to materially different conclusions as those achieved during our due diligence: the more rigorous examination did not uncover stakeholders who were either significant beneficiaries of or contributors to the social change achieved by Blue Sky that had not been considered earlier. This confirmed our view that stakeholder analysis is an area where experienced investors may safely rely on intuitive processes that work for them. For newer investors or ones who are more comfortable operating within a defined framework, there are a number of options available for both stakeholder identification and engagement (see Resources in the Appendix). VP investors will also need to think about how much time and resources they have to devote to the project.

In all three stages of Impetus's engagement with Blue Sky, we found direct engagement with primary stakeholders to be quite useful and would encourage any VP organisation to make this a regular part of their investment procedures. However, our experience with the SROI analysis we conducted also led us to conclude that direct engagement with stakeholders may not be the only way to understand value creation; we believe there is a place for considering available third party research with similar stakeholders, particularly if there are resource constraints that would prevent an organisation from conducting their own stakeholder engagement or if there are ethical issues involved, as was the case with Blue Sky.

Our top tips in approaching stakeholder analysis are to:

- Make it meaningful: Link your stakeholder analysis to your investment objectives at each particular stage.
- Put it in proportion: Stakeholder analysis is an area that could, in theory, consume as much resource as an organisation is willing to invest in it. Be thoughtful about how much is required for your current stage of investment.
- Keep it current: Stay in touch with your stakeholders regularly and be clear about what would trigger a need for a major refresh of your initial work.
- Sample soundly: Try to construct stakeholder samples that are of an appropriate size and reflect the diversity of your service users and partners.

9.3 Step 3: Measuring Results – Outcome, Impact and Indicators. Case Study: Oltre Venture investing in PerMicro

Introduction – social issue

Oltre Venture started its activity in 2006 and has been investing in social enterprises since then; bringing capital, managerial skills and knowledge to the social sector. Its purpose is to assist companies that have a social impact to create value through the creation of sustainable businesses, offering a positive financial return to those who have invested in the fund. In this way, value created is not only human and social but also economic and financial, proving that traditional financial tools can also be used in a new and innovative sector that is positioned between the for-profit and non-profit sector, by creating for-profit companies that seek primarily a social impact. The challenge is to attract private capital in a sector that has historically benefited from public funds, through a balance between financial and social return..

On one hand we aim to provide investors with an IRR equal to inflation plus 2%, on the other hand we aim to create a durable positive impact on communities involved in the project. The current fund amounts to €8m and was raised with the contributions of several private investors,

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some corporations and one bank foundation (Fondazione CRT). Currently Oltre focuses its investments on microcredit institutions (20%), social housing (25%), health services (39%), and job creation enterprises (16%).

Our approach to venture philanthropy and social investment is tailor made for the market in which we are investing: Italy. We truly partner with the organisations we invest in and this is made very clear from the outset. For us understanding impact begins right at the start. Any organisation that we consider must have financial and social outcomes ***embedded in their mission***, for example offering services at a price at least 50% lower than the market rate to customers who would not usually have access (e.g. low cost dental care to poor families) or working within a sector that by definition is social (e.g. microfinance). We generally invest in very early stage or start-up organisations so our ***key focus is ensuring their financial sustainability***. Unless the organisation is successful there can be no impact and if the organisation cannot reach financial sustainability during our investment period (7-10 years) then it is unlikely to survive after we exit meaning any potential social impact is then lost. In addition the investors in our fund expect at least the return of their capital and this can only be achieved if we help build financially sustainable companies.

PerMicro Case

An example of one of our investees is PerMicro. PerMicro is a microcredit institution founded in 2007. Its mission is to give the opportunity of social and financial inclusion to "non-bankable" populations through microcredit, providing loans directly to businesses and individuals. Operating initially in the multi-ethnic neighbourhoods of Torino, PerMicro has grown to national level by opening 12 branches throughout Italy. PerMicro's activity is based on the concept of network credit: the social network of reference is the intermediary between PerMicro and the clients, providing a moral guarantee and supporting them before and after the loan disbursement. PerMicro is the first Italian microcredit provider. Its business model has been recognised and rewarded also at European level and won the "Fondazione Giordano dell'Amore" award. Since its inception, PerMicro has screened about 10,700 candidates and distributed more than 2,000 microloans, for a total financing amount of € 11,4m. The average duration of a loan is 36 months, the average size of a loan is €4,000 for family loans and €7,300 for business loans. Oltre Venture currently owns 12% of PerMicro's equity, which has recently benefited from the entrance of BNL (BNP Paribas group) among its shareholders as its industrial partner.

Current approach to measuring results

PerMicro's objective is to create improvement in overall life conditions for its customers by distributing microloans and thus positively affecting the micro business/family financial condition to achieve its mission. PerMicro wants to understand the outputs, outcomes, and impact of its activity and has developed an in-house approach to impact measurement that addresses its specific queries.

PerMicro has developed different types of reports and performance screening tools, which address different objectives and are intended for different recipients.

- *Ongoing Performance Tracking & Management*: PerMicro produces monthly, quarterly, and annual reports that summarize its activities, which are shared during monthly committee meetings. The indicators in the report include measures of outreach, client satisfaction, and financial performance. These are produced for internal use, as a tool for management to monitor the ongoing progress towards (i) fulfilling the mission and reaching the target population, and (ii) reaching the economic / financial objectives stated in the business plan (break-even point).

Type of Report	Information Covered	Purpose
Monthly Reports	• Client information: nationality, gender, civil status, business activity of clients and purpose of the loan. • Loan information: disbursed and outstanding portfolio, the number of contracts, the number of opened files, the number of closed files.	• Monitor data on new clients and existing clients' attrition rate • Provide detailed information on the monthly activity of PerMicro
Risk Reports	• Bad debt • Repayment • Other performance measures	• Evaluate cost of risk • Evaluate quality of portfolio • Set benchmarks among branches, evaluate other risks
Dashboard	• This is a tool under development. It will be a monthly report and will provide information across the following areas: o Administration o Production and development o Risk and recovery	• Provide a comprehensive view on the social and economic performance of PerMicr

The form, content and frequency of the reporting were agreed between Oltre and PerMicro at the beginning of our investment and focus on the operations of PerMicro, for the reasons we detailed before (i.e. in line with our objectives for impact measurement).

- *External Reporting*: PerMicro produces a series of different reports for different stakeholders. Equity investors are the stakeholders that are mostly interested in the assessment of the projects, and they need to have information in relation to their expectations (achievement of the break even point and value created through their investment). Apart from clients and investors of PerMicro, other interested stakeholders are mainly local municipalities and in general public institution working in the nearby environment, which may benefit from a constant update on the evolution of PerMicro's activities, and other local associations or non-profit organisations.

Target Audience	Information	
Potential clients of PerMicro	• Social reports	• Communication instruments
Investors (e.g. Oltre Venture)	• Qualitative reports about outreach (monthly) and client satisfaction. • Reports that monitor portfolio risk • Balance sheet and income statement	• Business plan • Social reports • Market research
Other stakeholders (networks, government)	• Social reports • Reports on risk profile of clients	• Market research • Reports on clients

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Indicators

PerMicro has identified a set of objectives and related performance indicators that are summarised in the table below. To monitor progress towards financial goals, PerMicro has chosen the standard tools used for this purpose, which are financial statements and financial modelling, with constant monitoring and review of the business plan made available by monthly budget reports. On the Social side, PerMicro constantly monitors the demographics of clients it reaches, comparing this with its goals and its mission, as well as monitoring the type of engagement of their clients and any possible difficulties they are facing.

Although we are aware of and follow the development of standardised indicators (from the likes of IRIS and Wikivois) and can understand what these organisations are trying to achieve, we have chosen not to use them. This is firstly because it is important for us to assign indicators in Italian, and this is not possible with the current IRIS taxonomy. Secondly we believe it is important to work with the SPO in the development of the indicators given the peculiarities of each of the organisations we work with.

	Financial side	Social side
Objectives	**Financial objectives**: break even point	**Social objectives**: lending to non-bankable people
Indicators	**Financial data**: balance sheets, income statement, financial modeling	**Client Demographics**: gender, nationality, education, age. **Client Engagement**: account types, pending loans, non performing loans

Impact Measurement

Following the social and economic contextualization of the microcredit institution activity, PerMicro goes a step further in the evaluation of impact, focusing on the analysis of changes made in the quality of life of its clients (or their families and local communities) and determining whether there have been any positive, negative or neutral effects.

The definition of impact used by PerMicro stems from two main elements:

- Changes that take place in an individual's life, in its family, its business or its community;
- The extent to which these changes are related to the individual's loan undertaking.

To identify and measure impact, one must prove in a credible manner that changes observable in clients, with reference to the different analysis levels, are directly related to the clients' relationship with the institution.

In the last few years, PerMicro participated in two scientific working groups and identified some potential methodologies to evaluate the impact of its activity. These methodologies, however, presented some hurdles in terms of cost of implementation and of the so-called attribution problem, which is more marked in the western world, where the existence of a more structured public welfare system makes it hard to isolate the effect of micro lending from other types of intervention.

The final decision made by PerMicro was to perform a retrospective impact evaluation focusing on a proxy of Impact: the change in financial inclusion. Below is a summary of the evaluation method showing how it will be implemented in time. As per PerMicro's in-house developed definition, impact occurs and it is positive if a client becomes bankable after taking a microloan.

Timeline	Phase	Actions
June-September 2012	Sample of non-bankable	1. Settle on criteria to define a sample of non-bankable people: • Absence (or presence for less than 6 months) of a bank account • Loans with credit institutions • Loans with banks 2. Selection of a sample composed of non-bankable people within PerMicro portfolio who received a loan in 2010
September-December 2012	Interview	3. Phone interview with the client or the bank to understand whether after the disbursement of a microloan the client become bankable i.e. did they start a stable relationship with a bank, open a bank account asked and/or obtain another loan.
January 2013	Elaboration of data	4. Analysis of data. Impact evaluation.

The end of the evaluation period is set to be end of 2014, at which time PerMicro is also expected to reach its financial break-even point.

As an investor we are fortunate that PerMicro themselves were willing to commit the required resources to these more in depth studies about their impact and it does provide us with further information to communicate to our own stakeholders. However if PerMicro were not keen to perform these impact studies we would not require them to do so as we believe that output measures can sufficiently demonstrate that a business is on the right track (or not) to financial sustainability and therefore achieving social impact.

Conclusions

The rationale of building financially sustainable companies informs Oltre's approach to impact measurement. For us financial sustainability is the key to achieving social impact so we predominantly use impact measurement as a management tool, focusing on output indicators to understand how the business is progressing vis-à-vis its business plan. This is reinforced by the difficulties that exist in measuring impact in a developed country such as Italy. The strong welfare state and other safety nets means it is very difficult (and expensive) to isolate the longer-term effects of any organisation we are supporting to provide an accurate measure of impact. For example in the case of one of our micro-finance investments, we can accurately measure the number of loans disbursed and number of new businesses created, but to go a step further and consider how that relates to the physical well-being of the family who now has a business would be very difficult. A long term study using randomized control groups would probably be required and then we also have the moral issue of excluding groups of people who could have benefitted from a loan but for the purpose of the study were selected not to so as to have an appropriate control group.

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We may eventually consider a more comprehensive study of the "impact" of our fund, but that is most likely to occur once we close the fund and are distributing the proceeds to its shareholders. This is because any sufficiently rigorous impact study is likely to have to be in place for at least half the time of our total investment period and we think it is more important to focus our efforts on supporting the entrepreneurs in growing their business. We recommend other social investors to develop ways of measuring results that are clearly in line with their objectives.

9.4 Step 4: Verifying & Valuing Impact. Case Study: Esmée Fairbairn Foundation investing in Social Impact Partnership (developed and run by Social Finance)

Introduction

Esmée Fairbairn Foundation aims to improve the quality of life for people and communities in the UK both now and in the future. We make grants in the region of £30-35 million every year in the arts, education and learning, the environment and social change. In addition, we operate a £21 million Finance Fund, which invests in organisations that aim to deliver both a financial return and a social benefit.

For both our grant making and finance fund activities we are in the process of implementing a systematic approach of asking grantees and investees to define 3 key outcomes at the start of their grant of investment. We then track progress towards these outcomes over the course of the investment period via standard reporting. For the majority of grants and investments it is not a good use of resources for us to independently verify or value the impact achieved, although for strategic interventions on particular sectors or themes or for large individual grants we may commission a broader evaluation, we do not generally verify or value the impact that is achieved by our investees.

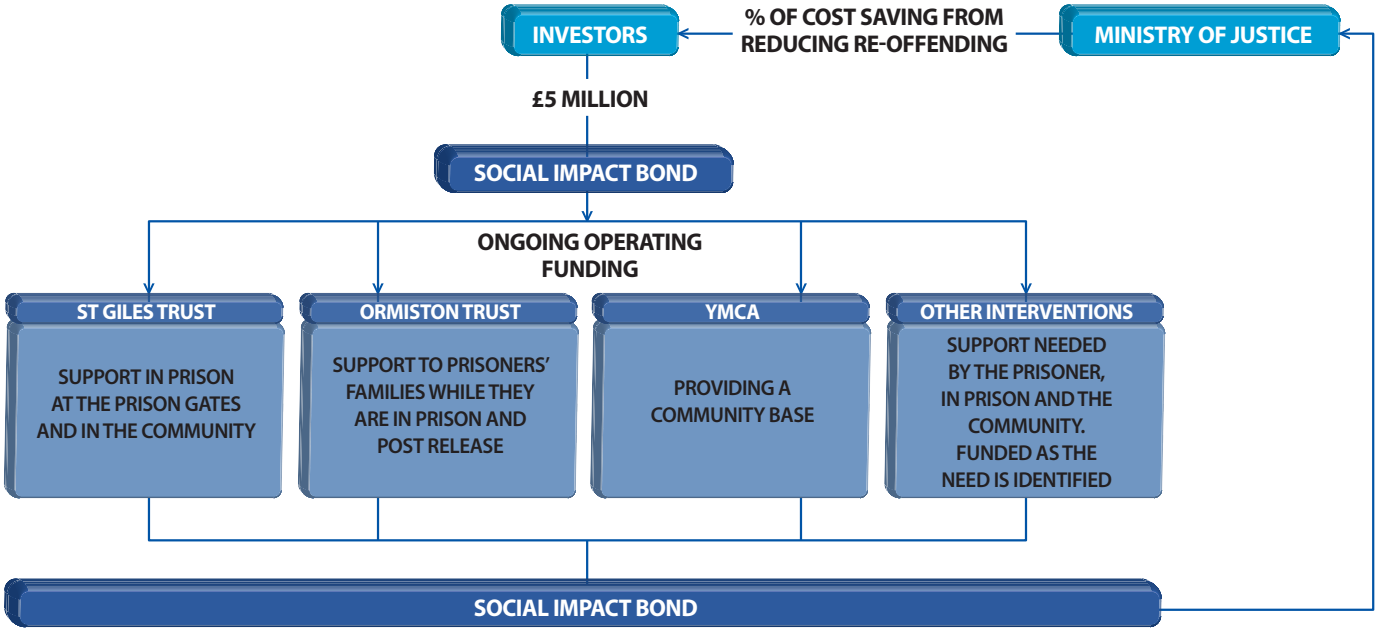
We are aware that verifying and valuing impact is becoming an important topic in the sectors in which we work and investing in the Social Impact Partnership gave us first hand experience of the financial return on our investment being directly linked to a measurable social return.

Investment: Social Impact Partnership (developed and run by Social Finance)

The Social Impact Partnership is the first Social Impact Bond, developed in 2010 by Social Finance with the aim of reducing re-offending in a cohort of prisoners. A Social Impact Bond is an outcomes-based contract in which private investors pay the costs of an intervention, which is delivered by service providers with a proven track record, and financial returns are made to the investors by the public sector if the agreed improved social outcomes take place. If outcomes do not improve, then investors do not recover their investment.

Several Social Impact Bonds are now being developed, but this is the first and is still in progress. It is hoped that, in a time of reduced public sector spending, Social Impact Bonds will be a way of attracting new investment in interventions with positive social outcomes.

Structure of the Social Impact Partnership:



Source: Social Impact Through Effective Finance, Emily Bolton, Social Finance, Ltd. , 2010

Approaching Valuing Impact – Considering Objectives, Stakeholders & Impact

Step 1: Setting Objectives

The objectives of the Social Impact Partnership were agreed in a dialogue between Social Finance, the Government, potential investors and the voluntary sector.

Social Finance canvassed offenders, prison staff, local stakeholders, voluntary organisations working in the field and criminal justice experts to hear what they thought might help stop the revolving door of short sentenced reoffending. They also began talks with the Ministry of Justice to understand what might make a difference if an alternative source of funding was found to deliver support to this target group. In addition, Social Finance engaged with Trusts and Foundations, some of whom were already committed to the Criminal Justice sector, to test whether they were prepared to support an untested but potentially transformational proposition.

After 18 months of intense discussions, a contract was signed with the Ministry of Justice to launch the first Social Impact Bond. The model aims to:

- provide intensive support to 3,000 short-term prisoners leaving Peterborough prison over a six year period, leading to a reduction in re-offending of at least 7.5% or more which would trigger payments to investors; and
- prove the Social Impact Bond as a model which could attract new investment in future.

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Step 2: Stakeholder Analysis

Most of the stakeholders of the Social Impact Partnership are taking part in or are directly affected by the project, and are instrumental in its success or failure:

- Government – the public sector (Ministry of Justice);
- Investors – 17 charitable foundations, primarily from the UK and two from the US;
- Service Providers – voluntary sector charities (St Giles Trust, Ormiston Children and Families Trust and YMCA) provide the core services, supplemented by additional services purchased as needs are identified e.g. mental health services by MIND;
- Service Users – the prisoners taking part in the project, and those not taking part who represent the control group;
- Her Majesty's Prison Peterborough – run by Sodexo Justice Services. The prison resettlement team works alongside the service providers to provide pre-release services.

Step 3: Measuring Results: Outcomes, Impacts and Indicators

Due to the nature of the project, each stakeholder will have their own outcomes for this project. The Government may be looking for cost-saving and off-loading risk, whilst the service users may want a wide range of outcomes (good housing, job prospects, a better future for their family). For us, the most important outcome was reducing re-offending, however the cost-saving element for the government became a key driver given the importance of the government in facilitating the whole transaction.

Outcomes:

- A proven reduction in reoffending in a cohort of short-term sentence prisoners.
- A wider impact on the social investment market - evidence on whether this model works, or how it can be improved, which is taken up by the market.

Indicator:

- Reduction in the frequency of reconviction* events (number of times an offender is reconvicted at court in the 12 months following release from prison calculated using data held on the Police National Computer) of the cohort group when compared to a comparison group of prisoners discharged from other prisons during the same period (to normalize for the influence of external events on reconviction levels).

  *It was agreed to use the indicator of reconviction events rather than reoffending, as cost savings to Government are linked to reconviction events rather than incidences of reoffending.

Verifying & Valuing Impact

In the case of the Social Impact Partnership, we were primarily interested in the performance of the model itself and what lessons this provides for the future – would the stakeholders be able to work together to deliver the main goal, reducing reoffending?

How was the Social Impact Partnership to assess the value of reducing reoffending? It was agreed before the project began that this value could be assigned a financial value. The costs of reconviction saved by the public sector (the Ministry of Justice) would represent both the value of the social outcomes achieved and the return to the private investors in the Partnership.

Why was the cost-saving methodology selected?

- The outcome metric of the Social Impact Partnership is the foundation of its structure, which is in essence a contract between the public sector and private investors. The government was the crucial player in this discussion and they defined that cost savings were the most important measure
- In order for the Partnership model to work, the target social outcomes must be tied to a desired social change and a direct cost to the public sector.
- Being able to measure clearly and provide evidence for the social outcomes of the investment and link them directly to the costs saved by the Ministry of Justice by achieving the social outcomes was essential to attract both the public sector and the private investors into the Partnership.
- It was a pragmatic approach: transparent, objective & independently verifiable.

Costs & Cost Savings

Costs were estimated before the start of the project, using:

- data that was available and easily collected on public sector costs;
- cost calculations that were probability-weighted;
- average public sector costs per individual.

	Probability / Cost
The public sector cost a reconviction within 1 year (in terms of police work, court cost, etc.)	£ 13,000
Reconviction cost	£ 13,000
The likelikehood of a reconviction leading to a further prison sentence	40%
The costs associated with that prison sentence	£ 37,000
Average prison cost	£ 14,800
The likelikehood of a reconviction leading to a community sentence	60%
The costs assosiated with that community sentence	£ 6,000
Average community sentence cost	£ 3,600
AVERAGE COSTS OF A RECONVICTION WITHIN 1 YEAR	**£ 31,400**

Source: Towards a New Economy, Emily Bolton & Louise Savell, Social Finance Ltd., 2010 (please note that the data in the chart is illustrative only)

The cost calculations were limited to the direct cost of a reconviction, and did not include: insurance costs, costs to victims, costs borne by society for crime prevention due to the difficulty in reliably calculating these costs.

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Impact measurement: current status

The project began work in August 2010 at Peterborough prison and will work with three cohorts of 1,000 unique short-term male prisoners each over 6 years

In order to measure the outcome, the Social Impact Partnership tracked a baseline control group of prisoners not involved in the project, using the Propensity Score Matching method to match the cohort to a suitable control group. The method normalized the groups for demographics & criminal history background. Both the method and outcomes are independently assessed by QinetiQ and the University of Leicester.

There are minimum thresholds in place which must be reached to ensure that the outcomes achieved are statistically significant:

- A fixed unit payment for each reduced reconviction event is paid provided reconviction events in each of the three cohort groups are reduced by at least 10% relative to a control group.
- If a 10% reduction is not achieved in any of the three cohorts, then the three cohorts are measured together at the end of the pilot. If a 7.5% reduction is achieved in total, then investors receive payment for any cohorts that have not been paid for to date.
- There is a cap on total outcome payments to investors. Investors will therefore receive an increasing return effectively capped at a maximum of 13% per year over the eight-year period.

Limitations of this method:

- Data integrity – the measurement of outcomes assumes that data on the prisoners and the control group is captured and recorded correctly on the Police National Computer.
- Propensity Score Matching method ("PSM") – the model assumes that the PSM methodology is successful in matching the cohort to a control group based on each individual's characteristics.

We are not yet able to value the impact of the Social Impact Partnership, but as a model it has proved that it is possible to get Government, the voluntary sector and private sector investors working together for a common goal. Whether this is taken up more widely will depend on its success, and that of other Social Impact Bonds, which have begun to be taken up in other sectors.

Anecdotally, it is believed that the Social Impact Partnership is already having an impact. Clients have reported a better control over their lives and lower incidences of reoffending. Local police have conveyed similar findings. However, the first results will not be available until Year 4 as it takes approximately two years for the first cohort of 1,000 prisoners to be released, a further 18 months to track reconviction events and a further 3-6 months to measure the outcome against the control group.

Lessons Learned

There is a balance to be struck between robustness and complexity, time & cost. Whilst the PSM method proved successful in developing an appropriate control group, it is a complex and time-consuming process. This could be a barrier to replicating the model more widely. There are also limitations for control group comparison if the Social Impact Bond models are scaled. With higher numbers, the population from which the control group is derived becomes smaller, which may restrict the quality of the matching and ultimate results.

The outcome chosen in this case is the one that is best linked to cost savings for the Government, but this may not necessarily be the best measure of the outcomes of the project when considered from the point of view of other stakeholders, including ourselves. For a charitable foundation like Esmée Fairbairn, judging the value of our investment in a social intervention (either through a grant or a social investment) is usually done through a mix of qualitative and quantitative methods. We want to be convinced by the facts and figures of a project, but we also want to be told the story of the work itself and its potential impact on its beneficiaries.

Will the estimated cost savings for Government materialise? It is likely that the outcomes achieved at Peterborough will be too low to be able to shut a prison wing or close a court; hence the cashable cost savings may be limited.

9.5 Step 5: Monitoring & Reporting. Case Study: Auridis investing in Papilio

This case study considers monitoring & reporting through the lens of Auridis' (a German charitable limited company) investment in the German non-profit organisation, Papilio e.V. ("Papilio")

Introduction – social issue

Auridis GmbH invests in organisations and programmes that sustainably improve opportunities for socially disadvantaged families and their small children.

The investment focus is on the dissemination and replication of successful approaches. The core portfolio consists of 19 organisations that mostly receive grants for 3 to 10 years. Due to the fact that we are investing in early childhood development, most investments do prevention work with impact that cannot be easily related to the activities of the investees.

Since 2010 Auridis has been supporting Papilio. Papilio has developed and promotes a kindergarten programme for early childhood prevention of addiction and violence. Substance addiction and violence are widespread, in particular among the juvenile population, with extremely high negative effects on the society and national economy. The likelihood of young people developing a substance addiction or violent behaviour is to a relevant degree determined by the individual's capacity to cope with stress and adversity, her or his so-called socio-emotional competences (resilience). Children develop these competences in early childhood, i.e. at age 3 to 6. The Papilio programme intends to enhance child educators' abilities to support young children in developing positive social and emotional competences.

Papilio integrates as a part of the pedagogic concept in the kindergarten, with elements like the "toys-go-on-holiday-day" or "Paula and the trunk pixies", a puppet play with pixies representing the four main emotions (joy, anger, sadness, fear). Other than other programmes offered in German kindergarten, Papilio accompanies the children during their whole kindergarten time (as opposed to a curricular one-time activity).

PREVENTION AND IMPACT MEASUREMENT DILEMMA

The expected social long-term impact:

- The early development of protection factors (social-emotional competences) prevents the risks that lead to addiction and violence.
- This forms the basis for a self-paced and independent adult life.

Challenge:

- It is a great challenge to measure the long-term social impact of prevention work with quality assurance
- Specific early childhood interventions can only be linked to later developments or outcomes based on large-scale randomised longitudinal studies – if at all.
- Ethical problem of working with comparison groups in scientific studies for longer time period (because it would require specific target groups to be excluded from change)

Proxy:

- Short-term output indicators can give an indication of sustainable impact.

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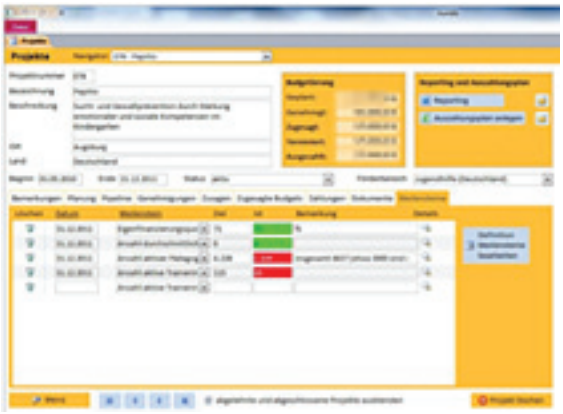
The Papilio programme is disseminated by way of a train-the-trainer model, with headquarters in Augsburg, Germany. Since 2002 close to 5000 child care workers in 11 federal states all over Germany have been trained with the Papilio programme and approximately 100,000 children (extrapolated) could be reached. We accompanied Papilio by financing a business planning phase from 2010 to 2011 and is currently supporting the growth phase from 2012 to 2017 (estimated).

Auridis' approach to Monitoring & Reporting

Prior to investing long-term in a SPO we finance and actively accompany a business planning phase ("impact planning"). During this phase a shared understanding of the social issue, the theory of change, the expected impact, the main levers for organisational success, and the relevant indicators is developed between Auridis and the investee. During the growth financing phase the organisations' development and performance are tracked on a quarterly and annual basis using milestones and specific metrics agreed upon between Auridis and the investee.



We track the development in our investee database which collects information such as financial data, grant history, essential documents such as grant agreements, investees' progress reports, and the milestones. The investee database has been developed in house using Microsoft Access. All other data is stored in a file storage system. We do not aggregate output, outcome, or impact data of the portfolio organisations, as we believe this data would lead to misinterpretation.

We support the development of information management and controlling systems of our investees by agreeing on reporting requirements, financing the development of tailor-made systems, bringing in pro bono consultants, and sharing experiences throughout the portfolio.

The level of sophistication of the information management and controlling systems of our investees varies across our portfolio. We estimate that approximately one quarter of our investees have good systems in place, on a par with Papilio, which we discuss shortly; one quarter of our investees are about to develop a robust system; one quarter are considering the development of an information management system; and for the remaining quarter it is not an issue on their radar screen given they are very early stage and are needing to focus their efforts and resources elsewhere.

Papilio's approach to monitoring and reporting

Papilio commissioned a scientific study on the outcomes of the programme from 2002 to 2005 with 700 children and their families. The results showed positive outcomes for children, kindergarten, and parents, such as reduction of first deviant behaviour of the children and better learning abilities at school, positive effects on cooperation within the kindergarten team, and a better basis for education partnerships with the parents.

As outcomes are not always easy to measure in the short term we decided to use large scale output indicators to serve as proxies for outcome. For example: the number of actively practicing and certified Papilio child care workers; the number of parents ordering Papilio books and DVDs for their children, etc. The underlying assumption is that these indicators are good proxies for the expected long-term outcomes.

1. **Aggregation of impact data**

   Papilio introduced an online, web-based database system for the Papilio trainers to report their activities to headquarters. Information such as names and contact details of trainers, child care workers, and kindergarten as well as number, date, place, and participants of trainings and supervisions and the progress of the certification process are recorded by the trainers. In addition, Papilio tracks the quantities of materials ordered (books, DVDs, educational material, etc.). The Papilio team gets monthly reports of all aggregated data. The prerequisite for Papilio to introduce such a tool was a German-language, very simple web-log-in system.

2. **Aggregation of financial data**

   Financial data tracked by the book-keeping and accounting system as well as output data recorded in the web-based database are integrated in monthly and quarterly reports. This is done semi-automatically by the controller of Papilio using Microsoft Excel templates for summarizing the web-based database and the accounting software. Data processed includes actual cash flow, ACT vs. PLAN data, organisational development indicators, and output indicators as described above.

3. **Stakeholder presentation of the data**

   The data collected is presented to different stakeholders in different formats:

   A monthly dashboard report is produced for the organisation's management, summarising key financial and output indicators. This is the basis for the organisation's day-to-day management. More detailed reports are produced for a variety of funders in accordance with their respective requirements.

In order to streamline reporting and to increase the efficiency of the reporting process, Papilio has started to produce annual reports in accordance with the German Social Reporting Standard (SRS). The SRS has been developed by a consortium of German high-impact funders such as Auridis, BonVenture, and Ashoka, in cooperation with experts and researchers. SRS provides a structure to report on the problem to be solved, the contribution of the SPO to the solution and the achieved social impact together with organisational and financial data. Reports based on SRS should satisfy most reporting requirements of different funders. To the extent this is not the case the reports can be complemented by additional annexes.

Papilio started to use the SRS structure during its business planning phase. Many of the elements developed during this phase are being reused for reporting purposes, such as the concise description of Papilio's theory of change.

We encourage our investees to use the SRS, however to date we haven't pushed any of our investees to do so, preferring to offer them assistance in introducing it. In our view, using SRS will improve the consistency and comparability of the information that we receive.

Auridis' investment in Papilio

In its first years of operation the Papilio team had an expanding system with a mix of Excel sheets, Word lists, and paper lists spread all over the team, which made it very difficult to aggregate the data. As Papilio evolved a more holistic system was needed. Supported by Auridis and one other major funder, the Papilio team started to develop their own information management system. No German-language system that could be tailored to Papilio's needs could be identified. The definition and streamlining of processes took 1.5 years and was supported by IT and finance experts. The result – a self-developed, tailor-made data system –

CASE STUDIES

was put into action in 2012 and will need approximately half a year of implementation. So far Papilio only counts hard facts, but is thinking about how to measure soft outcomes in the future.

What has Papilio learned from the development process?

- Usability is the key success factor for the usage of the system. Therefore, simplicity is the most important requirement for the information management system.
- The underlying processes are more important than technology.
- The process should be steered by an experienced IT developer who can, and does, ask the team for input regarding the reporting contents and formats required and translates them into a technical solution.
- The whole team and some of the other (external) users need to be integrated in the development process as they will be the main beneficiaries of the system.
- The development of an information management system needs an iterative process and a lot of end consumer testing and reversing.

End-users do have a broad variety of experience with, and affinity to, web-based systems. Therefore, user training is required to ensure the same understanding of data and time periods, to check the technical usability of the system on the users' hardware (social workers tend to have only access to defunct technology) and to agree on reporting timelines. The end-user should optimally also understand the added value of using the new tool.

The costs for the development of the system were 20,000 to 30,000 Euro for staff time and the IT developer. In many cases this kind of work does have a high potential for pro bono work from external consultants and IT companies. The hours saved if the information management system is working fluid and properly are expected to outweigh the upfront investment (although no calculation was made for this).

Recommendations

We believe that investees should be encouraged to allocate substantial money to information management, as it is a key to sustainable growth and stakeholder reporting. Excel is only suitable for the early development stage. In most cases, the necessity to introduce more or less sophisticated monitoring and evaluation systems only becomes apparent once the scaling-up, or dissemination, starts to accelerate following the VPO/SI's investment. In our experience, the monitoring and evaluation systems used by one organisation can only inspire the development of tailor-made solutions for other organisations with a different business model, but cannot be transferred "as is".

Importantly, the investees need external help to implement these systems, which can be facilitated by the VPO/SI. In a number of cases, the organisations in the Auridis portfolio were supported on a pro bono basis by consultants of OC&C Strategy Consulting. Their focus was on asking strategic questions in order to define the expected end product before starting with the "how to questions".

Regarding impact measurement, substantial scientific impact studies are usually very expensive (>0.5 million Euros), and such funding is difficult to obtain (if not provided by the VPO/SI). In most cases gut feeling, proxies, and scientific assumptions based on other studies need to be used, especially in prevention work. But be aware to not only count what is countable – soft facts matter more. However, it is important to be transparent about the assumptions and their basis. Gut feeling alone won't do it.

Financing an information management system

The development of an information management system will need significant work by an experienced IT developer. If the service would be purchased in the for-profit market, significant costs would accrue. VPO/SIs should provide cash and encourage their investees to invest in IT infrastructure to streamline processes and strengthen the operational capacities of the investee.

Nevertheless, given the usual shortage of money in SPOs, this topic offers the opportunity to fundraise a service grant from a for profit service provider. In combination with a pro bono consultant the development and implementation process can be realised with minimum cash spend. VPO/SIs can play an active role in connecting their investees to service providers and pro bono resources. Investments in a sound information management system should be written off in many years and maybe shared with other organizations to make the investment worth wile.

Typical costs if no pro bono support applied:

Phase	Cost range (Euro)
Specification	5,000 – 15,000
Realisation	20,000 – 50,000
Testing	1,000 – 5,000
Pilot phase	2,500 – 5,000
Yearly operation	1,000 – 5,000

Note: these figures are just indicative, based on the Auridis experience in this specific case. However, it can be used as a general indication of expected costs.

PART 4 APPENDICES

10.0 Glossary of Terms

To be included in the final version of the guide

ADDITIONAL RESOURCES

11.0 Additional Resources

Step 1: Setting Objectives

General Resources on Goal Setting

- Locke, E. A. & Latham, G. P. (1990). A theory of goal setting and task performance. Upper Saddle River, NJ: Prentice-Hall.
- Locke, Edwin A.; Latham, Gary P. "Building a practically useful theory of goal setting and task motivation: A 35-year odyssey." American Psychologist, Vol 57(9), Sep 2002, 705-717
- Doran, G. T. (1981). There's a S.M.A.R.T. way to write management's goals and objectives. Management Review, Volume 70, Issue 11(AMA FORUM), pp. 35-36.

Setting Objectives in Impact Measurement

- Sept, Naylor and Weston. 2011. "Measuring the impact of social programs: A review of best practices." Stanford Global Supply Chain Management Forum; Socially & Environmentally Responsible Supply Chain Program: http://www.gsb.stanford.edu/sites/default/files/documents/MeasuringPerformance0fSocialPrograms-040811-1.pdf

  Note that this provides a slightly different framework for considering approaches to social performance measurement:
- Kellogg Foundation's Logic Model (Chapter 1: The "What" and the "Why" of Logic Models): http://www.wkkf.org/knowledge-center/resources/2006/02/WK-Kellogg-Foundation-Logic-Model-Development-Guide.aspx
- Grantcraft, The Ford Foundation, "Mapping Change: Using a Theory of Change to Guide Planning and Evaluation" (Compares "Theory of Change" and "Logic Model"): http://portals.wi.wur.nl/files/docs/ppme/Grantcraftguidemappingchanges_1.pdf
- www.theoryofchange.org
- Annie E. Casey Foundation (www.aecf.org). Theory of Change: A Practical Tool for Action, Results and Learning
- International Network on Strategic Philanthropy (www.insp.efc.be).

Step 2: Stakeholder analysis

- The SROI Network: A Guide to Social Return on Investment 2012 http://www.thesroinetwork.org/publications/doc_details/241-a-guide-to-social-return-on-investment-2012
- Accountability, Stakeholder Engagement Manual. http://www.accountability.org/images/content/2/0/207.pdf

  http://www.accountability.org/images/content/2/0/208.pdf

- The New Economics Foundation, Participation Works! http://www.neweconomics.org/publications/participation-works
- Involve, peopleandparticipation.net http://www.peopleandparticipation.net/display/Methods/Home
- Robert Wood Johnson Foundation, A Practical Guide to Engaging Stakeholders in Determining Evaluation Questions http://www.rwjf.org/pr/product.jsp?id=49951
- Forth coming guide by The SROI Network "Supplementary Guidance on Stakeholder Involvement" http://www.thesroinetwork.org/publications/cat_view/198-sroi-network-supplements
- The Value Game- a stakeholder led valuation tool http://www.valuegame.org/
- Useful document prepared by DFIF to help stakeholder analysis in the context of development Project http://www.docstoc.com/docs/21907825/IMPACT-ASSESSMENT-STAKEHOLDER-ANALYSIS
- Geoff Mulgan, Measuring Social Value, Stanford Social Innovation Review 2010 http://www.ssireview.org/articles/entry/measuring_social_value

Step 3: Measuring Results: Outcome, Impact, Indicators

- Nelson & Ratcliffe, 2010, "A Guide to Actionable Measurement", Bill & Melinda Gates Foundation
- IRIS database of indicators: iris.thegiin.org
- Wikivois database of indicators: http://www.wikivois.org/index.php?title=The_WikiVOIS_Database
- Social Balanced scorecard and other tools: http://www.proveandimprove.org/tools/socialenterprise.php
- Ruby Sandhu-Rojon, UNDP, "Selecting Indicators for impact evaluation"
- Millennium Development Goals: http://www.mdgmonitor.org/goal1.cfm
- Progress Out of Poverty Indicator: progressoutofpoverty.org

Step 4: Verifying & Valuing Impact

- http://www.roguecom.com/interview/overview.html
- http://techinlibraries.com/cowgill.pdf
- http://www.fhi360.org/NR/rdonlyresexojqw6qwz2dfbxk2rdix3dmwzr5i4eviuqzhlu2qk25eabfd6tyttmnmqmo6epkn7mecnva7bw5bh/focusgroups1.pdf
- http://www.eldrbarry.net/roos/eest.htm
- Mitchell, R. and R.Carson (2005). Using surveys to value public goods; the contingent valuation method. Washington USA.
- Champ, P., Koyle, K. en Brown, T. (2003). A Primer on nonmarket valuation. Dordrecht (NL): Kluwer.
- More information on ValueGame can be found at www.valuegame.org
- Wellbeing valuation: www.ncbi.nlm.nih.gov/pubmed/17380470
- Further information on QALY can be found at: http://www.medicine.ox.ac.uk/bandolier/painres/download/whatis/QALY.pdf
- More information on these techniques (and many others) can be found in the TRASI database: http://trasi.foundationcenter.org/

ADDITIONAL RESOURCES

Step 5: Monitoring & Reporting

- Social Reporting Standard:
  http://social-reporting-standard.de/ by Auridis, BonVenture, Phineo, Ashoka, PWC a.o.
  http://srs.aufbau-server.de/en : English webpage
- www.mande.co.uk : website on monitoring and evaluation; lot of information, documents, cases, etc.
- www.unfpa.org/monitoring/toolkit.htm (United Nations Population Fund)
- http://web.undp.org/evaluation/handbook PDF-Handbook UNDP
- Principles of Good Impact Reporting, by NPC a.o.
- World Bank, "Monitoring & Evaluation: Some Tools, Methods & Approaches"
- PULSE (http://pulse.app-x.com)
- GIIRS (www.giirs.org) provides both company and fund impact ratings, each with current and historical analyses of impact performance for comparative use. In order to scale the impact investing marketplace, investors require an independent third-party impact ratings product that is comparable, transparent, and easy to use.

SOURCES

Webinars

The Expert Group members were divided into working groups to focus on a particular step in the impact measurement process. Their findings resulted in a webinar-based presentation to the other members of the Expert Group and the case studies found in section 9.0. The working groups for each step were as follows. A "*" denotes the author of the case study.

Step 1 - Setting Objectives: Van Dijk, M., Social Evaluator; Presner, B., Acumen Fund; Kagerer, T., LGT Venture Philanthropy; *Sandvold, O., FERD Social Entrepreneurs; Ferraro, F., IESE Business School.

Step 2 – Analysing Stakeholders: Grabenwarter, U., European Investment Fund; *Niles, M., Impetus Trust; Kennedy, R., CAN Breakthrough; Robin, S., Stone Soup.

Step 3 – Measuring results: outcome, impact, indicators: Gelfand, S., the GIIN; Lane Spollen, E., One Foundation; *Allevi, L., Oltre Venture; Stievenart, E., ESSEC Business School.

Step 4 – Verifying & Valuing Impact: Nicholls, J., SROI Network; Varga, E., NESsT; *Petkova, I., Esmee Fairbairn Foundation; Nicholls, A., Skoll Centre for Social Entrepreneurship.

Step 5 – Monitoring & Reporting: Scholten, P., Scholten & Van der Meij; Backstrom, C., Naya AB; Tarakeshwar, N., Children's Investment Fund Foundation; *Leissner, C., Auridis; Santos, F., INSEAD Business School.

Interviews

Allevi, L., Managing Director & Volpe, A., Oltre Venture (September 24, 2012)

Blokhuis, M., Director, Noaber Foundation (October 19, 2012)

Crane, G., Impact and Learning Officer, Esmée Fairbairn Foundation & Patel, T., Associate Director, Social Finance (September 26, 2012)

Kagerer, T., COO, LGT Venture Philanthropy (September 10, 2012, by email)

Leißner, C., Project Manager, Auridis (October 8, 2012)

Luebbering, J. and Elsemann K., Partnership Development Team, streetfootballworld (September 10, 2012)

Lumley, T., Head of Development, New Philanthropy Capital (September 7, 2012)

Mason, C., COO, Big Society Capital (September 27, 2012)

Niles, M., Investment Director, Impetus Trust (September 24, 2012)

Sandvold, Ø., Director of Business Development, Ferd Social Entrepreneurs (September 17, 2012)

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EVPA is a membership association made up of organisations interested in or practicing venture philanthropy. Established in 2004, the association is a unique network of venture philanthropy organisations and others committed to promoting high-engagement grant making and social investment in Europe. Currently the association has 160+ members from 21 countries.

EVPA's mission is to promote the expansion, effectiveness and impact of venture philanthropy and social investment in Europe.

The EVPA Knowledge Centre is the hub for European knowledge and thought leadership on venture philanthropy and social investment. Its mission is to:

1. Provide EVPA members with resources and knowledge to assist them in the development of strategy and best practice

2. Provide EVPA /VP field with legitimacy to:
- Inspire professionals and attract funding
- Enable academic research
- Engage public information

3. Connect practitioners, academics and advisors around field know-how.

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