

TIDES

WHAT'S POSSIBLE

Assessing Social Impacts of Investments
*Developing Effective Evaluation Systems
to Measure Social Returns*

July 2011

Impact Assessment Frameworks

Systems, Processes and Considerations for Impact Assessment

Strategic and clear structures provide a solid foundation for effective and sustainable impact assessment. While the details of the evaluation systems and processes will vary by program and desired impact, there are guidelines and considerations based on best practices that have broad applications for any kind of evaluation.

Planning for an Impact Assessment System

Steps to follow/elements to consider prior to developing a concrete impact assessment system:

- **Identify the problem/issue** to be addressed by the program(s) to determine the intended ultimate impact(s);
- **Research the potential means** to reach the impact based on determinants and contributing factors, best practices and successful models, and resources needed for all program options (including evaluation);
- **Calculate the expected return** of the different program investment options to help determine which option(s) may be best. Expected return = (benefit x likelihood of success) / cost;
- **Identify stakeholders at all levels** – from the communities affected, to current practitioners, to influential policymakers – to seek the most responsive input and insight possible;
- **Design programs and evaluations simultaneously** so that programs can be implemented in measurable ways to meet evaluation goals; and
- **Determine staff and financial capacity** for conducting regular, long-term evaluations.

Conditions to Support an Impact Assessment System

Once a conceptual framework is established, create necessary conditions and establish a clear workplan that includes infrastructure, processes, timelines and costs to support system sustainability:

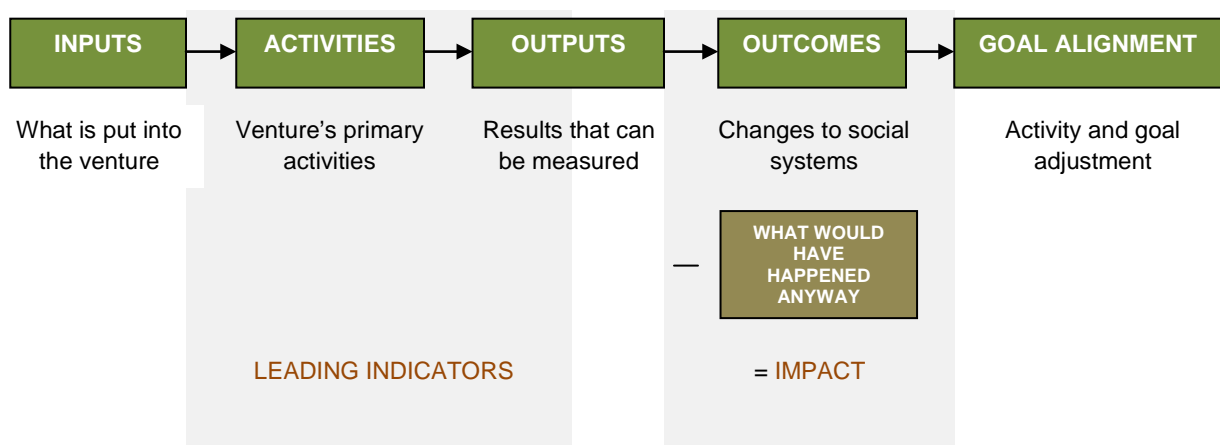
- **Determine underlying systems and behavior changes** necessary to reach the ultimate impact(s): root causes, contributing factors, other issues, etc. Some of these changes may be addressed through partnerships or will need to be included in the design and implementation of the program and evaluation;
- **Engage diverse stakeholders as partners** throughout the entire process of planning, development, implementation and evaluation of the impact assessment system. Structure clear engagement points and communication channels appropriate to each type of partnership;
- **Research what data and systems already exist** that can be incorporated into the impact assessment system, and establish collection procedures and tools and roles and responsibilities for implementation;
- **Identify who will be responsible for evaluation** (e.g., a separate team, a collaborative of local, national and global partners, etc.), how data will be collected (using current and/or new systems), and how and to whom results will be communicated;
- **Integrate evaluation with programs** – teams, processes and communication – so that best learnings can emerge and be acted upon. In other words, create an evaluation and practice feedback loop that supports responsive innovation;
- **Educate and seek buy-in** from internal and external organizational stakeholders on the evaluation process;
- **Develop an evaluation and analysis turnaround timeline** to ensure that reporting and further strategic planning can inform program implementation in a timely manner;

- **Establish an evaluation oversight and auditing structure and process** to ensure production of high-quality data and to monitor progress towards assessment goals; and
- **Develop an exit strategy** (e.g., transition of work to government once program funding ends) and/or a plan for replication/scaling, and include in program and evaluation design to support long-term impact.

Ways to Measure Impact

Impact assessment includes due diligence of investment options, ongoing performance tracking and learning once investments are made, and regular summarizing of results. Thus, a comprehensive system incorporates several different ways to measure impact, including general indicators, outcomes and impacts specific to issue and relevant communities affected. See section II for further details regarding evaluating specific/individual investment options.

- **Indicators:** Practices, products and byproducts that can be measured or assessed directly. Indicators are proxies for impact, in that they measure activities and products, but not the actual changes in the larger environments.
 - A system should track short-term, intermediate, and long-term indicators to clarify immediate plans and strategies and determine progress over time.
 - Indicators can also be assigned a level of control or influence (high to low) that indicates how much affect the organization can have on reaching it.
- **Outcomes:** Ultimate changes an organization is trying to make in the world, as well as the intended and unintended side effects of the work.
- **Impact:** The portion of the total outcome resulting directly from the organization’s activity, above and beyond what would have happened anyway.
- The relationship between indicators, outcomes and impact is summarized in the **impact value chain** (Olsen and Galimidi, 2008):



- **Stages of impact assessment:**
 - Implied impact: Storytelling + internal data analysis
 - Proven impact: External data analysis + experimental analysis
 - Optimized impact: Proven impact + interrelationship with financial performance
- **Financial performance** can be assessed for cost-effectiveness:
 - Cost per impact = measured impact / investments made by all sources to realize the impact.

Impact assessment systems should be culturally relevant and include all necessary stakeholders to maintain a community-based, on-the-ground focus and ensure broadest adaptation and implementation. Additionally, they should be designed to be flexible enough to adjust in response to program changes given that programs are seldom implemented exactly as planned. The program should always be evaluated against meeting the identified ultimate impacts, but evaluators should build a system that can accommodate new research and unforeseen circumstances.

Challenges in Developing Impact Assessment Systems

There are many challenges to creating an impact assessment system that accurately evaluates progress toward desired impacts. These challenges may not be a barrier to development so much as they may be factors to keep in mind when assessing success and planning for future strategies.

- For innovative and experimental programs, developing a set of indicators, outcomes and impacts to track may be limited by a lack of previous supporting research and data from similar programs. Therefore, evaluators should **plan to be flexible and be willing to refine the assessment system** in response to results seen in the communities impacted, parallel to the rapid prototyping process in product development.
- Cost per impact can be high in the early stages of the program/initiative due to start-up costs, which can skew perception of effectiveness. Thus, **cost per impact should be tracked over time** and there should be explicit distinctions made between one-time and ongoing costs from the beginning.
- Data can be biased by inconsistent collection and by a desire to demonstrate high impact, so evaluators should **clearly define the different systems aspects** and **ensure that data proportionately represents** the demographics and conditions of the communities affected. Additionally, an organization can regularly **make their assessments public and open** to comments and feedback as a means to build in greater accountability and verification.
- Program implementation and evaluation can be compromised by siloing these functions. Thus, even when an organization establishes a separate evaluation team, the overall infrastructure should **support coordination and integrated cross-functioning** (e.g., evaluators go on site visits with program officers and all staff are included in analyzing data). Also, the impact assessment system should **track internal impact (see section II) as well as external impact**, so that the organization and desired impact are aligned for greater effectiveness.

References

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Organization/Company Impact Assessment

Evaluating Partner Effectiveness

Investors rely on strategic partnerships to achieve sustainable and scalable impact: thus, they need a means to evaluate these partnerships, both in terms of the organizational and program effectiveness in alignment with the desired impacts. Below are examples of impact assessment systems of organizations and companies, brief descriptions of some of the challenges of these evaluation systems, and an overview of a successful, replicable model of an impact assessment system that offers a simple and effective solution that overcomes the potential challenges.

PROFILE: ESG MANAGERS PORTFOLIO

ESG (Environmental, Social and Governance) factors offer portfolio managers added insight into the quality of a company's management, culture, risk profile and other characteristics. Employing these factors in evaluation allows ESG Managers to identify companies that lead in their industries, are better managed and more forward-thinking, are better at anticipating and mitigating risk, meet positive standards of corporate responsibility, and are focused on the long term. The factors are presented in a matrix that identifies specific activities and potential impacts on financial performance. While the matrix does not provide specific indicators or measure of impact, it does provide guiding principles.

http://www.esgmanagers.com/Sustainable_Investing/What_is_ESG

PROFILE: GLOBAL IMPACT INVESTMENT RATING SYSTEM (GIIRS)

GIIRS uses the B Impact Ratings System and IRIS taxonomy (see below) to measure company and fund social and environmental performance in the impact areas of governance, workers, community, environment, suppliers, and consumers. Companies and funds complete a GIIRS assessment, and GIIRS issues a rating with third-party validation.

<http://www.giirs.org/about-giirs/about>

<http://www.bcorporation.net/become/BRS>

PROFILE: GLOBAL REPORTING INITIATIVE (GRI)

GRI developed a Sustainability Reporting Framework that provides guidance on how organizations can disclose their sustainability performance. The Framework is applicable to organizations of any size or type and from any sector or geographic region. The Sustainability Reporting Guidelines include reporting principles for defining content

(materiality, stakeholder inclusiveness, sustainability context and completeness) and for defining quality (balance, comparability, accuracy, timeliness, clarity and reliability).

<http://www.globalreporting.org/ReportingFramework/ReportingFrameworkOverview/>

PROFILE: IMPACT REPORTING & INVESTMENT STANDARDS (IRIS)

IRIS establishes a common language for describing the social and environmental performance of an organization. The IRIS framework consists of six parts: organizational description (mission, operational model and location), product descriptions (products and services and target markets), financial performance, operational impact (policies, employees and environmental performance), product impact (performance and reach), and a glossary. IRIS has general standards, as well as ones specific to particular issue areas, such as education and the environment.

<http://iris.thegiin.org/iris-standards>

PROFILE: INDEPENDENT SECTOR

Independent Sector created Charting Impact to respond to organizations' need to maximizing their impact and telling the story of their progress in an accessible way. Based on input from nearly 200 organizations, the thoroughly tested framework focuses on enabling an organization to be more effected. The framework was developed with BBB Wise Give Alliance and GuideStar USA as a common presentation that allows staff, boards, stakeholders, donors, volunteers, and others to work with and learn from each other. Charting Impact focuses on five questions that require reflection, encourage learning and promote communication about results:

- What is your organization aiming to accomplish?
- What are your strategies for making this happen?
- What are your organization's capabilities for doing this?
- How will your organization know if you are making progress?
- What have and haven't you accomplished so far?

http://independentsector.org/charting_impact

PROFILE: INTERNATIONAL FINANCE CORPORATION (IFC)

IFC's Performance Standards define clients' roles and responsibilities for managing their projects and the requirements for receiving and retaining IFC support. The standards include requirements to disclose information. The Performance Standards provide guidance in the following areas: social and environmental assessment and management system; labor and working conditions; pollution prevention and abatement; community health, safety and security; land acquisition and involuntary resettlement; biodiversity conservation and sustainable natural resource management; indigenous peoples; and cultural heritage.

<http://www.ifc.org/ifcext/sustainability.nsf/Content/PerformanceStandards>

PROFILE: NEW PHILANTHROPY CAPITAL (NPC)

NPC's *little blue book* contains examples of how charities and funders benefit from analysis, and explains NPC's charity analysis framework, which looks at how charities can assess their effectiveness in six areas: activities, results, leadership, people and resources, finances, and ambition. The book includes a grading grid, which can be used to describe a

charity's effectiveness on each part of the framework.

http://www.philanthropycapital.org/publications/improving_the_sector/charity_analysis/Little_blue_book.aspx

Challenges in Utilizing Impact Assessment Systems to Identify High Impact Organizations and Companies

While evaluations of organizations and companies provide a strong basis for strategic planning and choosing among investment options, many of the available systems and tools are prohibitively complicated and may not accurately capture true effectiveness and impact. This poses many challenges that could exclude high impact organizations and companies and skew an investment portfolio. Structuring an evaluation system and funding options to overcome these potential barriers while also minimizing risk and reducing organizational burden can support the identification of best fit organizations and companies.

- Investors can be discouraged by the risk of investing in new organizations and companies with no track records of proven success, which can lead to difficulties in securing additional funding from more conservative sources, such as governments. However, this can also be an opportunity for investors to have great influence in **building impact standards into the infrastructures, processes, products and services** of emerging organizations and companies. Additionally, the risk can be mitigated, in part, by building a trial/learning period with clear goals and timelines into the evaluation process.
- Organizations and companies often do not have the capacity or resources for a substantial evaluation system. While some funders require nonprofits to report on their programs and services, the data tracked often reflect the specific vision of the funder and/or initiative without greater application purposes. Thus, even well-established organizations and companies may not have consistent documented results. However, investors can **collect proxy information for evaluation** and **provide additional funding** to support the development of an internal evaluation system.
- Many of the organizational impact assessment tools collect quantitative data, which can exclude qualitative information vital to evaluation of, for example, stakeholder/community engagement. While quantitative data can support identification of trends and impact over time, qualitative data can provide greater insight into the quality and responsiveness of products and programs. Thus, investors focused on affected communities can **build additional qualitative data requirements** into an impact assessment system.

The Mulago Foundation: An Impact Assessment Design Model

The Mulago Foundation is a private foundation focused on health, poverty, and conservation in the world's poorest places. They look for organizations built around a big idea and focused on maximum social impact. Mulago does not invest in any organizations that do not measure impact, and has developed an impact assessment approach with enough rigor to meet evaluation standards, but simple enough to implement without interfering with in-the-field work. Below are their five steps to determine impact and calculate cost-effectiveness.

1. **Figure out what you're trying to accomplish: the real mission.** Re-formulate the mission in a phrase of 8 words or less that includes (1) target population or setting, (2) a verb, and (3) an ultimate outcome that implies something to measure (e.g., "Get African one-acre farmers out of poverty").
2. **Pick the right indicator.** Figure out the single best indicator that would demonstrate mission accomplished (e.g., change in farm income). Sometimes the best indicator is enough, other times you might need to capture it with a carefully chosen – and minimal – combination of indicators. When there is a behavior with a well-documented connection to impact – like children sleeping under mosquito nets – you can measure that and use it as a proxy for impact.

3. **Get real numbers.** You need to (1) show a change and (2) have confidence that it's real. This meant that you got a baseline and measured again at the right interval, and you sampled enough of the right people in the right way.
4. **Make the case for attribution.** If you have real numbers that show impact, you need to make the case that it was your efforts that caused the change. There are three levels – in ascending order of cost and complexity – of demonstrating attribution:
 - Narrative attribution: You've got before-and-after data showing a change and airtight story that shows that it is very unlikely that the change was from something else.
 - Matched controls: At the outset of your work, you identified settings or populations similar to ones you work with to serve as valid comparisons.
 - Randomized controlled trials: RCT's are the gold standard in most cases and are needed when the stakes are high and there are too many variables to be able to confidently say that your comparison groups are similar enough to show attribution.
5. **Calculate bang-for-the-buck.** The easiest – and arguably most valid – way to calculate bang-for-the-buck is to divide the total donor money spent by the total impact. Remember that start-ups are expensive and don't worry so much about their current figures, but do see if their projections for steady-state operations make sense and assume that they are usually at the very optimistic end of the scale.

Their collaborative annual milestone process has no more than ten milestones in three categories – program/product delivery, building the organization, and impact – and sets mutual expectations for the year ahead. Mulago provides continued funding for increasing returns: if they continue to see real impact and real progress toward scale, they keep supporting organizations through unrestricted funding.

<http://www.mulagofoundation.org/>

Additional Impact Assessment Resources

Centralized Resources for Tools, Models, and Best Practices

Below are resources capturing sector-wide research and work on assessing social impact, both generally and specific to individual organizations and philosophies.

The Foundation Center: Tools and Resources for Assessing Social Impact (TRASI)

Database of over 150 approaches to impact assessment, guidelines for creating and conducting an assessment and ready-to-use tools for measuring social change, including reports and publications from the Gates Foundation, FSG, Annie E. Casey Foundation and the Center for Effective Philanthropy.

<http://trasi.foundationcenter.org/>

Social Venture Technology Group: Catalog to Approaches to Impact Measurement

Catalog of 25 existing methods to measure impact, characterized by approach type (rating, assessment, and management systems), sector-specific approach, and general approach.

http://svtgroup.net/sites/default/files/publication/download/SROI_approaches_0.pdf