


#### 4.4 Using SROI and SCBA for measuring social

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The Green Care in Agriculture (GCA) sector has developed rapidly over the last decade. Care farms address various socially relevant issues material to both the health-care sector and the agricultural sector. The most important of these are tailoring health-care service to individual clients, containing health-care costs, adding value to the rural economy (by supporting the continuation of farming activities), and conserving rural characteristics. The value generated by Green Care is thus not limited to the remuneration farmers receive for services rendered to the health-care sector - the sector also generates benefits or returns to society. The Social Return on Investment (SROI) method systematically charts these social benefits on farm level. A similar approach, used on a regional or national level, is the social cost-benefit analysis (SCBA) method. This paper describes these specific methods of valuation as they could be useful when determining the generation of societal value by Green Care.

##### **Social return on investment**

As the term suggests, SROI is an extension of the principle behind the conventional ROI (Return on Investment<sup>1</sup>) financial indicator. SROI rests on the three following premises (Anonymous 2008; Olsen et al. 2005; Scholten and Franssen 2007):

1. The first and most important premise is that *every* contribution to a project is considered as an investment, whether this contribution is extended on a commercial basis (loan or equity stake) or on a non-profit basis (soft-loans and grants). Every contribution is therefore traceable to the concept of returns.
2. The second premise is that of “blended value”, which is a division of value into three distinct categories. These categories, i.e., ecological, economical, and social value, are also referred to as the triple bottom line of Planet, Profit, People (PPP). An enterprise’s impact on these three

<sup>1</sup> ROI is a conventional financial ratio, which is used by funding agencies as a tool for judging the viability of investment projects. ROI compares current investments with future returns, mostly over a period of 5 to 10 years. Based on projections of a project’s income and expenditures (also known as cash flow), an indication is made whether a project will realize net-positive returns with the period of 5 to 10 years. If the returns are positive, then a project is considered viable and the investment will be made.

categories ranges from positive to negative, whether the impact is direct, indirect, intentional or happens by chance. Each enterprise, whether for-profit or not-for-profit, generates value. The main challenge to the “blended value” concept is to make that value apparent, measurable, and (ideally) quantifiable, so that value is recognised by all relevant stakeholders. Examples of stakeholders for the Green Care sector would be care farms, their clients, health insurance agencies, government providers of capital and others. SROI methodology is able to translate the concept of “blended value” to the domain of economics and finance by converting abstract notions of societal value to financial values.

3. The last premise of SROI is that the method is directed at asserting the *impact* of a project rather than its output. Impact can be defined as the added value that can be attributed to the activities and consequent outputs of an executive organisation. Impact discerns itself from the “dead weight” components of an outcome, e.g., those events which would have occurred regardless of whether the project was carried out or not (Figure 1). The resulting SROI-ratio is the value of impact realized divided by the total value of investments made (i.e., input) (see [www.SROI.nl](http://www.SROI.nl)). In order to assert whether perceived impact has been realized, it is highly important to execute both *ex-ante* as *ex-post* evaluations based on the same impact analysis framework. Only then does it become possible to determine whether an organization’s activities actually generate social value.

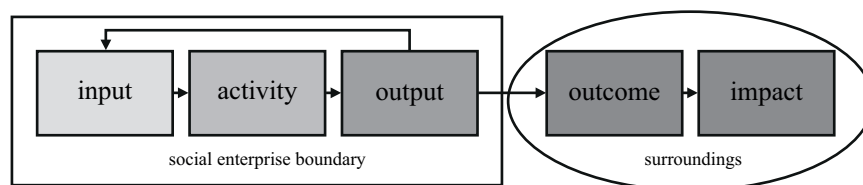


Figure 1. The SROI framework

Many of the measurements of qualities and results of Green Care are output-based. Examples include statistics on Green Care published by “*Stichting Landbouw en Zorg*” (the Dutch Green Care foundation) concerning the number of care farmers and numbers of clients in the Netherlands. These statistics convey a notion of progress in the development of Green Care. They are thus often employed as an indicator to depict the success of investment in the sector. However, using this output indicator for inference of social impact is as misleading as it is tempting. First, there is no basis for arguing a causal relation between this output and social impact. Second, if

there is no basis for the valuation of units of output, there is no basis for valuing impact, i.e., determining the social value of investment.

SROI addresses both of these issues. SROI can be used to determine a basis for causality between output and impact. SROI achieves these arguments through stakeholder dialogue, e.g., which effects are relevant and which indicators to use for measuring effects. Once there is consensus on the mechanism of causality and its indicators, the measurement of output can be converted to assessment of impact.

SROI also uses stakeholder dialogue for valuating or “monetising” the social impact of each unit of output. There is a risk, however, that these ratios for valuation will be interpreted differently by stakeholders or beneficiary. In addition, not all impact can be asserted based on monetised output alone. Some aspects of impact can only be expressed in terms of qualitative information. It should therefore always be stressed that valuation ratios in SROI only capture the value expressed by the immediate stakeholders and concern only the context of the object under study.

In a recent publication about the qualities and effects of the care farm ‘De Hoge Born’ (Baars et.al. 2009) the effects on clients was made by using the following three methods: i) Heart Rate Variability (HVR) to measure stress, ii) a weekly Behavioural Health Status (BHS) questionnaire to measure the well-being of the clients, and iii) the Global Assessment Functioning (GAF) score to measure the overall functioning of the clients. These methods still need to be evaluated and optimised for measuring the impact of Green Care on clients. Furthermore, this type of indicators could be validated and used in SROI analyses.

In summary, SROI determines a basis for formulating indicators that convert output into impact and for “monetising” units of output for determining social value. The authority of any SROI is built on the embeddedness of the arguments for causality and monetisation in the reference frame of relevant stakeholders. SROI is thus not a stand-alone instrument, but rather a process for arriving at assertion of social value. Asserting social value with the SROI method will vastly strengthen the position of care farms, because the results of the evaluation will be traceable to all stakeholders, whether they are from the public or private sector, for-profit or not-for-profit. In the case of Green Care, it would be interesting to estimate the social value generated through measuring the

social impact of a sample of care farms. Further research is needed that investigates the possibilities of using outcomes of SROI to give an insight into a regional-level true SCBA.

### **An example of a SROI analysis on farm level: Thedingsweert**

The Green Care farm 'Thedingsweert' is a care farm with arable farming, a green house, grazing cattle, sheep, horses and a bakery located in Kerk-Avezaath, the Netherlands. The farm's activities are divided into three types: the farm, the bakery and the overall organisation. The divisions have 20 clients, 24 clients and 8 clients, respectively. An SROI analysis of this farm took place for the year 2005. During that year, the capitalised added value was 16.8% of the expected returns. The strength of this care farm lies in the range of the activities that take place on the farm. This variety enables the farm to offer tailor-made care programmes for the clients. Interestingly, most of the returns went to stakeholders who did not give any input. The Ministry of Social Affairs had for example less people who needed a social benefit due to the care on the care farm (Rebergen 2005).

### **Social cost-benefit analysis (SCBA)**

The local or regional social benefits of GCA can be measured by using the cost-benefit analysis (SCBA). The SCBA systematically outlines the costs and benefits of a project or policy initiative. SCBA, an evaluation method rooted in welfare economics, adds up the economic gains and losses. As long as the benefits of a service or amenity exceed the costs at the margin, it should be provided. Social benefits are measured by surplus, i.e., the difference between the cost of providing a good and the benefits that people receive. SCBA rests on the following assumptions:

1. Only marginal changes are valued;
2. No significant distortions in other markets;
3. Distribution of income is given;
4. Tastes, income and wealth of current generation are starting point for desires and ability to pay of future generation;
5. All individuals are treated equally;
6. Uncertainty is absent.

Similar to the SROI, SCBA would involve comparing the situation of Green Care (plan alternative) with the situation of no Green Care (reference situation). A SCBA has the following steps which are steering for the approach (Reinhard et al. 2003; Eijgenraam et al. 2000):

1. description of the reference situation and the plan alternative;
2. identification and quantification of the physical effects resulting from the plan alternative;
3. identification and monetisation of the welfare effects arising from the physical effects;
4. cost and benefits that occur at different moments made comparable by discounting. The result is a net present value of cost and benefits arising from implementing GCA;
5. sensitivity analysis.

Conducting an SCBA is ultimately about the balance of social costs and benefits, and about determining the Net Present Value to have an idea about the order of magnitude of the project proposal. Similar to SROI, if the balance is positive, in social terms it may be profitable to choose the alternative variant (increased well-being of us all). In addition to a SCBA, a financial analysis can be made to provide insight into the cash flows (income and expenditure) of the actors concerned. The results of a financial analysis can be used in the regions studied at a later stage (in discussions regarding the redistribution of the advantages and disadvantages). Such a financial analysis will overlap to some extent with the outcome of a SROI.

### **SROI and SCBA**

The methods described above can be seen as mutually enhancing. SROI analyses of different care farms in a specific region or for a specific target group give input to make a SCBA that is well-rooted in practice. On the other hand, the financial part of a SCBA may give input for making a SROI analyses on a farm level. Both methods include a point of reference (in SROI it is called dead value and in SCBA it is the autonomous development or reference situation), type of impacts (people, planet, profit), non-monetised benefits (willingness to pay) and outcome (on basis of cost-

benefit analysis). The main difference is that SROI includes a larger input of involved stakeholders on a local level and is farm/project based, while SCBA includes a broader range of social aspects on a larger scale.

### **Concluding remarks**

To give a better insight of the social effects of GCA on a farm and regional level, SROI and SCBA can be combined. More research is needed to reveal which indicators are important for different stakeholders involved in Green Care.

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