

Guidelines on social impact assessment

Eurodiaconia 

www.eurodiaconia.org



EURODIACONIA GUIDELINES ON SOCIAL IMPACT ASSESSMENT

Eurodiaconia is a dynamic, Europe-wide community of organisations founded in the Christian faith and working in the tradition of diaconal service, who are committed to a Europe of solidarity, equality and justice. It represents more than 40 members working in over 30 European countries, including churches, not-for-profit welfare organisations and NGOs. Eurodiaconia links its members to examine social needs, develop ideas, influence policies and promote a social Europe. Together, they work to enable inclusion, care and empowerment of the most vulnerable and to ensure dignity for all.

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Eurodiaconia is a federation of organisations, institutions and churches providing social and health services and education on a Christian value base throughout Europe. Eurodiaconia is registered as an AISBL in Belgium.

Background & purpose of the guidelines

There is increased interest both from funders, governmental and private, and service provider organisations, to show the impact of their work. This is partly due to financial pressure on public authorities in the context of the financial crisis, leading them to be more demanding on the services they finance. There is also increased interest from private finance to invest in social enterprises. Finally, individual donors are increasingly interested in understanding the impact of their donations. This has led to a growing interest in concepts such as 'social return', social value, social and economic impact, and increased interest in the assessment of these.

This document aims to assist members to better understand social and economic impact assessment and consider if such assessment methods, or elements of them, might be useful for their organisation. The document also outlines some concerns that exist about impact assessment/measurement, and how some of these concerns could be addressed. It gives information about some of the main tools available and proposes some issues to consider when considering different tools. Some member organisations have carried out social and economic impact assessment or are developing the use of impact assessment tools and this document also includes their experiences to inform other members. Finally it also includes information about EU level activities in this field of impact assessment/measurement that may have an influence on how impact measurement is viewed and what type of impact assessment is promoted.

What is social value or impact?

There is no single authoritative definition of 'social value' or social impact but it can be said that it refers to the wider, longer-term non-financial impacts of programmes, services, organisations, including the wellbeing of individuals and communities. Assessing this moves beyond measuring outputs or processes, and also outcomes, although impact assessment usually includes outcome measurement¹. Typical social impact assessment models are therefore more comprehensive than most evaluation methods, and another difference is that a social impact assessment is often used prior to an action being taken². Social value or impact assessment is concerned with measuring these wider outcomes that can be directly attributed to the actions of an organisation, after taking into account what would have happened without the action of the organisation and also taking into account external impacts³. The International Association for Impact Assessment states that *"social impact assessment includes the processes of analyzing, monitoring and managing the intended and unintended social consequences...of planned interventions"*.

Actions assessed from a social impact perspective can be in any field. For example, impact assessments, including a social impact assessment, are carried out by the European Commission before it makes any policy proposals to evaluate different options for action, or inaction. The models addressed here also aim to show the economic impact a service or project has, such as financial savings made due to said service or project.

Potential benefits of social and economic impact assessment

Organisations who have assessed social and economic value report the following benefits:

They are better placed to justify the impact of any external funding received and defend their role in providing services more effectively; they are able to make a stronger case for additional funding and further investment in advance; it helps them focus efforts on what really makes a difference, plan more strategically and allocate resources more effectively; they can better communicate the value of their work to the key stakeholders and decision makers.

However, measuring social impact can be a difficult and complex process, and there are a number of general concerns about impact assessment, outlined in the following section. Yet Eurodiaconia members believe that impact assessment, developed and used with due caution, can be *valuable because it can help improve services for the service users*⁴, as it can provide a comprehensive and wide-ranging evaluation and can help an organisation develop its understanding of what outcomes or impact it would like to see with a service or project.

¹ An output could be the provision of a service (to x number of people), and outcomes could be less people living on the street after a year and their improved health. An impact would be the extent to which that change arises from the service.

² See also the text with the heading "The basic principles of social impact" on pp14-15 taken from an EU document

³ For one perspective on how impact assessment relates to other evaluation tools/methods and where they can be used along the lifecycle of a project see this blog post here: <http://www.thinknpc.org/blog/where-to-next/>

⁴ Text in italics is from Eurodiaconia's policy paper Social Enterprises for Social Inclusion

REFLECTIONS ON THE CHALLENGES OF AND CONCERNS ABOUT IMPACT ASSESSMENT OR MEASUREMENT

This section examines some of the concerns that exist regarding social and economic impact assessment and its increased use.

→ Loss of public responsibility

There is an increased interest from private finance to invest in social enterprises of various forms. *Private finance or philanthropic organisations may be more ready to support new, small projects than public authorities, but also often with a focus on groups that are more “favoured” in the eyes of the public, such as children, and not asylum seekers for example. There is a risk is that the state would renege on its responsibility if services are financed by philanthropic organisations⁵.*

Eurodiaconia members believe that the government is responsible for the well-being of its people and for guaranteeing access to social and health care. Governments are not (only) investors, but they have a moral responsibility towards their citizens.

A free market would not guarantee access to services for all; often those with the least financial means have the most needs and life risks such as unemployment are often structural rather than individual. Public responsibility and therefore public financial commitment is necessary at all levels of government to ensure access for all to social services and that service providers are able to provide quality services. In the context of increasing interest at EU and national level of involving private finance for the development of social enterprises this finance should not detract from the state responsibility to financially support organisations providing services, and in terms of regulation to ensure access.

→ Danger of monetisation of social action

If there is a strong emphasis on the economic impact of an action, or if payment is made on results, *“there is a risk of monetisation of service outcomes, which could result in a ‘creaming’ effect, whereby services for the most*

vulnerable might be discontinued in favour of projects that lead to higher success rates. This must be avoided at all costs, and well developed impact assessment should prevent this.

Human behaviour is usually unpredictable, and so, with investment based on social impact, there should be room for failure of given social services – this should not necessarily fall into a risk-calculation, where money is then diverted from a service or project, but rather be seen as a way to figure out how a given service can be improved.

→ Measurement vs assessment

There are concerns with the use of the term (impact) measurement in this field, since the connotations of the term "measurement" may underplay the methodological limitations inherent in attempts to assess the impact of the activities of social services and welfare organisations, and exaggerate the objectivity, validity and comprehensiveness of such assessments.

→ Maintaining a long-term perspective

The nature of many social challenges addressed by social enterprises means that change or improvement in quality of life can be slow or very incremental. This should be taken into account in measuring any impact, the timeline over which impact should be measured and when considering the suitability of private financial investors. HDI found that it took two years for results to be reliably evaluated in a new housing unit.

There should not be the expectation that impact should continually increase, for example as new service users will come along and the context in which an organisation is operating may change. Public authorities must take a long-term approach when monitoring the impact of services they fund.

⁵ Text in italics is from Eurodiaconia's policy paper Social Enterprises for Social Inclusion

→ Measurement/assessment as an aim in itself rather than a means to an end

Although it is important to collect evidence, so as to inform action, it should not be taken face-value and usually needs to be interpreted in context. There is a risk that impact assessment becomes an aim in itself, whereas it should rather be seen as a means to achieve desired social outcomes.

→ Service user participation and focus

Linked to the last point, the focus should be kept on the service users as key givers of input in the process of measurement (particularly when a service user is disadvantaged).

Organisations involved in advocacy for service users and those without a voice should take care to avoid impact assessment becoming too internally focused, and ensure that it does not detract from work to raise awareness of social injustice.

As one of the aims of measuring social impact is to improve the positive impact on the individual involved in a service or project, to improve their quality of life, it is important to measure subjective perceptions of impact by individuals as part of the process. Individual outcomes can be mapped against individual goals and aggregated to give an overall result.

→ Ensuring a suitable measurement process and indicators

There cannot be a single methodology or set of indicators to measure social impact of social enterprises because of the diversity of the organisations, the people they work with and the contexts within which they work. In addition, any measurement framework should be proportionate to the capacity of the organisation and to the usefulness of the measurement generated, in terms of time needed to implement and report impact using the framework.

This can also be seen as an ethical issue. The system should not be too costly (some suggest 2-3% of total running costs) or be financed by the investor or fund themselves/itself.

It is crucial to ensure that the role of funders does not extend to defining the *objectives* of social enterprises. The measurement should be useful for the organisation, not just for the funder.

Establishing a relationship of trust between the enterprise and the investor and coming to a common agreement on what reporting is necessary would be the ideal.

→ Developing indicators

Pushing comparability between organisations through using the same set of indicators for each of them can lead to a loss of relevance of the process for the social enterprise. This is because a service that at first glance looks the same as another could have a different focus, slightly different aims, and could be interested in measuring and showing different outcomes.

Organisations should therefore be very cautious in the choice of indicators, and not to just automatically accept those used by others. A list of indicative indicators could help, but should not be prescriptive. It should allow room for discretion in the measurement of social impact for each social enterprise.

Indicators could be developed with the assistance of external actors or in cooperation with funders, but should be based on the interest of the organisation who should be able to have the final say.

Because many social outcomes are not easily measured numerically, it is important to incorporate qualitative as well as quantitative data and information. "Storytelling" is one way of showing impact on individuals and facilitating understanding of the work of an organisation.

Reporting can also include a descriptive introduction, setting the context within which the organisation is operating, in order to help explain the results.

→ Danger of donor drivenness

Organisations need to be careful not to become donor-driven because a funder makes specific demands on the organisation's outcomes or performance. If an organisation has a clear sense of identity, clear goals and mission this can help avoid "mission drift" due to external influence.

Some investors do not expect full measurement reporting, so it is important to know the needs and expectations of investors or funders.

For further information on social impact assessment

Short videos about social impact assessment and measuring social value in the non-profit sector in the UK – interesting for organisations new to the concepts and methods:

<http://www.faithaction.net/2014/05/21/videos-realising-social-value/>

Inspiring Impact. An international collaborative programme, working with the charity sector to help organisations know what to measure and how to measure: <http://inspiringimpact.org/>

<http://nonprofitanswerguide.org/faq/evaluation>

Opinion of the European Economic and Social Committee on social impact measurement:

<http://www.eesc.europa.eu/?i=portal.en.int-opinions.29291>

Study: **Review of impact assessment methodologies for ethical finance**. Examines how ethical banks assess the impact of their investments, also includes lists of outcomes aimed for and indicators (Impact matrixes)

http://febea.org/sites/default/files/news/files/review_of_impact_assessment_methodologies_for_ethical_finance.pdf

Outcomes matrixes, outcomes maps with overviews of the key outcomes, indicators and data sources commonly used <http://www.thinknpc.org/publications/mapping-outcomes-for-social-investment/>

Lumley, Tris. 2013. **Raising the Bar on Nonprofit Impact Measurement: The key to progress is embedding measurement in practice**. In: *Stanford Social Innovation*,

http://www.ssireview.org/blog/entry/raising_the_bar_on_nonprofits_impact_measurement

Mulgan, Geoff. 2010. **Measuring Social Value**. In: *Stanford Social Innovation*, 8(3).

http://www.ssireview.org/articles/entry/measuring_social_value

Ni Ogain, 2012 **Impact measurement: A how-to guide**:

<http://www.thinknpc.org/blog/impact-measurement-a-how-to-guide/>

Pritchard, Ni Ogain, Lumley 2013. **Making an Impact – Impact measurement among charities and social enterprises in the UK**

<http://www.thinknpc.org/publications/making-an-impact/>

Stid, Daniel. 2011. **The Power of seeing things from the beneficiary's perspective**.

<http://www.bridgespan.org/Blogs/Cliff-Notes-Government-Nonprofits-and-Philanthropy/July-2011/The-Power-of-Seeing-Things-from-the-Beneficiary%E2%80%99s.aspx#.UnzpAfmsiSg>

Twersky, Fay. 2013. **Listening to Those Who Matter Most, the Beneficiaries**. In: *Stanford Social Innovation*.

http://www.ssireview.org/articles/entry/listening_to_those_who_matter_most_the_beneficiaries

CHOOSING A METHOD

Many approaches can be time consuming and some, particularly Social Return on Investment, require considerable staff training or expensive external support and are relatively complex. Organisations with skills and a history in quality evaluation, measuring outcomes and accountancy will find it much easier to start the process of assessing social impact.

For organisations that are yet to consider assessing impact it could still be useful to carry out a small but limited evaluation. An organisation could draw out elements of existing tools and create a process tailored to their work or a specific project. A full measurement process could be carried out on a small group or single service rather than the all service users or services. Even a 'light' assessment can be worthwhile, it can help promote a critical reflection on an organisation's objectives. A first step would be to specify and measure desired outcomes, which deliver wider "value" to society; this alone can deliver considerable benefit, if this is not already part of an organisation's evaluation. Over time and with more experience it would then be possible, if desired, to carry out a more detailed approach.

Recognising there are no "one size fits all" solutions, for an organisation that has no specific obligation to use a certain tool it is important for them to choose the approach that best suits their specific environment and requirements. This may involve selecting the most relevant or useful features from the approaches discussed here and putting together a framework specific to an organisation. Furthermore, bearing in mind the challenges and potential drawbacks, an evaluation of time and resources to give to setting up a framework is necessary.

What to consider

Eurodiaconia members who engaged in the discussion on the topic at a 2014 seminar proposed that organisations should consider the following questions when thinking about using a social/economic impact measurement tool:

- What do you need / want from an impact measurement?
- What is expected? – Authorities, financiers, stakeholders...
- What do others do? – You may want to do at least the same; is it applicable to my context?
- What kind of impacts (social, financial) do you want to report / can?
- How will you report qualitative information?
- How much work/time/money are you willing to invest?
- When might an evaluation fit into the timing of a project/s or service/s?
- What are the benefits you expect to get yourself?
- What happens if you do nothing?

What kind of services are you planning to evaluate?

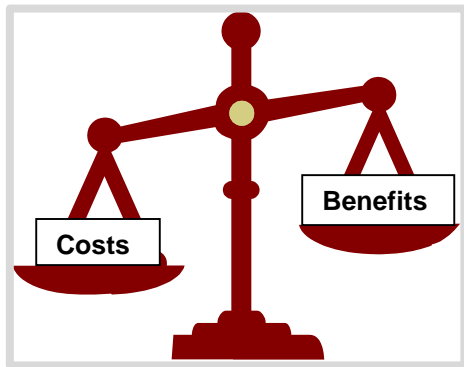
- Projects – a limited time-scope / interests of the financiers
- Permanent services – effort will serve for a long time

What means of impact evaluation or resources are already at hand?

- Instruments
- Know-how

EXAMPLES OF METHODS OF SOCIAL AND ECONOMIC IMPACT ASSESSMENT

COST BENEFIT ANALYSIS (CBA)



Cost Benefit Analysis (CBA) is a relatively simple and widely used technique and involves factoring in wider social value. CBA aims to determine if a project or service is a sound decision and a justifiable investment of resources, demonstrate the value of said projects or services and provide a basis for comparing projects.

CBA aims to put a monetary value on the benefits expected from the project and compare these to the costs which are expected to be incurred. If the benefit exceeds the cost, there is economic justification for the project to go ahead.

Often an appraisal of 'doing nothing' is also performed – estimation of the costs and benefits that will continue to arise even if the project or intervention is not carried out.

The two main types of CBA are 'ex ante' and 'ex post'. Ex ante refers to the more common use of the term CBA, to describe a project that is currently under consideration, but has not begun. Ex ante is used to assist the decision making and appraise the costs and benefits of a project.

Ex post refers to a CBA carried out after a project has been completed. At this stage all of the costs are 'sunk', that is they have already been invested in the project. This type of

CBA is therefore used mainly to assess the project contributing to 'learning', so that the information gathered can be used to justify funding and in assessing future projects⁶.

When conducting a CBA the most important element is collecting data on the costs and benefits associated with a project or a set of project alternatives. Typical costs may include staff wages, training, rent, purchase of equipment, publicity and promotion, etc. Examples of benefits include job creation, positive effect on the local economy, indirect savings, increase in people's health or quality of life, revenues, etc. In reality it is difficult to place a monetary value on all these costs and benefits, for example how many Euros would be attributed to future increase in people's quality of life? It is often the case that some of the outcomes of a project occur over a long period of time which gives rise to another difficulty in applying a monetary value to future outcomes as the value of money changes over time.

However there are complex tools within CBA to overcome these problems of 'quantification' and 'future discounting'. The results from a thorough CBA analysis will enable organisations to show in economic terms the benefits, including the wider social value, which projects can produce. It can also be used to determine which project, out of a number of projects, will provide the greatest social value.

For more information:

Cost Benefit Analysis (CBA) Builder
<http://www.cbabuilder.co.uk/>

The discipline of cost-benefit analysis,
Amartya Sen
http://dash.harvard.edu/bitstream/handle/1/3444801/Sen_DisciplineCost-Benefit.pdf?sequence=2

⁶ CBA Builder – CBA explained www.cbabuilder.co.uk

SOCIAL ACCOUNTING

Social accounting is commonly used in the context of business, or corporate social responsibility (CSR), although it is increasingly being used by NGOs and government agencies who are interested in quantifying social value. It is also known as social auditing and corporate social reporting. The main difference from CBA is that social accounting applies to the organisation as a whole rather than a specific project. Social accounting allows an organisation to build on its existing monitoring and reporting systems to develop a process whereby it can account fully for its social impacts, report on its social performance and draw up an action plan to improve on that performance⁷.

Through the social accounting and audit process an organisation can understand its impact on the surrounding community and on its beneficiaries and build accountability by engaging with its key stakeholders. In this way an organisation can prove its value and improve its performance.

Essentially social accounting involves clarifying what the organisation does, what it is trying to achieve and who it is working with. Then, on the basis of this, it collects quantitative and qualitative information and data which relates to its overall objectives and underlying values. This usually lasts one year and runs concurrent with the financial year.

At the end of the social accounting year the organisation brings all the information together in the form of social accounts that are independently audited and after revisions the social accounts form a Social Report. Social accounting therefore seeks to broaden the scope of traditional accounting in the sense that an organisation should be assessed by more than just finances.

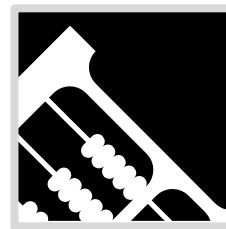
There are four main steps involved in social accounting⁸.

Step One – What difference do we want to make? Ensuring that the vision, mission and values are clear. Ensuring internal objectives are being met. Clarifying the objectives. Identifying stakeholders and key stakeholders.

Step Two – How do we know we are making a difference? Understanding and identifying indicators and outcomes. Confirming the scope and planning the social accounts. Putting the plan into action and obtaining data and the results from consultation with stakeholders.

Step Three – What is the difference we are making? This involves drafting the social accounts – either in basic or advanced format. The data gathered in step two are used to report on performance, impact and key outcomes, comparing them to targets and benchmarks where appropriate.

Step Four – Can we prove we made a difference? This is the audit stage where the draft accounts are tested by a Social Auditor. A Social Audit statement is then completed and signed off, the Social Report finalised and a summary produced.



For more information:

<http://www.socialauditnetwork.org.uk/>

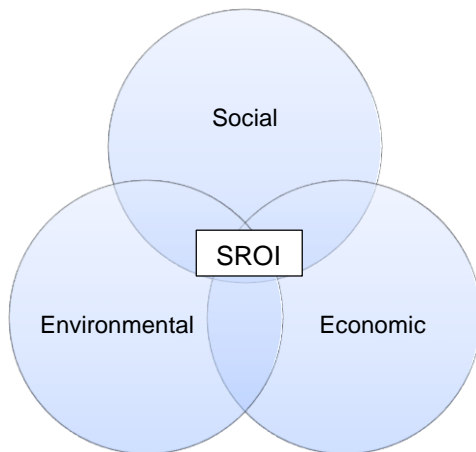
Introduction to social accounting:

<http://www.bized.co.uk/learn/accounting/management/social/index.htm?page=2>

⁷ Gray, Rob: Thirty Years of Social Accounting, Reporting and Auditing – what (if anything) have we learned (2001)

⁸ SAN – the Social Audit Network

SOCIAL RETURN ON INVESTMENT (SROI)



SROI was developed from both social accounting and CBA and is therefore a more sophisticated approach, but also more complex. Currently there is much interest in the SROI approach from funders and from the public and private sectors. In some European countries it is being promoted by governments in order to become the industry 'norm' for measuring social value in the third sector. SROI is similar to social accounting in that it is also a way to measure the wider value you create but it differs from social accounting in that it places a financial value on an organisation's wider impact.

For example, in the UK a project using SROI calculated that £1 invested in high-quality residential care for children generates a social return of between £4 and £6.10. Due to its monetary focus SROI can therefore be especially useful if the funders of an organisation require 'outcomes' information in financial terms. However SROI is also about value, rather than just money. In the same way that a business plan contains much more information than the financial projections, SROI is much more than just a number. It is a story about change, on which to base decisions, that includes case studies, qualitative and quantitative data as well as financial information*.

SROI can take many forms, it can encompass the whole organisation or it can just focus on one project or one aspect of an organisation's work. The process can be carried out internally or can be led by an external researcher.

There are two types of SROI:

- (1) **Evaluative**; which is conducted retrospectively and based on actual outcomes that have taken place.
- (2) **Forecast**; which predicts how much social value will be created if the activities meet their intended outcomes.

Importantly SROI is also said to improve relationships with stakeholders; in fact stakeholder engagement is an integral part of the process and is arguably one of its real strengths. The initial stages are similar to social accounting and are about identifying outcomes and indicators then collecting data on these. SROI then adds up the outcome data and compares this to the investment made. This results in a ratio of total benefits (a sum of all the outcomes) to total investments. For example, an organisation might have a ratio of 4 Euros of social value created for every 1 Euro spent on its activities.

While the ratio is important, SROI is about much more than this. It is concerned with continuously improving an organisation and becoming more sustainable.

It is not recommended for an organisation to compare its SROI ratio with other organisations as they will be working with different stakeholders with different needs, and will have made different judgments in calculating their ratio.

This method is one of the most complex and expensive methods to carry out, so for some particularly smaller organisations or projects it would not be suitable. It could however be used as a one-off tool or for big ongoing services. Some people feel that the results are hard to communicate as they can appear technical, however members in the following examples feel they have successfully communicated the results of their studies.

For more information see

Social Value International:
<http://www.thesroinetwork.org/home/>

*A Guide to Social Return on Investment:
http://www.thesroinetwork.org/publications/doc_details/241-a-guide-to-social-return-on-investment-2012

Member experience - Miteinander Leben, AT

Miteinander Leben run community-oriented supported or “assisted living” housing units, and is a member of Diakonie Austria. They commissioned a Social Return on Investment study with the University of Vienna Non Profit Institute. Such a study cost about €20,000. They wanted to show the effectiveness of assisted living in order to persuade law makers that the costs for this type of service should be covered. They showed that 1€ invested in the service brought a return of €2.26. They also sought to show the added benefits to relatives over more traditional home care or residential care, as well as to highlight how economists can contribute to the development of the social sector.

In terms of the data used, Miteinander Leben has a databank with statistics on the residents from the past ten years. An example of a comparison to show economic and social benefit of the Miteinander Leben model was regarding the outcomes related to better human contact in Miteinander Leben housing units, as measured by the lower level of psychological problems, with the comparable statistics being drawn from nursing homes and the occurrence of such problems there. They could also show lower levels of social exclusion among residents compared to non-residents. In the study a very large group of stakeholders was identified and factored in, from government to the community to staff to service users and relatives and more.

At the start they felt that the methodology being used did not go into enough detail and it was not clear how some of the values were calculated so they needed good dialogue with the researchers and consequent refining of the method. They believed the process was worthwhile, but too expensive to do regularly.



Inside one of the residential complexes

For more information see: [Study results](#) (in DE), www.miteinander-leben.at/
Eurodiaconia E News article: [Every euro invested in assisted living communities for older people brings 2.26 in return](#)

Member experience - Interkerkelijk Diaconaal Overleg, Lelystad, NL

IDO is an interdenominational foundation supported by Kerk in Actie, among others, working with both local government and companies to help people out of debts and who are experiencing other financial needs.



Their SROI measurement was carried out by Oikos who developed a computer programme version of SROI for churches to use. One of the key elements of their work is the involvement of volunteers and the financial benefits this

brings because of the costs that would have been spent on staff. Their reasons for doing the assessment were that they wanted to show they deserved more funding because they have more work and guarantee continuity, to make clear what the organisation does and its added value.

They needed to develop many “soft” indicators because often the outcomes are also “soft”. They would state that it is important for decision makers to experience the projects however, and not just examine the measurements; often direct experience is more powerful and persuasive than just financial figures.

They have been able to show their success regarding getting people out of debt is 70% rather than a 40% success rate of the government schemes, and a more detailed analysis of the “debt buddy” approach shows 1 euro invested saves 2.83€. The SROI of drop-in centres is about 75%; of debt relief is about 90%; of food distribution points is about 80%. They have used the results in presentations to government and new money lenders as well as to attract new volunteers.

For more information see:

The report (in NL) outlining the SROI of the different activities of IDO Lelystad (2009) http://www.stichtingoikos.nl/sites/default/files/fields/field_publication_file/IDO_niet_voor_niets_0.pdf

www.ido-lelystad.nl/

SOFIE

Helsinki Deaconess Institute is implementing a methodology, called SOFIE, which stands for SOcial – Financial – Ecological evaluation. It was developed through a collaboration of several social enterprises sharing the need to express their social impacts and is maintained by ImpactHouse. It is based on SROI and Social Accounting, and in 2014 they are in the process of implementing in pilots through an online tool (presentation available). They want to be ahead of the trend in impact measurement, for example public authorities requesting it, and therefore have more influence over the process, by developing their own tool that matches their needs.

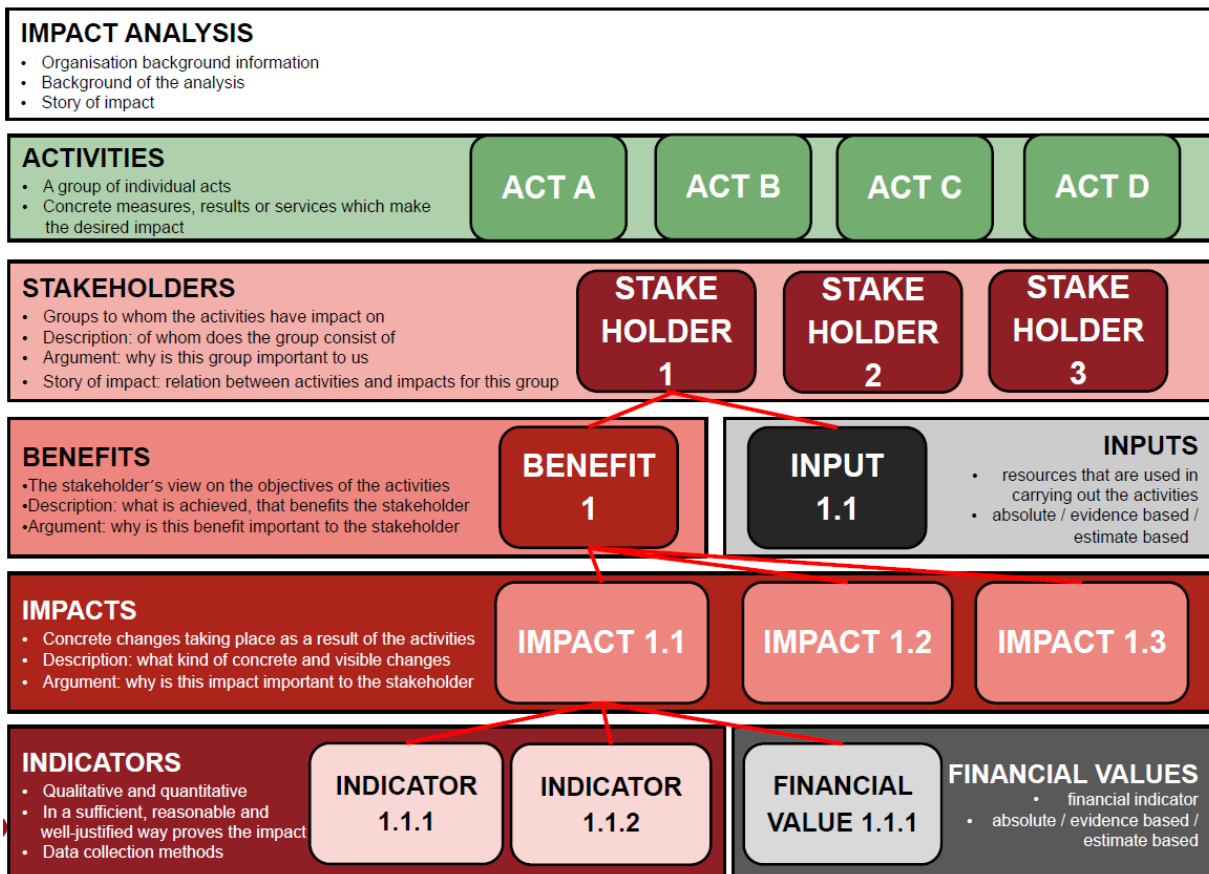
SOFIE has a stronger social impact measurement element than regular SROI. It is an online tool, using quantitative and qualitative indicators and storytelling and there are three types of data used:

1. Absolute (“truth”)
2. Previous research (“guess”)
3. Estimate-based information (assumption)

There have been challenges associated with implementing the model/tool, mainly the level of work needed to develop it at the beginning, such as finding good indicators/measurements for each service addressed and the number of people involved. However, in the future it will be less work once the system is up and running. They are also considering developing a lighter version for future use.

It is a new way of thinking, the organisation has an ongoing discussion on what impacts are being made rather than measuring facts, such as days of care given. For them the aspect that makes the process most worthwhile is that they are learning about the services as they go through the process, there is an increase of “self-understanding” and it contributes to service improvement.

Sofie impact analysis



EU LEVEL ACTIVITIES - FUNDING AND IMPACT MEASUREMENT

As of 2014 some EU initiatives require funded organisations to show a measurable social impact. One initiative is the launch of the label for European Social Entrepreneurship Funds (“EuSEFs”), designed to indicate investment funds that invest in social enterprises. Social Enterprises should be able to show this impact for enable investment fund managers to decide to invest in that enterprise, as well as to monitor and report the results of these investments, and to enable those fund managers to be properly accountable to investors and the wider public. Secondly, in the context of the Programme for Employment and Social Innovation (“EaSI”)⁹; in this programme €85 million in grants, investment and guarantees will be made available in 2014-2020 to social enterprises who can demonstrate they have a ‘measurable social impact’. The European Commission also sees a wider value in an agreed framework, such as in bringing consistency to reporting and encourage a more informed engagement of stakeholders involved.

An expert group on Social Impact Measurement was therefore set up in October 2012 to develop a “European methodology which could be applied across the European social economy”, a sub group of the GECES group of experts appointed to feed into the implementation of the Social Business Initiative¹⁰. The sub group agreed a framework in June 2014¹¹. The European Commission wished to go into the debate that the G8 is having on impact investing with a position, which is why the process to develop this framework was fast, to the concern of some in the expert group and others following the process.

The report

Eurodiaconia fed into the discussions at EU level through contacts with the expert group. The next section highlights some key elements of the report entitled “*Proposed Approaches to Social Impact Measurement in European Commission legislation and in practice relating to: EuSEFs and the EaSI*” that was adopted mid-June by the GECES. It concluded that one could not devise a rigid set of indicators in a top-down and “one-size-fits-all” fashion to measure social impact. Rather, it suggests setting a universal process, and defined the key characteristics of reporting. Eurodiaconia members discussed these extracts in a meeting, and concluded that in general the report took a balanced view towards social and economic impact measurement, and addresses the main concerns outlined in this document.

The Commission believes that the objective should be a gradual development of widely supported standards, not to rush to set specific indicators and to use a proportionate approach focusing on process. In the next steps, the Commission will focus on preparing guidance notes for the use of the document as well as a knowledge centre to register all existing methodologies from national level and offer a source of continually updated guidance, and an advice 'hotline'. In addition, the Commission aims to follow-up the expert report by developing and consolidating measurement frameworks to form a preferred set for Europe-wide measurements, by developing reporting formats for presenting social outcome measurement, by effectively embedding Social Impact Measurement within EuSEF, by maintaining an expert knowledge network at EU level and, finally, by regularly reviewing and updating the position in the GECES report.

The text in the following sections is taken directly from key sections from the report. As well as informing members about the report itself, it also can provide useful information about social impact measurement in general. The numbers are the numbered sections in the report. More information about the GECES group can be found here: http://ec.europa.eu/internal_market/social_business/expert-group/index_en.htm#maincontentSec2

⁹ For more information on the possibilities offered by this programme, please see the Eurodiaconia briefing here: http://eurodiaconia.org/images/stories/briefings/Briefing_for_members_-_EaSI_-_EU_PROGRAMME_FOR_EMPLOYMENT_AND_SOCIAL_INNOVATION_04-2014.pdf

¹⁰ For more information about the Social Business Initiative please see here: http://ec.europa.eu/internal_market/social_business/index_en.htm

¹¹ <http://ec.europa.eu/social/main.jsp?catId=738&langId=en&pubId=7735&type=2&furtherPubs=no> For information relating specifically to the EuSEFs and EaSI programme please see pages 52 and 53 of the publication.

Text from the report

The core of the methodology is for a five-stage process that is validated through a strict participatory approach.

1. Identify objectives
2. Identify stakeholders
3. Set relevant measurement
4. Measure, validate and value
5. Report, learn and improve

It requires that a framework is developed which is likely to cover perhaps 80% of the measurable outcomes. This would give outcomes and sub-outcomes that are likely to be the measurable for most social enterprises.

3.21. Responding to the demands of the EuSEF and EaSI legislation, but also reflecting the realities of measurement in a very diversely populated arena, the recommendations from the sub-group cover the four elements outlined in 3.5 above, as follows:

4 ELEMENTS	PROPOSED STANDARD	EuSEF	EaSI
Process	Clear five-stage process to apply to all SI measurements. Appropriate endorsing and validation of these steps.	Five stage process applies.	Five stage process applies.
Framework	Development of a matrix of expected outcomes and sub-outcomes giving likely indicators within each. SE may choose to use others but must explain why they are more suited to the circumstances.	Expected use of framework or explain why another outcome indicator is better.	Expected use of framework or explain why another outcome indicator is better.
Indicators	Freedom as to which indicator to use, in order that the measurement remains appropriate to the intervention and stakeholders' needs	Whilst financial measurement indicators may find favour in part, investors do not appear to insist on these, preferring a range of indicators. Fund Managers will work with SEs to select appropriate indicators.	The indicator, again, needs to be intervention-specific, but is there to support EC-reporting of effectiveness of the funding in achieving EC policy. The indicator therefore is selected based on the interaction between the intervention and the policy deliverables of EaSI microfinance and social innovation.
Characteristics	Clear minimum disclosure standards to maintain transparency.	Disclosure standards apply.	Disclosure standards (maybe) lower for smaller levels of investment or grant.

3.22. This approach will give certainty as to whether measurement is being done to acceptable standards, but will remain flexible to the nuances and differences between the interventions being measured.

3.23. To be clear, this imposes a minimum standard that all social impact measurement must investigate and explain:

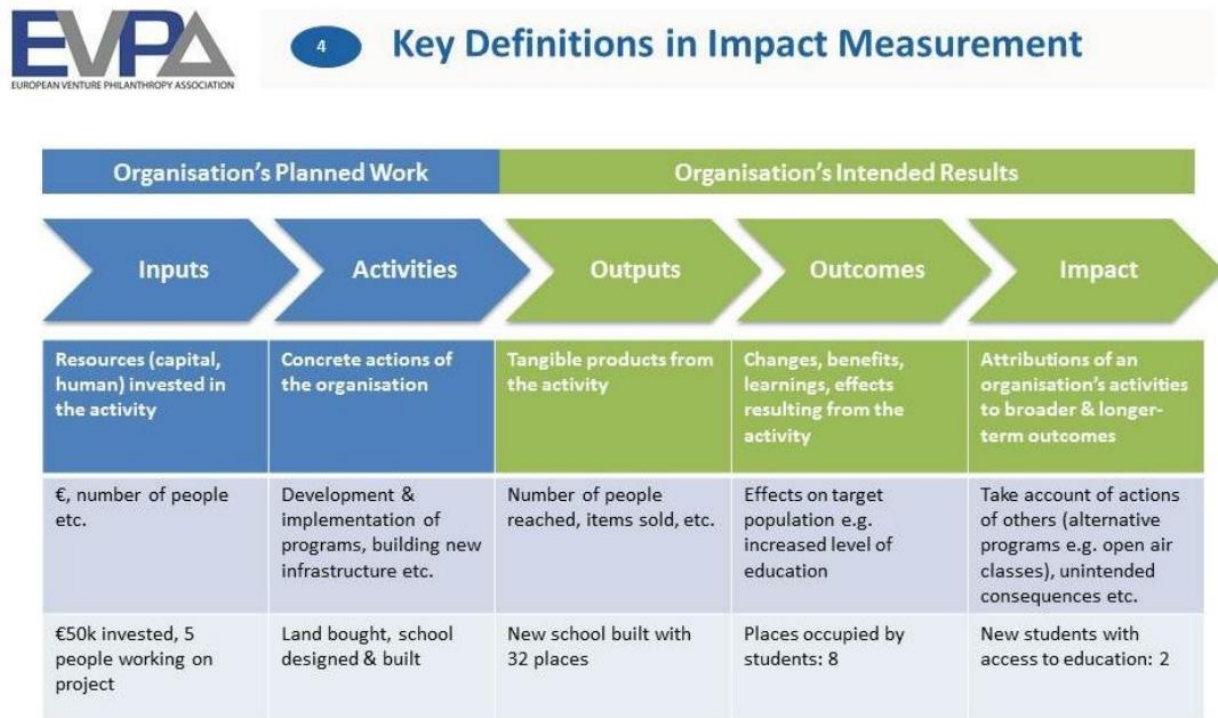
- the outcomes it achieves;
- for whom (which stakeholders);
- how it achieves them; and
- their impact, taking into account attribution, displacement, deadweight and drop-off.

A SE or fund manager must evidence these, and will generally focus on outcomes and indicators within a framework, but is not obliged to use a particular indicator.

The basic principles of social impact

4.4. The measurement of impact is based on a widely recognised flow, variously known as the Impact

Fig.4: from EVPA (draft) Guide 2012



Value Chain, Theory of Change or Logic Model. The flow of this is shown in Fig.4, taken from the EVPA Guide [European Venture Philanthropy Association]

4.5. The logical flow that links the five is known as theory of change. This is fundamental. It shows and explains the causative link between the activities being undertaken and their targeted outcomes and impact. The rationale behind this must always be understood and explained. It must always be underpinned with proportionate evidence as to why it is believed that those outcomes arise from that activity.

The characteristics of effective measurement

4.8. For measurement to be effective it must be:

- relevant: related to, and arise from the outcomes it is measuring;
- helpful: in meeting the needs of stakeholders', both internal and external;
- simple: both in how the measurement is made, and in how it is presented;
- natural: arising from the normal flow of activity to outcome;
- certain: both in how it is derived, and in how it is presented;
- understood and accepted: by all relevant stakeholders;
- transparent and well-explained: so that the method by which the measurement is made, and how that relates to the services and outcomes concerned are clear;
- founded on evidence: so that it can be tested, validated, and from the grounds for continuous improvement.

4.9. The principles of SROI can, in some cases, also serve as a useful set of foundation principles for social impact measurement to other indicators. They (with the GECES group's interpretation in brackets):

- Involve stakeholders.
- Understand what changes.
- Value the things that matter (to stakeholders).
- Only include what is material (that makes a difference to stakeholders' view).
- Do not over-claim.
- Be transparent (explain clearly how you arrived at the answer, and any uncertainties in your evidence or assumptions).
- Verify the results (based on good research principles).

4.10. In addition it is essential if a full and useful picture of an SE's impact is to be formed for the measurement to cover, and quantify:

4.10.1. the social impact on communities as much as on individuals;

4.10.2. the long term social impact rather than solely the short-term one;

4.10.3. the width or reach of the social impact in terms of geographical coverage and its depth, the intensity or extent of impact in a small area, in particular in terms of coverage of specific groups of the population (e.g. disadvantaged, vulnerable, at risk);

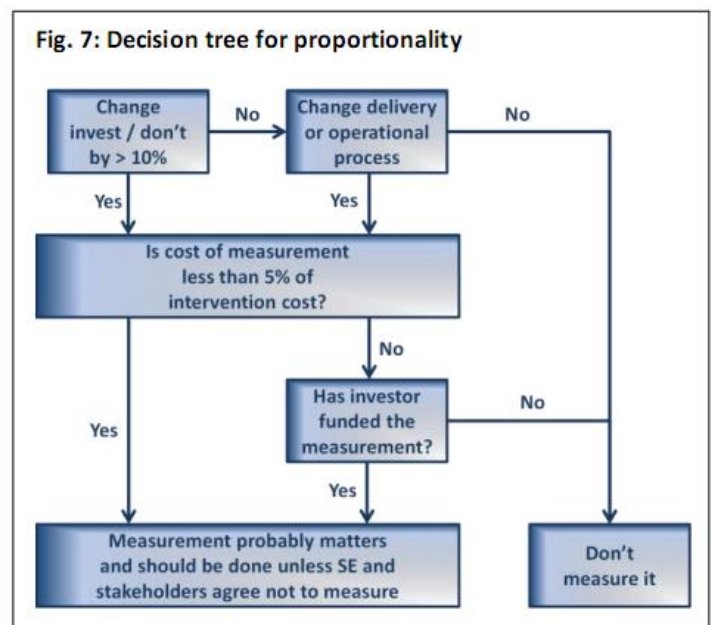
4.10.4. the direct social impact separately from the indirect one, making clear how the indirect one happens.

Proportionality

[One member of Eurodiaconia that uses an impact measurement tool remarked that they would not have undertaken impact measurement if they had followed this decision tree. Therefore it can help as a guide, but the longer term and/or internal benefit of measurement may overrule this decision tree]

8.19. With this general warning (not to let these become fixed rules, rather than guiding principles), a simple two-stage process can be set out to help SEs and their funders to decide whether:

- it matters to measure a particular outcome or impact
- it matters to take that measurement to a greater level of detail.



[In the context of a SE applying for private finance, the following is envisaged as the role the SE plays in the impact measurement process:]

Social Enterprise	<ol style="list-style-type: none">1. As part of their proposal for funding to present an explanation of outcomes and impact being targeted, for whom, and how they will be achieved (“theory of change”).2. In addition the SE will propose to the FI how the achievement of those outcomes and that impact will be measured (framework and indicators)3. The SE and FI will agree the measurement (framework and indicators) to be used, to match the outcomes and impact being targeted, but also to reflect fund manager need.4. The SE will provide regular reports (at least annually) of outcomes and impact achieved, using the agreed measurement frameworks and indicators. In addition the SE will provide he additional information required to be able to meet EaSI reporting requirements.5. The SE will reconsider, at least annually, whether the measurement framework and indicators are appropriate, and whether outcomes and impact targeted is achievable or needs updating. Any changes will be discussed and agreed with the Fund Manager.
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Fundamental principle: a social enterprise [financed via EuSEF or Easi] may use other frameworks but must explain why they are a better fit than those in the European Commission Framework.