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Philanthropy Impact

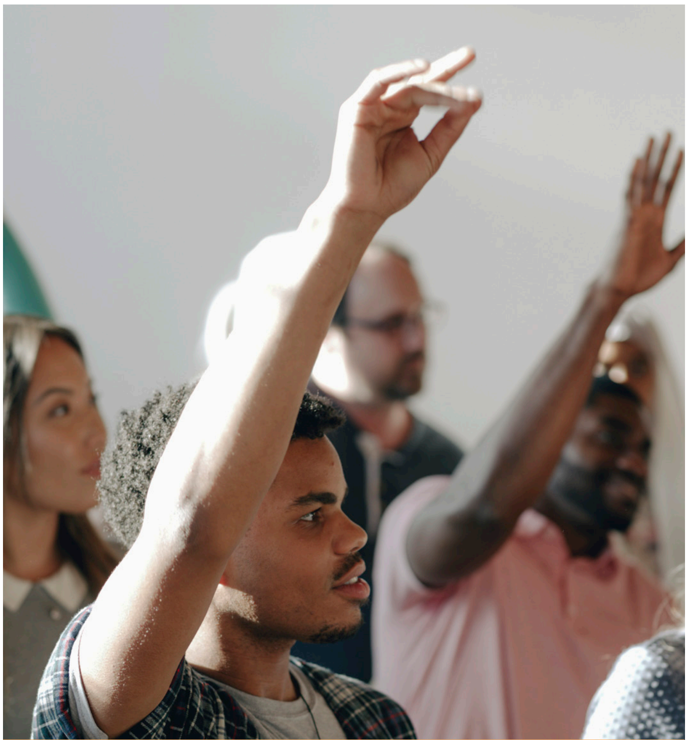
Inspiring Philanthropy and Investing for Impact

MAGAZINE

SUSTAINABLE IMPACT/ESG INVESTMENT AND PHILANTHROPIC GIVING – MEASURING IMPACT: A CACOPHONY OF RESPONSES AND VIEWPOINTS

THIS ISSUE: TO MEASURE OR NOT TO MEASURE

THE SECOND ISSUE OF A THREE-PART SERIES



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The purpose of the magazine is to share information about philanthropy and social impact investment in a domestic and international context. We welcome articles, letters and other forms of contribution to philanthropy in Philanthropy Impact Magazine, and we reserve the right to amend them.

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EDITORIAL

KATE ELLIOT – RATHBONEGREENBANK.COM

As the articles in this issue demonstrate, 'impact' is a term that has a multitude of different meanings and interpretations.

This variation begins with questions over the scope of impact measurement: should impact only be considered in relation to a charity's grant-making activities or to their operations and investments too? It also captures different approaches to what should be measured and how: should we focus on a narrow range of topics or look across all possible impacts? Can something only be measured if it can be quantified? Finally, there are questions of who should determine what is measured: should it be the intended beneficiaries, the charity, its donors, or investors — or indeed a combination of these stakeholders?

What is also clear is that there is no single correct answer to these and many other related questions about impact. While there has been a convergence in recent years in how people and organisations talk about impact (helped by initiatives such as the Impact Management Project and the Global Impact Investing Network), it is still a concept that is highly context dependent and personal to the organisation, funders or investors in question.

Despite this variation, it should be possible to agree some principles for what 'good' impact measurement looks like, and here is my starter for ten:

- **Take a holistic view.** All organisations have an impact on the world, positive or negative. In some quarters, I've witnessed a tendency to gloss over negative impacts (potential or actual) in favour of telling a positive story. If important negative outcomes are ignored, this not only undermines the effectiveness of the impact measurement but can also erode stakeholder trust in the impact reporting being produced.
- **Focus on the material.** My first point should not be taken to mean that an impact report needs to be hundreds of pages long and cover everything under the sun. Organisations often have scarce resources, and measurement and reporting should focus on the most important, or material, impacts — both positive and negative.
- **Deliver insights that drive positive change.** The phrase, "what gets measured gets managed" is a common refrain, but all too often the second half is forgotten. Impact measurement should be a tool for learning and improvement, either by identifying things which worked well or areas where a different approach might be needed.
- **Don't just look at the numbers.** It can be tempting to focus only on data points that can be quantified and entered into a spreadsheet, but to do so could mean that you are missing some of the most important indicators that can perhaps only be captured in qualitative assessments and narrative reporting.
- **Explain your workings.** Because there are so many different ways to measure and report on impact, it is really important that organisations clearly explain what they are measuring, how they are doing so and, most importantly, why they chose that approach.

How different organisations interpret and implement these principles will, I hope, continue to display variation as the field of impact measurement evolves. Just as biological evolution benefits from greater diversity to allow the most advantageous traits to survive, the evolution of concepts requires diversity of thought and a willingness to challenge the status quo in order to continuously improve, learn and drive forward best practice.

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KATE ELLIOT – HEAD OF ETHICAL, SUSTAINABLE AND IMPACT RESEARCH, RATHBONE GREENBANK

Kate oversees the development and implementation of the ethical, sustainable and impact research team's sustainability assessment framework, analysing investments against a range of environmental, social and governance criteria. She joined Rathbones in 2007 after graduating from the University of Bristol with a Master's in Philosophy and Mathematics.

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"FOR RESEARCH TO BE IMPORTANT, IT NEEDS TO ASK A QUESTION TO WHICH THE ANSWER IS NOT ALREADY KNOWN, AND WHERE THE ANSWER MIGHT INFLUENCE SOMETHING."

MOST CHARITIES SHOULD NOT MEASURE THEIR OWN IMPACT. FOR ONE THING, THEY'RE TOO SMALL

CAROLINE FIENNES – GIVING-EVIDENCE.COM

Most charities should not evaluate their own impact. Funders should stop asking them to do so. For one thing, asking somebody to mark their own homework was never a good idea. For another, most charities are too small, as I'll show

CAROLINE FIENNES

"ASK AN IMPORTANT QUESTION AND ANSWER IT RELIABLY"

This is a mantra from evidence-based medicine. It sounds obvious – that research should ask an important question and then answer it reliably. Assessing a charity's impact is research, but loads of charities' impact assessments meet neither criterion: the research question doesn't matter, and it is not answered reliably. Masses of scarce resources get wasted on this nonsense, and it's time that it stopped.

HOW COME THE QUESTION ISN'T IMPORTANT?

For research to be important, it needs to ask a question to which the answer is not already known, and where the answer might influence something. Consider the cost-benefit: the benefit of having the answer should exceed the cost of producing it.

Often the question in charities' impact evaluations is ill-formed or vague — like, "What is our impact?" That is a terrible research question — or it has been answered already. And/or nobody will do anything different once they have the answer.

For instance, many rigorous studies in many countries have shown that micro-credit has limited or zero effect on household incomes. Many rigorous studies in many countries have shown that cash transfers have a massive effect on nutritional intake (poor people use the money to buy better food) and things like mental health, and reductions in violence against women. And, on child-abuse, many rigorous studies in many countries have shown that teaching pupils in schools the difference between good touches and bad touches results in the pupils knowing more about that, and they retain that knowledge. We don't need more tests of those programmes, in general. The benefit won't outweigh the cost.

WHY CHARITIES DON'T ANSWER QUESTIONS RELIABLY: FOUR REASONS

1. They are too small. Specifically, their programmes do not have enough people for evaluations to produce statistically meaningful results, ie. to distinguish the effects of the programme from that of other factors or random chance. That is, results of self-evaluations by operational charities are likely to be just wrong.

For example, when the Institute of Fiscal Studies did a rigorous study of the effects of breakfast clubs, it needed 106 schools in the sample. That is way more than most operational charities providing breakfast clubs have.

Giving Evidence analysis corroborates this view that many operational charities' programmes are too small to evaluate reliably. The UK Ministry of Justice (MoJ) runs a 'Data Lab', which any

organisation running a programme to reduce re-offending can ask to evaluate that programme: the Justice Data Lab (JDL) uses the MoJ's data to compare the re-offending behaviour of participants in the programme with that of a similar ('propensity score-matched') set of non-participants. It's glorious because it shows loads of charities' programmes all evaluated in the same way, on the same metric (12-month reoffending rate), and by the same independent researchers. It is the sole such dataset anywhere in the world of which we are aware.

The last time I looked, the JDL had analysed 104 programmes run by the voluntary and community sector. Fully 62 of them proved too small for the analysis to be robust (ie. to produce statistically reliable results). That is, **60 per cent of the charity-run programmes were too small to evaluate reliably**. (Data on all the JDL's analyses up to October 2020, are here).

THE TECHNICAL PART

Most social programmes have a small effect. That is no criticism; it's just a feature of the world. Identifying impact requires distinguishing between the effect of the programme and that of everything else — political changes, chance, random differences in groups of people. The smaller the effect relative to this 'noise', the larger the sample needs to be. So, if your intervention is to throw people from aeroplanes with no parachute, the 'signal' is large relative to the 'noise', so you only need a small sample. But a trial in India about micronutrients expected a small signal amid massive noise, so it needed 2 million participants.

2. Charities have the wrong incentive. A charity's incentive is (obviously!) to make itself look great — impact evaluations are used to compete for funding — so their incentive is to produce research that flatters them. That can mean rigging the research to make it flattering and/or burying findings that may deter funders. I say this having been a charity CEO myself and done both.

Nonprofits respond to that incentive. For example, a rigorous study[1] offered over 1,400 microfinance institutions the chance to have their intervention rigorously evaluated. Some of the invitations included a (real) study by prominent authors indicating that microcredit is effective. Other invitations included information on (real) research — by the same authors using a very similar design — indicating it is ineffective. A third set of invitations did not include research results. Guess what?

The organisations whose invitations implied that the evaluation would flatter their intervention were twice as likely to respond and agree to be evaluated than those whose invitation implied a danger of showing their intervention to be ineffective. This suggests that the incentive creates a big selection bias even in what impact evaluations happen.

3. Most charities lack the necessary skills in impact evaluation. Most operational charities are specialists in, say, supporting victims of domestic violence or delivering first aid training. These are completely different skills to doing causal research, and one would not expect unrelated skills to be co-located.

NB. this article is about impact evaluation. Other types of evaluation, e.g., process evaluation, may be different. Also some charities do have the skills to do impact evaluation – the INTERNATIONAL RESCUE COMMITTEE, Give Directly come to mind. But they are exceptions.

CAROLINE FIENNES – FOUNDER AND DIRECTOR, GIVING EVIDENCE

Caroline is one of the few people whose work has appeared in both *OK! Magazine* and the scientific journal *Nature*. A recognised expert in philanthropy, she is a Visiting Fellow at Cambridge University, and for three years wrote the *'How To Give It'* column in the Financial Times, as well as advising many donors over many years. She often speaks at conferences and in the press, and is on the boards of The Cochrane Collaboration (specifically Evidence Aid), The Life You Can Save founded by ethicist Peter Singer, and the (amazing) Flemish Red Cross. She has worked with many academics, including J-PAL at MIT and its sister organisation Innovations for Poverty Action. She is described by Nobel Laureate Richard Thaler as "charmingly disruptive".

4. Most charities lack the funding to do reliable impact research. Good experimental evaluations involve gathering data about people who do not get the programme or who get a different programme ('the control group'). Few operational charities have access to such people.

[1] I particularly love this study because of how I came across it. It was mentioned by a bloke I got talking to in a playground while looking after my godson. The playground happens to be between MIT and Harvard, so draws an unusual crowd, but still. Who needs research infrastructure when you can just chat to random strangers in the park? ;-)

WHAT TO DO IF YOU CAN'T ANSWER THE QUESTION RELIABLY

If there is inadequate money, skills, sample size — or time — to answer the question reliably, don't try to answer it at all. The research is simply going to provide an answer that is very likely just wrong: showing that some programme helps when in fact it harms. There are many such examples.

Most charities should not PRODUCE impact research. But they should USE rigorous, independent research — about where the problems are, why they arise, what works to solve them and who is doing what about them. We've written about this amply elsewhere.

Most charities should:

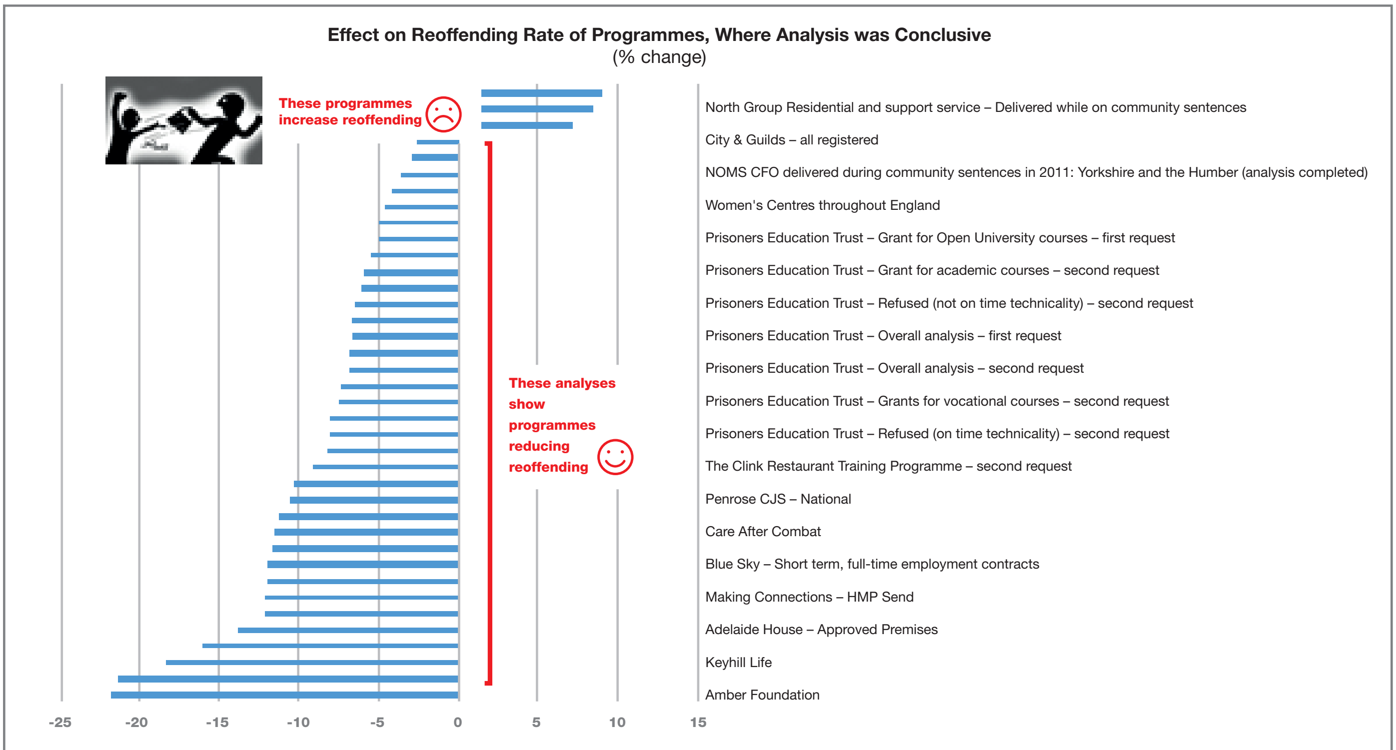
- Do proper needs assessments before designing an intervention. (Funny how few funders ask for these: it's as though they want evidence that a programme works, but not that it's needed...)
- Check that their proposal is wanted and will be welcomed by the target communities.

Then, if it runs:

- Check the targeting: check that the people who get it are who you intended to get it.
- Ensure good implementation. The programme should be delivered in full, properly, and every time.

(Further discussion guidance on this is here.)

"MOST CHARITIES SHOULD NOT PRODUCE IMPACT RESEARCH. BUT THEY SHOULD USE RIGOROUS, INDEPENDENT RESEARCH..."

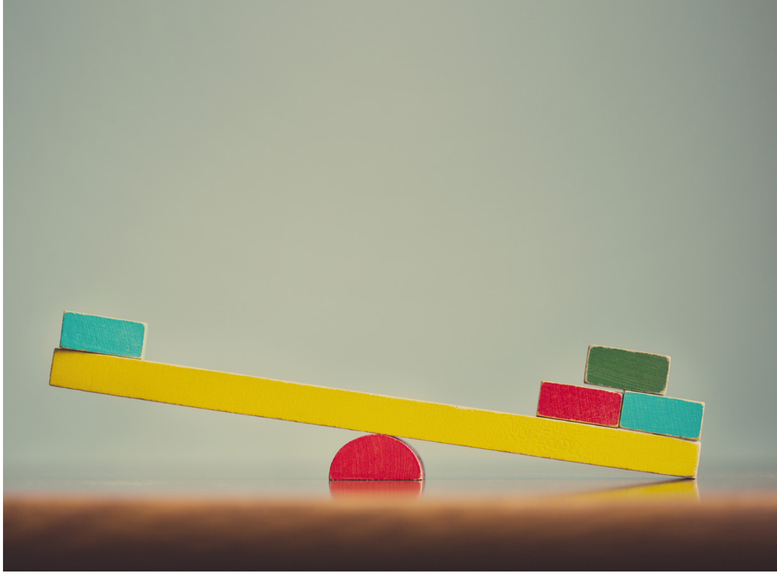


This shows all analyses by MoJ Data Lab of VCS programmes which were not deemed 'inconclusive'. Data to October 2020.
Source: MoJ Data Lab

The analyses also show the case for reliable intervention and not just guessing which charity-run programmes work or assuming that they all do:

a. Some charity-run programmes create harm: they increase reoffending.
b. Charity-run programmes vary massively in how effective they are.

"IN A WORLD WHERE POWER IS SO UNEQUALLY SHARED, PHILANTHROPY CAN PLAY AN IMPORTANT ROLE IN CATALYSING POSITIVE CHANGE."



TACKLING THE POWER IMBALANCE

DHANANJAYAN SRISKANDARAJAH AND EDWARD THOMAS – OXFAM.ORG.UK

Changing the culture and behavior of funders and NGOs — five principles for transformational impact

Most impact investors spend a lot of time thinking about how much money to invest, but, to really make an impact, they should also be thinking about how much power they're willing to cede. There is a growing recognition that in order to drive deep-rooted, positive impact, we need to tackle imbalances of power that are getting in the way.

Many have called out the paternalistic, top-down model of charitable activity — where those holding the cheque book make decisions about communities treated as passive 'beneficiaries'. This can lead to programmes that fail because they are not rooted in what people actually want, and to short-term thinking that views projects as one-offs, rather than as steps on a path towards sustainable change. Not only that, but such imbalances of power can be appallingly abused, as Oxfam knows only too well.

At Oxfam, we understand poverty as a lack of power as well as resources. For those of us striving to make the Sustainable Development Goals a reality, it's important to recognise the factors that have shaped uneven development around the world. For example, racism and sexism make it harder for people to earn a living, feed their children and put a roof over their heads. Many of today's global structures and institutions date from a time when power was held predominantly in the Global North. The movement to 'decolonise' the aid system is about shifting from a dynamic that perpetuates power imbalances to an approach that is anti-racist and feminist, that promotes diversity and that connects people on a more equal footing.

These ideas are at the heart of Oxfam GB's new strategy to achieve radical, lasting change. We are trying to write ourselves into the picture differently; with partnerships that strengthen the power of communities to push for solutions; reconfiguring our global confederation to be a more representative network — moving our international secretariat to Nairobi and creating independent organisations in countries such as Colombia; and continuing our journey to be safe, feminist and anti-racist in everything we do.

In a world where power is so unequally shared, philanthropy can play an important role in catalysing positive change. In recent months it's been hugely welcome to see philanthropists such as Co-Impact and MacKenzie Scott moving funds directly to people who have been historically marginalised and systemically denied power. There is a growing consensus that many funding models are outdated. However, without bold new thinking, the tendency is to default to existing mechanisms. Here are five principles we invite philanthropists to keep in mind to drive transformational impact.

1. Make participation real

The people from the communities we work with are best placed to define what support they need and how to develop solutions that fit the local context. Make sure their knowledge and expertise is at the heart of programme design. Include them in governance. Oxfam's Enterprise Development Programme was challenged by its board to recruit more board members from the Global South and to include more Global South colleagues in

DHANANJAYAN SRISKANDARAJAH

EDWARD THOMAS

board meetings. The pandemic shift to virtual meetings has enabled greater participation, leading to better quality decisions. Yet too often in our sector these essential perspectives are missed out. We need nothing less than a participation revolution.

2. Be brave

Philanthropists are uniquely positioned to provide innovative, high-risk capital. Use the powerful set of tools at your disposal to take on less popular but vital issues that others will not. Seek out and invest in those who are typically excluded, such as women of colour and households with little access to credit. Be prepared to take risks in order to deliver in some of the toughest places on Earth. Current philanthropic trends show increased funding for technocratic solutions misaligned with the reality in fragile states; these efforts often leave behind the people most in need. The development sector continues to need courageous, patient funding in places where the results are harder to achieve but all the more necessary to protect lives and dignity.

3. Measure what matters

Frequently, measurements of impact are dictated by funders, with little input from the people involved in the programme. A focus on quantitative measurements may miss a broader holistic understanding of impact. Reporting requirements can be onerous, especially for smaller organisations. Together, we need to work with communities to learn what progress truly means for them, and have the confidence to measure impact on their terms. This might mean redefining how to communicate success, to value outcomes that help to build the foundations for the fairer, more sustainable future we are working towards.

4. Fund resilience

Philanthropists have the freedom to think long term. Instead of short-term, restricted grant-making, which centres power with the donor (recipient organisations must invest in servicing the grant and reapplying annually, which makes it hard to plan, retain staff and work towards long-term impact), offer unrestricted, long-term core funding to support self-determination and the ability to grow and build organisational resilience. Mechanisms like the Black Feminist Fund are championing this approach, and Oxfam's Community Fund supports women's rights organisations with flexible funding to invest in their own priorities, from renting office space to wellbeing, and mentoring to support the transition to a non-financial relationship. During the pandemic, it was welcome to see philanthropy move fast to de-restrict grants, adapt contracts and increase investment in core partners, to help organisations weather the storm.

5. Cross pollinate

Philanthropy has an impressive power to forge new connections across traditional boundaries. Maximise impact by seeking out unusual partnerships and engaging the grassroots organisations and communities that are on the frontlines of a variety of social justice issues. By harnessing its convening power and networks, philanthropy can help to raise these local voices and causes, and boost their impact.

Philanthropy is no substitute for progressive economies — ones that protect workers' rights and raise revenues from fair taxes to invest in public services. But there is no doubt it can play a critical role in unlocking system change, if shifting power is the foundation on which it is built. The only barrier is imagination.

DR DHANANJAYAN SRISKANDARAJAH – CHIEF EXECUTIVE OFFICER, OXFAM GB

Dhananjayan has been CEO of Oxfam GB since January 2019. Prior to that, he spent six years as Secretary General of CIVICUS, the global civil society alliance. He has previously been Director General of the Royal Commonwealth Society, Interim Director of the Commonwealth Foundation and held various posts at the Institute for Public Policy Research. From 2018 to 2019, he was a member of the UN Secretary General's High-Level Panel on Digital Cooperation, co-chaired by Jack Ma and Melinda Gates, and from 2015 to 2016 a member of the High-Level Panel on Humanitarian Financing.

EDWARD THOMAS – PARTNERSHIPS MANAGER, OXFAM GB

Edward is Partnerships Manager for Oxfam GB's Enterprise Development Programme, an SME investment programme that has improved the livelihoods of more than 30,000 people in the last five years. He is leading the transformation of this programme, scaling it into a $56 million impact-investing vehicle. He started his career in financial services, where he spent a decade, latterly at the Royal Bank of Scotland. He is passionate about using capital and technical assistance to bring about catalytic change for enterprises around the world, and moved into the NGO sector, working on a microfinance programme in Kenya before joining Oxfam in 2016 from a leading animal welfare charity.

STEPPING UP – PHILANTHROPY MUST MEASURE IMPACT IN NEW WAYS

HEATHER GRADY – ROCKPA.ORG

The philanthropy sector has long had a complex relationship with the field of evaluation and measuring impact — that is, measuring the actual long-term external changes to which their funding has contributed. This is distinct from, and goes well beyond, monitoring the *activities, outputs, and short-term outcomes* supported by grants and operational activities of funders.

Historically, the evaluation field grew in size and sophistication through analysis of public sector spending, commissioned by public sector entities. But as the philanthropy sector has grown, it has increasingly recognised the importance of measuring impact, particularly over the past 20 years.

To some extent, the impetus came from acknowledgement that a significant amount of philanthropic funding was supporting nonprofits who were diligently implementing agreed-upon activities, but not necessarily making lasting progress on the problems they were tackling. It can be argued that this led to an overemphasis on monitoring and reporting on key performance indicators (KPIs) at the expense of taking a longer-term view of sustained impact, which diverted grantees from their core strategic work. It also resulted in mountains of data that is rarely shared beyond those creating and collecting the reports.

ROBUST EVALUATION

At the same time, measuring impact through robust evaluations continues to be underemphasised. This is confirmed by the results of the 2020 report by the US-based Center for Evaluation Innovation, which administers the Evaluation Roundtable benchmarking report on independent and community foundations. The report found that funding for evaluation (through grant-making or contracting) was about half a million dollars (US) for foundations where median giving was about US $30 million. Of the foundations responding to the survey, almost two-thirds said they include evaluation funding for less than 10 per cent of individual grants. Overall, the Center estimates that over the last decade, 2-3 per cent of surveyed foundations' programme budgets go to evaluation. And the number is likely far less for smaller foundations and individuals giving through family offices or donor-advised funds.


HEATHER GRADY

On the positive side, a greater proportion of staff effort went into evaluating foundation initiatives or strategies, providing data to inform grant-making strategy, learning processes within the foundation, and compiling and/or monitoring metrics to measure foundation performance. This is important because many funders regularly engage in strategic planning and strategic 'refreshes,' go through restructuring processes, or change priorities within their programmes. Making such changes effectively requires evidence and data.

LEGITIMACY AND ACCOUNTABILITY

But public trust in the philanthropy sector, and questions about legitimacy and accountability (particularly in countries where there are tax benefits to charitable giving), would seem to warrant a greater emphasis on measuring impact. And this imperative is only heightened by the increasing emphasis in the sector on diversity, equity and inclusion. However, the sector will need to explore more deeply some fundamental questions: Who is determining the questions to be asked? Whose perspectives and voices count in measuring impact? How can measuring impact challenge negative power dynamics in philanthropy rather than reinforcing them? And how can evaluation practices reinforce systems change approaches in philanthropy?

Fortunately, a number of funders and support organisations are innovating in this space. For example, the Center for Evaluation Innovation

mentioned above released a report in April this year on how to support and measure advocacy efforts that also build power by using measures of success that include attention to what was won (in this case, helping address racial disparities and their root causes) and how it was won (the work should centre on impacted communities). Another example is the Fund for Shared Insight, a funder collaborative working to improve philanthropy by promoting and supporting ways for foundations and nonprofits to listen and respond to the people and communities most harmed by the systems and structures they seek to change. Their Funder Action Menu is designed to help foundations think in a systematic way about how they can promote listening and feedback across the many dimensions of their work.

DEEPER LEVEL IMPACT

Moreover, impact is not just about small accomplishments at the project level, but about whether funders and partners are creating more durable, systemic impact at those deeper levels that Donella Meadows refers to — the level of policies, norms and even mindsets (values, attitudes and beliefs). These are harder to measure but create more transformative change. An example of a funder collaborative with this orientation is the Global Alliance for the Future of Food, established with a systems approach to measuring impact from the outset. It focuses on developmental evaluation to track, document, assess and support development, adaptation and learning about how the alliance evolves and adapts within the complexity of food systems transformation. It uses principles-focused evaluation to focus on how the Alliance remains aligned with and faithful to its guiding principles. And it works with the Blue Marble Evaluation initiative to focus on its contributions to global food systems transformation.

Indeed, the Global Alliance for the Future of Food was one of the examples featured in the work of the Shifting Systems Initiative of Rockefeller Philanthropy Advisors. The third major report of this initiative, Seeing, Facilitating, and Measuring Systems Change, produced a set of recommendations for funders who aim to support long-term, systemic change targeting the root causes of the problems facing our world today. One recommendation is that engaging stakeholders, being rigorous and collaborative in gathering and analysing evidence, and exchanging lessons with others is essential for promoting and scaling best practices in systems change. Another is that by *mapping* the systems they aim to change while developing robust theories of change, funders and programme partners will better see how systems function, where promising leverage points and opportunities for intervention may exist, and where unintended consequences may arise. And a third recommendation was that systems change is facilitated by strategies emphasising streamlined giving, inter-organisational and cross-sector collaboration, active learning and appropriate deference to the experience-based expertise of grantees. The takeaway for funders is clear: shifting systems to address climate change, racial inequities, mass incarceration, educational inequality and other pressing, multi-layered issues begins with a systemic shift in the philanthropic sector's own funding models.

These are heady words and ideas, but funders and those who advise and support them will find their work more impactful and more creative and fulfilling by opening up to new ways of conceiving of and doing impact measurement. The trend is growing, the community is moving, and it's time for more funders to get on board.

HEATHER GRADY – VICE PRESIDENT, ROCKEFELLER PHILANTHROPY ADVISORS, SAN FRANCISCO

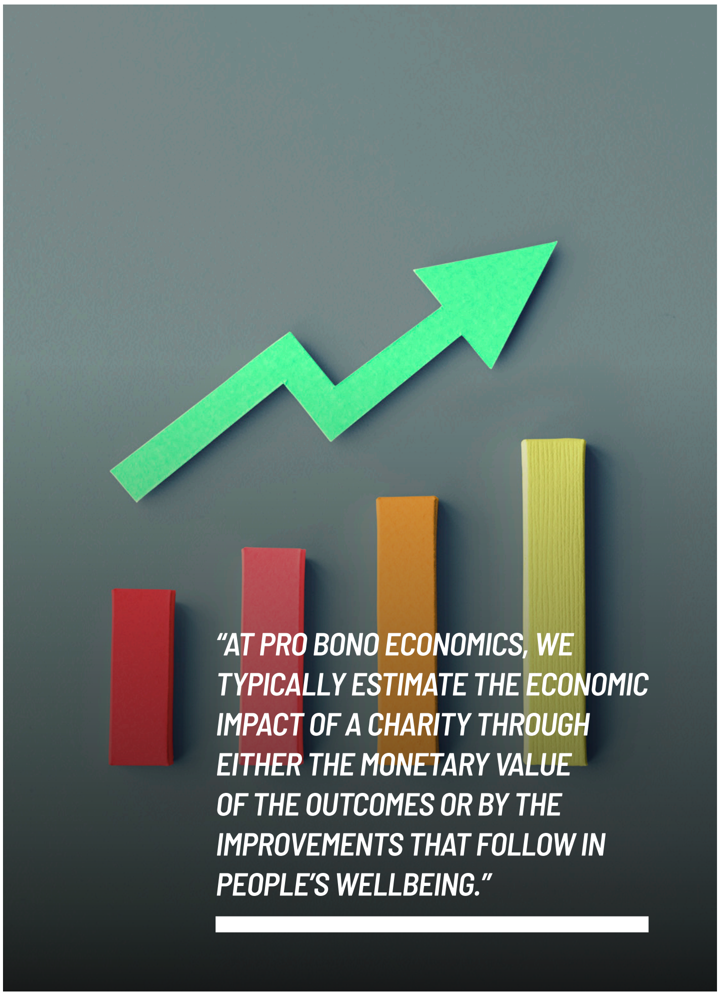
Heather leads the practice area of Environment, Climate Change and Rights, which includes a range of sponsored projects and donor collaboratives, as well as advisory engagements, research and thought leadership work. She also leads the Scaling Solutions toward Shifting Systems initiative that encourages funders to place longer-term, more adaptive resources with programme partners who are tackling systemic challenges from the local to the global level. Heather has served as an adjunct professor at the China Global Philanthropy Institute and Columbia University, and frequently speaks and publishes on philanthropy.

Heather's approach to this work has been shaped in part by two decades living and working in countries in Asia, Africa and the Middle East, managing development and humanitarian programmes focused on a range of themes, including livelihoods, environment, agriculture, health and education, and gender equality. Heather was previously Vice President for Foundation Initiatives at The Rockefeller Foundation, and prior to that, she served as the Managing Director of Realizing Rights: The Ethical Globalization Initiative, established by Mary Robinson. During this period, she also served as an Adjunct Professor at Columbia University's School of International and Public Affairs.

Heather has degrees from Smith College and Harvard University. She is conversant in Chinese. She serves on boards and advisory councils including the Dropbox Foundation, Business and Human Rights Resource Centre, Forum for the Future, the Wildlife Justice Commission, and Doc Society, and was a founding advisor to The B Team.

IS MEASURING ECONOMIC IMPACT RIGHT FOR EVERY CHARITY?

MADISON KERR – PROBONOECONOMICS.COM



Analysing the economic impact of a charity's services can be easier said than done, so considering what is feasible before investing in data collection and impact consultants is a good place to start

Funders today expect charities to provide evidence of their impact. This is more important than ever in the wake of the pandemic, which has left a permanent scar on the sector's public donation levels which could be as large as £6.6 billion. However, analysing the economic impact of a charity's services is easier said than done for some organisations, so it is beneficial to consider what is feasible before investing in data collection and impact consultants.

ECONOMIC IMPACTS AND OUTCOMES

The starting place for those in charge of charities should be to ask, why do we want to estimate our impact? Who are we trying to influence and what outcomes will those stakeholders be interested in? Will they be motivated by case studies, technical studies or are they interested in savings expressed in pounds and pence?

Charity leaders can then start thinking about the outcomes their organisation delivers and whether these can be measured and articulated in a way that will work for those stakeholders. For example, a charity focused on improving mental health through counselling support has several potential avenues for articulating their impact. They can tell stories about people whose lives have been turned around. They can express how improvements in mental health reduces NHS usage. Equally, they can explain the value of improvements in people's quality of life from their services.

IMPORTANCE OF DATA

After a charity has decided what outcome it is interested in measuring, those in charge will need to make sure data is carefully collected prior to and after the delivery of the charity's services. Frontline staff usually collect data at charities, so they need to recognise the importance of this data and understand how it will benefit service users. If frontline charity workers see data collection as an inconvenience, this may affect the data quality, which has consequences. It is not possible to do an accurate economic analysis if the underlying data is unreliable.

MADISON KERR

MONETARY IMPACTS

At Pro Bono Economics, we typically estimate the economic impact of a charity through either the monetary value of the outcomes or by the improvements that follow in people's wellbeing. Charities like to explain the impact of their programmes in pounds and pence because it is a universally recognised understanding of value. Stakeholders, whether they be funders, service users, employees or volunteers, can easily grasp the importance of x pounds in outcomes outweighing y pounds in costs.

"IT IS LIKELY TO REMAIN DIFFICULT TO PUT A MONETARY VALUE ON CHARITIES THAT CONDUCT RESEARCH, ADVOCATE FOR SOCIAL CHANGE OR IMPROVE ANIMAL WELFARE."

However, to do this, the charity's outcomes must be suitable for conversion into monetary terms. Some outcomes are easier to convert into currency than others. For instance, charities that improve students' academic scores, get people into employment, reduce dependence on government benefits and improve the physical and/or mental health of clients all have pre-existing evidence of the value of these outcomes.

Last year, Pro Bono Economics undertook an economic analysis of The Clink Charity which operates training restaurants in prisons. Trainees get the opportunity to gain skills and qualifications before The Clink Charity subsequently helps connect them with employers upon release. We estimated that for every £1 invested, the charity's training and support programme could generate £4.80 in benefits through reductions in the probability of reoffending.

WELLBEING IMPACTS

However, some outcomes achieved by charities have traditionally been far more difficult to translate into a monetary value. For example, charities which help people to access government services or welfare payments to which they are entitled would often appear as a negative benefit to the government, as they increase demand on services in the near term. But we know that accessing these services can have an instant and dramatic impact, improving the lives of their beneficiaries at a time when they are often at their most vulnerable.

Fortunately, measuring economic impact through improvements in wellbeing has been gathering momentum, as government agencies recognise that improving the lives of people is both measurable and valuable in economic terms. New guidance from the Treasury supports the case for converting wellbeing improvements to pounds, which could transform the ability of many charities to talk about their impact in monetary terms.

WHEN IS IT NOT APPROPRIATE TO ATTEMPT ECONOMIC IMPACT ANALYSIS?

Unfortunately, despite these important strides in capturing and measuring changes to the quality of life, there remain some charities that are not appropriate for economic impact analysis. To start with, there are some outcomes that remain difficult to monetise. It is likely to remain difficult to put a monetary value on charities that conduct research, advocate for social change or improve animal welfare. Secondly, isolating the effect from an organisation's intervention can sometimes be near impossible if clients simultaneously use other services. In addition, the burden of data collection may not be appropriate or possible with the type of intervention and/or resources available to an organisation. For instance, mental health charities may not want to require clients to fill in long surveys before and after their services as it may deter people from accessing the services in the first place.

IS AN ECONOMIC IMPACT ANALYSIS FOR YOU?

Before setting off down the path of estimating a charity's impact, it is important for an organisation to understand:

1. Why they want to receive an economic analysis
2. If the outcomes their organisation influence lend themselves well to impact evaluation
3. Whether they have the time and resources to conduct one

Pro Bono Economics believes that providing evidence of economic impact is incredibly beneficial for charities if they are well positioned to do so.

MADISON KERR – ECONOMIST, PRO BONO ECONOMICS

Madison helps charities evaluate the impact of their services. Before working at PBE, Madison attained her PhD in economics with specialisations in applied microeconometrics and gender economics, and her work focuses on the impact of gender and family on the attitudes and labour market outcomes of individuals.

MEASURING THE SOCIAL – STOP FRETTING!

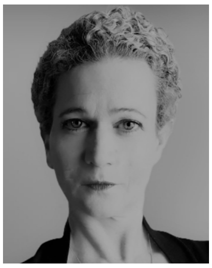
KRISTINA TOUZENIS – LINKEDIN.COM

Is it really necessary to quantify everything? Could it in fact be damaging to our understanding of the effects of investments and practices?

There is ever-increasing attention on measuring the sustainability effects (I am not saying "impact" because this is not only for "impact investing" but for all businesses and investors) of investments and business conduct. Where effects on the environment are — albeit not necessarily with total conformity and agreement — being measured to a large extent with numerical and quantitative values, issues around social effects and (good) governance are often being either put aside or even slightly put down as being "unmeasurable" and therefore impossible to deal with.

But is this true? And is it actually necessary to quantify everything? Could quantification even be damaging to the understanding of the effects of investments and practices?

Private sector actors who claim to be sustainable and work towards the realisation of the SDGs should strive to respect, promote and implement good standards in their practices, even when operating in a state whose policies violate international law. The company may have little influence over such governmental policies. However, it should at a minimum refrain from endorsing or supporting the particular policy/activity that violates the right, and this includes instances where the government may be acting to protect the company's interests, such as with public security clamping down on human rights defenders or protesters who are protesting against the company's operations/project. This also includes avoiding passing along information on employees, customers and others that will help the state enact or carry out policies which violate the right, and having internal policies that respect and implement international standards.



KRISTINA TOUZENIS

STANDARDISATION, AGGREGRATION AND COMPARABILITY

The benefits of indicators to measure social effects mainly derive from the potential for standardisation, aggregation and, ultimately, comparability (over time and across companies) of the information. In the multilateral world, UN agencies have worked with human rights indicators for their results-based reporting for a decade or more — and the social element of sustainability really is the respect for and realisation of human rights.

Indicators related to enrolment rates for school-age children; or children who have been in an exploitative situation before and are now in a vocational training programme; or the number of employees with access to health care or social security; indicators of the number of court cases against a firm; the time frame for implementation and coverage of policies relevant to sustainability internally; people being paid a living wage (or not); workers with health insurance; the proportion of employees who are members of minorities or women; and the incidence of complaints of pollution or unjust deduction in wages, are all examples of quantitative indicators which can be used to measure the impact on society.

In many cases a specific case of abuse — or good practices — can illustrate issues or potential for a company/investment. But while the individual-contextual-narrative approach is appropriate to determine whether a company abused the human rights of a specific individual or group of individuals, it suffers from important limitations if the objective is to measure the human rights performance of a company in general terms. How to know whether abusive behaviour in a specific case is the rule or just an exception? How to compare and aggregate information from different projects, factories, countries of operation, etc? The move from the specific to the general is where business and human rights indicators step in. That said, relying only on qualitative indicators also poses problems as we will discuss below.

The production of valid business and human rights indicators could be useful for: companies that want to manage their human rights risks and track their progress in the implementation of the GPs; investors and consumers who wish to compare the human rights performance of different corporations; auditors who are asked to verify the accuracy of human rights policies and due-diligence processes; governments who are these days increasingly developing regulation for investors and business on obligations to conduct their activity in a way that furthers sustainability and therefore the respect for human rights — no matter where the operation takes place; local communities that are concerned about the human rights footprint of the companies operating in their environs; human rights advocates who monitor the human rights impacts of corporate actors.

Human rights standards and the experience in the UN on measuring implementation gives very valid guidance on how to create indicators for Social "impact".

One example is adequate wages, which in turn have an impact on people's livelihoods and standard of living (including housing, health and educational level). For most people, the most important characteristic of work is pay, and the principle of an "adequate living wage" is mentioned in the preamble to the International Labour Organization (ILO) Constitution. Nearly all individuals who work or seek work do so in order to earn an income and ensure the economic wellbeing of themselves and their households. Besides providing adequate income in the static sense of a decent rate of pay, decent work must also address dynamic aspects of continuing to provide adequate income. One dynamic aspect of decent work is whether individuals are able to improve future work and income via training and further education.

In terms of indicators, adequate pay can be measured directly by an indicator on rate of pay. It can also be measured indirectly through indicators on hours of work that call attention to individuals who work many hours because their rate of pay is not sufficient, or who have limits on their hours of work, resulting in inadequate income. Notice that these indicators mainly rely on distributional data for pay rate and hours of work to identify the percentage of workers who receive inadequate/low pay, have opportunities only for inadequate hours of work, or have long hours of work. The reason for this focus is to help identify workers without decent pay and/or hours. Participation in job-related training provided or subsidised by the employer provides an indicator of future earnings possibilities.

It is, however, important to keep in mind that not everything can or should be quantified. Quantifying specific aspects of the corporate responsibility to respect human rights might end up selling a "story" very short — and could even end up condoning human rights abuses and giving unwarranted prominence to easily measurable (but not necessarily more important) issues. Thinking that quantification is the only answer also risks missing out on important nuances and completely ignoring the narrative around progress and where a company is going.

Check that:

- The above standards are clearly integrated and respected in your own operations
- A requirement to ensure respect for maximum working hours and overtime restrictions is included in the company's terms of contract with suppliers and contractors
- The ability of suppliers/contractors to comply with the requirement is assessed during qualification and selection of new suppliers and contractors

KRISTINA TOUZENIS – HUMAN RIGHTS SPECIALIST AND ADVISOR

Kristina has more than 20 years of experience (thus the need for botox) in advocacy, human rights reporting, monitoring and evaluating, as well as in policy-making and negotiating at national, regional and global level. Kristina created the International Law Unit at the International Organization for Migration (IOM), the UN Agency for Migration and served as Head of the Unit from 2011 to 2020. In that role, she built internal organization-wide policies and guidance for offices worldwide on how to operationalise, report and monitor the impact of programmes from a rights-based perspective, developing indicators and methodologies to measure and leverage benefits to broader societies and beneficiaries. She also engaged with government counterparties on legislation development and review, as well as with other agencies within the UN common system, on advocacy and implementation of programmes worldwide. Kristina then founded a boutique advisory firm applying that experience to the private sector. Currently, she is in transit back towards the multilateral sector where she feels that she may have greater and broader impact (and not use her time doing BD...) but she is still advising wealth managers/advisors and investors on social sustainability and governance issues.

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- Acquire the knowledge, skills and tools to leverage best practice and become a *pioneer* in this emerging field
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KEY LEARNING OUTCOMES

By attending this innovative online workshop, you will:

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Current average rating for philanthropy advice:

5.9/10

This course could help you achieve a rating of:

10/10

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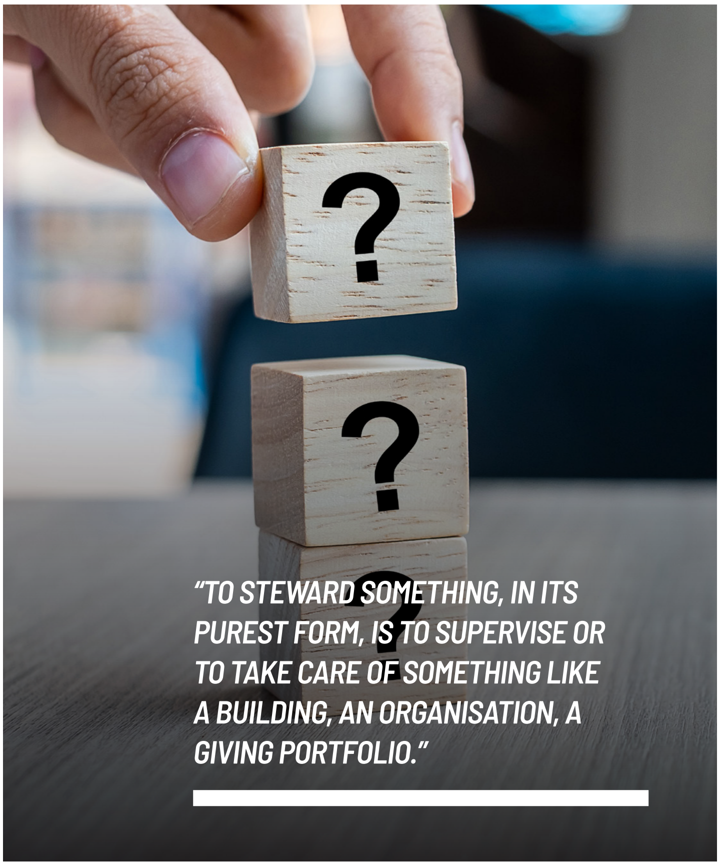
ACHIEVING IMPACT WITHIN THE DONOR-ADVISED FUND MODEL

JANIE OLIVER – WWW.STEWARDSHIP.ORG.UK



"TO STEWARD SOMETHING, IN ITS PUREST FORM, IS TO SUPERVISE OR TO TAKE CARE OF SOMETHING LIKE A BUILDING, AN ORGANISATION, A GIVING PORTFOLIO."

The landscape of the investment environment in the UK has been changing over the last few years. With the spotlight shining on world-changing issues, like the climate crisis, racial justice and equity and gender equality, conversations around the responsibility of investors, philanthropists and charitable vehicles have increased. Decisions around what to resource, when, to which level of risk, seem all the more important. Perhaps at the beginning of this list of key considerations is "What outcome are we aiming for?" and once we know that, "How do we begin to build a picture of how we're planning to create that impact?"

Stewardship is a donor-advised fund (DAF) and, true to our name, we have begun to ask whether we are being good stewards of our growing assets. To steward something, in its purest form, is to supervise or to take care of something like a building, an organisation, a giving portfolio. In Jewish, Christian and Muslim traditions, the definition of stewardship includes a theological belief that humans have a responsibility to look after the resources they have and use them wisely. This could be summed up in this definition by Peter Block:

'Stewardship encompasses the ethical responsibility to act on behalf of others and to honor the responsibilities of service, rather than pursue one's own self-interest.'

This is, of course, incredibly interesting in the context of growing a balance sheet and thinking about who's interests we are pursuing. It leads us, as a DAF, to probe a little deeper into questions like: How should we be thinking about the entirety of our assets as a tool to achieve our mission and our charitable objectives, not just the donations out that are made on an annual basis? How do we make sure we do aggregate good, and no harm? How do we encourage our donors to think about some of these questions?

The explosive growth of the DAF market as the UK's fastest growing philanthropic-giving vehicle over the past few years has brought this into even sharper focus. For example, we have seen a 40 per cent growth in our balance sheet over the past two years, following the trend of an increase in philanthropic giving. When the assets are invested before they are granted out, they have tremendous potential for sustained and increased impact, and as a DAF we have a responsibility to create opportunities to invest in more meaningful and impactful ways.

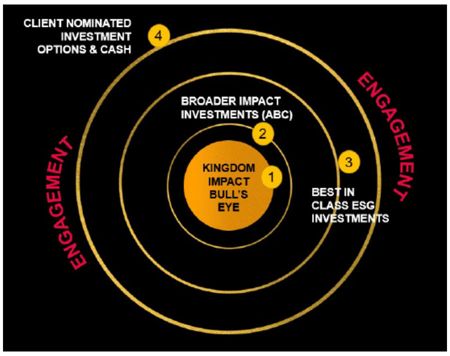
JANIE OLIVER

One solution that comes to mind is to create an investment framework that puts these questions at the centre and provides opportunities to co-venture with our philanthropy clients in achieving the impact we would like to see. Within the DAF framework, donors have a key part to play in choosing how to multiply the impact of the funds they donate, and importantly not to inadvertently off-set the positive impact of a grant (for example, to an organisation involved in environmental care) with an investment portfolio that neutralises any 'good' achieved (by investing in coal, in this example).

AN IMPACT FRAMEWORK

We are inspired by the thinking of other influential organisations in this space, such as Access, the Foundation for Social Investment. They have developed a framework known as the Bull's Eye approach.

It asks the primary question – *what is the impact that our investments seek to generate?* Tiers are then created in relation to the decided impact, with the most important goal at the centre.



As a Christian organisation, our ambition is that the Bull's Eye investments (Tier 1) are aimed at directly achieving what we refer to as 'Kingdom Impact' – namely investments in organisations devoted to supporting and building Christian ministry and resourcing the Church.

We've also expanded the concept of the Bull's Eye out slightly to 'Broader Impact Investments' (Tier 2) acknowledging that those investments seeking to positively address the UN Sustainable Development Goals are in line with how our faith compels us to act. The next tier of investments (Tier 3) seeks to invest in 'Best in Class ESG investments', and finally, having exhausted those three categories within our investment universe, remaining investments will either be in cash (unless it is possible to invest in ethical banks, in which case these cash deposits are classified as Tier 2) or in other client-nominated options which do not fall into the other three tiers.

We recognise that the totality of our investible universe won't fit into the inner rings of our Bull's Eye, either due to the lack of investment opportunities, or because of our client's requests for investments (through their nominated investment options). And so, our ambition is to:

- seek to continue to move as many of our investments into the inner two rings of the Bull's Eye as possible.
- work with our asset managers to ensure that the assets we have invested in Tier 3 are truly 'best in class' when it comes to ESG.
- live up to our name when it comes to our responsibility around engagement in the broader ecosystem — we will look to work directly with our asset managers as well as join together with other charities and foundations to act collectively to activate change.

Using this method of developing thinking around how to reach our desired aims is transforming the way we look at our balance sheet and the potential for greater impact.

MARKET BUILDING

While the framework we adopt may be new and may adapt as this methodology is embedded, Stewardship's heart for impact is not. We've had mechanisms for social impact investment options to loan to churches and charities for over 30 years. As an illustration, at the end of September 2021, our portfolio of loans to churches and charities was nearly £26m, and we see this as a vital part of both our mission and our investment portfolio. We have been exploring ways for our philanthropy donors to co-venture with us on these loans and support churches and charities through the development of this social investment lending product. As well as continuing to look within the mainstream market for investment opportunities, we hope to be able to help shape and create investment opportunities where we see options to expand the inner Bull's Eye (Tier 1). Last year, we led a consortium of Christian investors, including some philanthropy clients, to purchase Kingdom Bank to ensure its future as the only UK bank focused on serving Christian churches and church workers, and to enable Christians to invest their savings with a missional focus in the work of the Church. We are excited to continue exploring new opportunities where mission and return intersect.

JANIE OLIVER – CHIEF FINANCIAL OFFICER, STEWARDSHIP

Janie joined Stewardship as CFO in February 2021. She trained as a chartered accountant in South Africa, but has spent the majority of her working life in the UK, firstly in a number of senior finance roles with Barclays Bank, before moving into the charitable sector six years ago. Janie spent four years working at the forefront of social investment, as Finance Director of Access – The Foundation for Social Investment, pioneering the total-impact investment approach of their £60m endowment, and she was also acting CEO for six months while there.

Most recently, Janie led The Ecumenical Council for Corporate Responsibility, a charity seeking to influence on issues related to faith and finance, where she regularly spoke on connecting faith, money matters and living generously utilising all we have available to us. Janie is passionate about social justice and has held a number of trusteeships, most recently with a small London-based charity supporting women exiting sexual exploitation via the provision of holistic support, including housing. She is married with two small children and has recently moved to be part of an exciting church plant in Wiltshire.

"TRYING TO ACHIEVE MEANINGFUL SOCIAL IMPACT THROUGH DIRECT INVESTMENT INTO SINGLE ORGANISATIONS IS LIKE ASKING SOMEONE TO PAINT THE SHARD WITH A CHILD'S PAINT BRUSH."

PAINTING THE SHARD: ON APPROACHES TO IMPACT

GENEVIEVE MAITLAND HUDSON AND NICK TEMPLE – WWW.SIBGROUP.ORG.UK

The great challenge in accounting for the impact of a grant or investment is unpicking the general from the particular. This is just a basic point about research, but it can get lost in the local colour of case studies and storytelling. It can also get lost in the practical reality of delivery. Social purpose organisations work through a set of tightly circumscribed structures. They are formally constituted organisations, subject to sets of legal and regulatory restrictions, and — for the most part — deliver their work with revenue models that set additional demands on how they do things, whether of length, reach, outcome, or even approach. The changes they want to bring about, on the other hand, are unlikely to be boundaried in the same way, persisting in messy ways in individual lives and throughout society.

This practical reality means that, for the most part, social purpose organisations can only intervene on a small part of a problem, whilst nevertheless being the main conduit for people with money who want to use that money to achieve social ends.

Investors often fail to recognise the fundamental mismatch between the contingent history of organisational legal form — which developed for very different purposes and which circumscribes the domain of intervention — and the work of bringing about social progress. Added to this mismatch are the equally contingent norms of funding. What this means is that accounting for impact in investment isn't really a question of measurement, even though it is so frequently presented in this way.

Trying to achieve meaningful social impact through direct investment into single organisations is like asking someone to paint the Shard with a child's paint brush. The scale of the task is out of all proportion to the means. To continue the analogy, fixating on beneficiary-level impact measurement by those organisations is like insisting on accurate viscosity measures for the paint in the tin. Knowing the viscosity isn't completely irrelevant, but it doesn't help you get the building painted and it probably distracted you from getting on with the job.

At Social Investment Business, we are trying to take proper account of the difficulties of achieving social change through direct investment into single organisations, of which we have a good deal of experience. In the last 20 years, we've managed £0.5 billion of grants and loans to social purpose organisations throughout the UK. Whilst working hard to do this well, we don't ignore the fundamental incongruity of the model itself. We aim, instead, to mitigate it by developing comparable data and evidence that runs across organisations rather than relying on small dips into them.

The real potential of individual social purpose organisations in delivering social change, is in fact the recognition that they are not individual or working alone despite their legal form.

Every organisation is networked, and social change is achieved through those networks and through institutional norms and best practice.

GENEVIEVE MAITLAND HUDSON

NICK TEMPLE

Despite the very live and lively discussions of the value of collaborations and networks, it is unfashionable to highlight the importance of cross-sector professional standards, training and oversight. These means of assessing the health of networks, however, are essential to ensuring that change is achievable, and achieved. No single impact measure of a small sample will have the same weight or authority as a formal sector-wide comparative assessment at scale. This is why we, at SIB, pay close attention to the inspections and scores of Ofsted, the Care Quality Commission (CQC) and other similar bodies.

It is also why we admire and support the crucial standard-setting work of organisations like the National Youth Agency, Centre for Youth Impact and the Community Shares Unit, which in their different ways aim to identify the key features of common delivery that ensure, and indeed assure, the quality of a service.

Beyond paying careful attention to institutional measures and expert sector standard-setting, we use a set of core categories that also seek to assess generalisable good practice within social purpose organisations. Drawing on work from Oxfam and others, we have six core categories in our impact framework, each underpinned by three key questions and assessed using publicly available information (and scored from 0-2)

1. Business Model - looking particularly at purpose, power and profit
2. Employment - looking particularly at wages, terms and progression
3. Equalities - looking at labour, products/services and systemic causes
4. Market - looking at market gap, market failure, and product/service quality
5. Community - looking at voice, supply chains, community benefit
6. Financial Resilience - looking at managing hardship, track record, income diversity

This framework has allowed us to start to compare across different funds and programmes, assessing this common set of practices. We can score one fund's impact and compare it to another; we can score the deals in a portfolio and revisit them over time to assess progress. We can look at the resilience created by a grant funding approach and compare it to that of a longer-term loan fund. This is the sort of work we are already doing on our new Recovery Loan Fund and in our data analysis with our grant partners Access and Power to Change. And much more besides.

In short, we assess generalisable elements in the delivery of social purpose across organisations, and the extent to which different forms of funding reach high or low-impact organisations using this set of measures. We also enrich this comparative understanding with data on local economies, on which we are now regularly crunching 60 million data points, and on the commissioning economy on which so many of our investees depend.

Finally, we use the same approach to analysing generalisable trends in our assessment of our own work. This means that we try to identify ways in which systemic biases in the disbursement of grants and loans disadvantage some applicants over others by collecting standard data, analysing that data, openly sharing our findings and acting on them.

In all these ways, we collect information about the kind of impact that gets us outside an individual organisation's narrow domain of influence, without expecting those individual organisations to provide it. We try to place each organisation we fund, as well as ourselves, within a wider context.

Every one of our customers may still be trying to paint the Shard with inadequate tools, but by stepping back we can at least see that they aren't doing it alone.

GENEVIEVE MAITLAND HUDSON – DEPUTY CHIEF EXECUTIVE OFFICER, SOCIAL INVESTMENT BUSINESS

Gen has spent the last ten years working with social programmes that are committed to the informed use of information and data to improve their work. She began her career in academia with a doctorate in politics and philosophy. She has lectured at Oxford University; Roehampton University; the École Normale Supérieure, Paris; Birkbeck, University of London; and the University of Cambridge.

She was formerly Head of Evaluation and Impact Measurement at Power to Change. Prior to PTC, she was Director of Research at the social impact lab OSCA, Head of Social Impact at The U, a social venture developed by the Young Foundation, and Founder and Director of GLUE, a social enterprise working with young people excluded from school.

Gen is a Fellow of Practice at the Government Outcomes Lab (GO Lab), a Research Fellow at the Centre for Youth Impact, a Fellow of the Centre for Science and Policy at the University of Cambridge, an Associate Lecturer at the Cambridge Centre for Social Innovation, and a member of the SVUK advisory board.

NICK TEMPLE – CHIEF EXECUTIVE OFFICER, SOCIAL INVESTMENT BUSINESS

Nick joined Social Investment Business (SIB) in January 2018. SIB helps charities and social enterprises get the money and support they need to improve people's lives. Since 2002, SIB has provided over £400m worth of loans and grants to charities and social enterprises, and enabled 700 organisations to become more resilient through business support programmes.

Previously, Nick was Deputy CEO at Social Enterprise UK, where he helped treble membership numbers, develop the Buy Social Corporate Challenge, and oversaw its research function, including the State of Social Enterprise report. Before that, he was Director of Policy & Communications at the School for Social Entrepreneurs.

Nick is on the board of Social Value UK, Charity Bank's Social Sector Advisory Panel, Big Issue Invest's Investment Committee, and the Diversity Forum for Social Investment.

IS IMPACT PRACTICE A GOOD PREDICTOR OF IMPACT ACHIEVED?

MARGERY INFIELD – THINKNPC.ORG

At NPC, we believe that social organisations who take understanding, explaining and assessing impact seriously are more likely to create positive impact. Now we are putting that assumption to the test.

Impact investors have made significant improvements to their impact measurement and management (IMM) practices in recent years. Yet it is widely accepted that the field remains constrained by challenges around impact measurement. It's especially difficult to demonstrate and compare impact across organisations.

Some years ago, NPC developed a light-touch tool to help make some of these comparisons. The Impact Risk Classification, developed for the KL Felicitas Foundation, enabled investors to compare the impact management practices of investees as part of due diligence when deciding where to invest their money.

The goal was for the tool to act as a predictor. So, rather than focusing on the organisations' end activities and results, the tool looked at the impact practices of the organisations themselves. It was designed to work across multiple organisation types (ie. a for-profit business, a charity, a fund, or even a fund of funds, across the impact spectrum of capital) and to provide a light-touch way of assessing an organisation's impact practice so that investors could make a relatively straightforward judgement about an organisation's impact before conducting more thorough due diligence.

IMPACT RISK CLASSIFICATION

Our Impact Risk Classification is based on the assumption that 'impact practice' is a good proxy for 'impact achieved' — so an enterprise or fund with a clear commitment to achieving impact, with good data collection, monitoring and learning processes in place is more likely to achieve greater impact over time than an organisation with none of these things. This allows investors to compare organisations on equal terms even when their activities, products or services are different. And investors can reach a more informed opinion on the risk of each organisation not achieving their stated or intended outcomes.

But is this underlying assumption fair? At NPC we believe from our experience that social organisations who take understanding, explaining and assessing impact seriously are more likely to create positive impact. But until now we have never actually tested the assumption to see whether it holds water.

MARGERY INFIELD

We are now embarking on a project to test whether there is a correlation between good impact practice and impact achieved. Proving this hypothesis is likely to have broad implications across the impact investing and philanthropy fields, where challenges around impact measurement have been regularly cited as one of the barriers for engagement: if a correlation does exist, then use of light-touch tools to assess impact practice would provide greater confidence in impact returns.

COMPARISON ACROSS ORGANISATIONS

We have already started to test the hypothesis on a cohort of charities supporting offender rehabilitation in the UK. The Ministry of Justice's Justice Data Lab, which NPC helped set up, compares

the reoffending rate of the treatment group in the first year after their release with a virtual comparison group. You can compare this outcome across organisations, even if they are different interventions, working with different beneficiaries in different contexts. Using an updated version of our Impact Risk Classification framework, we can assess each organisation's impact practice, and then use the data from the Justice Data Lab to analyse how closely correlated good impact practice is with improved reoffending rates.

"OUR ULTIMATE AIM IN PRODUCING AN IMPACT RISK CLASSIFICATION HAS ALWAYS BEEN TO ENCOURAGE INVESTORS TO PUT MORE MONEY WHERE IT WILL TRULY MAKE A DIFFERENCE."

But we also want to test the hypothesis on other types of organisations. We believe that for an Impact Risk Classification tool to be truly transformative for the impact investing community, we need to test whether the correlation holds for sectors in which impact investments are often made. That's why we are working with the Global Impact Investing Network to identify sectors where we can rigorously compare impact results across investments. We're gathering the data, testing the hypothesis, and will soon be releasing our results.

MORE PREDICTABILITY, MORE INVESTMENT

Our ultimate aim in producing an Impact Risk Classification has always been to encourage investors to put more money where it will truly make a difference, by giving them a simple-to-use tool with a high predictability of impact. We now have a fantastic opportunity to test the rigour of the approach — and, we hope, contribute to further transparency and integrity within the impact investment field.

MARGERY INFIELD – SENIOR COUNSULTANT, RESEARCH AND CONSULTING TEAM, NPC

Margery supports charities and funders to maximise their impact, and since joining NPC, she has supported the Stone Family Foundation's grant-making in two of their focus areas, mental health and disadvantaged youth; provided effective philanthropy support for corporate clients; and helped charities to improve their strategies. She is particularly interested in the experiences of people facing multiple disadvantages, and is part of NPC's homelessness team researching connections between homelessness and the criminal justice system.

Before joining NPC, Margery worked for management consultancy Oliver Wyman, where she focused on organisational effectiveness and culture change. As well as working with commercial clients, she provided strategic advice to charities as part of the firm's social impact programme. This included supporting Leap Confronting Conflict to examine their use of digital tools, and a project in Sub-Saharan Africa, supporting Riders for Health in refining and expanding a sustainable leasing programme for healthcare vehicles.

FOUNDATION JOURNEYS TO SUSTAINABLE IMPACT GUIDED BY THE SDGS

SEVDA KILICALP – WWW.PHILEA.EU

SEVDA KILICALP

Philanthropists and impact investors increasingly use the United Nations' Sustainably Development Goals (SDGs) as a framework for more effective investing. The SDGs are rapidly becoming a shared language across all sectors, providing an unprecedented opportunity to align global, national and regional priorities, and to enhance partnerships among public, private and philanthropic actors. They represent a major shift from the conventional 'silo' approach, and offer an even more critical opportunity for us to think through how we can intersect with and reinforce each other post-pandemic.

Despite these benefits, there is still a lack of consensus on how to measure and manage SDG-specific impact. Common frameworks and indicators for measuring and reporting are missing. The challenge is that more and more organisations want to show how their activities contribute to the SDGs, but these 17 goals also refer to 169 targets and 284 indicators, all at macro level nationwide or internationally. Although SDG-related investment and programming are still in their infancy, more and more foundations are integrating the SDGs into their core strategies. But how does this work in practice, and how do they measure positive impact?

Based on the European Foundation Centre (EFC) members' experiences, this piece discusses how philanthropic organisations can balance costs, evaluate the benefits of using the SDGs as a framework for their programmes, and how they continue to innovate and complement what public authorities are doing already. But what does 'alignment' with the SDGs mean? Rigid and fixed approach or guideline? Inspiration or aspiration? Foundation interpretations vary greatly, for example:

- Compagnia di San Paolo sees the SDGs as **a map, rather than a path**. They define their direction according to their own organisational history, mission, priorities, positioning and characteristics but use the SDGs to orient themselves.
- The Aga Khan Development Network (AKDN) uses the SDGs, particularly in the health, nutrition, and WASH (Water, Sanitation, and Hygiene) area, **in addition to existing indicators** to have consistency with their own quantitative indicators measured over 13 or 14 years of sustained programming to keep their strong historical data and see change over a longer period.
- Differentiation should also be made between international and national levels, as well as impact investment and grant-making portfolios. The SDGs are effective for enhancing the quality of life at global scale. Foundations in welfare states like Denmark, Sweden, and Finland (countries closest to achieving the SDGs) may find that some of the issues they work with are **simply not matched** within the SDG framework. Realdania uses the SDGs in its international conversations, for instance, adapting the mission of its impact investment into the SDGs because that is a framework that impact investors and managers use.

However, on the grant-making side, the foundation added its own indicators to have a fuller picture of its achievements, particularly in the culture domain.

Many of the challenges in aligning with the SDGs are closely related with the **methodological difficulties of impact assessment**. Assessing impact requires attribution — that any success is the result of a particular investment. But when foundations seek to measure their overall contribution to the SDGs, they are also confronted with the problem of aggregation. While attributing results may be more appropriate for single projects, the complex nature of comprehensive programme-level interventions makes analysis at this level extremely difficult, if not impossible. In turn, aggregating project-level impact to determine organisational-level impact requires indicators that can be aggregated across a range of interventions as well as the means to add up the overall impacts across those interventions. If projects do not have the same objective along with the same indicators of success because of various local needs and priorities, measures of impact from single projects cannot simply be added up. For these reasons, it is necessary to put serious thought and effort into creating a consistent and reliable system for data collection and analysis which enhances the rigour of the planning and evaluation processes. Interdisciplinary frameworks built on several subfields of social and behavioural sciences may enhance the thoroughness of the measurement.

As a solution to the attribution problem, Calouste Gulbenkian Foundation (CGF) measured its contribution towards the SDGs at the level of projects. They decided not to include all projects and activities in the exercise as some of them are so small that the **cost of impact assessment is higher than the investment itself**. Instead of looking at the projects and activities on a one-by-one basis and aggregating different measures, the foundation identified activities that are aligned with the SDGs and assigned common indicators to make aggregation possible. Another example is the Children's Investment Fund Foundation, which is funding accountability scorecards with African Leaders Malaria Alliance (ALMA) to pull together key indicators relevant to the SDGs from over 40 African countries, with the data then used at the Heads of State Summit. The foundation has recently launched a Knowledge Hub to support improvement of the indicators.

In addition to the complexity of measuring contributions towards the SDGs, there is also a considerable cost to it. The more evaluation one does, the more staff time it costs. The more comprehensive the exercise, the more one must **reflect whether the benefits justify the costs**. Less can be more: project managers with fewer projects have more time for evaluation. The digital transformation of data management systems may also save a lot of staff time by streamlining the processes of collecting, maintaining and analysing the data in an easier and faster way.

Given these costs and complexities, and the fact that the SDG targets are about national government actions, shouldn't foundations focus more on **capturing evidence where the Goals are not being achieved** and use this information as a way to keep governments accountable? For example, Trust for London looks at government commitments in the area of disability inclusion related to the SDGs and then commissions research to push that agenda forward. For them, holding governments to account, particularly during times where it feels that people's rights are being eroded, might be critical.

"IN ADDITION TO THE COMPLEXITY OF MEASURING CONTRIBUTIONS TOWARDS THE SDGS, THERE IS ALSO A CONSIDERABLE COST TO IT."

Some philanthropic actors believe that investing too much time and effort in developing an elaborated system of impact measurement can be counter innovative. Rather than trying to make impact at project level and then spreading proven impact models, the BMW Foundation strives for finding the "next big thing", which may be risky but also has the advantage of the leverage effect, in line with the foundation's belief that risk-taking is one of the most important components of being a changemaker. The foundation is part of the United Nations SDG Action

Campaign, which is already a significant signal to all potential partners, including governments, companies, financial investors and civil society organisations, that the foundation has adopted the SDG framework and strives to advance the Goals on both global and local levels.

This is a glimpse of how some EFC members align their activities to the SDGs and deal with the challenge of measuring their impact. As the examples show, there is no universally agreed way to apply them directly to investment decisions, neither to measure, manage or report on impact. In the absence of clear guidelines, and with the even greater urgency to act due to the detrimental impact of Covid-19, **foundations increasingly look towards other peer organisations** and private investors to exchange experiences, good practices and challenges. At the EFC, we are confident that such peer-learning activities and knowledge partnerships are helping foundations to embark on this journey.

"FOUNDATIONS INCREASINGLY LOOK TOWARDS OTHER PEER ORGANISATIONS AND PRIVATE INVESTORS TO EXCHANGE EXPERIENCES, GOOD PRACTICES AND CHALLENGES."

SEVDA KILICALP – KNOWLEDGE AND LEARNING TEAM LEADER, PHILANTHROPY EUROPE ASSOCIATION (PHILEA)

Sevda Kilicalp is a senior philanthropy professional who has worked in and around philanthropy for 18 years and is deeply invested in blending practice with the study of philanthropy. She has a PhD in Philanthropic Studies from the Indiana University Lilly Family School of Philanthropy, and a Master's degree in Philanthropic Studies and Social Entrepreneurship from the University of Bologna.

Sevda leads the Knowledge and Learning team at Philanthropy Europe Association (Philea) – a joint EFC & Dafne convergence. She also develops new peer learning activities and manages its global Philanthropic Leadership Platform with partner organisations from China, Russia, and India. She is a member of the Editorial Advisory Board of *Alliance* magazine.

Previously, she coordinated and contributed to international research projects, and taught in the areas of social entrepreneurship, philanthropy and civil society; had a consultancy business which aimed at helping nonprofit organisations achieve greater impact; was Director of the Social Investment Programme at the Third Sector Foundation of Turkey; formed and managed grant programmes for Diakonie Katastrophenhilfe in West Asia; implemented alliance building and advocacy projects at Turkey's Women Entrepreneurs Association; took part in international cooperation projects at the Cooperation for the Development of Emerging Countries (COSPE) and led EU youth mobility projects in Italy.

ALL WE CAN'T MEASURE

SONAL SACHDEV PATEL – WWW.GMSPFOUNDATION.ORG

However we choose to define or measure impact, we cannot allow it to distract or disconnect us from what really matters

Let's get this out of the way: I hate the word impact.

At first, it's a word that seems rather uncomplicated and wholly desirable — who wouldn't want to 'make an impact' at work and in the world, right?

But dig a little deeper, and you'll soon find that this six-letter word contains, and conceals, a great deal more. When you really interrogate what 'impact' means to donors and, more importantly, to our frontline partners, its definition is far less fixed. And exactly how (or whether) to pursue and measure it becomes far less clear.

I lead a family foundation whose frontline partners are tackling deep and intractable social challenges in the UK and in India. In the UK, that includes domestic violence, homelessness and chronic hunger. In India, our partners advance the health, human rights and economic empowerment of historically marginalised communities, including adolescent girls and migrant workers.

HOW DO YOU MEASURE HOPE?

In all cases, the leaders and teams of these organisations approach their work with commitment and creativity every day. And every day, they make a profound impact on the lives of the people they serve. I know, because I've seen it.

But many of the social challenges they face involve issues that are notoriously hard to measure and are generally not suited to impact investing models that would generate financial returns. After all, how do you demonstrate progress on building hope? How do you plot a graph of human dignity?

Because of this, more and more of our partners feel as though the word 'impact' has lost its meaning. And, with the buzzword taking up so much energy and interest among donors, nonprofits that cannot easily demonstrate measurable impact or generate capital returns worry that a loss of funding will come next.

It's important to say that our partners and others aren't advocating for the end of impact measurement. But they are feeling pressure to allocate time, staff and training to measure irrelevant things that end up oversimplifying their work and underselling the positive changes they make in people's lives.

SONAL SACHDEV PATEL

MEANINGFUL APPROACHES

What they want instead is for donors to collaborate with them to find more meaningful approaches to organisational learning and accountability that do not leave anyone behind.

There are promising places to look for alternatives. The ACT (assets, capacities and trust) and similar asset-based indicator frameworks used by community foundations and practitioners can provide a more holistic, adaptable and human-centred style of assessment. Storytelling, outcome mapping and outcome harvesting are thoughtful methods for impact evaluation and insight generation, too.

“I WANT TO DISRUPT THE UNCOMFORTABLE CONFLATION OF ‘IMPACT’ (AND THEREFORE ‘SUCCESS’) WITH REDUCTIVE METRICS.”

But whatever the approach to measurement, it should be genuinely useful (for partners and funders), as well as adaptable, accountable and empowering. Measuring impact should be a tool for inspiration and progress, as opposed to a blunt instrument of control or punishment.

At GMSP Foundation, our philanthropic practice is informed by our family values of love, trust and humility. At the start of any new relationship, we always ask our partners how they define impact (or ‘change’ or ‘results’ or ‘success’), and we use their definition to assess whether and how our support is helping them to achieve it.

FREEDOM TO BE FLEXIBLE

We put less emphasis on impact measurement and reporting for a number of reasons. And that is a privilege. The comparative advantages of individual and family philanthropies include significant freedom and flexibility in both relationship accountability structures and timescales.

This freedom comes with a sacred responsibility to use it in the most generative and supportive ways for our partners. That means filling gaps left by institutional funders, including funding the types of work that are difficult to measure, or impossible to monetise. It can also mean being far less rigid and demanding about measurement in the first place.

That’s because we know change is hard to achieve. It can be even harder to measure — and attribution is often near impossible, especially with multiple funders and other variables all working together in a given intervention to address social need.

Of course, I’m a pragmatist. I see that there are useful cases in which private capital could be deployed to solve global challenges through market-based solutions (particularly in sectors like agriculture, the development of clean energy and microfinance). I see, too, that there’s a role for impact investing as part of some larger foundations’ overall strategy, thus saving philanthropic capital for where it is most needed.

And it is still very much needed by frontline organisations and nonprofits everywhere.

It’s here where I want to consider the definition of another word: philanthropy.

LOVE OF HUMANKIND

The word is derived from Greek and translates as something close to ‘love of humankind’. The purest purpose of philanthropy is in the giving (or input) rather than the outcome (or impact).

Efficient and intelligent use of resources is obviously important, especially as it allows us all to help more people. But many nonprofit organisations we work with warn that philanthropy is becoming too much like a business. And an obsession with impact measurement, and a growing inclination toward impact investing, are cited as some of the reasons why.

I want to disrupt the uncomfortable conflation of ‘impact’ (and therefore ‘success’) with reductive metrics. Our understanding and celebration of impact and success must be decoupled from these metrics if we are to be true partners to frontline organisations, and allies to the communities they serve.

That’s not so easily done, but it is vital if we are to maintain the humanity of our sector and live up to the original, generous promise of the philanthropic project.

In philanthropy and the wider social sector, ‘impact’ is a complicated word. It isn’t objective, and its meaning isn’t fixed. It is a word that can reflect our own organisations’ politics and priorities. It can incentivise or paralyse. It can centre people, or it can abandon them.

However we choose to define or measure impact, we cannot allow it to distract or disconnect us from what really matters. The sustainability of some of society’s most needed organisations — and the wellbeing of people in their care — depends on it.

SONAL SACHDEV PATEL – CHIEF EXECUTIVE OFFICER, GOD MY SILENT PARTNER FOUNDATION (GMSP) FOUNDATION

GMSP is a family foundation established by Sonal’s parents, Ramesh and Pratibha Sachdev, which supports strong frontline organizations working to improve the lives of some of the most vulnerable people in India and the UK. She was awarded the 2019 Influencer Award by Directory of Social Change (DSC) Awards for her work in social change. Sonal also serves on the UK board of Dasra.

ESG – AN ACTIVE APPROACH IS REQUIRED

RASHMI DUBÉ – WWW.GUNNERCOOKE.COM

Environmental, Social and Governance. It's something that should be a big part of any organisation, and yet has sat in the shadows for years, only to be put on the bench and still not centre forward

ESG is not a new concept, it is simply coming of age. And demands for high quality, effective reporting are causing organisations and their stakeholders to put themselves under the microscope. Given that it not only impacts the environment and society but also other policies such as diversity and inclusion, this topic has graduated from the 'nice to have' to the 'urgently required' for the long-term sustainability and resilience of any organisation, including charities.

Yet charities are *reacting* to ESG issues rather than *strategising*; and because it is a reaction, the approach to the issues is fragmented. ESG is embedded in governance but to bring it to the forefront involves reviewing the ethics and codes of conduct not just of your own organisation, but those that you partner with and those in your supply chain. If charities can understand and approach this in a holistic way, tackling ESG within their organisations first, they can then bring along other stakeholders — exploring with businesses their corporate social responsibility and creating philanthropic programmes that allow them to experience the impact this has. This would be in contrast to what is currently happening.

As Kristina Joss in an article for GlobalGiving reports: "In 2017, a study by the NYU Stern Center for Business & Human Rights revealed that the measurement of 'S' largely focused on what was 'most convenient' rather than what was 'most meaningful.'"

This means that some corporates are carrying out a box-ticking exercise, and charities really need to be cautious and consider saying no from time to time. The larger picture is simply being lost because of tunnel vision.

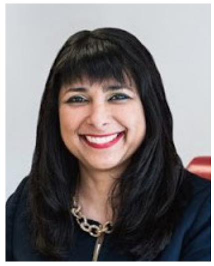
Research conducted by the business consultancy C&E Advisory for its annual Corporate-NGO Partnerships Barometer report said, "And after several leading development organisations and charities have faced recent criticism for poor safeguarding, environmental, supply chain, and other practices, it is notable that such high proportions of non-profits appear not to take a holistic approach to tackling ESG issues — or poorly communicate their practices in this regard."

....For example, activities designed to achieve desirable social outcomes may have harmful environmental effects — and vice versa" (reported by Andy Ricketts, ThirdSector, Oct 2020).

Ignoring this now would be at your peril.

As Stephanie Smith explains in *Charity Finance magazine*, the Newton Charity Investment Survey (2019) concluded that "Charities' investment decisions are increasingly being influenced by issues such as climate and sustainability..."

The time for having a staggered and varied approach is ending, in part led by charities, because organisations are seeing their boards of trustees and directors beginning to have that 3.00am thought of "where do we sit with this?"



RASHMI DUBÉ

“THE ACTION IS QUITE SIMPLE — REALLY LOOK AT YOUR ESG POLICY AND ENSURE IT IS EMBEDDED IN THE CULTURE.”

A strategic approach is key — active engagement has to be part of any sustainable investment. Become more actively involved with your partners, and actively encourage participation with stakeholders by putting ESG to the forefront could help charities twofold: (1) investment returns, and (2) positive social outcomes.

Don’t take my word for it. As Stephanie Smith goes on to explain in her insightful article, University of Cambridge Judge Business School undertook a study which revealed “that successful ESG engagements can have a positive impact on returns with limited risk if the engagement is not successful.”

The cumulative and abnormal return was as high as 7.5 per cent, in contrast to 2.5 per cent over an 18-month period. What this says is that if the charities have mastered ESG and embedded it wholeheartedly into their organisation, they can, with full engagements with corporates, also help them along their journey. This approach requires new lenses but do not fear — the outcome is not the same, it’s better! Just look at the Macmillan and Boots partnership.

The action is quite simple — really look at your ESG policy and ensure it is embedded in the culture. If you are faced with any opposition or reluctance, communicate the change, but if the opposition remains, question if their values match those of the organisation. Question whether you have the right in-house expertise. What you will find is that the moment you reveal your intention to truly have a positive impact on Environmental, Social and Governance issues, and action is taken, you will have influenced companies and policy-makers who are looking for long-term partnerships on a sustainable level to make a truly long-lasting impact. On the back of COP26, why not make your commitment now — and have the intention to make ESG a real, fundamental part of your organisation?

RASHMI DUBÉ - DISPUTES PARTNER, GUNNERCOOKE

Rashmi’s career as a lawyer and serial entrepreneur has evolved her passion around business and Governance. Rashmi, alongside being a business columnist for The Yorkshire Post, is a Disputes Partner with Gunnercooke and part of their ESG committee. She is also the National Spokesperson for the Institute of Directors’ Policy and Governance Ambassadors. ESG, and in particular the ‘G’, is why many boards engage with Rashmi, who brings a normality to the issues around governance as an embedded part of the organisation’s fabric.

INVESTMENT BIASES IN THE PHILANTHROPIC IMPACT OF INDIAN FAMILY FOUNDATIONS

MANISHA BOTHRA AND VIPUL CHAWLA – GLOBALIMPACTVOLUNTEERS.COM

Family business philanthropy is a fast-evolving field across the globe and India is no exception. But despite significant increases in Indian family philanthropic investment, the full potential of these investments is not being realised

FAMILY FOUNDATIONS AND PHILANTHROPY

Family business philanthropy is a fast-evolving field across the globe, with a substantial incremental increase in volume and proportion in total philanthropic investments over recent years. The case is no different for India, where the philanthropic culture is deep-rooted in its customs and traditions, and thus holds significant potential for bringing about change. Furthermore, in FY20, family philanthropic investments accounted for 20 per cent of total investments — an increase of more than 65 per cent in funding since 2019.

According to the EdelGive Hurun Philanthropists of the Century 2021, Indian family foundation Tata Trusts was ranked amongst the world's top 10 funders of the last century, with an estimated value of donations at US$102.4 billion. It was also noted that, out of the top 50 philanthropic organisations, about 66 per cent were led by founders or founding family members of the organisations.

Family-owned businesses represent a huge proportion of the total wealth in India, which makes their influence on the Indian philanthropic environment crucial. In the late 20th Century, a new generation of leaders of organisations like Infosys and Wipro have social development and inclusive growth at the core of their business operations. This was also achieved by establishing separate philanthropic arms focused on community giving, also termed as 'family-corporate jugalbandi' — a common philanthropy model adopted by Indian family businesses.

Although India ranked fourth, with Jamsedji Tata and Azim Premji, in the top philanthropists' list, the social sector in the country continues to remain underfunded, as reflected by a ranking of 120 on

MANISHA BOTHRA

VIPUL CHAWLA

Sustainable Development Report 2021. There is a need to expand India's social sector funding, as there has always been a spending gap of 5 to 6 per cent of the GDP of the country when compared to the other BRICS members. However, increasing funding does not assure equitable distribution and is associated with various biases and gaps.

Shortcomings and Biases in Family Philanthropic Investments

Despite a threefold increase in family philanthropic investments in FY20 when compared with FY19, the full potential of these investments in enabling progress towards the Sustainable Development

Goals (SDGs) is not realised. Variations in the focus of investment are prevalent across all funding sources from international funders, bi-lateral and multi-lateral agencies to domestic funders, foundations and corporates. Family philanthropy is no different from other kinds, and is substantially impacted by the following biases:

Cause-based bias: In FY20, the education sector has received the highest proportion of funding from family philanthropists amounting to ₹1,926 crores (47 per cent of total donations). This was followed by the healthcare sector (₹1,089 crores) and disaster relief (₹474 crores). The inherent bias to invest across specific causes originates from historic investments in these areas — when education and health were the top development priorities of India. However, as time has gone on, these sectors have gradually developed and received focus from both government and private sector organisations. Therefore, more equitable funding distribution across causes such as gender equality, environment, arts and culture, as well as other unexplored yet critical causes, will be crucial as family philanthropists diversify their funding portfolio.

Region-based bias: Except for a few, the majority of high-net-worth individuals and families reside in developed cities, leading to a conscious bias towards donations skewed in their respective locations. This is reflected in the 85 per cent share received by metropolitan areas such as Mumbai, Delhi, and Bangalore, out of total donations. The bias towards specific regions excludes the ones with a desperate need for such funding and which are performing relatively poorly across social and development indicators — for example, the North-Eastern States, Aspirational Districts, and other focused districts.

Recipient-based bias: Family foundations generally undertake philanthropic investments through the provisioning of grants to non-governmental organisations (NGOs), which are large in scale. However, considering the nonprofit ecosystem in India, only a few organisations have the "transparency, accountability, the capacity to execute at scale, and the ability to deliver to corporate standards". This, in turn, results in family philanthropists channeling their investments either into selected large NGOs or implementing programmes themselves directly through their own philanthropic arm, thereby missing out on the small and local organisations which have the potential to cater to local needs and pick up unique issues that require immediate focused attention.

Reporting gap: Like many other Asian economies, disclosure of one's wealth and giving activities is not condoned in India. Additionally, many philanthropists also keep their philanthropic activities confidential from a political or business point of view. This results in understated estimates and the absence of a common platform measuring the value of family philanthropy.

MANISHA BOTHRA – CONSULTANT AND RESEARCHER, SOCIAL SECTOR

Manisha is an experienced researcher who has been associated with various government and non-governmental organisations (NGOs) that focus on impact evaluations. She has proactively worked on strategic research and implementation projects across diverse development sector themes, such as health, education, livelihood creation, impact investment etc. She also won the Young Research Scientist award for her work on 'India and Roadmap Towards Sustainable Development Goals'.

VIPUL CHAWLA – FOUNDER, GLOBAL IMPACT VOLUNTEERS

Vipul Chawla manages partnerships and operations at Global Impact Volunteers, a social enterprise that mobilises volunteers for grassroots organisations in need. Being passionate about socio-economic development and inclusive growth in emerging economies, he is keenly interested in community-based research, corporate social responsibility, philanthrop, and volunteerism. He has previously worked on strategy development projects on a variety of issues, including poverty, gender inequality and public health.

"OWING TO EXTENSIVE TECHNICAL KNOWLEDGE AND NETWORKS IN THEIR RESPECTIVE FIELDS, FAMILY PHILANTHROPISTS DISTINGUISH THEMSELVES BY THEIR ABILITY TO EXERT INFLUENCE AT A LARGE SCALE."

Apart from the abovementioned biases in investment, family foundations also suffer from information asymmetry, and lack of data and exposure to ground-level issues. These issues arise due to limited interactive channels between local NGOs or social workers and funders. Furthermore, the investment is usually channelled into a single cause/ area for a long period of time, due to limited awareness of other less visible issues which are critical targets for the achievement of the SDGs.

Need to Revamp the Investment Pattern

Owing to extensive technical knowledge and networks in their respective fields, family philanthropists distinguish themselves by their ability to exert influence at a large scale. Relative to other funding sources, family philanthropists have greater flexibility in funding and capacity building, leading to ample opportunities to overcome the gaps and tackle the existing biases.
As family philanthropic investments gain momentum in India, it is critical to channelise investment via a more systematic approach, and focus on the following:

- Registering investors on common data platforms to increase transparency in this sector
- Capturing data and conducting in-depth research on patterns, channels, volume and value of philanthropic investments
- Creating legal channels to further incentivise investments and reporting, such as additional tax breaks on donations

An intermediate data platform that connects potential funders with localised needs would be a critical step in this direction. Furthermore, a supportive legal environment and political partnership would aid in matching the country's development priorities with the required focus and investment.

"JUST AS PRIVATE CAPITAL IS CENTRAL TO TACKLING THE CRISIS FACING THE PLANET, IT IS VITAL TO TACKLING THE SPIRALLING SOCIAL PROBLEMS FACING THE PEOPLE LIVING ON IT."

WHAT IS SOCIAL IMPACT INVESTMENT, WHY IS IT GROWING AND IS IT REALLY HAVING AN IMPACT?

JAMES WESTHEAD – BIGSOCIETYCAPITAL.COM

Just as private capital is central to tackling the crisis facing the planet, it is vital to tackling the spiralling social problems facing the people living on it, so social impact investing is a tool we must consider

It will have been obvious to those watching coverage of the global climate change conference, COP26 in Glasgow that there is a gap. Quite simply, there are not enough taxpayer pounds, dollars or euros to tackle the problems facing the planet or the people on it. The cost to fund the changes needed to deliver 'net zero' by 2050 has been estimated at \$100-\$150 trillion.

As the former Bank of England governor Mark Carney put it, "Only mainstream private finance can match the scale of climate action needed for the net zero transition."

The first-of-its-kind announcement by the Glasgow Financial Alliance for Net Zero (GFANZ) — a coalition of more than 450 banks, insurers and asset managers — to align the \$130 trillion of private capital they are responsible for behind the drive to net zero is not only overwhelmingly positive but also the only way this change can be delivered.

Just as private capital is central to tackling the crisis facing the planet, it is vital to tackling the spiralling social problems facing the people living on it. While this social crisis may have less of a global drive than climate, the challenges are vast and the solutions cannot be delivered by philanthropy and taxes alone, so social impact investing is a tool we must consider.

SO, WHAT IS SOCIAL IMPACT INVESTMENT AND HOW DO YOU MEASURE IT?


JAMES WESTHEAD

In simple terms it is investing for social impact — where both investor and investee intend to have a measurable positive impact on people. Usually, this impact is through the services and products of social enterprises and charities created for that purpose.

This impact can be difficult to measure, as it is challenging to isolate and compare successes in solving homelessness with mental health, for example — but big strides are being made. Impact investments are often mapped against the UN Sustainable Development Goals (SDGs), and increasingly technology allows investors to track the impact their money makes. For instance, investors in the Schroder BSC Social Impact Trust can see its impact across the UK, and the specific SDGs being addressed, through a pioneering interactive map.

At Big Society Capital, we use the Impact Management Project impact dimensions to help us define the change we want to see. For example, what outcomes occur? Who experiences them, and how much? What is the enterprise's contribution beyond what would have happened anyway? What are the risks that impact doesn't occur as expected? These impact metrics should be defined at the beginning of an investment as part of due diligence and then monitored over time. Increasingly, organisations are investing in impact management and encouraging transparency across industry, which is a positive and necessary direction.

HOW IS SOCIAL IMPACT INVESTMENT GROWING?

It is important to recognise that social impact investment is highly diverse. It isn't a single financial product, investor or even group of them. Rather, it is a collection of "market ecosystems" that connect a range of enterprises and investors. What they have in common is that the enterprises are seeking to improve people's lives and the investment can help them to grow their impact.

We focus on four market systems where we believe we can create the most change. Those are, **Social Lending** — loans to charities and social enterprises; **Impact Venture** — investments in tech-driven start-ups; **Social Outcomes** — leveraging private capital to improve public service delivery; and **Social Property** — investing in housing for the most vulnerable groups.

Over the past few years, we've seen strong growth across these four areas. Indeed, despite the disruptions and uncertainties of the past 18 months, the social impact investment market has grown by 26 per cent in the past year, to £6.4 billion. That's nearly an eight-fold increase since 2011 — significantly faster than mainstream financial market growth — and the £1.2 billion new deals made in the year demonstrate the continued momentum across the market.

WHAT'S FUELLING THAT GROWTH?

The growing number of enterprises with a social purpose, increasingly seeking capital to scale their impact and accessing it from a growing pool of impact-driven investors — often enabled by partnerships across sectors.

Social Lending forms a large segment of the market, at £2.8 billion, and is now three times larger than in 2011. This encompasses a range of debt tools, from small, unsecured loans to charity bonds and bank loans, that can be used by charities, social enterprises and social-purpose organisations to sustain and grow their impact.

One example is St John Ambulance Cymru alleviating the strain on the Welsh Ambulance Service during the COVID crisis. After its bank rejected a Coronavirus Business Interruption Loan Scheme (CBILS) application, the charity received a social investment loan from the Resilience and Recovery Loan Fund. While the social lender still expects the loan to be repaid, and assessed the sustainability of the organisation, importantly it is aligned on the charity's impact purpose.

Impact ventures are gaining traction, with the increased role of technology in tackling social challenges such as mental health and financial inclusion. One such organisation is Wagestream, whose financial wellbeing service is helping to eliminate financial stress by providing staff with Earned Wage Access (EWA), removing the locked monthly pay cycle. This helps to reduce reliance on predatory, high-cost credit, like pay-day loans. Research found it reduced stress for 77 per cent of people, while budgeting and financial confidence improved. Wagestream has now grown its services to half a million employees across the UK, through an investment from the £10 million Fair by Design Fund, which Big Society Capital and other social investors invested into.

SO, IS SOCIAL IMPACT INVESTMENT MAKING AN IMPACT?

Last month's UK Social Enterprise Awards showcased the crucial work of the estimated 100,000 social enterprises in the UK and the difference made by social impact investment. 50 per cent of award winners or those shortlisted had taken social investment as a tool to establish and grow their impact. Two-thirds of these were supported by funds or intermediaries Big Society Capital invested with.

The extraordinary finalists ranged from Beam, the world's first crowdfunding platform for homeless people, to Auticon Ltd, the first enterprise to employ autistic adults as IT professionals. The shortlist was full of pioneering organisations creating impact for marginalised groups. It is encouraging to see that social investment played a key role in so many of these ventures.

In his keynote, the Chair of Social Enterprise UK, Lord Victor Adebowale CBE paid tribute to social enterprises, citing them as a "blueprint for a future economy" and noting that following the pandemic, "there is no going back to business as usual as the vast challenges that lie ahead will require a fundamental economic reset".

While social issues may not yet have coalesced into such a consensus for action as they have around the climate crisis, there is no question that private capital will have an increasingly vital role to play and that innovations in social impact investment offer investors a way to rise to the challenge.

JAMES WESTHEAD – HEAD OF ENGAGEMENT, BIG SOCIETY CAPITAL

James is responsible for building awareness and understanding of social impact investment and helping grow the social impact market. He leads the Engagement Group, which includes investor engagement, social sector engagement and communications.

Prior to joining Big Society Capital, James was part of the leadership team of the education charity Teach First for ten years, and helped build it into the largest recruiter of graduates, developing teachers and leaders for schools most in need.

He previously worked as a BBC News Correspondent, specialising in education, health and social issues, and also spent two years in the United States as a Washington correspondent.

In addition to his role on the Big Society Executive Committee, James serves on the boards of a number of education charities.

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TRANSFORM YOUR FUNDRAISING: Bridging the gap between the fundraising and professional advice communities

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Example of donations from UHNWI without professional advice: **£19,000**

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