INVESTMENT IMPACT INDEX™

NEXT GENERATION
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REANA ROSSOUW

NEXT GENERATION

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THE AUTHOR

Reana Rossouw is one of Africa's leading experts on social innovation, social investment, as well as development and impact assessment. As director of Next Generation Consultants, a specialised management consultancy, she believes strongly in contributing to the development of the sector.

Reana is an alumnus of Stellenbosch University's business school. She has more than 30 years' experience in business management at senior executive and director level. She has a reputation for achieving business success, developing leading brands and innovative industry, product and service solutions.

She has worked in several industry sectors, including donor, philanthropy and corporate grantmaking, information and communication technology, mining, agriculture, manufacturing, retail and media, among others. Her experience in these sectors is the basis of her expertise in creating and implementing strategies and brands for innovation, growth and sustainability.

Reana is regarded as a visionary and has distinguished herself as one of Africa's leading experts in social innovation, social investment, and development and impact assessment.

REANA HAS BEEN ACKNOWLEDGED FOR HER CONTRIBUTIONS BY THE INDUSTRY, BUSINESS PARTNERS AND PEERS:

- In 2014, she was the winner of the Top 20 Most Influential Women in Business and Government in Africa, representing the SME sector, the Gauteng region and the SADC region.
- In 2013, she was the winner of the Top 100 Most Influential Women in Business and Government in South Africa and the SADC region in 2013 (CEO magazine).
- In 2013, she was nominated for the Business Women's Association of South Africa's Top 100 Women Business Awards in the categories Women-owned Business of the Year Award and Top Female Entrepreneur of the Year Award.
- In 2010 and 2011 she was a finalist in the Shoprite Checkers Woman of the Year Competition (business category).
- In 2009, she was the winner of the South African Council for Business Women's Business Woman of the Year Competition (small business category).

Reana is an accredited fellow of the Institute of Directors (IoD) and an accredited trainer of the Global Reporting Initiative (GRI). She has published extensively and spoken at local and international conferences. Copies of the articles, research papers, presentations and whitepapers are available at

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THE COMPANY

Next Generation Consultants is a management consulting firm that specialises in various aspects of social innovation to address the most pressing economic, social and environmental challenges in addition to the success of the business, the environment or the communities involved.

The company offers advisory and consulting services, research and development services, impact and return on impact assessments and capacity development and training. Based in Johannesburg, South Africa, Next Generation works across Africa utilising innovative solutions to contribute to the future sustainability of the continent, its enterprises and its people.

Next Generation consists of independent industry specialists and subject experts. Teams are dynamically put together to ensure that clients' requirements are met with insight, relevant experience, global understanding and industry knowledge. The company's experience is with multinational, public and private entities, as well as small, medium and family-based businesses in the for-profit and not-for-profit sectors. Next Generation has proved its ability to work seamlessly in complex, multidimensional environments to deliver innovative services and solutions.

In the field of measuring impact and return on investment of development programmes and interventions, Next Generation has done groundbreaking work. The Investment Impact Index™ is widely recognised as pioneer work in the community development, socio-economic development and humanitarian aid sectors in Africa.

Striving to contribute to Africa's continuous economic transformation, the company aims to improve the competitiveness, growth and sustainability of all companies in an economically, environmentally and socially responsible way. It is committed to transform business into successful, profitable, sustainable and responsible enterprises that deliver shared value. The company upholds the same standards, frameworks, guidelines and codes of conduct for ethics, compliance, transparency and fairness as its clients.

NEXT GENERATION IS AN ACTIVE MEMBER OF THE FOLLOWING ORGANISATIONS:

- Africa Market Research Association (AMRA)
- Southern African Market Research Association (SAMRA)
- South African Monitoring and Evaluation Association (SAMEA)
- Institute of Directors (IOD)

THE COMPANY IS PROUD AND HUMBLED BY THE RECOGNITION OF ITS PERFORMANCE OVER THE LAST FEW YEARS:

- Nominated for 2017 South African Business Awards by Global Media.
- Nominated for the Global Women Leadership Achievement Awards (India) in 2016
- Nominated by Impumelelo magazine as a leader in the African Transformation and Empowerment Awards (2015)
- Nominated for the Best South African Company SMME Awards – African Growth Institute (2007-2015)
- Nominated for the Most Empowered South African Companies – Topco (2014 and 2015)

The awards and recognition Next Generation has received are indicative of the consultancy's success and serve as an inspiration to think bigger, reach higher and be bolder in service of clients.

Next Generation's deep understanding of the continent, its people and social conditions has led to the development of uniquely African business models, strategies, stakeholder engagement and human rights management approaches.

SERVICES

Advisory and consulting
- Social innovation strategies
- Circular economy strategies
- Shared value strategies
- Social capital strategies
- Social enterprise and entrepreneurship strategies
- Social and impact investment strategies
- Human rights and stakeholder management strategies

Research and development services
- Industry research
- Reviews, opinions, sector comparative research and benchmarking
- Baseline studies and due diligence
- Socio-economic and perception surveys
- Social impact, opportunity and management assessments
- Performance measurement and management services

Impact and return on investment assessments

Capacity development and training
- Tailored, onsite solutions
- Annual master class events

ABOUT THIS DOCUMENT

This document describes Next Generation's process for developing an impact measurement approach, defined as managing resources to meet explicit social impact goals (alongside financial goals). The primary intention is to document the approach and share the methodology with other practitioners engaged in grantmaking and sustainability, in the interest of increasing and improving the various approaches to creating societal impact, social innovation, shared value, as well as social capital creation.

When Next Generation Consultants started the development process of the Investment Impact Index™ in 2008, the team realised:

- There was no standardised approach to determine the impact of and return on social investment globally.
- Development practitioners in Africa needed an approach that takes into consideration the specific development context of the continent, as well as the capacity of the development sector.

Over time, the company developed extensive capacity in determining impact and the methodology has been tested by some of South Africa's largest social investors. Since 2010, Next Generation has assessed social investment and development programmes to the value of R3 billion, including more than 700 programmes across 15 investment portfolios, resulting in a library of more than 7 000 qualitative and quantitative indicators. The team has identified and developed more than 25 dimensions of impact and return on investment – something that initially seemed impossible.

Clients agree that the aspect of an impact assessment that carries the most value is the outcome of the process – not so much the degree of impact achieved by social interventions, but the analysis of the impact or return on investment outcomes, to improve investment and development practices.

After nearly 10 years of intensive research and development and testing and applying the methodology, Next Generation Consultants can now share the journey with practitioners in order to contribute to capacity and skills development and provide a guideline and reference for the future.

The team sincerely wishes that the Investment Impact Index™ (III™) will have an impact on all stakeholders in the development sector. The impact of the III™ should ideally contribute to the future sustainability of Africa, its people, the funders and intermediaries who work so diligently to ensure an equitable, fair and just future for all Africans.

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The publication of this guide is based on extensive consulting assignments for numerous clients in Africa.

This guide is an output of an initiative aimed at building knowledge and capacity for monitoring and evaluation across development agencies.

01

SECTION ONE

FROM MEASUREMENT TO MANAGEMENT

IN SEARCH OF A SHARED CONVENTION

Next Generation shares its experience of developing an impact assessment model in the spirit of transparency and collaboration. The growth of the traditional grantmaking and development sectors has been possible because we have common objectives and because we developed a shared language and frameworks to describe, align and manage against our respective social goals. We hope this paper can prompt an exchange of ideas that might lead to a shared convention for describing, measuring and managing impact goals.

Why does this matter? Social investors have different impact goals. Sometimes they have the same goals but talk about them in different ways. A common language and framework can help us to identify where our goals align (or not). Without this shared convention, we risk frustrating the beneficiaries and recipients we are trying to reach, the organisations that serve them or the investors at the other end of the value chain that will find it impossible to direct their capital to those who need it most.

We welcome and look forward to your feedback.

This document describes the development of an impact measurement approach, which Next Generation defines as managing resources to meet explicit impact goals.

THE LOGIC BEHIND THE METHODOLOGY

The ability to quantify and qualify impact must receive much greater attention in the development sector. It is the core of developmental work, with these basic assumptions:

- Resources are applied.
- Activities are conducted.
- Qualitative change and impact and outcomes are the ultimate expectation that will lead to change in a specific social development context.

Theory of change as a fundamental development principle is a cornerstone of social and community development – being able to identify which changes in a developmental context are the primary reason for doing community or social investment and development.

The fact that funders, as well as intermediaries, have difficulty identifying qualitative impacts indicates a lack of understanding fundamental developmental principles, contextualising developmental outcomes and quantifying and qualifying developmental impacts as a result (outcomes).

Qualitative impact is the most complex aspect to measure, simply because intermediaries, as well as programme managers or practitioners, do not know how to develop and identify indicators to measure such change. The Investment Impact Index™ addresses this issue.

DEFINITIONS

WHAT IS IMPACT?

- It measures the difference an intervention makes.
- Impact assessment is the process of providing evidence that your organisation or programme is doing something that provides a real and tangible benefit.

WHAT IS RETURN?

- It measures the funder benefit or gain from an investment.

WHAT IS AN IMPACT ASSESSMENT FRAMEWORK?

- The activities an organisation carries out can have long-term effects on individuals, beneficiaries, their families and the broader community or social context.
- An impact measurement process seeks to identify and quantify or qualify this impact or change.
- An impact measurement framework provides the structure for assessing all aspects of impact.

WHY IS MEASURING IMPACT AND RETURN IMPORTANT?

- It builds on the things you are doing well and provides learnings about the challenges you have faced.
- It feeds into good practice and means the organisation will learn and improve ongoingly.
- Just as financial accounts prove the viability of a business, impact measurement can show a robust and rigorous approach to providing sustainable community or social, economic or environmental benefits.

HOW IS IMPACT ASSESSMENT DIFFERENT?

In performance management, there are three broad concepts to explore impact – monitoring, evaluation and impact assessment. This table explains the differences:

Definition	Detail
MONITORING Regular systematic collection and analysis of information to track the progress of programme implementation against pre-set targets and objectives. DID WE DELIVER?	Clarifies programme objectives Links activities and their resources to objectives Translates objectives into performance indicators and sets targets Routinely collects data on these indicators and compares results with targets Reports progress to managers and alerts them to problems
EVALUATION Objective assessment of an ongoing or recently completed project, programme or policy, its design, implementation and results. WHAT HAS HAPPENED AS A RESULT?	Analyses why intended results were or were not achieved Assesses specific casual contributions of activities to results Examines unintended results Provides lessons, highlights significant accomplishments or programme potential and offers recommendations for improvement

Definition	Detail
IMPACT ASSESSMENT Assesses what has happened as a result of the intervention and what may have happened without it, at a specific point in time. HAVE WE MADE A DIFFERENCE AND HAVE WE ACHIEVED OUR GOAL?	Seeks to capture and isolate the outcomes that are attributable (or caused by) the programme Reviews all foregoing monitoring and evaluation activities, processes, reports and analyses Provides an in-depth understanding of the causal relationships and the mechanisms through which they operate Seeks to synthesise, compare and contrast a range of interventions in a region, timeframe, sector or reform area Considers or identifies dimensions of impact and return on investment Provides insights, from strategy development, organisational management and operations to programme design, implementation, management and completion Makes recommendations for future improvement and increased impact and return on investment

THE IMPACT VALUE CHAIN

The impact value chain (like the theory of change) consists of standard tools that are used to explain the process of development. This table highlights impact and return contexts.

Input	Activity	Output	Outcome	Impact	Return
Resources that are deployed in service of a certain (set of) activities	Actions or tasks that are performed in support of specific impact objectives	Tangible, immediate practices, products and services that result from the activities that were undertaken	Changes or effects on individuals, communities, sectors and policies that follow from the delivery of products and services	Changes or effects on society, the economy, the environment, sector, policies that follow from outcomes	Benefit gained or achieved by the funder as a result of the input resources
Cash and non-cash products, services, skills, hours, buildings, etc.	Actions by an organisation to facilitate a change	Generally quantitative; number of beneficiaries an organisation or programme serves	Generally quantitative or qualitative; Changes in beneficiaries, sectors, policies (increased capacity to earn a living)	Changes in a broader context over time, for instance reduced crime	Gains, improvement or changes in the business or operating context, for instance better stakeholder relationships
Invested resources and form of capital deployed	Activities undertaken to deliver on programme objectives and goals	Products and services rendered through the capital provided	Results of delivered interventions as a result of the capital provided	Impact on society due to capital deployed	Benefits gained by the funder due to the capital invested

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SECTION TWO

BACKGROUND TO IMPACT ASSESSMENT

BACKGROUND TO IMPACT ASSESSMENT

INTRODUCTION

Definitions of "impact assessment" vary by sector and application. As per the International Association for Impact Assessment, "impact assessment includes the processes of analysing, monitoring and managing the intended and unintended consequences, both positive and negative, of planned interventions (policies, programmes, plans, projects) and any change processes invoked by those interventions. Its primary purpose is to bring about a more sustainable and equitable economic, environmental and social environment."

Impact assessment (IA) overlaps with monitoring and evaluation (M&E). Evaluation is particularly important in the areas of policy development, social and community investment development, development projects conducted by governments, international donors and development agencies or NGOs.

In all these sectors, there is a case for conducting impact assessment and evaluations at different stages. Funders, social investors, non-profits and social enterprises are united by a common goal: social change. To reach this goal, the social sector must identify which development approaches work, and why.

The goal of impact assessment is to drive improvements that increase the value of programmes to the people they serve. Impact assessment helps organisations to plan better, implement more effectively and successfully bring initiatives to scale. Impact assessment also facilitates accountability, supports stakeholder communication and helps guide the allocation of scarce resources. There is a great deal of debate on how to measure social impact, due in large part to the difficult nature of assessing social change. It takes money. It takes time. It takes imagination and creativity. But it can be done, and we have proved it.

Impact assessment is not only necessary, but critical. The social sector's commitment is to serve its constituents and, while lives cannot be measured in outputs and outcomes, they are ultimately the reason we should assess our work.

The development sector is undergoing a transformation with an influx of development, financing and measurement models from fields like technology and venture capital (impact investment), where it is expected that results will be measured. In this context, corporate grantmakers and foundations can and should play an integral role in the future of impact assessment, including:

- Defining best practices by working with all stakeholders (funders, practitioners, intermediaries and beneficiaries) on assessment practices.
- Agreeing on a limited number of common metrics and approaches.
- Building a system to share impact assessment learning and best practices.

IMPACT ASSESSMENT IS BOTH TECHNICAL AND PROCEDURAL

- In its technical guise, impact assessment seeks to evaluate and synthesise the efforts of disciplinary specialists, subject and expert stakeholder groups and regulatory authorities. By providing considered unbiased information, decision-makers are assisted in developing or selecting policies, plans, programmes and projects that will be sustainable, as well as acceptable, to the people who will be affected.
- In a regulatory and institutional context, impact assessment is a compliance procedure and an integral part of the decision-making process to which a planned intervention will be subjected. It seeks to ensure that all stakeholders have been engaged, their interests recognised, relevant laws and regulations addressed and that pertinent information to the pending decision has not been omitted or exaggerated.

IMPACT ASSESSMENT IN THE CONTEXT OF SOCIAL DEVELOPMENT

An important feature of impact assessment is the professional value system of its practitioners. In addition to a commitment to sustainability and to scientific integrity, such a value system includes an ethic that advocates openness and accountability, fairness and equity, and defends human rights. The role of impact assessment goes beyond the ex-ante (in advance) prediction of adverse impacts and the determination of who wins and who loses.

Impact assessment also encompasses empowering local people, enhancing the position of women, minority groups and other disadvantaged or marginalised members of society, developing capacity building, alleviating all forms of dependency, increasing equity and focusing on poverty reduction.

Impact assessment can be described as:

A **process** through which government, development agencies, grantmakers and social investors can better understand how the socio-cultural, institutional, historical and political contexts influence the social development outcomes of specific investments, development projects and sector policies.

The **means** to enhance equity, strengthen social inclusion and cohesion, promote transparency and empower/capacitate the poor and vulnerable to be involved in the design and/or implementation of a project.

The **mechanisms** to identify the opportunities, constraints, impacts and social risks associated with policy and project design, implementation and management.

A **framework** for dialogue on development priorities among social groups, civil society, grassroots organisations, different levels of government and other stakeholders.

Specific **approaches** to identify and mitigate the potential risks, including adverse social impacts or negative environmental and economic impacts of development projects.

BACKGROUND TO IMPACT ASSESSMENT

Impact assessment complements the economic and technical models that characterise the thinking of many development professionals and agencies.

Impact assessment can be undertaken in different contexts and for different purposes. This creates difficulties in defining or evaluating it.

This understanding of impact assessment has important features:

1	The **goal** of impact assessment is to bring about a more ecologically, socio-culturally and economically sustainable and equitable environment. It promotes community development and empowerment, builds capacity and develops social capital (social networks and trust).
2	The **focus** of impact assessment is a proactive stance regarding development and better development outcomes, not just the identification or amelioration of negative or unintended outcomes. Assisting communities and other stakeholders to identify development goals and ensuring that positive outcomes are maximised can sometimes be more important than minimising harm from negative impacts.
3	The **methodology** of impact assessment can be applied to a wide range of planned interventions and can be undertaken on behalf of a wide range of stakeholders, and not just in a regulatory framework.
4	Impact assessment contributes to the process of **adaptive management** of policies, programmes, plans and projects, and therefore needs to inform the design and management of the planned intervention.
5	Impact assessment **builds** on local knowledge and utilises participatory processes to analyse the concerns of interested and affected parties. It involves stakeholders in assessing social impacts, analysing alternatives and monitoring and evaluating planned or executed interventions.
6	The good practice of impact assessment **accepts** that social, economic and environmental impacts are inherently and inextricably interconnected. Change in any of these domains will lead to changes in the other domains. Impact assessment must develop an understanding of the impact pathways that are created when change in one domain triggers impacts across others, as well as the iterative or flow-on consequences in each domain. There must be consideration of the second and higher order impacts and of cumulative impacts.
7	For the discipline of impact assessment to grow, the impacts that occurred because of past activities must be **analysed**. Impact assessment must be reflexive and evaluative of its theoretical bases and practice.
8	While impact assessment is typically applied to planned interventions, its techniques can also be used to **consider/calculate** the impacts of other types of events, such as disasters, demographic change and epidemics.

PRINCIPLES SPECIFIC TO IMPACT ASSESSMENT

Because of the complexity of impact assessment, principles of practice pertaining to the process have developed over time:

1	**Equality** considerations should be a fundamental element of impact assessment and development planning.
2	Many of the impacts of planned interventions can be **predicted**.
3	Planned interventions can be **modified** to reduce their negative impact and enhance their positive impact.
4	Impact assessment should be an **integral** part of the programme development and design process, in all stages from inception to follow-up, scaling, replication and exit.
5	There should be a focus on **sustainable development**, with impact assessment contributing to the determination of best development alternatives – impact assessment has more to offer than just being an arbiter between economic benefit and social cost.
6	In all planned interventions and their assessments, avenues should be developed to **build the social and human capital** of local communities and to strengthen democratic processes.
7	Impact assessment must consider **alternatives** of any planned intervention, especially when unavoidable impacts are likely.
8	**Local knowledge and experience** and acknowledging different local cultural values should be incorporated in any impact assessment.
9	There should be **no use of violence, harassment, intimidation or undue force** during the impact assessment or the implementation of planned interventions.
10	Development processes that **infringe on the human rights** of any section of society are unacceptable.

> “THE GOAL OF IMPACT ASSESSMENT IS TO BRING ABOUT A MORE ECOLOGICALLY, SOCIO-CULTURALLY AND ECONOMICALLY SUSTAINABLE AND EQUITABLE ENVIRONMENT.”

BACKGROUND TO IMPACT ASSESSMENT

KEY QUESTIONS THAT IMPACT ASSESSMENTS AIM TO ANSWER:

- Who are the stakeholders of the project or proposed action?
- Are the project objectives consistent with their needs, interests and capacity?
- Which social and cultural factors affect the ability of stakeholders to participate or benefit from the proposed policy or project?
- What will be the impact of the project or programme on the various stakeholders, especially women and vulnerable groups?
- Are there plans to mitigate adverse or negative impacts resulting from the project?
- Which social risks might affect the success of the project or programme?
- What institutional arrangements are needed for participation and project delivery?
- Are there plans to build capacity at appropriate levels?

THE MAJOR ADVANTAGES OF UNDERTAKING A SYSTEMATIC IMPACT ASSESSMENT INCLUDE:

- Identifying project or programme stakeholders.
- Identifying and prioritising social issues associated with the project.
- Mitigating the negative impact on communities or individuals.
- Enhanced benefits to those affected.
- Acting as a precautionary measure and avoiding costly errors in the future.
- Building trust and cooperation between communities and stakeholders for the successful implementation of a project.

WHAT ARE IMPACTS?

Impact assessment is much more than the prediction step in a measurement framework or a specific development context or programme framework. It considers all issues that affect people and their basic human rights, directly or indirectly, which are pertinent to the outcomes of an intervention.

A convenient way of conceptualising impacts is looking at changes to people or society in one or more of the following ways:

- Way of life – how people live, work, play and interact with one another on a daily basis.
- Culture – shared beliefs, customs, values and language or dialect.
- Community – cohesion, stability, character, services and facilities.
- Political systems – the extent to which people can participate in decisions that affect their lives, the level of democratisation and the resources provided for this purpose.
- Environment – the quality of the air and water, the availability and quality of food, the level of hazard or risk, dust and noise, the adequacy of sanitation, physical safety and access to and control over resources.
- Health and wellbeing – health is a state of complete physical, mental, social and spiritual wellbeing and not merely the absence of disease or infirmity.

- Personal and property rights – whether people are economically affected or experience personal disadvantage, which may include a violation of civil liberties and rights.
- Fears and aspirations – perceptions about safety, fears about the future of the community and aspirations for the future, including the future of their children.

Impact and impact assessments look at the wider effects of the programme – social, economic, technical and environmental – on individuals, gender and age groups, communities and institutions. Impact can be intended and unintended, positive and negative, macro (sector) and micro (household or individual), short-term or long-term, etc. In practice, practitioners interpret impact in different ways in relation to evaluating social and community development actions. Some focus on which outcomes can be attributed to the intervention. Other practitioners want to know about the wider impact, including the ripple effects of humanitarian action, intended and unintended, positive and negative.

The fundamental challenge entailed in impact assessment is attribution, in other words isolating the impact that is due to a given intervention from the many other factors at play. The challenge of attribution is not unique to impact assessments, but is amplified in most social and community development contexts because of the difficulties of assembling quality evidence.

To overcome this challenge, and because of Next Generation's commitment to fair and transparent impact assessments, we have adopted the New Economics Foundation's definition of impact:

Impact is outcomes minus deadweight. Impacts are changes that take place (outcomes), taking into consideration changes that are not sustained (drop off), those that are shared with others (attribution), those that would have happened anyway (deadweight) and any negative consequences (displacement).

CHALLENGES TO IMPACT ASSESSMENTS

The dynamic and fluid environment of most social development contexts is one of impact assessment's biggest challenges, as there are many and unpredictable factors that affect outcomes and impact, including a range of diverse actors and stakeholders. In most cases, the biggest challenge is lack of data.

In more detail:

Basic data is required to design certain evaluation methods, such as information on population demographics or the number of people affected by the crisis or social issue.

Baseline data on key indicators related to health and wellbeing is needed, e.g. livelihoods or access to education, against which it is possible to assess whether there has been a change.

Available and high-quality monitoring and evaluation data that shows change over time (monitoring or evaluation data is usually focused on process and output, rather than outcomes).

BACKGROUND TO IMPACT ASSESSMENT

In addition to data challenges, evaluation-specific challenges affect impact assessments:

1	The need for **rapid action** in an unpredictable environment, which means that there is little time for advance preparation for an impact assessment, from the early stages of the crisis and response. Impact assessments tend to be planned late in the programme cycle.
2	Selecting the most **appropriate design and blend of assessment approaches** that are best suited to answer specific cause-and-effect questions.
3	Impact assessment requires **different skill levels and sets** than conventional evaluations. The data collection and analysis requirements may require a more research-orientated set of skills. These skills have generally been scarce in the development sector.

Because of these challenges, especially the challenge of isolating the impact of an intervention, impact assessment tends to focus more on partial attribution or on the contribution of an intervention to change.

03

SECTION THREE

THE INVESTMENT IMPACT INDEX™

THE INVESTMENT IMPACT INDEX™

INTRODUCTION

The biggest issues for the development sector are how we know if we have made a difference and what kind of difference it was.

As management consultants, Next Generation's primary activity is to assist grantmakers, social investors and impact investors to become more effective. This is done through advisory, research and engagement services. But the impact assessment methodology has become the entry point for any consulting advice to clients.

Until we know what has to be achieved or how it was achieved, any advice would be based on guesswork. Impact assessment provides the evidence of what works (or not) and forms the basis of decision-making and recommendations. It informs logic, it validates assumptions, and most importantly, it provides clients with evidence of what is possible and realistic.

Next Generation Consultants did not set out to achieve the impossible, but simply wanted to empower clients to be able to report transparently about the difference they made with their investments. With the advent of reporting frameworks, industry standards and changing societal expectations, it has become critically important to understand, quantify and qualify impact, as society expects results as well as accountability and transparency because of the extensive resources applied and invested in development.

From a continental developmental perspective, Africa needs its own measurement approach to determine impact as well as return on investment. This approach has to be applicable to the funding as well as development sectors, support practitioners in their daily tasks, build the capacity of all stakeholders in the value chain and be easy enough to understand, implement and interpret. Complex methodologies or approaches that require specialist skills, licenced software or specific hardware or expensive solutions would not work. The industry needs a transparent, comparable and flexible solution that contextualises and takes into consideration the complexities, relationships and fundamental development principles of the complex social development context in Africa.

The objective became very clear: The purpose of the Investment Impact Index™ is to create a shared performance measurement system to be utilised by all organisations in the social investment and community development sector. Current approaches, methodologies, processes and systems lack coordination, leading to added expense, limited learning and an inadequate ability to assess shared value and collective impact.

Next Generation's objectives were supported by a number of principles against which the validity of the approach could be measured:

MATERIALITY	RELIABILITY	COMPARABILITY	UNIVERSALITY
A framework that will encourage investors to work with stakeholders to determine material impact and to further use and disclose material impact data as part of their regular reporting and performance management processes.	Data must be credible, findings must be validated and evidence of findings must be provided to ensure a high standard of data integrity.	Data must be derived following consistent standards or practices, making it possible to compare results from different investment approaches, programmes and different investors.	Data collection practices must be applied consistently across markets, geographies and sectors and research methodologies must be based on generally accepted and standard research practices.

It was clear that the discussion about performance – impact and return on investment – was becoming more urgent. The debate on impact and return on investment was playing out in three arenas:

- In private foundations and corporate social investment divisions: **Aiming to be more strategic about philanthropy, grantmaking and social or community impact investments.**
- In non-profit organisations in response to pressures from corporates, foundations and government: **To be more accountable for the resources received and programme outcomes expected.**
- Among international development organisations such as bilateral government agencies, humanitarian aid agencies and global or local intermediary organisations: **Seeking to improve the effectiveness of development aid.**

This pressure to measure was driven by:

- Funders increasingly asking for **demonstrable results** to understand the difference they make, directly and indirectly, from the resources invested.
- The development and funding sectors increasingly looking **to pay for results or success** to learn from what they, and those they fund, do.
- **Growing** competition for resources in the age of competition, transparency and recessionary economies, meaning that funding risks had to be managed and assessed continuously.

The initial aims of the process were:

- **Prospective impact:** Being able to look forward to determine whether the projected costs and benefits of an intervention can indicate a favourable investment.
- **Ongoing impact:** Testing assumptions and projections along the way during programme implementation and planning phases to aid and support course correction.
- **Retrospective:** Looking back at programmes and investments to determine whether it was a favourable investment given the costs incurred, and therefore to inform future decisions.

Next Generation Consultants soon realised that due to the structure of the grantmaking cycle it needed to be able to extrapolate impact from an individual programme level right up to portfolio level.

In this case, the assumptions were:

- One can and should use impact data to make funding allocation decisions **across** programme areas, i.e. be able to compare programmes in a specific sector, such as health, but not between different sectors.
- One can and should use impact data to make funding decisions **in** programme areas. It is not only about building a unifying measurement across domains, but also to build a conceptual framework for understanding the biggest impact across a Rand value unit. It is not just about comparing health to education to sport or the arts, but also to determine which programme yields the highest return for the most effective use of resources in an investment portfolio.
- It is about building a **unifying measurement standard,** as well as a conceptual framework for understanding the biggest impact across a Rand value unit. It is not just about comparing one investment or development portfolio to another or one organisation to another, but also to determine which programme, organisation or investment yields the highest return or impact for the most effective use of resources.
- Therefore, a combination of the **breadth** of quantitative and the **depth** of qualitative evaluation, assessment and research methods and methodologies was required.

> “THE BIGGEST ISSUES FOR THE DEVELOPMENT SECTOR ARE HOW WE KNOW IF WE HAVE MADE A DIFFERENCE AND WHAT KIND OF DIFFERENCE IT WAS.”

THE INVESTMENT IMPACT INDEX™

At the start of the journey of impact assessment, the confusion around terminology and definitions quickly became clear. The learning was that:

- Funders and non-profits often use the words "evaluation" and "impact" loosely, stretching the terms to include any type of report on the use of funds or the results they achieve.
- The III™ should therefore clearly distinguish between **measuring performance** (monitoring inputs, activities and output), **measuring outcomes** (near-term results) and **evaluating impact** (long-term changes that can be attributed to the investor's activities), as well as **return on investment** (benefits accrued to the investor) because of funds and other resources invested or applied.
- Impact is defined clearly, following the standard definition: An impact assessment assesses changes in the wellbeing of individuals, households, communities or organisations or specific social contexts that can be attributed to a particular project, programme or policy. The **central impact evaluation or research question** is: What would have happened to those receiving the intervention if they had not received the programme?
- For us, this means the **broad or longer-term effects** of a project or an organisation's work (the difference it makes). These could include effects on 1) people who are direct users or beneficiaries of a project or an organisation's work, 2) those who are not direct users or indirect beneficiaries, or 3) a wider sector or aspect such as government policy, processes, systems, infrastructure or support systems.

What did we want to achieve?
Provide **evidence of impact.**
Demonstrate **performance** of interventions and investments.
Prove **accountability** over the resources applied.
Show programme and investment **effectiveness, efficiency, feasibility, viability and sustainability.**
Demonstrate **shared or blended value and return on investment** for funders.
Empower and capacitate communities, beneficiaries and funders (investors) **with valuable information.**
Ultimately, use the knowledge gained from impact assessments to **alleviate, eliminate and eradicate poverty.**

And what did we achieve?
Impact across the development value chain: Being able to prove the value and outcomes of partnerships, relationships and applied resources (to be more sustainable and effective).
Outcomes of individual programmes or collective portfolios on policy change, sector impact, global or national development frameworks).
Outcomes at the individual, community or sector level against the strategic objectives and goals of investors).
Return on investment for the donor or funder of the difference made, as well as the value created.

The guiding principles in determining impact that underpin all the work:

Impact means impact: The goal of the III™ is to understand what changes as a result of the investment from social investors in communities or development contexts as a result of interventions, programmes and resources applied.

Impact is shared: The goal is to understand who is impacted along the impact value chain (stakeholders), including funders, intermediaries and beneficiaries, directly and indirectly.

Impact dimensions must be clearly identified: Analysis of impact data must be comprehensive. Instead of cherry picking something that's working and leaving out what is not, the analysis should include all aspects of impact on those who are impacted (even negative or indirect impact).

Impact results must be transparent: Intermediaries report to funders. Funders report to their shareholders. Impact that is left out should be stated. Assumptions and data sources should be stated. Calculations should be fair and transparent. It should be possible for a third party to replicate the analysis based on the documentation and evidence trail and reach the same result or conclusion.

Impact context matters: The context of the assessment should be provided to inform the analysis of the impact as well as to understand how much of the problem may exist or remain after the programme or investment ends.

Impact is integrated and aligned: The availability of evidence and proof of impact underpin all judgements, conclusions, findings and recommendations.

Impact is verifiable: Evidence of impact is generated in a systematic, rigorous way, using standard, approved and replicable methods and sources.

Impact is collective and collaborative: Evidence of impact is generally shared and the results of the outcome of the impact assessment process must be communicated openly and transparently.

Impact is ethical: Evidence of impact must be generated according to the highest ethical standards.

Impact is value: The objective of impact assessment is to capture the value generated and distributed by organisations and their interventions and tell the story of how this value is created for society and communities.

> “THE CENTRAL IMPACT EVALUATION OR RESEARCH QUESTION IS: WHAT WOULD HAVE HAPPENED TO THOSE RECEIVING THE INTERVENTION IF THEY HAD NOT RECEIVED THE PROGRAMME?”

The breakthrough came after ten years:

A shared measurement system: A menu of indicators and a common platform to report on different outcomes and indicators.

A comparative performance system: By consistently following the same approach, impact can be compared across individual programmes and collective investment portfolios.

An adaptive learning system: This supports ongoing collaboration and learning among organisations and investors to align efforts and goals, ensuring high impact and return on investment and measuring outcomes and impact.

The result:
An impact and return on investment assessment methodology, of which measurement is but one critical part. The other important component is the critical analysis of information and data to inform investment as well as programme decisions.

This document is an attempt to share the journey and the conclusions, to make public the challenges encountered along the way and to acknowledge what could have been done differently. The III™ is shared with all who want to learn and ensure that whatever the development sector does next will enhance social investment and development practices to contribute meaningfully to Africa's future sustainability.

04

SECTION FOUR

UNDERLYING RESEARCH APPROACHES

A COMPREHENSIVE ASSESSMENT FRAMEWORK

The uniqueness and success of the Investment Impact Index™ lies in the combination and integration of various standard, existing and acknowledged research approaches:

1	Mixed methods approach
2	Impact evaluation approach
3	Developmental evaluation approach
4	Social return on investment approach
5	Social impact assessment approach

Next Generation acknowledges that not all social investors or development organisations will be ready for impact assessment. This is because conducting an impact assessment requires specific conditions, skills and competencies as well as existing performance measurement processes and systems to be effective. We also know that time and resources are issues and as such, if a social investor does not have detailed existing monitoring and evaluation practices, an impact assessment will clearly indicate weaknesses in existing strategies, operations and programme management aspects.

The challenges of undertaking an impact evaluation mean that plenty of time needs to be allowed for the planning stage. Apart from time, the conditions for impact assessments need to be considered. As quality impact assessments require considerable resources, one has to ensure that at least one of the following conditions are met to justify the investment:

- Is the intervention(s) **significant** enough (in terms of size, policy, prominence or potential consequences) to call for such a specific type of assessment?
- Is it **strategically relevant** in terms of the potential learning and influence of such an impact assessment?
- Is there **untested or contested evidence** of what works, for whom and where that the proposed impact assessment could illuminate?
- Are the conditions conducive for the assessment to be **influential**? How will the findings be used? Because of the scale and cost, all impact assessments must be utilisation-focused.
- Is there **sufficient budget** for the sample sizes that will be needed to demonstrate impact at the likely effect size?

In this regard, Next Generation Consultants developed a scalable solution to ensure fit for purpose. The Investment Impact Index™ allows for:

- **Flexibility,** to assess a single programme or a portfolio of programmes.
- **Scalability,** to assess a portfolio of programmes singularly.
- **Efficiency,** to conduct in-depth or paper-based assessments, particularly where once-off investments were aimed at short-term interventions.
- **Applicability,** to conduct holistic assessments (across an entire organisation, with various departments or divisions involved in social investment and development) or selective assessments, only focusing on high-risk or high-profile (flagship) interventions.
- **Materiality,** to conduct compliance assessments across programmes or portfolios to ensure governance or compliance against specific industry standards.

A mixed methods, developmental evaluation, social impact assessment or social return on investment approach is particularly appropriate and relevant to impact assessment because each research methodology supports another in a synergistic way. These approaches can deal with the large number of potentially conforming factors found in the typical context of social or community investment and development.

1. MIXED METHODS APPROACH

Next Generation uses the mixed methods approach, building on project monitoring and evaluation systems, which is regarded as standard practice in the development sector.
This impact assessment methodology can be applied at any level, from the evaluation of a project operating in a single village to a multicomponent national development initiative involving several international and national development agencies and funders.

No single evaluation methodology can fully capture all the complexities of how programmes operate in the real world. Given the many kinds of programmes that are evaluated, the varied contexts in which they operate and the diversity of evaluation questions of interest to stakeholders, Next Generation acknowledges that there is no single "best" evaluation design that will work in all situations.

The choice of evaluation and assessment design requires a careful analysis of the nature of the programme, the purpose and context of the evaluation and the environment in which it operates.

Evaluators and assessors must find creative ways to combine different evaluation frameworks, tools and techniques. The unique feature of mixed methods approaches is that they seek to integrate social science disciplines with predominantly quantitative or qualitative approaches to theory, data collection and data analysis and interpretation.

When used in isolation, quantitative as well as qualitative evaluation methods have strengths and weaknesses. The purpose of the mixed methods approach is to draw on the strengths of quantitative as well as qualitative approaches and integrate them to overcome their weaknesses.

Despite the many powerful benefits of quantitative data collection and analysis methods, they have several inherent limitations. Many of the criticisms concern the reduction of narrative data into numbers, and inflexible designs and data collection procedures that are difficult to adapt for changing circumstances. The standardised categories in questionnaires and data coding often fail to capture nuances in the groups or communities studied, and the analysis often lacks the depth and detail of qualitative methods.

Quantitative evaluation risks are decontextualised, ignoring how programmes are affected by the economic, political, institutional and socio-cultural characteristics of the populations studied. Another frequent criticism of many quantitative evaluations is that they assume that programmes operate as planned and that everyone receives the same package of services (in terms of quantity as well as quality).

Qualitative methods are also powerful tools for data collection and analysis. However, where used on their own, qualitative evaluation designs also have potential weaknesses. Qualitative evaluations often focus on individual subjects and situations, and it is more difficult to generalise from the findings. Many qualitative evaluators believe that each evaluation is context-specific and it is not possible or appropriate to generalise. Many, but certainly not all, qualitative evaluations use a holistic approach, making individual elements and factors harder to isolate and making it more difficult to understand the specific contribution of different components or approaches of the programme.

Some clients feel that there may be too much reliance on the opinion and perspective of the evaluator, with no way for the reader or practitioner to easily review the large amounts of written and recorded data that the evaluator has drawn on.
A final point is that many qualitative evaluations do not provide the kinds of detailed documentation on the methodology that are usually presented in quantitative evaluation reports, making it difficult to check on the validity of the data collection and analysis procedures.

BENEFITS OF THE MIXED METHODS APPROACH

Using a mixed methods approach provides the Investment Impact Index™ with the following benefits:

- **Triangulation of evaluation findings:** Enhancing the validity and credibility of evaluation findings by comparing information obtained from different methods of data collection (for example comparing responses to survey questions with what the interviewer observes directly). When estimates from different sources converge and agree, the validity and credibility of findings or interpretations increase. When different estimates are not consistent, we can explore the reason behind it.

- **Development of research instruments:** Using results of one research method to help develop the sample or instrumentation for another research method, providing enough richness (depth of data) to draw valid conclusions and recommendations.
- **Complementarity:** Extending the comprehensiveness of evaluation findings through results from different research methods that broaden and deepen the understanding reached – not only depth, but also extent (width) for meaningful analysis.
- **Impact generation and initiation:** Generating new insights about assessment findings through results from the different research methods that diverge and call for reconciliation (through triangulation and synthetisation) and further analysis, resulting in reframing or shifting perspectives.
- **Value diversity:** Incorporating a wider diversity of values (dimensions of impact) by using different research methods provides extensive and different values. This encourages greater consciousness about the value of the impact dimensions of the assessment.

2. IMPACT EVALUATION APPROACH

For the Investment Impact Index™, an impact evaluation provides information about the various impact dimensions produced by an intervention, e.g. positive and negative, intended and unintended, direct and indirect. This means that an impact evaluation establishes what has been the cause of observed changes (in this case impacts) referred to as causal attribution (or causal inference).

An impact evaluation approach allows one to go beyond describing or measuring impacts that have occurred to seeking to understand the role of the intervention in producing these (causal attribution). It can encompass a broad range of methods for causal attribution and includes examining unintended and negative impacts.

BENEFITS OF THE IMPACT EVALUATION APPROACH

Because of the range of clients Next Generation works with and the range of interventions (different development portfolios and social contexts) that have to be measured and assessed, using an impact evaluation approach allows for:

- **Future focus:** There is scope and opportunity to use the findings of the impact assessments to inform decisions about future interventions.
- **Continued focus:** It allows clients to focus on singular programmes or combined portfolios to get a holistic picture of the total impact and return on investment of all their assets and resources applied.
- **Resources:** In most cases, clients have many and varied data sources. This approach allows existing data sources (e.g. monitoring and evaluation reports) to be leveraged, there is an opportunity to engage widely with all stakeholders across the impact value chain and data can be compared with similar initiatives (other programmes) to ensure benchmarking.
- **Relevance:** In most cases, clients use the information from the impact assessment to determine new strategies, programmes, developments and finance models. The flexibility of the approach and the depth of information make the impact findings extremely relevant.

3. DEVELOPMENTAL EVALUATION APPROACH

Developmental evaluation emerged in response to the need to support real-time learning in complex and emergent situations. Traditional forms of evaluation work well in situations where the progression from problem to solution can be laid out in a relatively clear sequence of steps. However, initiatives with multiple stakeholders, high levels of innovation, fast-paced decision-making and areas of uncertainty require more flexible approaches.

Developmental evaluation differs from traditional forms of evaluation in several key ways:

- The primary focus is on **adaptive learning** rather than accountability to an external authority.
- The purpose is to provide **real-time feedback** and generate learnings to inform current and future development practices.
- The development evaluation role extends well beyond data collection and analysis; the evaluator actively intervenes to **shape the course of development**, helping to inform decision-making on the go and facilitate learning.
- The evaluation is designed to **capture system dynamics** and surface **innovative strategies** and ideas.
- The approach is **flexible**, with new measures and monitoring mechanisms evolving as understanding of the situation deepens and the initiative's goals emerge.

Developmental evaluation emerged fairly recently as a way to support adaptive learning in complex and emergent initiatives. Combining the rigour of evaluation with the flexibility and imagination required for development practice, this new form of evaluation brings critical thinking to bear on the creative process in initiatives involving high levels of uncertainty, innovation, emergence and social complexity.

BENEFITS OF DEVELOPMENTAL EVALUATION

- Developmental evaluation is particularly useful in the **complex and continuously evolving** world of community change because of its outcomes focus and emphasis on documenting decisions and formalising learning. It's particularly helpful in monitoring connections between short-term outcomes and longer-term social change efforts.
- It is particularly useful in **highly emergent and volatile environments** and contexts (where the environment is always changing).
- It is useful when it is difficult to plan or predict outcomes because the variables are **interdependent and non-linear.**
- It is applicable to **socially complex situations,** requiring collaboration among a range of stakeholders from different organisations, systems and/or sectors.
- It is useful in **innovative approaches** to development, requiring real-time learning and development.

4. SOCIAL RETURN ON INVESTMENT

The SROI (social return on investment) methodology is the application of a set of principles to map impact. This provides a consistent approach to understanding and managing impact, with the flexibility to respond to different activities in different organisations with different stakeholders.

It guides the process by which an entity identifies different stakeholders, asks their perceptions of outcomes and assesses which outcomes are important by considering the quantity of outcomes occurring, the value of these outcomes to stakeholders and assessing what would have happened in the absence of the organisation's work. Indicators are developed for outcomes that are considered material. The aim of SROI is to reduce inequality and environmental degradation by revealing and accounting for a more **complete account of the value of an organisation's social, environmental and economic outcomes.**

SROI is an approach that identifies and describes the **social value that is created** through an organisation's activities (and the investment needed to deliver them). Uniquely, it seeks to place a **financial value on this social value**. Using a set of financial accounting principles and standard calculations, SROI analyses produce an "index of social return" as part of a wider report. An index of 2:1 shows that for every R1 invested, social value worth R2 is returned. SROI has however also been seen as complex, unproven and untested, and overly focused on financial value at the expense of a more rounded understanding of impact.

The SROI model is based on comparisons and links with cost-benefit analysis and economic valuation theory. Governments use these approaches to assess investments or policy changes. SROI sought to extend the value chain and the calculation of benefits beyond the immediate fiscal benefits to government or funders and to assess the impact on people arising from policies or interventions, which then have consequences for public spending and services.

BENEFITS OF SROI

- It can help organisations **understand what social value an activity creates** in a robust and rigorous way, and manage its activities and relationships to maximise that value.
- The process **opens a dialogue with stakeholders,** helping to assess the degree to which activities are meeting their needs and expectations.
- SROI puts social impact into **the language of return on investment**, which is widely understood by investors, commissioners and lenders. There is increased interest in SROI to demonstrate or measure the social value of investment, beyond the standard financial measurement.
- Where it is not already used, SROI may be helpful in showing potential customers (e.g. public bodies or other investors) that they can **develop new ways to define what they want out of contracts by taking account of social and environmental impacts.**
- SROI can also be used in **strategic management.** The monetised indicators can help management analyse what might happen if they change their strategy, as well as allow them to evaluate the suitability of that strategy to generating social returns, or whether there may be better means of using their resources.
- **Assurance and verification are available** through several bodies, including Social Value UK.

5. SOCIAL IMPACT ASSESSMENTS

Social impact assessment (SIA) can be defined as the process of assessing or estimating the social consequences that are likely to follow from specific policy actions or project development, particularly in the context of appropriate national, state or provincial environmental policy legislation.

Social impacts include all social and cultural consequences to human populations of any public or private actions that alter the ways in which people live, work, play, relate to one another, organise to meet their needs and generally cope as members of society.

Cultural impacts involve changes to the norms, values and beliefs of individuals that guide and rationalise their cognition of themselves and their society.

While SIA is usually undertaken in the relevant national environmental policy framework, it is not restricted to this. **SIA as a process and methodology has the potential to contribute greatly to investment, development and assessment processes.**

In general, the SIA process:

- Provides direction about **understanding, managing and controlling** change.
- **Predicts probable impacts** from change strategies or development projects that are to be implemented.
- Provides direction about identifying, developing and implementing mitigation strategies **to minimise potential social impacts** (identifying social impacts that would occur if no mitigation strategies were implemented).
- Steers developing and implementing monitoring programmes **to identify unanticipated social impacts** that may develop as a result of the social change.

- Guides developing and implementing **mitigation mechanisms** to deal with unexpected impacts as they develop.
- Evaluates social impacts caused by **earlier developments, projects, technological change, specific technology and government policy.**

BENEFITS OF SOCIAL IMPACT ASSESSMENT

- It provides opportunities for **involvement and participation** by all stakeholder groups.
- It allows for **detailed quantification and qualification,** i.e. segmentation of impacts.
- It allows **linking, integrating and aligning** other types of impact assessments, e.g. economic, environmental and health.
- It allows the **integration of specific social changes** in social development contexts, for instance:

1. demographic processes (changes in the number and composition of people)
2. economic processes (relating to how people make a living as well as economic activity in society)
3. geographical processes (changes in land use patterns)
4. institutional and legal processes (relating to the efficiency and effectiveness of institutional structures, including government and non-government organisations)
5. emancipatory and empowerment processes (increasing influence in decision-making processes)
6. socio-cultural processes (affecting the culture of a society)

ALIGNED WITH GLOBAL STANDARDS

Although the Investment Impact Index™ is proprietary, Next Generation uses existing industry standards for evaluation and research methodologies and evaluation criteria. These include:

OECD-DAC CRITERIA

The standard criteria of the Development Assistance Committee of the Organisation for Economic Cooperation and Development (OECD-DAC) automatically form part of all impact assessments done by Next Generation Consultants. These indicators include:

Relevance: The extent to which the objectives of an intervention are consistent with the recipients' requirements, country needs, global priorities and partners' policies.

Effectiveness: The extent to which the intervention's objectives were achieved, or are expected to be achieved, taking into account their relative importance.

Efficiency: A measure of how economically resources and inputs (funds, expertise, time, equipment, etc.) are converted into results.

Impact: Positive and negative primary and secondary long-term effects produced by the intervention, whether directly or indirectly, intended or unintended.

Sustainability: The continuation of benefits from the intervention after major development assistance has ceased. Interventions must be environmentally as well as financially sustainable. Where the emphasis is not on external assistance, sustainability can be defined as the ability of key stakeholders to sustain intervention benefits – after the cessation of donor funding – with efforts that use locally available resources.

UNDERLYING RESEARCH APPROACHES

Besides these evaluation criteria, Next Generation Consultants added the United Nations evaluation criteria concerning equity, gender equality, as well as their human rights-based approach to programming (HRBAP):

Equity: This refers to the basic fairness of the processes and outcomes of decision-making, for example implying that all children have an opportunity to survive, develop and reach their full potential without being subjected to discrimination, bias or favouritism.

Gender equality: This means promoting the equal rights of women and girls, and supporting their full participation in the political, social and economic development of their communities.

HRBAP: The five core guiding principles that underpin a human rights-based approach to programming that are considered as evaluative criteria: Normativity, non-discrimination, participation, transparency and accountability.

From the impact indicators and evaluation criteria of social impact assessments (SIAs), Next Generation ensures that the following evaluation criteria are part of its impact assessment process:

Design: Design of a project or programme measures, including the extent to which the logical framework approach was adopted, with measurable expected objectives at the country and regional levels, outcomes and outputs, as well as performance indicators such as gender equality and human rights, targets, risks, mitigation measures and assumptions.

Engagement: An appropriate participatory needs assessment was conducted to influence the programme design and implementation.

Implementation and management: Considering research conducted to design, implement and manage the project, including baseline studies, social/socio-economic surveys or benchmarking and any other research, such as context analysis and opportunity or risk assessments conducted to inform the development of a theory of practice or change.

Partnerships and collaboration: These indicate the level and quality of cooperation with partners and implementing partners (e.g. donors, NGOs, governments and other development agencies) through the extent to which:

- Partnerships have been sought and established.
- Synergies have been created in the delivery of assistance, programmes and interventions.
- There has been effective coordination among partners.
- Partnerships' responsibilities were fully and effectively discharged.
- Partnerships' inputs were of quality and provided in a timely manner.
- The project or programme contributes to other system-wide coordination mechanisms.
- Community participation in activities influences its performance.

05

SECTION FIVE

HOW THE IIITM WORKS

DATA MANAGEMENT

DATA COLLECTION

The Investment Impact Index™ goes beyond assessing the size of the effects (i.e. the average impact) to identify for whom and in which ways a programme or policy has been successful. What constitutes "success" and how the data will be analysed and synthesised to answer specific key evaluation questions (KEQs) is considered upfront, as the data collection incorporates the mix of evidence needed to make appropriate judgements about the programme or policy.

These typically include:

KEQ1. What was the **quality of the intervention's** design and content?
(assessing relevance, equity, gender equality and human rights)

KEQ2. How **well was the intervention implemented** and adapted as needed?
(assessing effectiveness and efficiency)

KEQ3. Did the intervention **produce the intended results** in the short, medium and long term? If so, for whom, to what extent and in which circumstances?
(assessing effectiveness, impact, equity and gender equality)

KEQ4. Which **unintended results** – positive and negative – did the intervention produce? How did these occur?
(assessing effectiveness, impact, equity, gender equality and human rights)

KEQ5. What were the **barriers and enablers** that made the difference between successful and disappointing intervention implementation and results?
(assessing relevance, equity, gender equality and human rights)

KEQ6. How **valuable were the results** to service providers, clients, the community and/or organisations involved?
(assessing relevance, equity, gender equality and human rights)

KEQ7. To what extent did the intervention **represent the best possible** use of the available resources to achieve results of the greatest possible value to participants and the community?
(assessing efficiency)

KEQ8. Are any positive results likely to be **sustained**? In which circumstances?
(assessing sustainability, equity, gender equality and human rights)

The III™ supports various research, evaluation and assessment approaches, including the use of appropriate numerical and textual analysis methods and triangulating multiple data sources and perspectives to maximise the credibility of the impact assessments.

USING EXISTING DATA

To be really effective, the III™ uses existing data sources, such as:

- Organisational, portfolio and programme **strategies, theories of change and logframe models.**
- **Monitoring and evaluation reports.**
- **Social surveys and baseline studies.** A number of clients use social surveys and baseline studies that also inform and act as baselines for a number of indicators across investment programmes. Next Generation Consultants either uses clients' baseline studies and data or acquire data from other sources through an extensive network of associates and consultants.
- **National, provincial and local development plans.** Extensive socio-economic surveys are conducted for clients, therefore Next Generation draws national, provincial and local development plans from municipalities and district, provincial and national governments.
- **National census studies.** Next Generation subscribes to a number of research programmes, services and studies with extensive research and statistical data, and can therefore draw data from national census studies.

Next Generation also has extensive capabilities in research practice and uses credible international sources to assist in defining indicators, measurement frameworks and guidelines, as well as impact investment reports. This capacity includes reviewing programme planning documents, meeting minutes, progress reports, research studies and benchmarking reports, as well as the political, socio-economic and/or health profile of the country or specific locale in which the programme was implemented, and many more.

DATA COLLECTION

The III™ is built on a model that necessitates extensive stakeholder engagement. The following engagement models are used:

- **Literary reviews and management assessments,** including strategic, operational and programmatic reviews and due diligence processes.
- **Face-to-face personal interviews** (internal engagement) with executive management and boards or trusts, as well as programme managers or practitioners.
- **Interviews** (external engagement) with intermediary implementing partners and other co-funders or programme partners, e.g. government departments, non-governmental organisations and/or wider development community stakeholders, such as activist groups.
- **Questionnaires and surveys** – online as well as offline surveys and questionnaires to engage with various primary, secondary and tertiary stakeholder groups.
- **Townhall meetings and open or closed focus groups** with beneficiaries and other community stakeholders.
- **Observation, onsite visits, case studies and immersion** – observations of programme activities and interactions with participants, recorded through notes, photos or video.

Because of this integrated process, it can be guaranteed that the data collection processes are based on participatory evaluation practices.

DATA PRINCIPLES

To ensure credibility, comparability and transparency over data management processes, Next Generation Consultants developed various processes for consistently collecting and recording data, storing data securely, cleaning and transferring data (e.g. between different types of analytical software), effectively presenting data and making it accessible for verification and use by others. To ensure verifiable data, the following reporting principles from the Global Reporting Initiative's sustainability reporting guidelines are followed:

Materiality, completeness, context, stakeholder inclusivity, balance, comparability, accuracy, timeliness, clarity and reliability.

INDICATORS

The III™ integrated various existing or standard indicator databases from all over the world.

The primary collection of development indicators, compiled from officially recognised international and local sources, presents the most current and accurate global development data available and includes national, regional and global estimates.

Additionally, Next Generation has conducted enough impact assessments to develop an integrated library of more than 7 000 qualitative and quantitative indicators across 25 development portfolios ranging from skills development, education and health to sports and community development, and from sustainable farming and agriculture to food and nutrition, etc.

Other sources of indicators include the UN's sustainable development goals, world development indicators, the World Bank, OECD key economic indicators, IRIS (Incorporated Research Institutions for Seismology) and GIIN (Global Impact Investing Network).

"THE PRIMARY COLLECTION OF DEVELOPMENT INDICATORS, COMPILED FROM OFFICIALLY RECOGNISED INTERNATIONAL AND LOCAL SOURCES, PRESENTS THE MOST CURRENT AND ACCURATE GLOBAL DEVELOPMENT DATA AVAILABLE AND INCLUDES NATIONAL, REGIONAL AND GLOBAL ESTIMATES."

DEVELOPING THE IMPACT MEASUREMENT FRAMEWORK

In general, social investors follow a certain process, as described below, to ensure that measurement is part of a management approach. Where such a comprehensive (best practice) approach does not exist, Next Generation Consultants can develop it.

1. Set goals: Funders describe, articulate and set the desired impact of the investment by developing a strategy, establishing a theory of change and practice, and determining the value creation process to inform the strategic planning and management decision-making to serve as a reference point for investment performance.

2. Develop a framework and select indicators: Funders determine metrics or indicators to assess or measure the performance of the investment. The framework provides indicators and outlines how specific data should be captured and used, and uses indicators that align with existing standards to measure progress and impact.

3. Collect data: Funders ensure that the information, technology, tools and resources, human capital and methods (systems and processes) used to obtain and track data for the anticipated impact are effectively utilised.

4. Validate data: Funders validate data to ensure credibility and sufficient quality in order to verify that impact data is complete, comparable and transparent by checking assumptions and calculations against known data sources and research methodologies (baselines).

5. Analyse data: Funders distill insights from the data collected – they review and analyse, triangulate and synthesise data to understand how investments are progressing against impact goals and objectives.

6. Report data: Funders share progress with stakeholders – they distribute impact data coherently, credibly and reliably to effectively inform all stakeholders' decisions.

7. Make data-driven management decisions: Funders identify and implement mechanisms to strengthen the investment and development process and outcomes – they consider stakeholder feedback on reported data and assess recommendations to make changes to the investment or theory of change to address and ensure sustainable development.

THE INVESTMENT IMPACT INDEX™

Similarly to the impact management process described above, the III™ follows the information/data and measurement/management processes, or Next Generation develops these processes for clients as part of the impact assessment.

The III™ process:

Measures the change the investment brings about	Determines who was affected and in what way	Determines what the investor gained
To measure impact, one needs to understand the **objective** (strategy and strategic goals), assess the grantmaking **process** (operations and program implementation) and then consider the **outcomes** in order to determine impact and return on investment.	To determine impact and return on investment, all affected stakeholders must be **identified.** Measure the **extent** of change (depth, breath and reach of impact) by considering various impact and return dimensions.	**Evidence** of impact and return on investment is used to substantiate findings and forms the basis of the methodology. Impact and return on investment are **validated** by assessing the cost of the intervention versus the benefits achieved, and as such the value of the return on investment.

KEY ATTRIBUTES OF THE III™

The Investment Impact Index™ delivers the following:

Measures the value to society as well as the business: The methodology **builds on existing research approaches and methodologies** and measures the value of change, complemented by the broader impacts of development programmes on society, and the social value and social capital created through the process, as current reporting frameworks require.

Provides backward- and forward-looking perspectives: The methodology can be applied by looking backwards (at completed investments or programmes) to understand the value generated and looking forward (to pre-empt future impact) to inform strategy and project- or investment-related decisions.

Flexibility: The model can be applied at multiple levels:

- Singular programmes or interventions
- Specific or collective projects in a particular portfolio (e.g. education or health)
- Impacts on a country, region or sector (e.g. local development, national or mining)
- In a portfolio or across the entire investment portfolio (total investment portfolio)
- It can also be applied in social, socio-economic or enterprise development contexts

Provides a balanced and extensive understanding of impact: In a development sector or policy framework by covering or considering all the key aspects of impact, the model provides a holistic and balanced view of value creation, not just positive impact but also negative impact, trade-offs, causality, attribution and deadweight.

Provides consistent information: By analysing quantitative as well as qualitative data through comparing, synthesising and triangulating data over time and between different strategic objectives, by involving stakeholders, a balanced and consistent view of impact can be built that all stakeholders agree to and confirm or verify.

Provides comparable information: By equalising all impact and return (to the value of 1), it provides for comparison across different types of impacts, which provides value no matter the type or size of investment or input resources.

Produces decision-ready and useful information: It provides a strengthened basis for decision-making (for all stakeholders) and provides timely and reliable data that employs estimates, assumptions and attribution that are fit for purpose to make better-informed decisions and engage stakeholders in meaningful discussions.

Focuses on material impacts: One size does not fit all. The framework enables funders to select their focus and impact, as well as make return on investment dimensions.

MEASURING IMPACT – WHAT DO YOU WANT TO KNOW?

For Next Generation Consultants, measuring impact is about answering questions. It is about what it is that you want to know – and once you have an answer, what you want to do with that information.

This question, and the intent to conduct an impact assessment, follows this logic model:

MAPPING IMPACT AND RETURN

This diagram explains the width and depth of impact, as well as the return on investment that can be measured.

IMPACT AREA	SCOPE OF IMPACT	BOUNDARY OF IMPACT	LEVEL OF IMPACT
Impact on the triple bottom line (TBL): economic, social, socio-economic, or environmental	Project / programme	Stakeholders (direct or indirect)	Static impact: no movement or change
Impact over time: short, medium, or long term	Focus area	Funders (primary, secondary or tertiary)	Changed impact: increased or decreased impact
Other impact dimensions: direct or indirect; positive, negative or combined; intended or unintended; perceived, empowered, pre-emptive or post; significant, residual or capital	Total investment portfolio	Partners and organisations (intermediaries)	Sustained impact: impact validated and confirmed over time
	Geographic region – local or national	Time (3 to 5 years)	
	Demographic (girls, boys, women, disabled)	Depth / weighted (related to strategic objectives and outcomes)	
	Stakeholder-based (primary, secondary or tertiary)	Reach (primary, secondary or tertiary, across the value chain)	
	Company – funder or investor		

THE INVESTMENT IMPACT INDEX™ FOCUS

The III™ focuses on two dimensions: Impact on beneficiaries (individuals, the community, the sector or society at large) and return on investment for the funder.

It considers impact according to a stakeholder value chain and can distinguish between primary (direct), secondary (indirect) and tertiary (all other) stakeholders.

The calculation of impact and return is categorised according to the dimension of impact identified. Every impact is identified, considered and calculated. Every impact identified is verified and counts as one (1). This counting of impact allows the detailed analysis, comparison, synthesis and triangulation of data.

> “ONE SIZE DOES NOT FIT ALL. THE FRAMEWORK ENABLES FUNDERS TO SELECT THEIR FOCUS AND IMPACT, AS WELL AS MAKE RETURN ON INVESTMENT DIMENSIONS.”

IMPACT AND RETURN

Community
Investor

STAKEHOLDERS

Individuals
Communities
Intermediaries
Other funders
Government departments

CALCULATION

Indicators – every indicator or impact counts one point.
Impact dimensions are identified and verified by stakeholders.

Indicators – every indicator or impact dimension is calculated by impact category/ by programme/by focus area/per investment portfolio and expressed as X:Y.

WHAT ARE THE AIMS?

The III™ determines and validates impact on individuals (singularly), the community (collectively) or broadly on society or the sector (combined).

INDIVIDUAL IMPACT

Livelihood – economic security
Food security
Physical health
Protection and social inclusion
Education and skills

COMMUNITY/ ORGANISATIONAL IMPACT

Increased access to services, safety and security
Increased community assets
Strengthening networks
Building capacity and sharing knowledge
Increased self-sustainability

SOCIETAL/SECTOR IMPACT

Measure impact on society or a specific development sector (education, health, etc.)
Alleviation, reduction and eradication of poverty and inequality
Progress towards sustainability or economic equality, inclusion or gender equality and empowerment
Contribution to GDP, LED or sector development

CALCULATING THE IMPACT – THE PROCESS

The steps include:

- Identify and consider all information sources.
- Identify the beneficiaries and all other stakeholders affected.
- Identify the indicators to measure the change through documentation review, stakeholder engagement, site visits, etc.
- Identify the impacts per impact dimension.
- Categorise the impacts – group them according to impact dimensions (definitions).
- Identify the returns – verify returns for the investor by evidence provided.
- Analyse the impacts and returns by applying a framework and benchmark tool of more than 25 dimensions of impact and return.
- Assign a value or number to each impact, ensuring no double counting.
- Calculate the total number of impacts and returns by counting every impact or return as one (1).
- Interpret the results per programme or focus area for the total investment portfolio and compare to other programmes, sectors or benchmarks.

Information sources (strategies, applications, contracts, evaluation reports, site inspections, engagement)

Primary, secondary and tertiary assessment at programme, portfolio and sector levels

Impact forms and data score sheets, identifying and calculating impact and return

Indicators for the impact per stakeholder (QL & QN) across impact dimensions

Return on investent for investor (internal and external)

Calculate impact per dimension of impact and return

Analysis, interpretation and triangulation of data

Impact per programme, focus area and stakeholder group

Return per programme, focus area and sector, or organisation or funder

Cost-benefit and effectiveness analysis

Shared value X:Y

Recommendation: strategic, operational and programmatic

IMPACT INDICATORS BY DEFINITION AND DIMENSION

The secret of III™'s success is the ability to identify impact dimensions that are described in more detail below. The impact dimensions are informed by indicators (quantitative and qualitative) that are then grouped accordingly.

Economic impact	Environmental impact	Social impact	Direct impact	Indirect impact
Without economic impact, hardly any programme can be proclaimed sustainable. Economic impact is classified as any form of income or revenue that can be profit or savings. Economic impact can be on an individual, society, sector or geographic area (urban or rural), or local economic or enterprise development, etc.	Environmental impact refers to impact on a specific environmental context like water, energy, food or agriculture, where consumption, savings or gains can be calculated.	Social impact refers to the impact on individuals (e.g. behavioural changes) or motivation (e.g. the ability to find a job) or to social structures in the community, geography, demography, sector, policy or society at large.	These are impacts that can be directly attributed to the implementation and therefore the output and outcome of a programme. Direct impact denotes the link between the planned objectives and the actual direct impact it had on beneficiaries and stakeholders.	Indirect impact is often linked to unclear focus areas, unclear development outcomes, unclear accountability or responsibility, lack of research, lack of engagement or lack of impact, which renders the programme of little value for any stakeholder groups or that resulted in "accidental" impact. In other words, indirect impact is impact that was not originally intended.

Short-term impact	Medium-term impact	Long-term impact	Intended impact	Unintended impact
Short-term impacts are immediately experienced by beneficiaries during and after implementation. Short-term impacts or "quick wins" are important for projects, as they build trust, credibility and local support. They also quickly maximise the value to the stakeholders.	Medium-term impacts evolve or are evident over time, as opposed to being visible immediately. The time aspect of impact refers to when change is evident and not linked to programme implementation phases.	Long-term impact relates to the impact of an intervention that is evident over a longer period of time. Long-term impact could also only be evident over time (after an intervention is concluded), as opposed to being visible immediately. This may require considering anticipated impact or sustained impact, depending on when a programme occurs or has occurred.	This aspect refers to and is linked to the intended (directly stated or strategic objectives and outcomes) of a specific intervention. The intended impact is an assumed standard outcome with all programmes; it is the reason the programme was initiated (strategic objective or intent). The goals/objectives of the programmes are the intended outcomes.	Unintended impact can also be categorised as indirect impact. No community programme is intended, designed or implemented to have unintended impacts, as this would mean that not enough planning, research or engagement took place. This implies that there is a disconnect between strategy, objectives, project management and execution. This impact dimension also deals with impacts that resulted from the intervention, but did not form part of the overall original project objectives.

"THE TIME ASPECT OF IMPACT REFERS TO WHEN CHANGE IS EVIDENT AND NOT LINKED TO PROGRAMME IMPLEMENTATION PHASES."

Pre/post-impact	Significant impact	Residual impact	Capital impact	Stakeholder impact
Depending on the life cycle or life stage of a project, pre-emptive assessments can be made that will indicate post-assessment impact. This type of impact focuses on the likely impacts of a planned intervention, i.e. has not happened yet, or it is impact that could potentially be evident.	This focuses on intended outcomes, i.e. the prioritisation of outcomes to be considered. Impacts are assessed for their significance according to predetermined criteria. In this case, if the primary objective is achieved and the impact is evident, it can even lead to weighted (increased) impact.	Impact that reflects negative impact and will continue to contribute to negative impact without mitigation or correction. Residual impact measures whether the impact also affected other development aspects to increase, enhance, mitigate and minimise impact.	This type of impact typically includes financial capital (income, security, wealth, credit, investment), social capital (leadership, networks, relationships, trust, reciprocity), environmental or natural capital (landscape, soil, land ownership), human capital (self-esteem or worthiness), intellectual or manufactured capital. Also considered are political impact, institutional impact, infrastructure impact, cultural or spiritual impact (language, traditions or rituals).	The total number of beneficiaries an intervention reaches or impacts. This takes into consideration individual, community-level, societal and sector impact. All stakeholders and intervention effects are considered – also referred to as a stakeholder value chain. The implementing organisation of an intervention is also regarded as a stakeholder, as are other funders, not just end-beneficiaries.
Quantitative impact	**Qualitative impact**	**Geographic impact**		
Quantitative impact reflects the "numbers" in a development context, indicating for example how many beneficiaries a particular intervention impacts or reaches.	Qualitative impact considers impact that is broader (more descriptive) than quantitative impact and is used to describe a situation, behaviour or context of change.	This aims to determine impact in a specific place or region, e.g. local, provincial or national. Geographic impact is specifically important in placed-based development programmes, e.g. rural ones. The impact was localised as intended, and significant in that geographic area.		

RETURN ON INVESTMENT

Companies and social or impact investors around the world engage in community investment and development efforts as a way to promote local development and benefit stakeholders in their areas of operation.

For the private sector, community investment and development – a subset of the greater corporate sustainability and responsibility (CSR) agenda – are linked to competitiveness and to creating an environment conducive to inclusive investment and development.

In a continent such as Africa, where social and political risks and expectations are high, benefits that are channelled effectively through community investment programmes can help companies to:

- gain a social licence to operate
- access land and resources
- reduce reputational risks
- boost productivity
- meet legislative requirements or global compliance standards
- successfully compete in the economy

Good practice in this area continues to evolve. Companies are moving away from philanthropic donations and ad hoc practices to more sophisticated and strategic ways of planning and delivering community investment programmes. There is greater emphasis on the business case, on viewing community investment and development through a lens of risk and opportunity, and on creating shared or blended value by aligning business goals and competencies with the development priorities of community stakeholders.

Other trends in the development sector include a focus on:

- building social capital
- local or community ownership and asset building
- deep and meaningful stakeholder engagement
- collaborative programme design, implementation, management and evaluation
- communicating results and outcomes of interventions to all affected stakeholders
- optimising the business value derived from community investment and development

> "COMPANIES ARE MOVING AWAY FROM PHILANTHROPIC DONATIONS AND AD HOC PRACTICES TO MORE SOPHISTICATED AND STRATEGIC WAYS OF PLANNING AND DELIVERING COMMUNITY INVESTMENT PROGRAMMES."

This diagram indicates how community investment and development evolved over time:

FIRST WAVE: PHILANTHROPIC	SECOND WAVE: TRANSACTIONAL	THIRD WAVE: INTEGRATED
Discretionary spending and peripheral focus	New governance (i) – alignment with core business	New governance (ii) – integrated with strategy
Predominant corporate giving is in the form of corporate donations (cash and gifts)	Business partnerships are in line with governmental social policy, involving charities, community organisations and other businesses	Alignment of and between business partnerships, strategies and external stakeholder demands
Management of corporate giving is ad hoc, once-off and at the whims of company owners	Social investment is strategic and linked to commercial initiatives, e.g. cause-related marketing, sponsorships and employee involvement	Social investment includes a variety of development and investment models to ensure a sustainable development link to business strategies
There are no formal structures and community involvement is low	Management of social investment is becoming professional and more structured	Social invesment is professionally managed, reflecting well-organised and cross-functional linkages with other business functions and units
Corporate-community interaction is passive	Social investment is designed to produce specific outcomes like an enhanced company image or brand awareness, motivated by enlightened self-interest	Social investment is a tool for building a company's competitive advantage, at the same time showing community value (social capital)
	Community involvement is moderate	Measurement and reporting are imperative to business success
	Corporate-community interaction reflects a transactional relationship	Community involvement is high
		Corporate-community relationship is interactive

Return on investment (ROI) is a highly favoured business concept. Given a standardised ratio of financial benefits to costs, decision-makers can gauge how well a project is performing overall, compare its efficiency to alternatives and even aggregate ROIs across multiple projects.

In determining ROI for clients, Next Generation Consultants considered existing return on assessment research methodologies. These include cost-benefit or cost-effectiveness analyses, but in both these methodologies it speaks to an ROI of an intervention on external stakeholders and not to the specific benefit gained by a particular funder or social/impact investor.

Next Generation therefore had to develop a new methodology. The same approach and rigour applied in the impact assessment approach were used, but instead of looking for evidence of impact externally (on specific stakeholders), the focus fell on evidence of impact internally (on the organisation itself).

In this regard, Next Generation applied not only the same rigour to verify and test credibility of evidence during the engagement process (to ensure that internal and external stakeholders would attribute the same value to ROI), but also engaged internal stakeholders to provide a link between external and internal impact. This was easier to do because as corporate social investment evolved over time, from purely philanthropic and altruistic to more strategic, there is a much closer link between core business and using social investment and development funds to conduct development that reflects and supports a social contract between business and society.

A major difference among existing methodologies to determine ROI is whether benefits are or can be monetised. **Methodologies in which benefits are monetised are classically described as cost-benefit analyses. Methodologies in which benefits are not monetised are called cost-effectiveness analyses.** Measurement ratios based on cost-effectiveness are easier to implement and require fewer data assumptions because they sidestep the challenge of having to convert different aspects of programme benefits into common monetary units.

They can only account for one area of programme impact at a time, since impact for different programme causes may be measured only in their programmes' respective natural units (e.g. lives saved). As for comparing and aggregating impact across multiple grants/investments, a key challenge is that diverse grants or investments in dissimilar programme areas seek different outcomes. Social and impact investors who choose to focus high-value investments to just one cause or issue are likely to be able to quantify impact in a common natural unit and achieve measurable impact linked back to these grants. For programmes such as these, a cost-effectiveness analysis is most appropriate.

By contrast, cost-benefit analyses assume that investment benefits can be monetised, therefore the analysis is potentially applicable to aggregating the value of investments applied to several issues. But a cost-benefit analysis makes greater demands on data, funders' or investors' assumptions, and value judgments. Funders must collect the data needed to estimate monetary benefits arising from the programme, and additionally make many subjective judgments about the relative worth of the different social outcomes achieved by different programme types. When social investors would prefer not to engage on this level (e.g. because they do not have the expertise to collect and calculate the necessary data or make the essential value judgments, or both), the only practical alternative may be to aggregate common output units such as the number of activities organised, products distributed, beneficiaries served or media coverage received.

The attractiveness of ROI methods for calculating social investors' returns is in bringing business-like, quantitative and qualitative frameworks to evaluating and comparing the effectiveness of diverse social programmes and aggregating their social impact.

These sophisticated methodologies place heavy demands on data collection, assumptions and value judgments underlying the analysis. Social investors must assemble data and calculations on the programme's monetary benefits and make subjective judgments about the relative value of different types of social change. Social investors need to be knowledgeable and thoughtful about these limitations and typically should not rely solely on ROI when evaluating investments. The benefits of ROI analysis lie in encouraging funders to lay bare the assumptions and trade-offs that are already involved in their grantmaking, social and community investment decisions. Social investors who focus their giving on a small number of programme areas can define and measure impact by using the same natural unit. These results can be analysed more easily with cost-effectiveness approaches, which sidestep the larger uncertainties associated with cost-benefit analysis and reducing benefits across different programme areas to a common monetary unit.

Some ROI models also seek to take into account the leverage benefits the social investor may generate if its investment has a catalytic or capacity-building effect. Social investors are increasingly committing to capacity-building initiatives, recognising that the internal expertise, training opportunities, product and other company resources generate benefits beyond cash investments. Estimating leverage value inevitably requires subjective input. One method for improving a value estimation of leverage is to try to assess and judge what would have resulted from the best likely alternative scenario.

Next Generation's premise for determining ROI was found in definitive research and scholarly articles that already proved the link between social, community or sector investment and benefit for the investor, including:

- **Enhance employee engagement:** Companies engage employees through group volunteer programmes and awareness of their social or community initiatives, which raise employee motivation, productivity and a sense of identification with the organisation.
- **Build customer loyalty:** Especially in consumer-orientated industries, a company's commitment to communities and certain social causes enhances brand perception, customer loyalty, repeat business and word-of-mouth promotion.
- **Manage downside risks to the company's reputation:** Social or community initiatives provide companies with a fresh opportunity to prioritise and address stakeholder risks, i.e. ways in which the company may not be meeting public expectations.
- **Contribute to business innovation and growth opportunities:** Social or community investment also provides access to new relationships and opportunities whereby the company can find, test and demonstrate new ideas, technologies and products.

Determining ROI is therefore critically important. Not only are practitioners responsible to internal stakeholders (business units that contribute through budgeting or investing and funding to social budgets) but also to external stakeholders (such as shareholders whose interests and dividends are used to generate social impact, value and capital).

By determining ROI, the information that can be gained will provide numerous benefits:

Knowledge

- To obtain a deeper understanding of value created and impact derived in order to manage business risks and opportunities better.
- To obtain comparative data per industry or sector to facilitate benchmarking or comparisons by organisations or over time.
- To mitigate risks and optimise opportunities to become more competitive or differentiated, or to inform strategic business and operational decisions, strategies and policies.
- To validate stakeholder perceptions and manage them.

Action

- To inform new or enhance existing or new business practices.
- To develop new products, services or markets for increased competitiveness or differentiation.
- To affect, influence or change policies, strategies and practices to increase impact and return.
- To report in a more credible, integrated, transparent and useful way.

Results

- To drive enhanced and improved financial performance, resulting in profitability and competitiveness.
- To reduce or mitigate potential negative risks or negative impact, e.g. environmental.
- To enhance brand or reputation across the stakeholder value chain.

RETURN ON INVESTMENT INDICATORS

Similar to impact dimensions, ROI dimensions were developed. These impact dimensions are informed by specific indicators. These indicators are then grouped according to return dimensions, and include:

Strategic return	Investor/ shareholder return	Reputation return	Profit return	Sector-specific return
In support of corporate values and strategies To support sustainability strategies or programmes To support future growth, expansion, development and market development, access and growth strategies, policies and objectives and goals	To mitigate share price fluctuation when activists target an industry or sector To be rated as industry leaders in sustainability indices To ensure increased investment from socially responsible investment funds To facilitate inclusion and high ratings in awards or recognition programmes To deliver higher returns to financial stakeholders	Inclusion in recognition or awards programmes Improved media coverage Increased brand awareness Improved, increased community, customer and employee perceptions	Increased sales from programmes linked to responsible and sustainable products or services Value of revenue of new products and services generated from community or social programmes Higher profit due to improved brand perceptions or client relationships Increased access to new markets, revenue or sales Increased share price (e.g. increased interest of socially screened investment funds) Improved supplier relationships Improved local recruitment and procurement	Improved performance in specific geographies and demographics Increasing regulatory activity (e.g. CRA, PRI, CRESA, JSE or investment screening), leading to improved ranking and rating performance Increased or decreased equality or disparity between haves and have-nots, impacting financial inclusivity and equality Globalisation – mitigation of risk of global population migration Opportunities to renew or enhance brand perceptions in specific market segments To mitigate market, geographic, sector, political or competitor risk To mitigate the negative impact of operational incidents or improve health and safety, the environment or human rights Compatibility with existing company growth, expansion or development objectives Improved reputation of the company or sector

Stakeholder return	Savings return	Customer return	Operational returns	Compliance return
Increased community or government awareness, positive relationships or stakeholder relations	Tax rebates received from philanthropic, charity, social or community contributions or investments	Surveys indicating improved customer perceptions and impacts on shopping or buying decisions	Mitigation of operational risks (health, environment, safety)	BBBEE benefits
Decreased complaints or grievances, activism, strikes, boycotts and negative media coverage	Saved costs resulting from free advertising space, product placement or supplier discounts received from media or buyers	Sales leads generated in specific geographic or demographic markets	Support and enhancement of business operational requirements (integration, skills development) – empowerment credentials	Licence to operate conditions fulfilled
Cost savings or avoidance of risk and expense	Legal fees averted (includes legal department staff time and projected billable hours from contracted firms)	Development or increased sales of specific products or services in targeted geographic or demographic markets	Improved shared value or collective impact from integrated or aligned operational functions	SLP Mandate/Strategy
Prevention of operational stoppages or delays	Crisis PR efforts averted (includes PR staff time and projected billable hours from contracted firms)	Annual brand tracking surveys indicating higher scores	Improved internal relationships, business integration and alignment, as well as cooperation	DMR/King IV / ICMM/ IPIECA, etc.
Reducing or decreasing legal costs and lawsuits	Costs of avoided downtime from failure to receive building approval, work stoppages, etc.	Collaboration or participation, or co-design of new product or service development	Improved support (financial and human resources) and involvement in social investment and community development	Improved approval rates, new explorations or extensions
Support for market entry and expansion plans	Reduced employee recruitment and turnover costs, and/or reduced absenteeism	Greater participation, involvement, collaboration or contribution to community investment and development programmes from business partners, e.g. suppliers, retailers or wholesalers		Rehabilitation of land or relocation of communities
Improved licence to operate conditions	Reduced employee training costs, e.g. through community service learning initiatives			Drop in complaints and grievances
	Reduced customer turnover			Global compliance to industry or legislative or reporting requirements

HOW THE III™ WORKS

Stakeholder return	Savings return	Customer return	Operational returns	Compliance return
	Other staff management hours saved	Increased brand or company awareness Increased customer acquisition and retention		

Employee return	Social return	Environmental return	Economic return
Positive response to utilising volunteerism for professional development, skills development and team building Employee surveys demonstrating that volunteer activities contribute to leadership or skills development Voted one of the best companies to work for Surveys showing increased employee morale from participation and increased numbers of employee volunteers, volunteer hours and the number of company-sponsored volunteer projects Satisfaction and employee wellness surveys indicating positive impact and anecdotal evidence of improved morale and wellness Improved recruitment from local communities Internal surveys showing an increase in employee pride, morale and commitment as a result of employee involvement in volunteer activities	Improvement of quality of life of employees and communities Community job creation and empowerment Improved stakeholder relations in the community Poverty reduction of employees, communities and improved quality of life	Costs mitigated from rehabilitation Costs saved from waste management or recycling Carbon emissions sequestrated Cost of fines averted	Improved sales Value of new products and services developed New research, development, design, innovation resulting from engagement and development Increased worker productivity or increased community support Increased share price (e.g. from socially screened investment funds) Improved local economic and geographic development

06

SECTION SIX

THE NEXT PHASE

2016 ACHIEVEMENT

In 2016, the Investment Impact Index™ evolved to include the following impact dimensions:

- Added demographic focus – boys/girls/age/race, etc.
- Added geographic focus – localised, regionalised, nationalised
- Structured impact report and delivered feedback regarding
  - Input (resources invested), activities/outputs, outcomes + impact + return
  - Ranking and rating of impact – on average, above and below average
  - Ranking and rating of return – internal rate of return versus external rate of return
- Considered programme design, management and implementation and the effect on impact and return
- Cost-benefit and cost-effectiveness analyses
- Attribution

Inputs	Activities	Outputs	Outcomes	Impact
Resources invested in the programme	Activities conducted by the programme	Results that can be measured and attributed to the programme	Changes attributed to and resulting from the programme	Goals and objectives the programme achieved
				What would have happened anyway?

Additionally, Next Generation Consultants could provide evidence of:

- Impact across the development value chain: Outcomes of partnerships, relationships and applied resources (attribution) can be proven
- Outcomes of individual programmes or portfolios
- Outcomes of collective programmes and portfolios
- Outcomes at the organisational, individual, community or sector level (against strategic objectives and goals)
- Return on investment for the donor or funder of the difference made as well as the value created – across programmes or portfolio, individually and collectively, and across brands or divisions, as well as internally and externally (of return on investment dimensions)
- Specific international and South African frameworks were added to determine and calculate extended impact:
  - Sustainable development goals: Impact of social investment programmes on skills, poverty, youth, employment, etc.
  - National Development Plan: Impact of social investment in support of and impact on jobs created
  - United Nations Global Compact and Declaration on Human Rights: Impact on gender equality, economic inclusivity, economic equality, health and education, etc.
  - Industry-specific licence-to-operate requirements: DMR and FSC – Impact on financial inclusion, financial literacy, land restoration, land rehabilitation, spatial development and infrastructure development
- Next Generation has assessed corporate social investment, community relations, socio-economic development, enterprise development, local economic development and social and labour plans and programmes.

2017 FOCUS

Several clients have approached Next Generation Consultants for a second round of impact assessments. Additionally, some clients have used the information gathered from a first round of impact assessment and changed programmes, strategies, portfolios and policies and are now ready to measure improved and increased impact and return, ahead of the impact curve.

In this regard, and moving from the baseline data, Next Generation is now working with clients to look at:

DIRECTION OF IMPACT

Determine whether some stakeholders benefit more than others – weighted impact

Determine if there are/were trade-offs between potential negative and positive impact

Determine whether the impact is sustainable or time-bound

Determine whether the impact escalated or diminished over time

IMPACT MANAGEABILITY

Considering what will be required from portfolios, programmes, processes and systems to maintain the impact

How resilient the impact is – continuous or static

Whether mitigation is required to enhance the impact

Determine how the impact could be accelerated

Determine how vulnerability could be managed with adverse or negative impact

SUSTAINABILITY OF IMPACT

Some investors are moving from baseline assessments to second assessments (particularly after extended or additional funding, i.e. signature and flagship programmes)

We are now able to focus on the sustainability or longevity of the impact and return, i.e. true sustainability

Static impact	Changed impact	Sustained impact
No movement – no change	Increased or decreased impact	Impact validated and confirmed over time

IN SUMMARY

Next Generation Consultants developed an impact assessment methodology called the III™ that aims to:

1. Provide credible evidence of impact and return on investment
2. Quantify and qualify impact according to impact dimensions
3. Determine who was impacted or affected by an intervention
4. Calculate the impact and return on investment of an intervention on particular stakeholders in specific development contexts
5. Analyse the findings to confirm and verify impact and return on investment
6. Make recommendations for the future – to increase and enhance impact and return on investment

THE NEXT PHASE

A detailed analysis of impact and return on investment results in an impact report. This diagram provides the content structure of such a report:

Detailed insights for effective decision-making	Strategic, operational, programmatic – strategies, processes and systems Theory of change and logic model frameworks Testing of assumptions, beliefs, values and principles of development Provide baseline research and indicators
Detailed insights for programme performance management	Programme design Programme implementation Programme management Programme monitoring and evaluation
Detailed insights accross stakeholder dimensions	Primary Secondary Tertiary
Detailed evidence of impact	Impact indicators Impact dimensions Number of impacts Quantitative and qualitative impact dimensions
Detailed evidence of return on investment	Return indicators Return dimensions Number of returns Quantitative and qualitative return on investment dimensions
Detailed analysis and insights into the total type/level of impact and return on investment achieved	Per programme Per portfolio or focus area Collective and comparative total impact and return on all investments Considers cost-benefit and cost-effectiveness of all investments
Detailed analysis and verification of findings of impact and return achieved	Causal contribution Attribution Deadweight Data management and evidence chain Data synthesis and triangulation
Detailed recommendations for future organisational strategic, operational and programmatic implementation	Per programme Per focus area or investment portfolio Collective – strategic, operational and programmatic

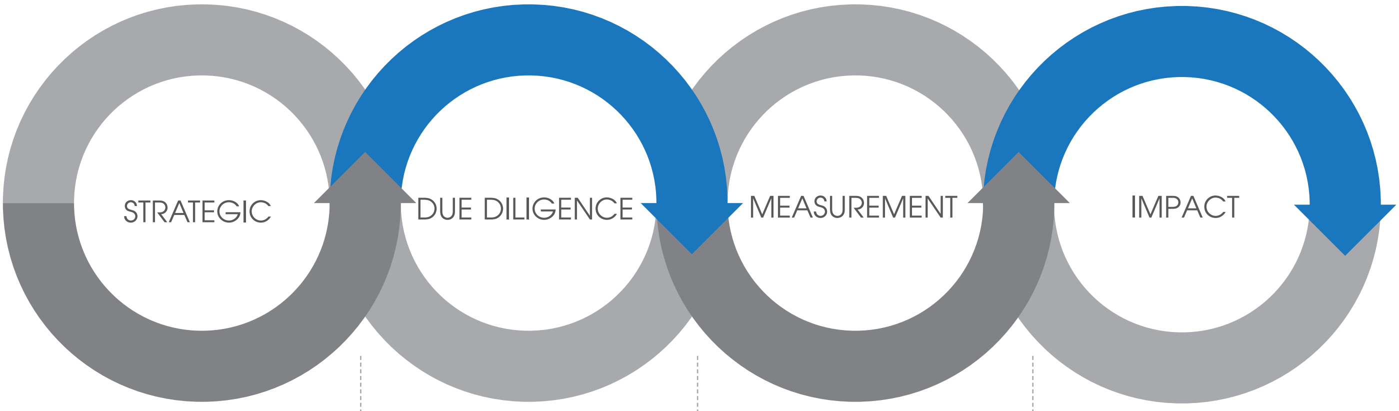
PROCESS LEARNINGS

Over the past ten years, Next Generation Consultants learned that:

1	Investors must be clear on impact goals – about the difference they want to make. Generally, this assumes that a clear theory of change or practice and a logic model framework have been developed for strategies, portfolios, programmes and organisations.
2	Impact is already defined in strategy, which is implemented through operations and executed through programmes. It requires theories of change and logic models at strategic, portfolio as well as programme levels.
3	Investors should know what to expect, and this requires specific research (baseline data) in order to set goals for the anticipated change and to measure the expected impact against.
4	Before entering partnerships, the indicators to measure should already be defined. Once partnerships are entered, indicators to measure impact and return must be collectively designed, documented and agreed to, so that from the monitoring to the evaluation phase the correct indicators are measured, tracked and reported transparently.
5	Development does not happen in isolation – everyone must agree on what will constitute impact and how to measure it.
6	All change is impact, whether intended or unintended, direct or indirect, but critically important negative impact is also impact and must be considered and counted.
7	Impact can only be confirmed or considered as such if there is evidence that it took place. A lack of proper monitoring and evaluation will make impact assessment much more difficult. This is particularly true when trying to determine return on investment as well. If there is no evidence of impact, none can be considered, determined, counted or calculated.
8	Impact data must be used. Impact data and measurement processes must be understood as part of a broader performance management process and system to measure change, determine strategy and guide organisational learning and decision-making.
9	Performance measurement is not a stand-alone or snapshot process, but rather part of a larger performance management system requiring strategic focus at the board, management and operational level.
10	Lack of and access to quality data and lack of integrated analysis of data collected could influence impact measurement. Inconsistent language, definitions and terminology could impact the quality of data to conduct meaningful impact assessments.
11	The lack of competent, skilled and capacitated organisations and practitioners could have an impact on the outcome and value of impact assessment.
12	The cost of measurement could be a limitation for development organisations and must be budgeted for by funders and investors.
13	The risk and fear to report on or disclose low performance and impact, negative impact or poor results should not influence impact measurement.
14	Performance measurement is dependent on data and is only as reliable as the data generated, sourced and analysed. Funders and development organisations need to prioritise and invest resources in their own data infrastructure and data collection procedures, processes and systems.

15	Stakeholders define positive impact differently and some definitions may be competing or conflicting. Impact is multidimensional, which complicates the standardisation of measurement. Social investors struggle with the intentionality of their impact goals, resulting in a weak link between goals and what is measured and achieved. Only once the link between goals and outcomes has been established, the value of impact measurement will become clear, can be articulated and expressed and therefore communicated.
16	A failure to understand what is being achieved (or not) can lead to ineffective, mistargeted or poorly implemented development support, which is not only a waste of money, but also costly in terms of lost lives and livelihoods for those who are meant to benefit from development aid and social investment – people around the world suffering from poverty and exclusion.
17	The availability of information from existing monitoring and evaluation practices is critical for effective impact assessment.
18	The purpose of impact assessment is not to discriminate against low-performing programmes, but to aid management decision-making and learning and particularly to ensure better management practices in future.
19	Funders must understand the importance of and commit to sharing the findings of the impact assessment to ensure collective learning, improved performance and shared or collective value and impact.
20	Impact assessment can also deliver and aid the development of performance management systems and processes – as such it delivers increased value over other evaluation practices.
21	Impact assessment can provide much-needed information for social investors to credibly say that they know how to achieve success and manage risks. However, investment and development strategy decisions are too often driven by routine (we have always approached it this way), assumptions (this worked previously in the sector, so it will also work in other areas) and hunches (it looks like more school buildings will improve education outcomes) about what may work, rather than proven strategies for solving a particular problem in a specific case or sector context. This lack of evidence about what works (or not) is largely driven by political or personal interest. In this regard, impact assessment provides a clear directive for strategic, operational and programmatic decision-making and strategy-setting – more so than any other form of evaluation.
22	Measuring impact is by no means simple because it reflects the complexity of the development sector. Just as no single programme can solve society's problems, no single approach can solve all performance management problems. The role and function of impact assessment is to provide credible, independent evidence about the relevance, effectiveness, efficiency, impact and sustainability of development activities. The information and recommendations of impact assessments can therefore be used to support learning, test theories, strengthen programme design, implementation and management.
23	Many funders reported that a lack of resources is a key barrier affecting the quality of measurement outcomes. This has damaging effects on development practitioners, as well as on the broader culture of learning and the effectiveness of the organisation overall. To ensure effective performance measurement and management, it is recommended that organisations have a fixed percentage of budget allocated annually to conduct impact assessments.
24	Impact is collective and should involve all stakeholders. In most cases, social investors only focus on direct beneficiaries, discounting the extended impact that can be gained from the entire stakeholder value chain.

BIGGEST LEARNINGS IN A NUTSHELL



STRATEGIC

Link between strategic objectives and programme outcomes

The importance of theory of change and theory of practice

Tested through strategic, operational and programmatic assessments (SOP)

DUE DILIGENCE

Should not be aimed at intermediary organisations

Should be directed at programme research, development, implementation, management and measurement

Should be based on stakeholder engagement and community readiness and needs

MEASUREMENT

Not only quantitative indicators

Importance of qualitative indicators to truly measure social change

Importance of mixed research methodologies

IMPACT

Defined in strategy

Influenced by clear objectives and outcomes

Too little evidence that approaches will guarantee impact and return – too many assumptions

WHY CLIENTS ENGAGE NEXT GENERATION CONSULTANTS

- Determining impact is part of clients' mission to understand the social, economic and environmental performance of their investments.
- They want to better understand and improve the impact performance of their investments.
- They are contractually committed to their stakeholders on social, economic and environmental performance.
- They believe that impact data has value, i.e. it can improve performance and inform future investment decisions.
- They need to communicate their impact for governance and compliance purposes.
- There is growing external pressure for increased transparency and accountability.

WHAT CLIENTS DO WITH THE IMPACT EVIDENCE DATA

- Enhance operational processes.
- Use impact assessment data for pre-screening or due diligence processes.
- Improve investment management (strategic) processes and decisions.
- Inform portfolio resource allocation decisions.
- Design or refine existing programmes and investments.
- Inform exit decisions.
- Improve organisational and operational efficiency through streamlined performance management processes and systems.
- Understand community and beneficiary needs and wants through enhanced stakeholder relations.
- Inform new product, service and programme strategies, based on evidence of what works.
- Test theory of change and logic model framework assumptions through qualitative and quantitative results.

WHAT CLIENTS SAY ABOUT THE III™

FUNDERS

- Provides validation of investment decisions.
- Provides opportunities for increased partnerships and collaboration.
- Contributes to better financial, project and risk management and reporting.
- Contributes to learning, capacity building and better results (impact).
- The outcome of the process informs the content of sustainability and integrated reports.
- The detailed stakeholder engagement process provides insights that were never documented or previously considered in evaluations, contributes to and enhances existing company stakeholder processes.
- The impact assessment process not only provides guidance for future strategies and programmes, but identifies existing areas requiring attention, confirms whether the needs of beneficiaries are met, monitors relationships, while the lessons learned provide detailed actions of issues that need to be addressed and improved, and inform future best practice.

INTERMEDIARIES

- The process is sufficiently transparent.
- The process has added value to own work, especially M&E and reporting practices.
- The processes have increased effectiveness and own performance, increased learning and knowledge, built internal capacity and increased credibility.
- There has been independent assurance by someone who can verify claims, validating own beliefs.
- Learning the value of qualitative indicators to consider impact more broadly, now more convinced of the value of the programme.
- It ensured increased funding for programmes, operations and internal capacity, and increased or improved own sustainability.

BENEFICIARIES

- Had an opportunity to talk without being judged – could be honest about what worked or not.
- Learned to document own work and the contribution that was made.
- Feel that someone trusted them and listened, and their opinion was asked.
- Had an opportunity to share and learn.

COMPETITORS

- The III™ follows a transparent process that is credible, reliable and material.
- The III™ process considers all stakeholders' input and is therefore balanced and comparable.
- The III™ contributes to more efficient, effective, sustainable and integrated strategies, policies and programmes.
- The III™ contributes to industry capacity building, skills development and resource strengthening.

FINAL THOUGHTS

The ability to quantify and qualify impact must receive much greater attention in future from all industry and development sector stakeholders. It is the core of developmental work, and the basic assumption is that:

1. Resources are applied.
2. Activities are conducted.
3. Change, impact and outcomes are the ultimate expectation that will lead to change in a specific social context.

The fundamental development principle – also referred to as a theory of change – is the cornerstone of social or community development. Being able to identify what changes in a developmental context is the primary reason for doing community investment and development in the first place.

The fact that funders, as well as intermediaries, have difficulty identifying qualitative impacts indicates a lack of not only:

1. Understanding developmental principles.
2. Contextualising developmental outcomes.
3. Quantifying and qualifying developmental impacts as a result (outcome) of their own (designed and implemented) interventions.

The reason why impact and return on investment are such complex aspects to measure is quite simply because intermediaries, funders and programme managers or practitioners are at a loss of how to develop and identify indicators and lack clear processes to measure such change.

The III™ provides a clear methodology (of how to conduct an impact assessment), indicators (how to measure change) and a deep analysis of impact and return dimensions to be able to make better funding and investment decisions.

NOTES

NEXT GENERATION
expertise • impact • return

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