Context,
international cooperation

Social Return On Investment

A practical guide for the development cooperation sector

Version 1.0
This is the first version of this guide. Many stakeholders have participated in the creation of this guide. In anticipation of new developments and new experiences, this guide will be prone to new versions.

This guidebook was made possible by a grant from Stichting Het Groene Woudt (SHGW). SHGW aims to stimulate income improvement and diversification in rural areas within the sectors of agriculture, industry and fair-trade by promoting social business.

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A practical guide for the development cooperation sector

**Context,
international cooperation**

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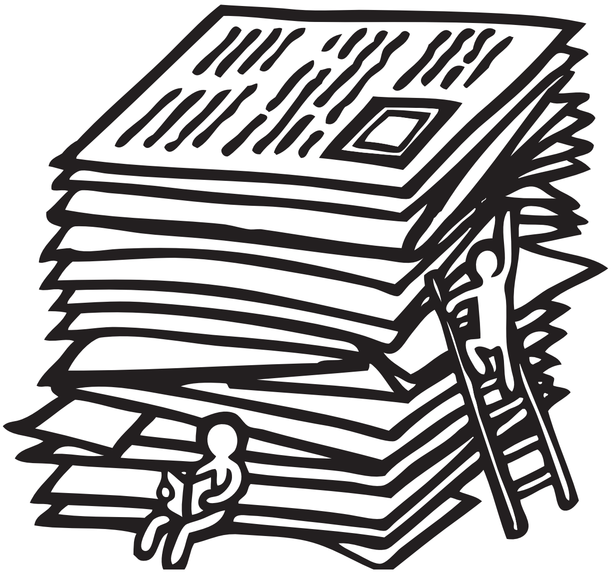

List of text boxes, figures and tables

Text boxes:

Figures:

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List of abbreviations

CBO	Community Based Organisation
Cecoedecon	Centre for Community Economics and Development Consultants Society
CSO	Civil Society Organisation
ICS	International Child Support
LFA	Logical Framework Approach
NGO	Non-Governmental Organisation
PM&E	Planning, Monitoring and Evaluation
PLAR	Participatory Learning and Action Research
PRA	Participatory Rural Appraisal
RBM	Result Based Management
SHGW	Stichting Het Groene Woudt
SROI	Social Return On Investment
ToC	Theory of Change
ToT	Training of Trainers

I. Introduction and acknowledgements

1.1. Background of the guide

Development practitioners, organisations and institutions around the world are struggling with the challenge of adequate measurement of their results and how best to learn from their experiences. The existing measurement methodologies in the sector of development cooperation seem deficient in that they are unable to cover all aspects of the social interventions and their outcome. Although many efforts have been made to improve measuring and learning in relation to development initiatives, the need for better methodologies and analytical tools continues to exist.[1]

Starting in 2006, initial steps have been taken by Context, international cooperation to explore the applicability of Social Return On Investment (SROI) criteria in the measurement of results in international development cooperation. Several development practitioners have experimented with SROI, which has its roots in the field of social enterprise, to assess its applicability for (development) organisations and communities in recent years. These experiences have convinced practitioners that SROI is a useful methodology, which not only offers the added value of improving existing measurement instruments, but also enables capacity development.

The wish to share these experiences and introduce this new methodology to broader segments of the international development sector is the basis for the realisation of this practical guide. It is hoped that this guide will make a constructive and practical contribution to the existing theory and practice of results management and project management.

1.2. Why use SROI?

- ✓ SROI enables you to measure the results of your activities in a participatory way, thus enriching the (development) objectives of your organisation and providing learning opportunities at various levels with all your project partners. An SROI analysis can also help you to make strategic choices, to plan interventions and to gain a clear overview of the obtained results.

[1] Tinga, E., Van der Velden, F. & Baas, P. 2006; Das, P., Eijkemans, C. & Van Cooten, J. 2009

It is an approach which allows you to communicate the expected and obtained results of your activities and helps you establish accountability towards donors, primary stakeholders, within your organisation or towards others.

- ✓ SROI is designed in such a way that it includes different types of data, such as narrative, qualitative, quantitative and financial information, which helps achieve transparency. It provides a framework for demonstrating social and economic value that goes beyond the standard financial measurement, using language (Return On Investment for example) that is understood by actors beyond the development sector, for example businesses, government, health officers, etc.

- ✓ SROI can help you to increase the efficiency, effectiveness and relevance of your work as it assists all stakeholders in reflecting on how activities and interventions are contributing towards the intended social impacts.

- ✓ It can help to open up the dialogue with your stakeholders. When using it as a planning methodology, its participatory approach can help to identify the needs of your stakeholders.

- ✓ By providing the opportunity to actively involve the primary stakeholders you work with in the (development) intervention, it strengthens the ownership for the activities and creates empowerment.

- ✓ Participating in an SROI analysis can help stakeholders to value and reflect on their own (future) contribution and helps them to think as entrepreneurs, by pondering on investments and created value. By helping people to identify the critical sources of value themselves, you can use this awareness to further leverage the impact of your (development) activities.

1.3. Process of the realisation of this guide

Inspired by the awareness of the potential value that SROI offers if added to the existing set of methodologies on planning, monitoring and evaluation, fifteen development practitioners and one journalist[2], with a wide variety of SROI experiences, came together for a five-day workshop in Anantapur, India, in November 2009, to share their experiences with this approach. The workshop aimed at achieving a more in-depth knowledge of SROI in practice and to reinforce SROI as a practical methodology for planning, monitoring and evaluation to support development issues. The workshop, which was designed as a collective writing session, allowed the participants to put their experiences on paper and share their stories with others. This guide is the result of that collective writing process.

With great determination the participants worked as a team on the present document. It is hoped that this manual will be helpful as a practical guide for the writers themselves, their colleagues and other development practitioners. While Context, international cooperation coordinated the work, this manual is truly a collective effort by a diverse group of practitioners from different parts of Africa and Asia.

[2] A list of the participants of this workshop can be found in Annex I.

1.4. Objectives, target groups and character of this guide

This guide is written for people and organisations interested in measuring, analysing and learning from the social, environmental and economic effects brought about by the activities implemented, facilitated or (financially) realised by them and their project partners. It is targeted at parties who are already implementing SROI as well as those who have recently become interested in this methodology. This guide focuses particularly on SROI applied in the development cooperation sector.

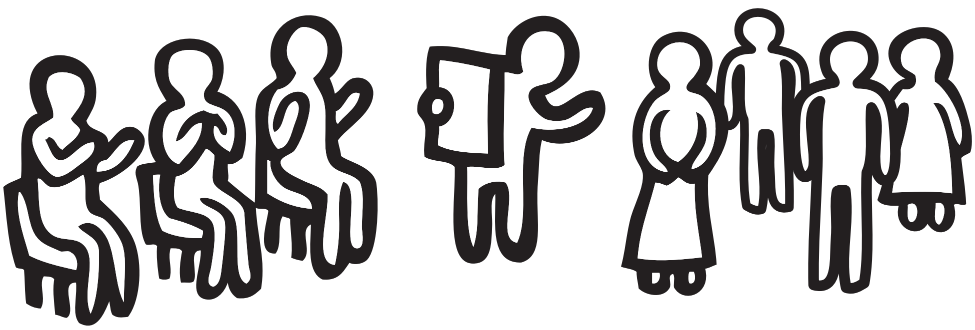
This practical guide will provide the reader with a structure for the application of SROI to an activity, project, programme or for the integration of SROI into their overall planning, monitoring and evaluation processes. The guide provides step-by-step support to apply SROI to your planning, monitoring and evaluation practices and to embed SROI within your organisation.

Interested readers can consult other SROI documentation (see Annex V for references used in this guide and further reading) and SROI initiatives such as the Social Evaluator – a web-based tool for applying SROI, see also Annex IV – and the work of the SROI Network[3]. Among other things, the literature shows that there are distinct challenges in the development cooperation field that this guide seeks to address (see also Annex III for a methodological note on SROI).

This guide focuses specifically on the application of SROI in the development cooperation sector, making use of case studies and practical experience. In order to illustrate how to use SROI in the field of development cooperation, this guide uses examples which originate from the SROI practice in Africa and Asia.

The initiators of this guide are also working on a visual guide, aimed to complement the practical guide. The publication of the first edition of the visual guide is expected in 2011.

1.5. Acknowledgements



All participants in the trajectory of the establishment of this practical guide deserve credit for their contribution. Thanks to their determination and participation this practical guide on SROI for the development sector has become a reality.

Special thanks go to Meindert Witvliet (SHGW) who signaled the potential of SROI already in 2005 and ICS. ICS joined in a number of pilot projects in 2007-2008 and was a key partner in helping a number of SROI practitioners to start up.

[3] See also: www.socialevaluator.eu and www.sroinetwork.org

Also gratitude is due to former Context colleagues (Eelco Tinga, Peter Baas, Jolanda van Cooten and Chris Eijkemans) who piloted SROI.

We are grateful for all the contributions made by the participants of the writeshop in Anantapur in November 2009, who were willing to share their experiences and provide us with theoretical interpretations and practical guidance, laying the foundation for this guide. Without their input this guide would not exist. An overview of these individuals and their organisations is presented in Annex I. We would also like to express our gratitude to Accion Fraterna (Anantapur, India) for providing the logistical and organisational facilitation of this event.

At the end of the writeshop, an editing committee was composed to finalise this guide. The members of this committee took on the responsibility to complete this guide. By means of their feedback and their additional writing this practical guide gained its current shape. We would like to express a special thanks to Mr Dhirendra Kumar Rai (then of Cecoedecon); Mr Francis Nthuku (then of ICS), Mr Peter Das (ICS), Mr Simon Bailey (Aflatoun), Mr Pradeep Esteves, Ms Sathyasree Goswami and Mr Vivy Thomas (all with Context India).

We would like to thank Martin Egberink and Jan Olde Loohuis from the Social Evaluator for their constructive feedback and collaboration.

We would also like to express our gratitude to Mr Sharad Joshi, Mr Manish Prasad, Ms Veena Vidhyadharan, Mr Badri Narayan Jat and Mr P. M. Paul (all with Cecoedecon) for sharing their experiences with mainstreaming SROI.

It is important to note that the completion of this practical guide could not have been achieved without the financial support of Stichting Het Groene Woudt (SHGW) and ICS. We are not only thankful for their contribution to the realisation of this guide, but also for their support in enabling and exploring the possibilities of SROI for the development sector.

Finally, Udan Fernando and Lieke Ruijmschoot (both with Context, international cooperation) provided feedback during the final stages. Their feedback has been a valuable contribution. Mirte van den Oosterkamp (Context, international cooperation) provided necessary support with planning and editing.

We hope that this practical guide will be helpful in your SROI experience. This practical guide has been created in the spirit of learning. The organisers and editors of this practical guide would therefore appreciate your comments, suggestions and areas for improvements. Your feedback is always welcome at: info@developmenttraining.org

Jan Brouwers
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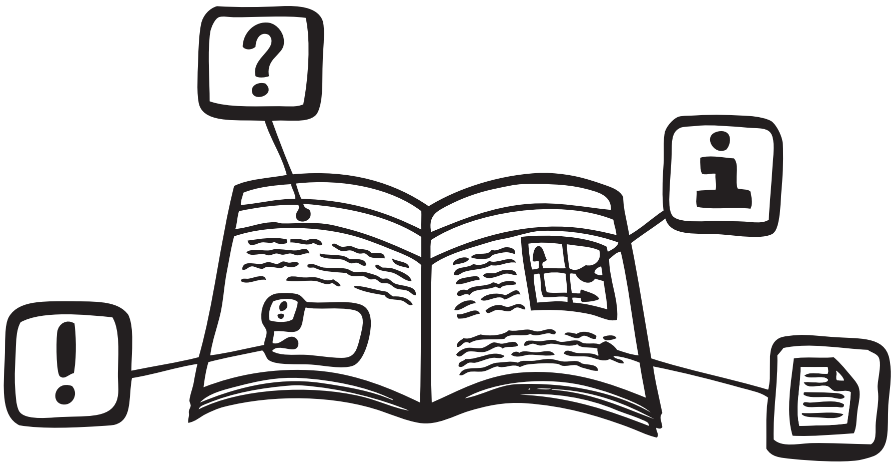
Context, international cooperation[4]
Utrecht, October 2010

[4] www.developmenttraining.org

II. How to use this guide



This practical guide is mostly self-explanatory. As mentioned it is meant for those working in the development cooperation field, with various stakeholders. It can be used by those interested in the subject from a theoretical learning perspective, with practical examples to illustrate what it could possibly look like or how to actually carry out some of the steps. This guide is predominantly meant for those who intend to use SROI at the practical level with various stakeholders. Symbols indicate the presence of practical tips, for example regarding facilitating a particular stage in the SROI approach (see Text box I).

Text box I: Symbols explained

Tips

Explaining terminology

Attention

Practical examples

Practical explanation of step

To meet the needs of the wide range of practitioners, this practical guide consists of several sections. Chapter 3 provides an overview of what SROI entails and briefly explains SROI methodology and conceptual framework. Chapter 4 further explains the steps to be taken within SROI methodology and provides examples of SROI. Chapter 5 illustrates how you can implement SROI within your organisation. The guide is concluded by a short epilogue. The annexes to this document provide you with more information, such as a glossary, a methodological note, information about the Social Evaluator and a list of major references used in this guide and additional reading that might be of interest.

Please note that this guide is written for the use of SROI as an evaluation tool. In case you would like to use SROI as a planning tool, it is recommended to read 'results' as 'expected results' and inputs as 'expected inputs'.

This practical guide is a living and dynamic document. New concepts and theoretical insights from other areas as well as from experiences and applying SROI will continue to enhance the knowledge, skills and effectiveness of SROI in the international development sector.

Finally the authors would like to state the following. In the chapters ahead it will be explained how by following various steps one can acquire improved information, on the basis of which one can make decisions, for example, regarding whether to invest or not to invest, invest more or less, or choose a different direction altogether. Given the discourse that is currently taking place, the authors would like to stress that based on their experiences they see the value of SROI predominantly in relation to *assisting* the improvement of information systems. The ratio which comes out as a result of following the process, is merely a tool to enhance or improve information, based upon which decisions can be made. *The ratio itself is not a decision.* If the SROI process is not sufficiently embedded in the broader participatory democratic process, there is a risk of creating biases towards quantified knowledge systems in the decision making process. Context, international cooperation welcomes this tool where it is used to enable and facilitate the incorporation of factors previously not clearly visible or understood. Hearing and learning from other perspectives so that one's own perspective (and consequently values) changes too is an important part of this. Context, international cooperation is therefore exploring additional valuation methodologies with its partners and colleagues from enhanced practice[5].

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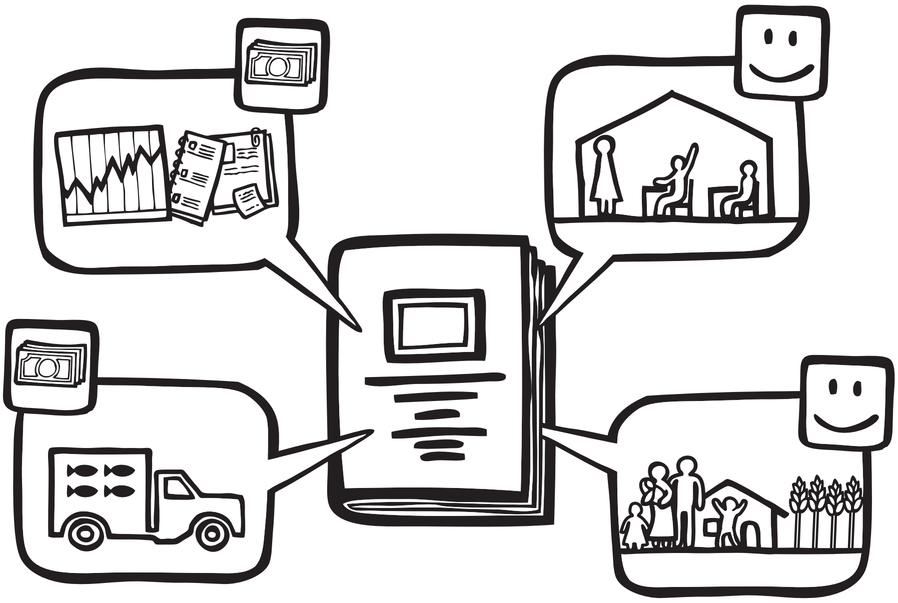
[5] We are particularly grateful to the participants who provided feedback during the SROI clinics, organised as part of the Conference "Evaluation Revisited" (May 2010; http://evaluationrevisited.wordpress.com)

III. What is Social Return On Investment?



SROI originates from the idea that, in one way or another, all our actions leave traces and change the world around us. With these actions we either create, add, alter or destroy value. Some of these changes are expressed in financial terms, which we use for our decision making, measuring and accounting. However, by doing this, we often forget to go beyond what is captured in financial terms and risk overlooking other types of values that have been generated.[6]

Social Return On Investment (SROI) is an approach for measuring and accounting for a broader concept of value. It measures change in relation to social, environmental, economic and possibly other results. SROI bases the assessment of value on financial returns as appreciated by the perception and experience of the stakeholders themselves. It looks for key indicators of what has changed and tells the story of the change and, wherever possible, uses monetary values for these indicators. By monetising these indicators, financial equivalents to social and environmental returns are created. This allows combining the created outcomes and expressing them in one common value that can be understood by actors outside the sector as well.[7]

The process of an SROI analysis leads to what is called the SROI ratio. This is the ratio between the value of the benefits and the value of the investment. For example, a ratio of 3:1 indicates that for every €1 invested in an activity, project or programme, €3 of value (economic, social and/or environmental) is generated for society.

SROI, however, offers more than the SROI ratio. Total SROI analysis allows for a way of reporting on value creation. In addition to the process of how to calculate the SROI ratio, it provides information on the context in quantitative, qualitative and narrative terms, allowing for an accurate interpretation of the ratio and additional information through stories on values that were not monetisable during the analysis.

[6] Cabinet Office 2009
[7] Cabinet Office 2009; Scholten P., Nicholls, J. Olsen S. & Galimidi, B. 2006; Das P., Eijkemans, C. & Van Cooten, C. 2009

Although different approaches exist, according to emerging practice, the overall SROI analysis involves nine stages:[8]

1. Defining the boundaries (objective and scope)
2. Identification and selection of key stakeholders
3. Developing a theory of change
4. What goes in (identifying inputs for each outcome)
5. What comes out (identifying results)
6. Valuation
7. Calculation of the SROI ratio
8. Verification
9. Narrative

By going through all these stages and collecting both qualitative and quantitative data, an SROI report can be created, which provides the opportunity to communicate what really matters for the (primary) stakeholders involved in your project.

[8] See also Annex III: Methodological note on SROI

IV. How to carry out an SROI analysis

The following sections of this chapter will guide you through the various stages and issues that you need to address to carry out SROI, offering further explanations and examples. It will help you decide where to start and what to do in case of difficulties. Please take note that where this guide refers to '*you*', it can mean both you as an individual or as a team.

Text box II: Involving key project allies and stakeholders

We recommend that you reflect at which stage you would like to involve key project allies and stakeholders. Some of the projects applying SROI have first organised workshops with their key partners to reflect on the usefulness of SROI before deciding to apply it. SROI literature points at the importance of involving stakeholders early in the process (e.g. Scholten P., Nicholls, J. Olsen S. & Galimidi, B. 2006: 17).

4.1. Step 1: Defining the boundaries (objective and scope)

As a first step, you need to clarify what you are going to measure and why you are initiating a measurement process. The scoping phase helps to define the boundaries of your analysis and this is critical to making your SROI analysis doable. In the scoping phase, explicit boundaries are defined regarding what you consider necessary to include or exclude in the measurements.

In the scoping phase, you have to be clear about the audience and relevance of the SROI results and about the basic background of the project. You also have to determine what is feasible to measure and what you want to learn from the SROI. The scope also requires defining the time period and the geographic scope of the initiative that you are going to measure.

By ensuring the proper definition of these issues you increase the likelihood of generating useful and meaningful results. The section below provides advice and guidance on these issues.

a. Relevance

To define the relevance of an initiative (for example, project, programme or activity), describe the rationale behind this initiative. First, clarity is needed on the objective, relevance and added value of the existing initiative or *idea* of an initiative which seems to resonate with key stakeholders already consulted with. Within this step, one can start to describe the situation in which the project intervenes or intends to intervene, and describe what the intentions are. It also allows you to select key stakeholders who are directly and indirectly affected by the implementation of the initiative or influence its process. In the steps ahead this information will feed into the further analyses, especially the Theory of Change.

b. Type of project and geographical area[9]

The type of project and geographical area of a project operation can be at a micro, macro, or international level depending upon the scope, goals and scale of interventions. Non-governmental organisations (NGOs), Community Based Organisations (CBOs) and Civil Society Organisations (CSOs), Social Businesses or other institutions can promote projects at any level. Therefore, it is important that you break down the project intervention to the unit of analysis that is most suitable for the intervention. Often big programmes will divide their projects into villages, regions, or provinces for example, or they organise themselves as project components: health, infrastructure or education. More and more work is done around development of pro-poor markets and there is a growing interest in value chains and linkages with one or more commodities. Initiatives aimed at supporting value chains, may consider to operate with specific actors in the value chain whilst at the same time facilitating the interaction between value chain actors.

The unit of analysis depends on the type of project being considered. Emerging environmental problems like climate change could need transcontinental action programmes but most of the project interventions could be limited to micro levels, and may be confined to a few villages, a district or a province. Similarly, lobby activities, networking and advocacy rights based activities are generally focused on province level or national level, or both.

You can define the geographical area as the number of people affected in a given area of a village, a few villages, a sub-divisional area, a district, a state or the country as a whole. Normally, a project involves various stakeholders (see also §4.2.).

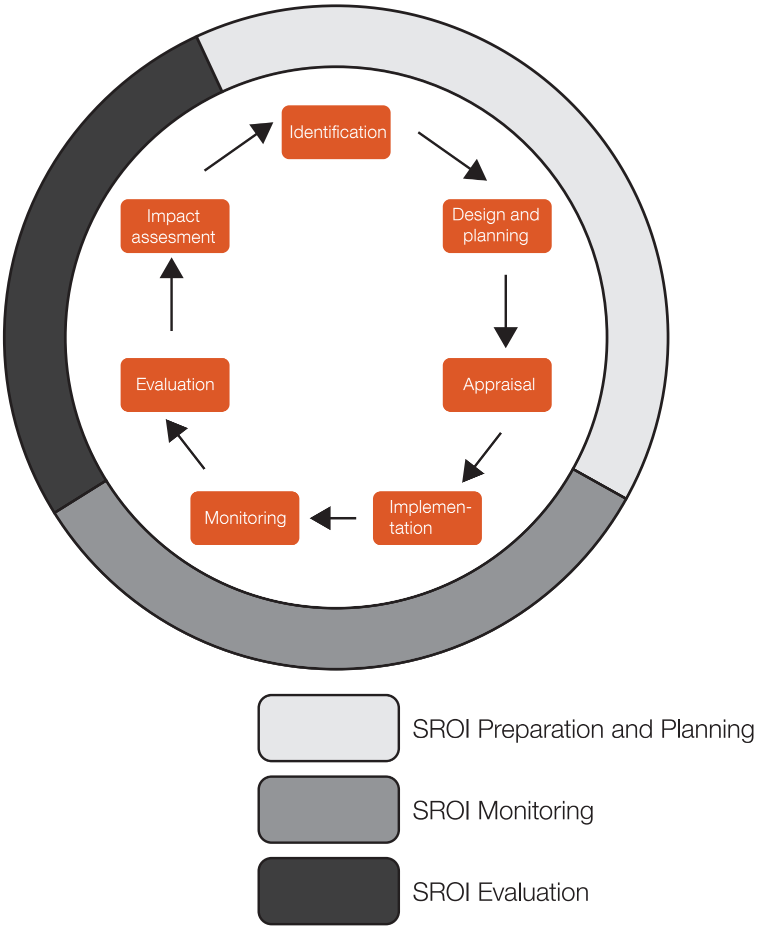
[9] In the following section, we refer to project as an example of an initiative. However, please feel free to interpret project for your convenience (for example, programme or activity).

c. Timeframe

A timeframe is understood as a period taken into account for the SROI analysis. The timeframe is mostly chosen to align with the intention of an initiative or a project. Generally timeframes of projects depend on the complexity of the initiatives and the goals. Apart from the duration or timeframe the moment of when the SROI is done is another factor to take into account.

The SROI analysis itself can be carried out at any stage in a project cycle. Therefore the SROI analyses may take place at the planning stages of an initiative or be used more as an evaluation or a combination of mid-term planning and evaluation.

Figure I: Project cycle



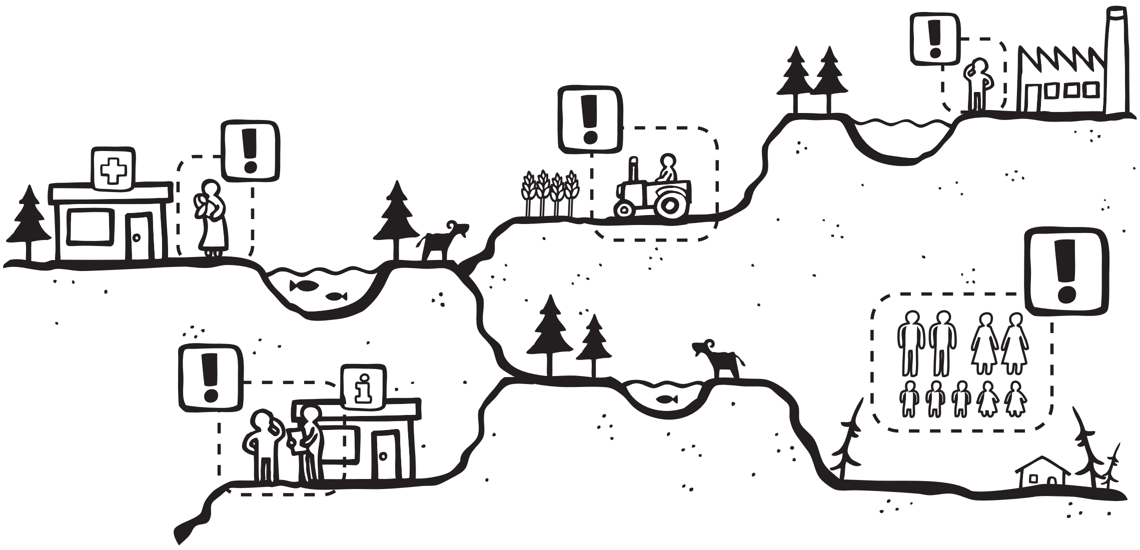
Text box III: Worked example - defining the boundaries

Better apples - better quality of life

This is an example, slightly adjusted for purposes of this guide, of setting boundaries in an SROI exercise carried out in 2009 in a District in the State of Uttrakhand, India. The initiative brings small and marginal apple growers to organise as farmer associations and companies so that they could add value to apple both in the cultivation and post cultivation process that would enable them to fetch a better price from markets. The overall goal of the initiative is secure the livelihood of small and marginal farmers who grow apples. The initiative is carried out in four areas. The following exercise was done in one area which covers 22 villages. The participants formulated the boundaries for their SROI exercise in the following way:

Time frame of the overall project: 6 years
No. of villages: 22
No. of farmer members in the society: 422
Extent of land: 1,000 Acres (approx) spread over four production belts
Production of apples in the area: 37,000 boxes (740 MT)
Production during the last two years: 15,000 – 20,000 Boxes
Four production belts: Kumola, Kantadi, Karala, Mairana

4.2. Step 2: Identification and selection of key stakeholders

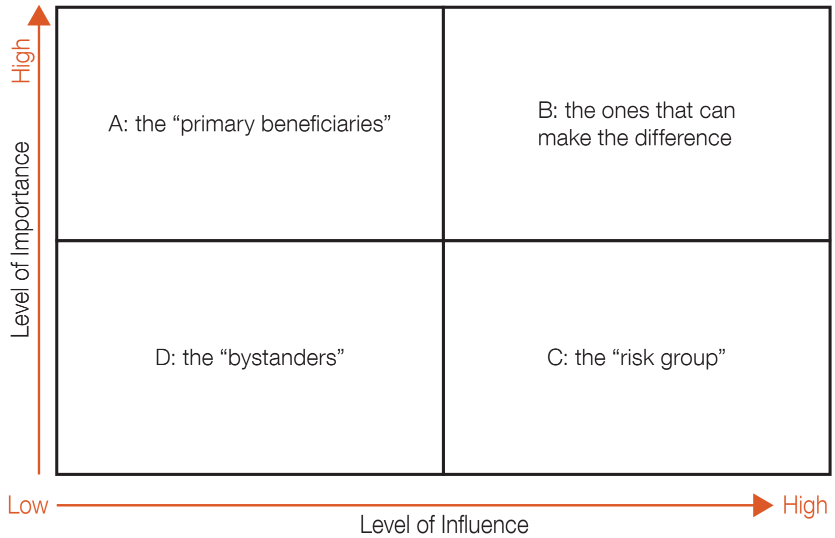


Once you are clear about the scope of SROI, the next step is to identify and involve your stakeholders. 'Stakeholders' are people, groups or organisations that will experience change as a result of the intervention, whether negative or positive; or will contribute to that change. In the last category, one can also think of social investors or policy makers (or policies) who (which) influence the intended change process.

A first step is to make a list of potential stakeholders. To identify the stakeholders, list all those actors who may be affected or will be affected by the activities within your scope, as well as those actors who influence the initiative (either negatively or positively).

Secondly, you will have to identify the key stakeholders and their (potential) role. The use of a simple Importance – Influence Stakeholder Analysis Matrix, see figure II, has proven to be a useful tool to assist with the selection of key stakeholders.

Figure II: Importance and Influence matrix[10]



The level of influence (X axis) indicates how much power stakeholders have over the project. Examples of stakeholders with a lot of power (to the right of the matrix) are donors and government. The level of importance (Y axis) indicates the importance that stakeholders have to you as a project. At the higher levels typical stakeholders would be for instance poor farmers, HIV infected people, women's groups, etc.

Text box IV: Listing Stakeholders

When listing the stakeholders, please check to what extent assumptions are being made about specific stakeholder groups affecting or being affected directly and indirectly by the intervention. Can this group of stakeholders be seen as a whole? Or should they be further specified according to their contribution to the intervention?

Sometimes subgroups within one overall group of stakeholders might have different interests. Therefore, further specification might be needed. For example:

5000 direct beneficiaries of the project in community X:
- Women
- Youth
- Producers
- Representatives

[10] Based on matrix from DFID, 2003

Once you have defined the levels of influence and importance and have mapped the stakeholders in the matrix, you can define how to deal with these stakeholders as it will have implications for the project (see figure II):

- **A**: stakeholders in square A require special initiatives if their interests are to be protected as they are your primary stakeholders.
- **B:** Your project needs to build good working relationships with the stakeholders in square B, to ensure effective coalition of support.
- **C:** The stakeholders in square C may be a source of significant risk, and are the stakeholders who require careful monitoring and management in your project.
- **D:** These stakeholders are unlikely to be the subject of project activities or management, but may have an indirect influence.

By mapping the stakeholders you will have a clear overview of the diversity of possible actors within your project and their level of involvement. Now you will have to decide which stakeholders you will involve in your SROI analysis. In most cases, these stakeholders will be the ones found in the category of high importance. These can either be the primary beneficiaries and/or the ones that can make a difference.

Most probably you will find that the primary stakeholders are the type of partner population who you are working (or going to work) with in this project, such as the small and marginal farmers, women, children, etc. A more accurate indication is needed of the overall size/number of the population that you are directly reaching through various interventions of the project, as this will help you to be focused regarding your scope and objectives and make your calculations easier.

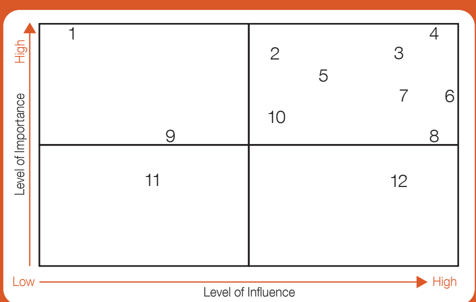
Text box V: Worked example - Selection of Stakeholders

In an education project in Kenya, a preliminary stakeholder analysis was done with the staff of the implementing organisation. The analysis was set up to find out with which actors the SROI analysis was to be done. The staff members drew up a list of 12 stakeholders and then analysed them one by one as to determine their importance for the project and the extent to which they could influence the process of the project, or its results. It was decided that the same exercise would be repeated with the actual (to be identified) participants in the workshop to avoid that this SROI step was exclusively done in the office.

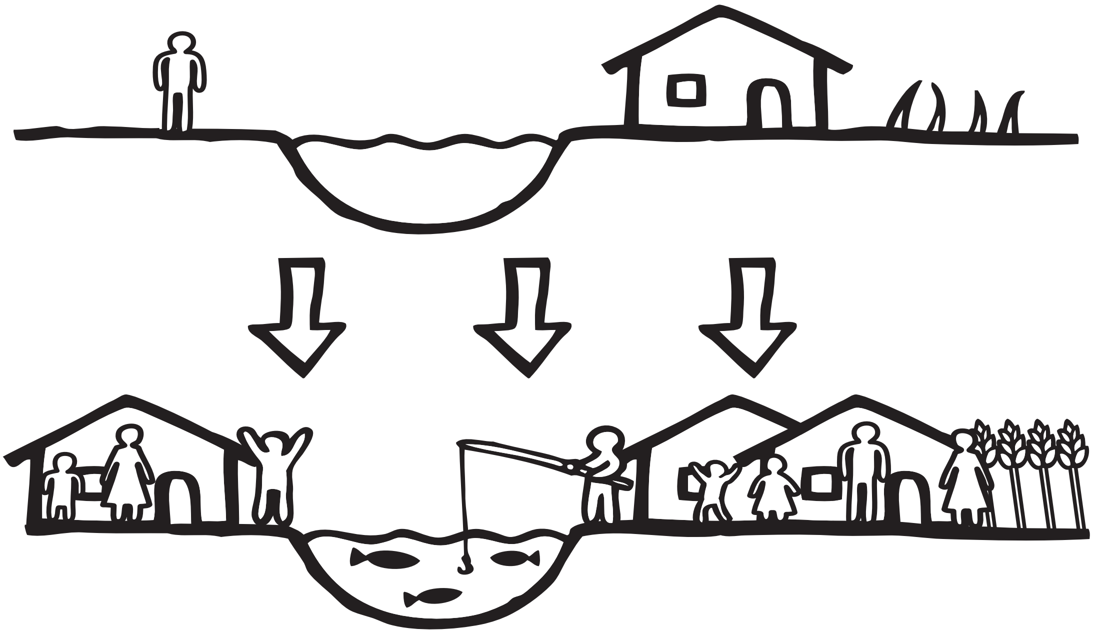
The most remarkable findings were (i) that both the provincial education officer (8) and one of the local NGOs also active in the region (12) were perceived as a potential threat to the project, as their own interest was to maintain the status quo; and (ii) it were particularly the cluster management committee (4) and the parents associations (3) who could make the positive difference for the success of the projects, since they were the actors most influential in motivating community members and children to actively participate in the project.

List of stakeholders:
1. School children
2. Teachers
3. Parents' association
4. Cluster management committee (community representation)
5. School management committee
6. Ministry of education
7. Ministry of health
8. Provincial education officer
9. Partner NGO A operating in the area
10. Partner NGO B operating in the area
11. Other (non-partner) NGO C operating in the area
12. Other (non-partner) NGO D operating in the area

Based on this analysis it was decided to carry out an SROI exercise with:
- The cluster management committee and the parents association, because they were identified as the primary agents of change in the project.
- Representatives of partner organisations and the local organisations active in the project. The main reason was peer accountability and the urge to get the NGO that was considered as a potential threat on board. It was hoped that the SROI exercise would be particularly helpful in getting insight into the perspective of this potential 'risk' NGO.
- The children, because they are considered the major beneficiary of the project. Practically however it turned out to be very difficult to schedule a SROI exercise with the children without keeping them away from school. During the SROI analysis with the Cluster management committee and the Parent's association, these bodies were consulted on how to engage the children in the SROI analysis.



4.3. Step 3: Theory of Change



Based on the information gained from the selected stakeholders described in the previous stage, you will now be able to articulate a Theory of Change (ToC). This is one of the most important steps within the SROI framework: it tells the story of how stakeholders were (are) involved in the project and their perception and belief of how their lives have changed or will change.

Text box VI: Theory of Change[11]

A Theory of Change is a specific and measurable description of a social change initiative that forms the basis for strategic planning, ongoing decision-making and evaluation. It can be seen as a tool to explain (make explicit) the logic of your (development) strategy. It represents the belief about causal relationships between certain actions and desired outcomes.

A Theory of Change can be seen as a road map; it provides understanding of the landscape, the routes and the distances to be travelled to get to the final destination. It helps to plot the journey (i.e. the development strategies) leading from the current situation to the situation where you want to be.

For a Theory of Change you will have to clarify the final goals of the project (impact), identify the strategies to achieve the overall goal and create ‘so that’ chains in order to make the assumptions about how change occurs explicit. More information about the Theory of Change can be found at www.theoryofchange.org.

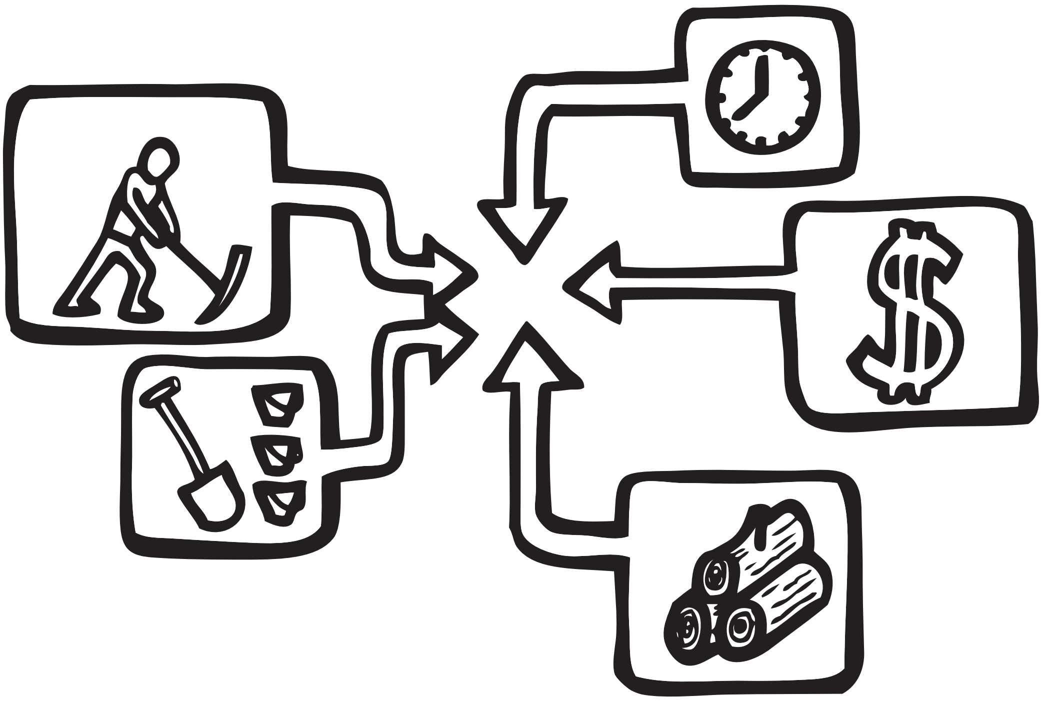
[11] Keystone 2008

Text box VII: Theory of Change step by step

Theory of Change

Identifying the result chain	In this step you will try to identify the idea that the participants have about their theory of change: how do they believe that change has occurred?
Clarify goals	Ask the participants what they see as the final goal of their project. What would be the ultimate impact of the project? Write down the ultimate goal of the project.
Identify strategies	Ask the participants what strategies are used by their project to achieve that result. Write these down in your overview.
Create so –that chains	Now, you could identify the short-term results (outcomes) by creating a so-that chain. Take the first strategy listed and create a 'so that' chain based on the following sequence of statements: 'Strategy X is done so that Y results for individuals, families, organisations of the society. The answer should be the direct result of the strategy. Repeat this sequence using the 'so what' logic until you have linked each strategy to a short-term goal. For example: Technical assistance (to tree growers) is provided [strategy] *So that* Tree growers increase their knowledge about preventing erosion [result] *So that* The soil remains usable and is fertile [result] *So that* We can increase our yield of our fields [result] *So that* We can generate more income by selling the surplus [goal]
Time frame	Once you have established the theory of change, try to appoint points of time. When did the project start? Around what time could the first results be seen? etc. You can use these time points as boundaries for your SROI exercise later on.
Selection of results	Ask the participants to make a selection of the major outcomes. What, in their opinion, have been the most important outcomes? (prioritising)

4.4. Step 4: What goes in (identifying inputs for each outcome)



In order to make a project possible, inputs need to be provided. In this step you will identify what has been contributed in order to make the project possible. What resources were brought to the project? In general, these contributions can be categorised as money, material, human resources or a combination of these factors. Keep this in mind while asking about the project's input.

In general, the resources can be divided into three key areas:

(i) Individual contributions

By investigating individual contributions to the project, you can focus for example on what the cost to individuals has been with regard to the project: directly (fees or payments) or indirectly (for example, time of villagers spent on project, materials).

(ii) Community contributions

In order to collate the contributions of a community to a project, you can ask for example what collective resources were required or mobilised for the project. Contributions could be community time and leadership support, as well as collective financial contributions or any other values that the community feels are important. The community contribution is more pronounced in programmes that use the rights based approach and in programmes where the communities participate actively.

(iii) Organisational contributions

For collating the contributions of the organisation, you can ask the stakeholders for example how much money and how many resources they think the organisation brought to the project. You can also enquire about how much staff time or direct costs they feel have been dedicated to the project. These figures could then be triangulated with the organisational finances in order to crosscheck the figures for accuracy and arrive at realistic figures (see also step 8).

Text box VIII: Identifying inputs for a specific outcome step by step

Identifying inputs for a specific outcome

Estimation of time required: 25 minutes

Overall list of inputs	A first step would be to identify at a general level the inputs contributed (in time, resources, efforts, etc.)
Make groups	Next step is to divide the participants in various groups. How you will make this division, depends on the composition of the group: for example you can choose to divide the group based on gender, or by involvement in intervention. Per group select one outcome to be further analysed, including time frame.
List of inputs per division and outcome:	In each group, make a more precise list of the inputs which have been invested in the project. What resources were brought to the project for this outcome? These contributions can be in terms of money, material or human resources. In general, these contributions can be at individual, community and project/organisation level. Make sure you cover inputs on all three levels, to the extent possible.

Text box IX: Worked example – What goes in?

The following example is from a capacity building organisation in India. The SROI exercise was done in 2008 with a wide variety of stakeholders about sports activities.

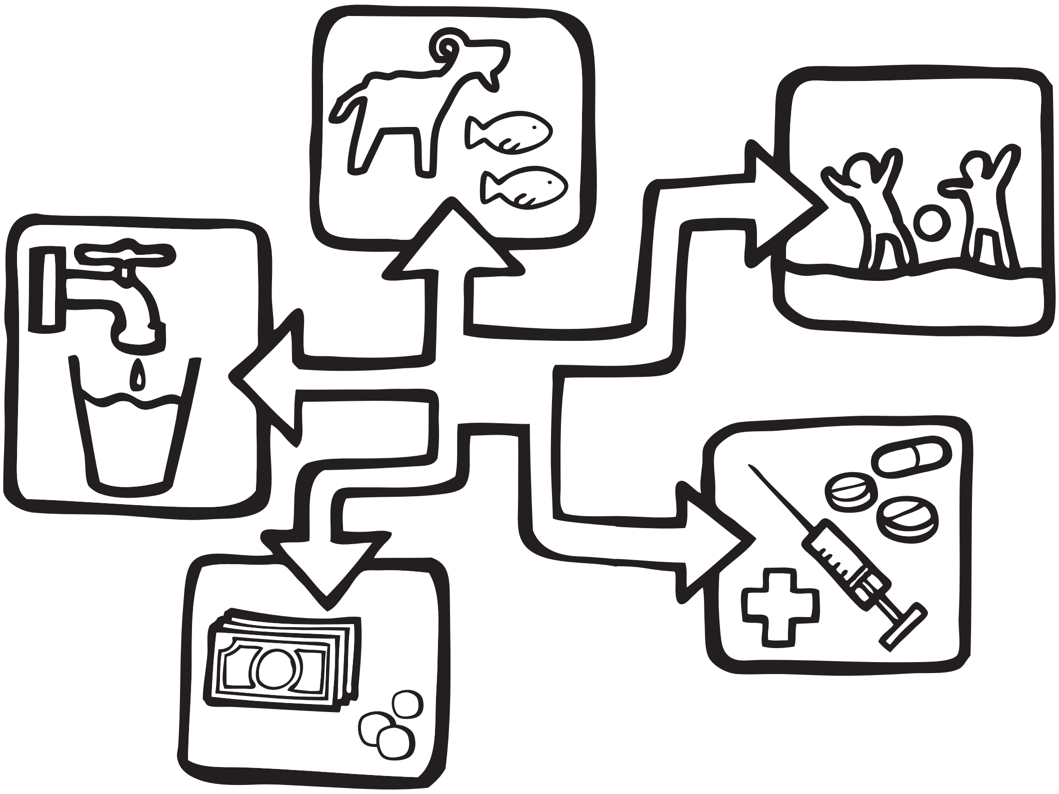
The group of about 12 people sat together in a circle under a tree. The facilitators explained more in detail what the purpose of the exercise was and explained that we were looking for inputs and outputs. Listing the inputs took quite some time because people were very elaborate on naming the activities that had contributed to the change in girl child education. When they were asked to monetise the inputs, the energy level was very high and the participants described the inputs for the first sports programme in meticulous detail. Examples of the inputs mentioned and their value are listed below.

- Sports- 300 Rs.
- Prize distribution- 600 Rs.
- Breakfast and lunch- 1000 Rs.
- Travel Allowance for children- Nil.
- Logistics- 500 Rs.
- Technical Assistance to KSS/Govt. official and Cecoedecon Staff- 400 Rs.
- Cultural Programme- 200 Rs.
- Labour wages- 25*73= 1825 Rs.

It is important to note that in itself a list of inputs does reflect the investments but only becomes meaningful in relation to what comes out; the benefits or outputs and outcomes. In this case, some of the (not yet monetised) benefits identified were:

- Increase in self confidence of children
- Increase in the sense of healthy competition
- Children got prize e.g. ladle, Tiffin, jug etc. which has been useful for minimizing the diseases related to water
- Increase in retention rate of children in schools
- Got the exposure of children from other village

4.5. Step 5: What comes out (identifying results)



The next step in the SROI analysis would be to ask the stakeholders about the achieved or projected results of the project according to them. In order to get an overview of what came out of the project you could ask the stakeholders what the results of the project are, or invite the stakeholders to recount how it has affected their lives and their environment. These effects should include both the positive and the negative. The stories that the stakeholders share could contain both outcomes and impacts of the project depending on the timing of your SROI analysis. You have decided this in your scoping phase (step 1). Make a list of all results mentioned by the stakeholders.

Text box X: Three types of results: output, outcome and impact

The outputs of a project are the tangible (easily measurable, practical), immediate and intended results to be produced through sound management of the agreed inputs. Examples of outputs include goods, services or infrastructure produced by a project, that are meant to help realise its purpose. These may also include changes, resulting from the intervention, that are needed to achieve the outcomes at the purpose level.

Outcome can be defined as the likely or achieved short-term effects of an intervention's total set of outputs. Outcomes can be seen as the actual use of the outputs.

Impacts are the positive and negative, primary and secondary long-term effects in the lives of people and their natural environment, which are produced by a development intervention, directly or indirectly and can either be intended or unintended.

Once you have established what the results from the project have been, you ask the stakeholders to prioritise the outcomes or impact. This could be done by asking the question: Which of these results do they feel have had the most important effect? Once they have prioritised the effects, ask what the implications of this result have been and what it means in monetary terms. It is important that the stakeholders formulate the indicators themselves.

Indicators are a way of expressing simple and reliable means to measure achievement or to reflect the changes connected to an intervention. They help you to assess the performance of an action. In order to formulate an indicator, it is often helpful to keep posing the question *'so what?'* until you get to the root of why this indicator is a relevant measure of the intended change. This process of arriving at the root also makes it easier to valuate the results (step 6 in the SROI methodology).

Text box XI: Example – What comes out?

In the village of Orkesumet, in the Masai lands of Tanzania, villagers run a milk factory that allows farmer women to sell their milk at a marketable price. While doing an SROI exercise, the facilitator stimulated the participants of the workshop to think of the effects of the factory by asking: So what? What difference does this make in their lives?

The women responded that they did not have to sit along the road anymore for an entire day to try to sell their milk. So what? "We have more time to spend at home, so that our husbands can go out and do paid labour," replied two of the farmer women participating in the exercise. This information enabled them to calculate the extra income generated, by using the extra income generated by the husbands as an indicator of this result.

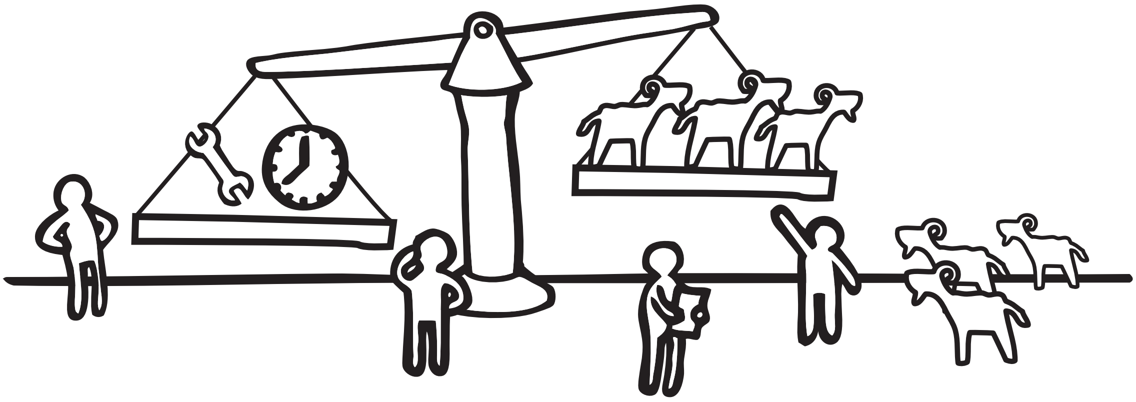
Text box XII: Identifying results for a specific outcome step by step

Identifying results for a specific outcome

Estimation of time required: 45 minutes

List of results	Per group, make a list of the positive and negative results of the project (related to this specific outcome) which have affected their lives and their environment. For example: improved health, children educated, new forest created or water ground table decreased or increased, etc.
Check boundaries	While listing the results, make sure that these still fit within the geographical area and time frame which you identified earlier.

4.6. Step 6: Valuation



The next step in your SROI analysis is valuation. Valuation is also known as monetisation, as it is an attempt to translate social or environmental values into monetary values. It is beyond the scope of this SROI practical guide to provide a detailed analysis of the discourse regarding the different schools of thought around monetisation. It is however worth mentioning that most authors and practitioners who have experience in monetising social factors, agree that not everything can be translated as a monetary (or a quantified) value, but some things should be appreciated for what they are: a social or cultural factor with a (built-in) value that can be different depending on for example if you are a child or an adult. This practical guide will continue with the valuation process. Further on, the aspect of capturing social values differently, for example through documenting narratives, will be dealt with. Valuating or monetising as described above entails assigning a value, expressed in monetary terms, to the social and/or environmental outcomes and impact of the project as well as the inputs provided at the start. In other words, those resources identified in steps 4 and 5 now will be translated into monetary terms. In some cultures money is not the most familiar valuation mechanism and hence something else might replace it (Text box XIV).

Text box XIII: Creative valuation

While doing an SROI exercise in Tanzania with the Masai, the facilitators noticed that stakeholders encountered difficulties in valuing the input and outputs in monetary terms. It was then decided to use 'cows' as a means of valuation as this was a more common means of expressing value locally then money. Later on, the facilitators converted the cows into monetary terms for the SROI report.

The step of valuation is performed in order to measure the worth of inputs, and the resultant social and environmental changes in circumstances, where market prices are not readily available. It helps you to make social and environmental outcomes or impacts visible and understandable and shows the added value of the project. Furthermore, the valuation helps to add, subtract or compare values of outcomes for decision making on future planning and helps you to calculate the SROI ratio (see next section).

a. Valuating input

In order to start this process in the SROI analysis, first look at the inputs of the project (What went in). You will find that some of these inputs have a direct monetary value. Others may not but could have an asset value: the value of non-monetary affairs that can be expressed in money by examining their value more closely (see example below). You need to estimate and calculate both values in order to get the total investment costs. Make sure that each stakeholder identifies his or her own contribution – monetary or otherwise. Sum up the worth of monetary and non-monetary inputs.

Text box XIV: Worked example – Valuating input

The inhabitants of a small village in India have recently shifted from using chemical fertilizers to bio-fertilizers. As bio-fertilizers they use the so called farming compost. When asking them about the inputs of the project, they only mentioned 2 cartloads of compost. They never realized that the water they used and their own labour could also be seen as inputs. "It's free labour, because we do it ourselves", they said. "And the water we fetch from the well."

However when the facilitator asked what they would have to pay if they had to hire the labour, they replied: 100 rupees per person a day.

And what if they wouldn't have had wells? "We would have had to buy water at the market for 1 rupee per litre." Now they could value their own labour at 100 rupees per person a day and their own water at 1 rupee per litre.

b. Valuating results

After valuating the input of the project, look at the list of indicators of the results. Ask participants how highly they would value the impact on their lives. There are a few ways of doing this but it is important to first let the community members themselves identify the issues most relevant to them and fix a value for each of the prioritised areas. Sum up the total value of all outcomes or impacts. While doing this, remember the timeframe you agreed upon. Are the results something that recurs every year? Then they should be counted for each year in the timeframe defined. If it has been just an occasional event, calculate it only once. If it is somewhere in between: make a conservative estimation of the number of years. With SROI calculations we always try to be prudent and use conservative estimations.

Text box XV: Worked example – Valuation results

Valuing Outcomes and Impacts of a youth training in Tanzania (valuated by youth themselves)

Outcomes of the training programme identified

i. To develop a career within IT and thus to become independent
ii. To get employed and make savings
iii. To enable the nation and the community as a whole to get development through my expertise. For example, I can repair other people's computers, e.g. those at Mkombozi or companies, the productivity of these companies/ organization increase, and the companies pay more tax to the government. Also, because I earn money I will pay taxes to the government which will enhance development.
iv. That we/I, through the skills gained, will be able to help the government to get, preserve and safely stored data – and hence help them do their job better.
v. The optimisation of my own life quality: skills leads to a job; which leads to a good life; which gives me time to be creative and maybe earn more money; this will lead to more tax money paid to the government which will assist in for example paying for health services. Also, because I have a good life, I might get less sick and therefore save on behalf of the state that does not have to pay for these expenses.
vi. Through our skills and usage of electronic devices we might reduce costs and enhance the quality of education in Tanzania.

The youth decided to analyse outcome on employment and savings (no. ii above). Indicators identified were:

- To be independent,
- Savings per year,
- Improvement of life standard

The youths decided to value savings as the indicator; e.g. the surplus after deducting expenditure from income.

Valuing savings:
A person with training: Realistic income: Tshs. 200,000.00 per month:
Expenses per month:

- House rent: 25,000
- Water and electricity: 10,000
- Medical expenses: 10,000
- Transport: 10,000
- Food: 90,000
- Clothes: 10,000
- Toiletries: 10,000

Total expenses Tshs: 165,000.00 per month
Savings per month: Total monthly income less total monthly expenses
Tshs 200,000.00-165,000.00 = 35,000.00 per month which adds to Tshs 420,000.00 per year

The total monetary value of training and livelihood support for one youth seen through the savings accrued is Tshs 420,000 per year.

Text box XVI: Tips for valuation

Sometimes, participants find it difficult to attach a value to the indicators of the SROI analysis. These tips might help you in the valuation of the results:

(i) Creative approaches

Individuals and communities have their own way of determining value. Be sure to ask them how they think that they can determine the value of the key indicator that they have decided on. It is important to let them work out how they want to do the monetisation first before moving to the other valuation methods.

(ii) Before and after

Sometimes it can help to ask the participants what they were doing before and what they are doing now as a result of the programme. What sort of cost saving or increased income has resulted? If it cannot be done financially, how much do they value it in terms of time? In our experience, one of the issues that comes up frequently in the process of valuating the outcome, is time. Time is usually a rather easy unit to valuate. For example, during a SROI exercise in Kenya, women reported that they were able to save a large amount of time after boreholes had been drilled in their community. This was due to the decrease of the distance they had to walk to fetch water. Instead of two hours, they now needed only ten minutes to get to the nearest water tap point. The gained time could now be spent on doing paid chores for farmers in and around their communities, which could easily be monetised.

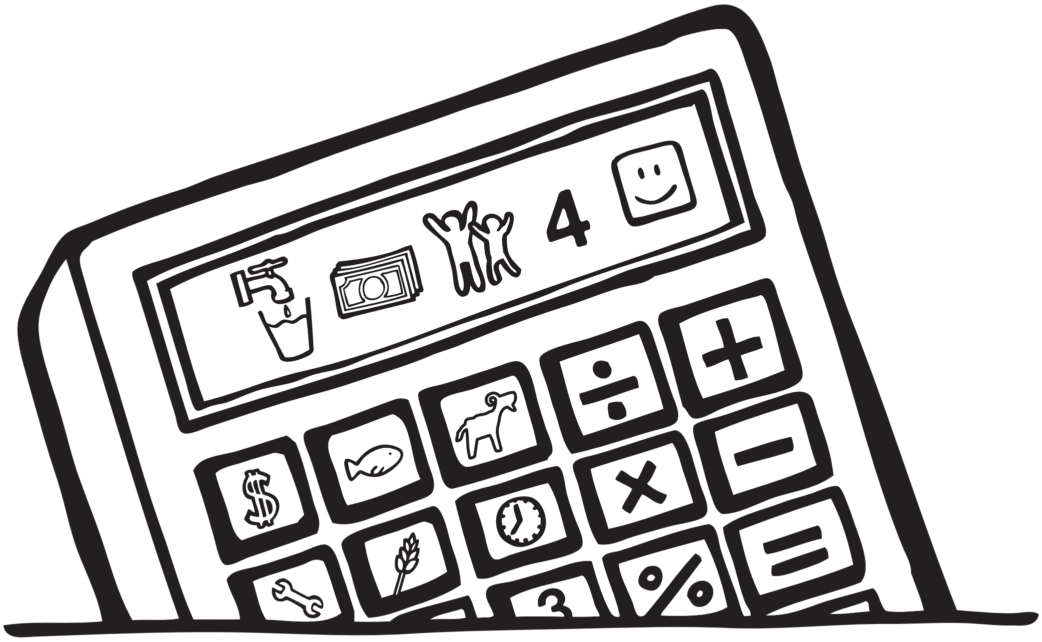
(iii) Relative value

Sometimes participants find it difficult to attach a value to something they take for granted. It can be helpful to put the obtained result into perspective by comparing it to something else. Thinking about other goods or services, how would the participants compare them to other costs in their life? In one of the workshops in India, participants identified the time they invested in attending a training as input (what went in) for their project. To valuate their presence in these training, the participants looked at how much they would have to invest in hiring a labourer to replace them during a absence from work.

(iv) Value ranking

Another method often used is to attempt to estimate a monetised value by asking the participants how they value a particular product or service (e.g. a 1-day training on SROI) when compared with other items of which they do know the monetised value, e.g. measuring somewhere in between an evening of entertainment at the theatre and a bicycle. This example obviously gives you only indication or an approximation of a price, but it is possible to increase the number or diversity of products in comparison to arrive at 'closer' values. One more example: In Thailand the value of receiving adult education at college level (e.g. vocational) was valued higher than a motorbike but less than a 4WD terrain car.

4.7. Step 7: Calculation of the SROI ratio



By calculating the SROI ratio you make a comparison of the investments (inputs) on the one hand and the financial, social and environmental returns (outcomes and impact of an intervention) on the other.

Determining the ratio can be a simple or complicated process, depending on the capacity of your staff and your interest in accuracy and rigour. In its most simple form, you can simply add up the different types of value being created. If this occurs for more than one group or individual, then multiply the value number by the individuals/groups involved. You should then divide this by the total inputs including organisational and stakeholder contributions. Most organisations just do this.

However, in case you aim for a methodologically justified SROI calculation, there are some key evaluation and assessment terms that you need to consider. These are common to other more rigorous techniques and, depending on your needs, can be dealt with in the context of your SROI analysis.

a. Dead weight ('what would have happened anyway')

All people and communities are continually subject to change as a result of a number of different internal and external factors. This means that there are influences outside of the purview of a project that may have positive or negative impacts on individuals who are a part of your project. This means that you need to account for this in some way. This can be done by following comparable individuals or finding ways to estimate the changes that are happening through other sources, like external statistical measurements, where available.

b. Attribution ('who else helped')

There might be other organisations (government or other NGOs) working on achieving similar impacts. Therefore, not all results can be claimed by this particular project, as other actors are intervening in the same sector. In order to estimate the attribution of the project, ask the participants in the SROI analysis if they can name other organisations or processes that may have helped in obtaining better results and what they would estimate to be the level of this influence. This can be done verbally or with games and other such activities. They may mention other programmes, both good and bad. For example, the participants might decide that the project accounts for 80% of results obtained.

c. Inflation adjustment

In order to establish a correct SROI ratio, you might also want to consider adjusting the outcome to possible inflations. After all, the value for money tends to change over time. We therefore need to adjust the monetary value of the outcomes and impacts to cater for these changes. Which factor you use to adjust the outcome, depends on the period covered by the SROI analysis. This was defined in step 1.

d. Calculating the ratio

Once you have calculated the previous steps, you will be able to establish the SROI ratio. This is a simple calculation: you divide the value of benefits, discounted with dead weight, attribution and inflation, by the total investment.

$$\text{SROI ratio} = \frac{\text{Total (adjusted) value of results}}{\text{Total value of inputs}}$$

Or to put it in other words:

$$\text{SROI ratio} = \frac{\text{Total results x deadweight x attribution x inflation adjustment}}{\text{Total value of inputs}}$$

Once the ratio has been calculated, share the result with the group. If they think it does not sound correct, revisit different parts of the ratio to determine which sections they disagree with. If a step or assumption needs to be revisited, this should be done and the ratio recalculated; repeat this until a ratio is agreed on with the stakeholders.

Often, these steps lead to a further reaction from your stakeholders, in which they will tell more stories about what has changed in their lives. Some of these could be monetised, but many of them may not necessarily be monetisable. You need to keep the stakeholder sentiments in mind while choosing what can be monetised and what cannot. Those which cannot be monetised normally are rich stories of change and the facilitator/field staff are encouraged to capture the stories for those issues that cannot be monetised but reflect much added value, in a narrative.

Text box XVII: Worked example - Calculating SROI ratio

Example based on pilot project in East Africa (numbers in million Shilling)

Stakeholder	*Activities*	*Input*
Farmers	Production of honey, jatropha, etc	319
Green Eco Ltd	Processing of honey, bio-diesel, aloe and charcoal	710
Social Capital Group	Organising farmers into viable production units	258
Bio Diverse NGO	Rehabilitate Valley (dams construction, tree planting)	85
TOTAL		**1373**

Stakeholder	*Outcomes*	*Benefits*
Farmers	Access to education (girls)	1554
	Social cohesion	160
	Improved nutrition	1142
Green Eco Ltd	Reduced rural urban migration	669
	Improved road infrastructure	121
	Sustainable company operations	549
Social Capital Group	Production units created	32
Bio Diverse NGO	Increased soil fertility	17
	Increased economic opportunity	37
	Increased tree cover	12
TOTAL		**4296**

Total Outcome / Total Inputs	**3,13**
SROI after 7 years	**4,33**

In this example, dead weight and attribution have been taken into account for the calculation of the benefits per outcome. After the calculation of the Outcome – Input ratio, an SROI ratio was calculated over a period of 7 years. This considered discounting inputs and benefits over estimated time schedules, as investments take place earlier and benefits come later. Likewise, inflation was discounted to reflect real value of money over time. Different rates, time schedules and estimates will lead to different SROI ratios.

4.8. Step 8: Verification

Once you are back in your office, it is recommended that you validate the obtained data. Check whether these are correct by consulting documents and resource persons to finetune and, where appropriate, redefine the data. If necessary, recalculate the ratio. If significant changes occur in the course of data verification, discuss these changes with the stakeholders with whom the analysis was done initially.

Text box XVIII: Worked example - Verification

Organic Tea Programme in West Sumatra, Indonesia

During an SROI planning exercise at an organic tea programme in Indonesia it was recognised that the SROI ratio calculation was based on a number of assumptions that needed to be verified. For example, the expected price of the tea after organic certification was estimated, and the exact number of hectares used in the programme was not known. It was agreed that upon return from the exercise, the data would be checked and verified with evidence: the price of organic tea can be checked with buyers and the number of hectares investigated on the ground.

4.9. Step 9: Narrative

An SROI ratio as such provides interesting information, but it should be embedded within the larger context in order to fully understand its meaning. By writing up a narrative, you will be able to explain the process leading towards the calculation of the ratio and how it was established. The narrative allows you to clarify any assumptions or descriptions of areas which have not been measured or could not be valuated.

Text box XIX: An example of a methodology for including narrative - Most Significant Change[12]

The most significant change (MSC) technique is a form of participatory monitoring and evaluation. It is participatory because many project stakeholders are involved both in deciding the sorts of change to be recorded and in analysing the data. It is a form of monitoring because it occurs throughout the program cycle and provides information to help people manage the program. It contributes to evaluation because it provides data on impact and outcomes that can be used to help assess the performance of the program as a whole.

Essentially, the process involves the collection of significant change (SC) stories emanating from the field level, and the systematic selection of the most significant of these stories by panels of designated stakeholders or staff. The designated staff and stakeholders are initially involved by 'searching' for project impact. Once changes have been captured, various people sit down together, read the stories aloud and have regular and often in-depth discussions about the value of these reported changes. When the technique is implemented successfully, whole teams of people begin to focus their attention on program impact.

[12] Source: The 'Most Significant Change' (MSC) Technique. A Guide to Its Use by Rick Davies and Jess Dart http://www.mande.co.uk/docs/MSCGuide.pdf

V. Integrating SROI in your organisation

The previous chapter has provided you with a method to gather information about the SROI of your project. This is an important process and can be used on its own as a method of gathering qualitative information and empowering communities. There are additional steps that you might want to consider. One of them is the integration of SROI into your organisation and your existing Planning, Monitoring and Evaluation (PM&E) system.

The key challenge for integrating SROI into your organisation is developing sufficient SROI capacity among staff. Second, you must provide sufficient financial and non-financial resources to ensure that it can be integrated successfully. This will require planning, strategic thinking, and developing an acceptance from senior members within your organisation. It is important to note that SROI is a methodology that supplements other existing practices that you might already be using. It does not require your PM&E system to be entirely redesigned. A central point is to identify where and for what reasons your organisation is going to use SROI in its PM&E system and, if you have an existing system, how it will complement the other approaches you are using.

This section will look at the necessary preconditions for the integration of SROI into your organisation and will highlight some of the lessons learnt from organisations that have done this. Similarities and complementarities of SROI to other commonly used PM&E approaches are also presented.

5.1. Ensuring necessary capacities and conditions

When you have decided that SROI is a suitable methodology for your project or programme you will have to ensure that the necessary capacities and conditions are present.[13] This will involve external and on-the-job training not only for your team but also to guide the implementation of SROI with partners and primary stakeholders. Joint decision making in selecting SROI as the most suitable planning and M&E methodology is a critical precondition to create ownership. In the case of a positive decision regarding the use of SROI, the following capacities and conditions are critical to assure proper implementation:

a. Capacity for people and their organisation

You will need skilled people who can support the linkage between SROI and the Planning and M&E practice, not only for finding the required data needed for SROI analyses but also for transferring data and indicators emanating from the SROI analysis into daily monitoring, for facilitating learning amongst stakeholders and managing the communication of the M&E findings. From experience it can be stated that these skills often have to be strengthened.

Most people think of training as the chief way to develop capacity, while in practice considerable capacity can be built on the job through concrete experience. Capacity of good quality will be enhanced by being clear about what you expect, outsourcing data verification, and finding highly qualified staff to coordinate the SROI and M&E. A training plan for SROI and related PM&E requirements can be developed for and with stakeholders.

It is crucial that skills and understanding of aspects of the approach are available at different levels in your organisation. In the table below it is explained what levels of skills and understanding are necessary at what level in your organisation.

[13] See also Chapter 7 IFAD Guide for Project M&E: Putting in place necessary capacities and conditions. (IFAD, 2002)

Table I: Understanding and skills at different levels in your organisation

	Objective of SROI (place within strategy of the organisation)	9 steps of SROI (information gathering and capacity development process)	Technical details (e.g. deadweight, attribution)
Senior management level	***	*	*
Project coordination level (programme officers, project officers)	***	**	***
Field staff level	***	***	*

* = basic knowledge and understanding required

** = proper working knowledge and understanding required

*** = thorough knowledge, understanding and working skills required

Should you aim at integrating SROI methodology, it is recommended that it is practiced and understood by a variety of groups within an initiative or organisation since it can both be used as a planning and an evaluation tool. In other words, different people within the organisation would need to engage with the methodology as part of their daily procedures.

b. Incentives

Putting in place incentives to use SROI means offering stimuli that encourage project or programme staff and primary stakeholders to perceive the usefulness of SROI. This implies not introducing SROI as a bureaucratic and routine task, but as an opportunity to discuss problems, reflect critically, allow stakeholders to share their own appreciation and values and learn what changes are needed to enhance impact. It is therefore important to think through what type of encouragements you could offer or what type of disincentives you could remove.

c. Operational structure and SROI responsibilities

When SROI is part of your M&E, responsibilities and functions should be clear. Planning and monitoring is a daily task for everybody. Yet, it is important that P, M&E functions and SROI tasks have a clear position in the project or programme structure, whether among project staff, with partners or among primary stakeholders. High visibility and clear positions for SROI coordinators can help link information to decision-making.

d. Information system

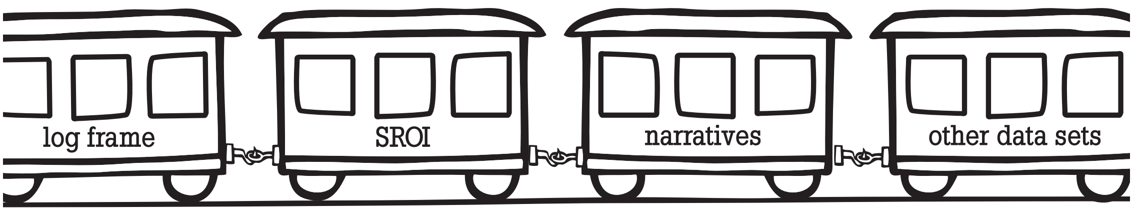
Like most M&E methodologies, SROI also implies collecting, storing, collating and processing a large quantity of data. Software for SROI is available (see Annex IV: Social Evaluator). You will have to select an information system that can handle large quantities of data, which is accessible to others. This is important if you want your SROI to be participatory. Data documentation provides the foundation for interactive communication, transparency, consensus building and continuity. Be clear what type of SROI data you want to store and for what purpose, who will use it and when, how information will be processed and who will do this, and what type of forms you need. This will inform what type of software you need. You can provide user training, and adjust the system by evaluating its use with the users on a regular basis.

e. Finances and resources

Carrying out an SROI analysis costs money. Financial resources are needed for the time people spend, for supporting the SROI information system, training, transport, etc. For general M&E budgets, usually a range of 2-15% of all costs is reserved.[14]

As SROI will probably be a new methodology for your team, especially at the start investments in terms of SROI training and mainstreaming in existing PM&E systems are required. This is the experience of the practitioners who met in India for the SROI writeshop in November 2009. They confirmed that this investment was afterwards seen as money well spent. The SROI activities will often overlap with other project or programme activities. Much learning occurs through the everyday interactions of project implementation and SROI events can often be logically linked to project or programme events. More time (and budget) is needed when participatory SROI learning events are organised with larger numbers of people and more diverse groups, and agreements are needed on what the data means and how to proceed. This type of event might require staff training in participatory techniques and additional meetings to explore if SROI is appropriate.

5.2. Links with other Methodologies



a. Determining the fit within PM&E practices

When you are an organisation that has been in existence for some time, you will have developed your own practices, including with regard to PM&E. PM&E can serve various goals for different organisational needs. We have listed some of those aims below:

- Support management
- Operative and supporting documentation systems
- Manage communication of M&E findings
- Experience sharing and dissemination
- Ways to ensure learning within your organisation
- Accountability to back donors or key stakeholders

Social Return On Investment is a methodology that can fit and help achieve many of these aims and should be oriented to fulfil at least one of these goals. The key to integrating will be to see the benefits for your organisation's PM&E system.

[14] See also IFAD Guide for M&E: 2002

b.   Creating synergy with your existing PM&E framework

Many organisations already work with a variety of approaches for their planning, monitoring and evaluation. Some of these are there for historic reasons and are well internalised within the organisation. Other tools may also have been introduced in some organisations. When you want to integrate SROI in the existing systems of your organisation it is important to look at the following aspects:

- How best to use the experience you gained from working with the existing methodologies.
- On what points the steps of your current approaches and that of SROI overlap.
- Where complementary data can be used to develop a more accurate ratio.
- Which methodologies or methods can be used for elaborating the narrative.

A number of approaches that many organisations make use of are methodologies such as the Logical Framework Approach (LFA) and Results Based Management (RBM), as well as qualitative research methodologies, like Participatory Rural Appraisal (PRA) and Participatory Learning and Action Research (PLA).

(i)   SROI positioned in relation to Logical Framework Approach and Results Based Management

Like the logical Framework Approach and Result Based Management, Social Return On Investment can prepare you to think about a programme in terms of the intended impacts. The approaches generally follow the 'Results or Cause Chain' or 'Theory of Change' method, which both require links between the inputs, the activities that result, the outputs of those activities, the broader outcomes and finally, the impacts. All programme activities should be oriented towards a single goal or vision. Each step is linked to data collection indicators and approaches that need to be documented to show results in each step. Table II shows some of the similarities and difference in the approaches.

Table II: Similarities and differences between SROI, LFA and RBM

Similarities between SROI, LFA and RBM	Differences between SROI, LFA and RBM
Linear change model / Theory of Change	SROI applies monetisation to value intended or perceived changes; LFA and RBM do not.
Helping in planning, monitoring and evaluation	SROI has an explicit procedure to allow stakeholders to participate in the PM&E process
Applied in a medium to long term time frame (3 - 10 years)	LFA and RBM are less able to capture and measure unplanned results compared to SROI
Applying quantitative as well as qualitative indicators and objectives	SROI (mainstream social business practice in USA and EU) focuses on outcome and defines impact happening at the time of outcome. LFA and RBM also on impact at a later stage
	RBM has a strong linkage between management and M&E whereas LFA and SROI can be more separate functions from management.

If you already monitor your programme or projects based on the Logframe, you can use this information to compare the defined Theory of Change. While comparing, some of the issues that may arise are: To what extent does the original Theory of Change (in this case Logframe) coincide with the Theory of Change defined by the stakeholders? How do the stakeholders reflect upon the Theory of Change defined during the Planning stage? Have major changes occurred? What are the unexpected outcomes? And how can these be explained? To what extent is an integration of the original Theory of Change and the Theory of Change defined by stakeholders possible and can you integrate this into the calculation that you will be making for your SROI analysis?

(ii) Comparing SROI with other participatory approaches

Participatory Rural Appraisal (PRA) is a commonly used approach to determine the context and to develop a situational analysis and needs assessment. It is a commonly used methodology that builds upon the local and personal knowledge of the participants involved. PRA is meant to collect timely and relevant information from short visits to rural villages mainly for needs assessments.

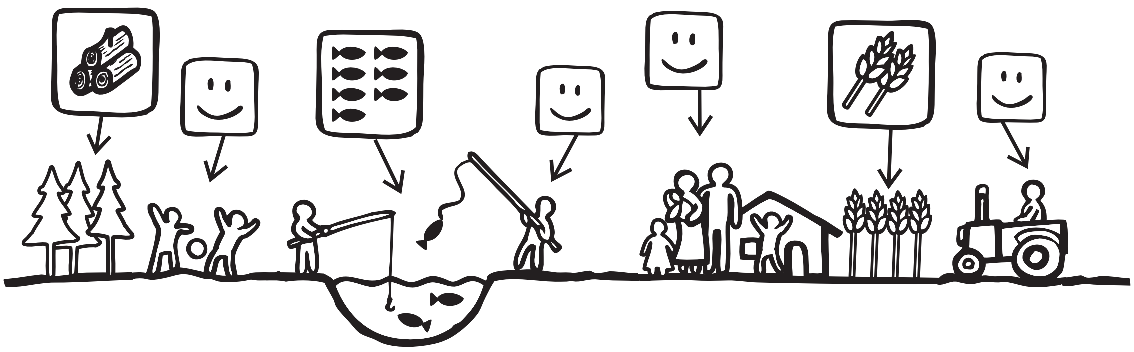
Participatory Learning and Action Research (PLAR) is often used to raise the awareness of individuals and groups around a cause, issue or problem. It attempts to mobilise communities and groups to become more future-oriented and to plan actions based on the learning and community knowledge that is elicited from the process.

The purpose of SROI is different. With SROI the emphasis is on making the achieved or planned change more explicit by valuating it in different terms, including the careful inclusion of inputs and outputs and outcomes for which there are no market values. It should be noted that PLA is very well suited to be used in conjunction with an SROI process.

If your staff is already trained in these participatory methodologies, SROI will be a relatively simple extension of this practice. While some additional skills are required to teach individuals to monetise (valuate) the results of these sessions, most of the same facilitation skills and participatory methodology are used in this approach.

SROI has the ability to complement or supplement your existing PM&E system. Finding a fit means determining how and where you plan to integrate SROI. Once this is done, you need to find appropriate resources and assess what existing methodologies can complement this effort. Next, training in SROI will be needed. Seeing the benefits of the results will help integrate this new methodology.

Epilogue



This practical guide has demonstrated that SROI, as a tool and as a process, has the potential to bring to the surface values that are difficult to trace. Economists would say they are externalised from the market, or in other words, there is no price. Yet there is a value and it needs to be taken seriously so that better decisions can be made (either for example by community members to make plans or by policy makers to adjust policies). SROI attempts to do so, through developing credible numbers (monetisation) as well as through stories and narratives relevant to the project.

Monetised indicators enhance the monitoring and evaluation capacity of an initiative or an organisation and consequently allow the organisation to make adjustments to its project or programme management depending on whether its strategy is optimal in generating social and intended results. It can help investors (donors) more efficiently select investments that are aligned with their value objectives. In other words, this is an accountability and effectiveness tool, analysing whether or not the social objectives stated in a planned phase are being realised.

The concept of social return helps people understand that any grant or loan given to an organisation can be thought of as an investment rather than as a subsidy or an expense. In addition, their own inputs are also valued, increasing self-confidence and ownership. The focus shifts to the creation of value rather than seeing it as a cost.

As mentioned before, SROI is a process and a methodology that should assist with exploring an initiative's social impact and in which monetisation plays an important but not an exclusive role. Hence the SROI ratio as an outcome needs to be seen in this broader context. After all, there are some benefits that cannot be monetised even though they are very important to the stakeholders, such as increased self-esteem, dignity, improved family relationships, etc. Existing tools like storytelling can be used in a complementary way to capture the essential components and benefits of an initiative. By combining the ratio with the narrative, SROI provides a framework that can be used for measuring and accounting the broader concept of value and puts a value on the things that really count.

Text box XX: Insights on value resulting from the use of SROI

In a tribal community in India, male inhabitants used to spend a substantial part of their income on alcohol, resulting in less education due to lack of financial resources, health problems, fights within the family, etc.

After having participated in an SROI exercise, community members decided to carry out an SROI analysis within their village on the abuse of alcohol. Seeing the effects of the abuse made people become aware that they could have saved a large amount if they were not drinking alcohol for many years. They also started to realise the significance of education for their children and harmonious relations with others at home. By the end of the SROI exercise, two families decided to totally quit the habit of alcohol consumption.

Annexes

Annex I: Participants writeshop SROI

No.	Participant	Organisation
1.	Mr Simon Bailey	Aflatoun
2.	Mr Francis Nthuku	ICS Afrika
3.	Mr Peter Mbiyu	ICS Afrika
4.	Mr Sang Sey	ICS Asia
5.	Mr Shaik Khaleel	Accion Fraterna
6.	Mr Golla Bheemappa	Accion Fraterna
7.	Mr P.M. Paul	Cecoedecon
8.	Ms Neeru Sharma	Cecoedecon
9.	Mr Dhirendra Kumar Rai	Cecoedecon
10.	Mr Robert Mafie	Mkombozi
11.	Mr Edappallil Mathai Koshy	AOFG India
12.	Mr Pradeep Esteves	Context India

No.	Facilitators	Organisation
1.	Mr Jan Brouwers	Context, international cooperation
2.	Mr Peter Das	Context, international cooperation
3.	Ms Ester Prins	Context, international cooperation
4.	Mr Mohammed Iqbal	Journalist

Annex II: Glossary [15]

Accountability

Obligation or willingness/intention to demonstrate that work has been conducted in compliance with agreed rules and standards or to report fairly and accurately on performance results *vis à vis* mandated roles and/or plans. This may require a careful, even legally defensible, demonstration that the work is consistent with the contract terms.

Beneficiaries

The individuals, groups or organisations, who in their own view and whether targeted or not, benefit directly or indirectly from an intervention. In this guide they are referred to as the primary stakeholders of a project.

Capacity[16]

The ability of people, organisations and society as a whole to manage their affairs successfully.

Capacity development[17]

Capacity development can be understood as the process whereby 'people, organisations and society as a whole unleash, strengthen, create, adapt and maintain capacity over time'.

Community

A group of people living in the same locality and sharing some common characteristics.

Effect

Intended or unintended change resulting directly or indirectly from an intervention.

Effectiveness

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

Efficiency

A measure of how economically resources/inputs (funds, expertise, time, etc.) are converted to results.

Evaluation

The systematic and objective assessment of an ongoing or completed project, programme or policy, its design, implementation and results. For most evaluations the aim is to determine the relevance and fulfilment of objectives, development efficiency, effectiveness, impact and sustainability. An evaluation should provide information that is credible and useful, enabling the incorporation of lessons learnt into the decision-making process. Evaluation also refers to the process of determining the worth or significance of an activity, policy or programme.

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[15] Sources used (unless indicated elsewhere): http://www.oecd.org/dataoecd/29/21/2754804.pdf; Context 2006, IFAD 2002 (Annex I) or definition formulated by Context, international cooperation
[16] Source: OECD/DAC 2006
[17] Ibid

Facilitator

A person who helps members of a group to conduct a meeting in an efficient and effective way but does not dictate or influence substantially what will happen.

Impact

Positive and negative, primary and secondary long-term effects produced by a development intervention, directly or indirectly, intended or unintended.

Indicator

Quantitative or qualitative variable that provides a simple and reliable means to measure achievement, to reflect upon the changes connected to an intervention, or to help assess the performance of a development actor.

Monitoring

A continuing function that uses systematic collection of data on specified indicators to provide management and the main stakeholders of an ongoing development intervention with indications of the extent of progress and achievement of objectives and progress in the use of allocated funds.

Outcome

The likely or achieved short to medium term effects of an intervention's outputs.

Outputs

The tangible (easily measurable, practical), immediate and intended results to be produced through sound managements of the agreed inputs. Examples of outputs include goods, services or infrastructure produced by an intervention and meant to help realise its purpose. These may also include changes, resulting from the intervention, that are needed to achieve the outcomes at the purpose level.

Participation

One or more processes in which an individual (or group) takes part in specific decision-making and action, and over which s/he may exercise specific controls. It is often used to refer specifically to processes in which primary stakeholders take an active part in planning and decision-making, implementation, learning and evaluation. This often has the intention of sharing control over the resources generated and responsibility for their future use.

Primary stakeholders

The main intended beneficiaries of a project.

Purpose

The positive improved situation that project or programme is accountable for achieving.

Qualitative

Something that is not summarised in numerical from, such as minutes from community meetings and general notes from observations. Qualitative data normally describe people's knowledge, attitudes and behavioural changes.

Quantitative

Something measured or measurable by, or concerned with, quantity and expressed in numbers or quantities.

Relevance

The extent to which the objectives of a development intervention are consistent with beneficiaries' requirements, country needs, global priorities and contextual realities.

Result

The output, outcome or impact (intended or unintended, positive and/or negative) of a development intervention.

Social Business / Social Venturing[18]

Social venturing entrepreneurship (SVE) applies entrepreneurship and investments in a business-minded format and entrepreneurial approach to societal problems in areas where the market is functioning poorly or lacks. This entrepreneurial approach goes explicitly further than "creating valuable and useful things for people'. These social investors and entrepreneurs do invest in society via products and services to stimulate people towards independent actioning and self-sustainment to bring them in equal (economic) positions in an entrepreneurial and lasting way.

Social Evaluator

The Social Evaluator is a web-based tool (www.socialevaluator.eu) which can be used to produce an SROI report.

SROI analysis

An SROI analysis is a process of understanding, measuring and reporting on the social, environmental and economic values created by for-profit companies, non-profit organisations and governmental institutions.

SROI ratio

The ratio between the value of the benefits and the value of the investment.

Stakeholder

Stakeholders are people, groups or organisations that experience change as a result of the intervention, whether negative or positive; or contribute to that change.

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[18] Netherlands Institute for Social Venturing Entrepreneurship (NSVE), Nyenrode University at www.nyenrode.nl

Sustainability

The likelihood that the positive effects of an intervention (such as assets, skills, facilities or improved services) will persist for an extended period after the intervention ends.

Triangulation

Use of a variety of sources, methods or field team members to cross check and validate data and information to limit biases.

Value Chain[19]

A value chain is a specific type of supply chain – one where the actors actively seek to support each other so they can increase their efficiency and competitiveness. They invest time, effort and money, and build relationships with other actors to reach a common goal of satisfying consumer needs – so they can increase their profits.

Writeshop

A participatory workshop which aims at producing a written output.

[19] Source: Chain Empowerment, supporting African farmers to develop markets. Royal Tropical Institute (KIT) , Faida, IIRR, FSC.

Annex III: Methodological Note

SROI originated in the USA from social businesses interested in new ways to value the contributions they were making in society. Afterwards it arrived in Europe, where currently an increasing interest in the methodology is noted.[20] In the manual we have made some adaptations in the SROI methodology to make it suitable to the standards and practices as commonly seen in the sector of development cooperation. They are listed below.

1. Involvement of stakeholders (step 2/3)

Some SROI literature proposes that the team designs the Theory of Change (ToC, step 2) before identifying stakeholders (step 3). In the international cooperation sector, key (potential) allies like donors, government and representatives of producers are often already associated at the scoping stage to co-design the project document including the choice of methodologies like SROI and the formulation of the ToC.

In our view one of the key benefits of SROI is that it allows representatives from the communities themselves to express what values they have seen changing and how they value these changes. In our practice we have observed that in this way, 'unplanned' results are measured as well. It also provides occasions for learning between project stakeholders as they listen and understand what type of results others are valuing. This is fundamentally different from a business plan in which values for 'beneficiaries' are pre-defined.

2. Theory of Change (ToC)

In SROI literature, often a ToC is presented with a rather linear change model, for instance using input-activities-outputs-outcome frameworks. When your project or programme includes various components like economic, social and environmental issues and operates in a context with a number of unpredictable elements such as variety in weather pattern and political instability, we recommend that you are more explicit in the assumptions you make than is generally done with such frameworks. This will strengthen your ToC, which is a basis for your SROI analysis.

3. Impact definition

Outcome is normally situated at the end of a project or programmes lifetime. Some SROI practitioners define impact as having the same timing as outcome, impact being defined as the outcome minus deadweight. However, most projects and programmes in the development cooperation sector see impact happening at a later stage in time, typically some five to ten years after outcome. In practice your team could address this by having two SROI calculations over time: one at the end of the project/programme and still another at impact level (timing to be agreed upon by key project/programme allies).

[20] See for example: http://www.sroi-uk.org

4. Use of indicators

Most SROI guidelines use quantitative indicators for assessing changes and results. In the development cooperation sector the PM&E practice often also uses process indicators, which inform the project team and its key allies on the quality of the ongoing process. This type of indicator is useful as a monitoring assistance. Typical process indicators are for instance the quality of the communication between key project stakeholders or the level of trust amongst them. If communication or trust is going downwards the project needs to interfere, collect feedback on reasons for deterioration and reflect on (unplanned) interventions to restore trust and quality of communication.

5. Attribution

Most PM&E professionals struggle to quantify in detail the attribution question: what part of the changes can be fully attributed to the project/programme? To make this practical we have observed that teams list 1) actors having a significant influence on the process; and 2) factors having a significant influence on the issues the project/programme is addressing (like variation in weather conditions, political (in)stability, or changes in market prices). After listing, first individual estimations are made on the different attributions of these actors and factors. Afterwards, these are compared and a conservative average is agreed upon. This is of course documented in the SROI analysis.

6. Deadweight (base case, counterfactual)

'What would have happened anyway' refers to what other actors would have done or which factors would have influenced upon the situation. If the project/programme is addressing a very relevant topic, or weather conditions aggravated a situation increasing the urgency to address the issue at stake, one could anticipate that the government, an NGO, private sector agency or other change agent would have initiated a similar project/programme after some years. For example: if your project/programme is creating new jobs (A), you should also estimate the number of new jobs that would have been created anyway without your intervention (B). The figure of A-B new jobs indicates what can be really seen as a result of your work.

7. Narrative

SROI leaves space to capture the stories and values that cannot be quantified in monetisable units. In practice we observe that teams and networks interested in SROI combine it with storytelling methodologies or tools to capture these qualitative data, like Most Significant Change.[21]

[21] More information on Most Significant Change can be found at: http://www.mande.co.uk/docs/MSCGuide.pdf

Annex IV: Preparing the SROI exercise

Estimation of time required: *4 hours*

Read up on project

Before doing an SROI exercise, make sure you already know the steps in how to carry out an SROI exercise (by having read this manual). Also make sure that you know something about the project. Read existing material where possible or ask people related to the project to summarise the project for you. Make sure that the boundaries of the SROI exercise are already defined (see § 4.1).

Fix a date & time

Make sure you make a timely appointment with the contact person in the field. Be clear about how much time you expect to stay and consult with your contact person how many people would be involved and who (probably these will be representatives of a group of stakeholders of your project). Make sure you respect the time of those who will participate in the SROI exercise: often people cannot share more than two hours for an exercise. Check: what are normal starting times? What do people eat. Can participants write or read? If necessary plan two appointments.

Divide roles

If you are going to the field exercise with a team, clearly divide roles in advance:

- who will be the lead facilitator?
- who will do the reporting?
- who will translate if necessary?
- who will be in charge of the logistics?
- who will take photographs if required?

If you know how many people and with what background are expected to participate in the workshop, you can already think about making the division of groups (for example by gender, age, or involvement in the project.) Decide within your team who will facilitate which group.

Logistics

Make a check list of materials that you want to bring to the field. This checklist should contain at least the following items:

- Programme plan + last report
- Flipcharts
- Marker pens
- Pens, crayons and pencils
- Calculators
- Tape
- Photo camera (optional)
- Map of the area (optional)

Programme on flip chart

Based on the deliberation with the contact person in the field, decide on the programme of the day. Write the programme on a flip chart and bring it to the field, including a time frame. You can use it to make clear to the participants what they can expect.

Annex V: Social Evaluator

The Social Evaluator is a web-based tool, which can be used to elaborate an SROI report. The Social Evaluator (www.socialevaluator.eu) is a self explicatory online tool, which guides you through the various steps in an SROI process and will inform you what you need to fill out. The information is entered in the software by field staff, project coordinator, PME officers or the SROI facilitator. Using the Social Evaluator can help you in systematising your reporting and with your communication with stakeholders. While uploading data in the Social Evaluator, you have to be keen on the purpose and the audience of your report, as this will be influenced by the information entered in the tool.

The Social Evaluator presents the following steps:

a. Social Evaluator step 1: Introduction

In the first step, you are invited to fill out a title and a short description of the project. You can indicate in which country and sector the project takes place and chose a currency for your SROI analysis.

b. Social Evaluator step 2: Theory of Change

In step 2 you can fill out the Theory of Change of the project. What is the social issue the project deals with and why is the project needed (urgency of issue)? You are requested to indicate the scale of the problem, how you plan to address the issue (solution), the objectives of your intervention, and what time frame you will use for your SROI analysis.

c. Social Evaluator Step 3: Stakeholders

In this step you can indicate the stakeholders involved in your SROI analysis. In the SROI tool, the maximum is set at six stakeholders.

d. Social Evaluator Step 4: Input

In this step of the Social Evaluator you are asked to list the contributions per stakeholder, which made the project possible.

e. Social Evaluator Step 5: Activity

In step 5 of the SROI tool you need to define the activities of each separate stakeholder who has an input (defined in step 4).

f. Social Evaluator Step 6: Output

For each stakeholder with an activity, you are required to fill out an output. Outputs are defined here as the tangible results of the stakeholders' activities.

g. Social Evaluator Step 7: Outcome and impact

In the step 7 of the Social Evaluator you are invited to define the outcome and the impact of the project. Outcome is defined as the result of the initiative for a stakeholder, even if there is no input. Impact in the Social Evaluator is the outcome minus what would have happened anyway. The impact is measured in percentages. You are also required to provide an estimation of the attribution (the extent to which the impact is thanks to your initiative) in percentages.

h. Social Evaluator Step 8: Indicators

In step 8 you are required to fill out indicators for your SROI analysis. The indicators are used to identify and measure the social impact caused by outcome.

i. Social Evaluator Step 9: Monetisation

Step 9 will help you with the process of converting the indicators (step 8) into money value.

j. Social Evaluation step 10: Projections

Step 10 in the Social Evaluator is designed for calculating the expected size of social impact.
As with financial projections or budgets, a prediction can be made of the expected size of the social impact generated by the project.

k. SROI report generated through the Social Evaluator

Throughout the process of using the Social Evaluator, the web-based tool provides various opportunities for remarks while filling out the tool. These notes will be included in the SROI report generated through the Social Evaluator.

Annex VI: References and further reading

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