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Slavica has worked on assessing impact across a wide range of social issues concerning vulnerable populations, and sectors including health, justice, immigration, training programs, labour market development, economic development, and other.

REFLECTIONS ON IMPACT MEASUREMENT AND MANAGEMENT FOR IMPACT INVESTING

Lessons Learned from the Long History of Evaluation and Impact Measurement of Public Sector Investments in Canada

I have recently become immersed in the world of social finance, impact investment, and impact measurement and management. While we all heard much about sustainable financing and corporate social responsibility, particularly after the financial crash in 2008, the idea that a corporation should serve the interest of all its stakeholders (not just shareholders) has only recently become mainstream. The Social Finance Program at the University of Oxford Saïd Business School opened my eyes to many other innovative ways in which traditional financial institutions and private capital can be deployed to achieve Social Development Goals (SDGs) set by United Nations in 2015. Since then, a number of innovative approaches, efforts, and standards have been developed to engage the private sector and push private capital toward environmental and social change. And so social finance and all its derivatives were born.

My team at Qatalyst Research Group was fortunate to be selected to evaluate one of the few Social Impact Bonds (SIBs) in Canada. SIBs are a social finance tool created to fund risky programs using private sector capital. In the most basic terms, a SIB is a public-private sector agreement in which private sector funds are allocated to design and implement a social program (in this case, a health prevention program); if the target outcomes are achieved, the original investment along with some interest is paid back to the private investor by the government. Given that most of these programs are highly risky (or should be) and governments are unlikely to fund them, the outcome measures are central to the success of the agreement. If the outcomes are not achieved, private funders lose money, and the government has not exposed itself to a risky project or has to take the blame for 'wasting taxpayers dollars'. If the target outcomes are achieved, private investors are repaid and the government continues to fund the program. These kinds of arrangements are often called 'demonstration projects', meaning private sector money is used to demonstrate the success or effectiveness of the innovative programs that address social or environmental issues, which are then transferred to the public funder.

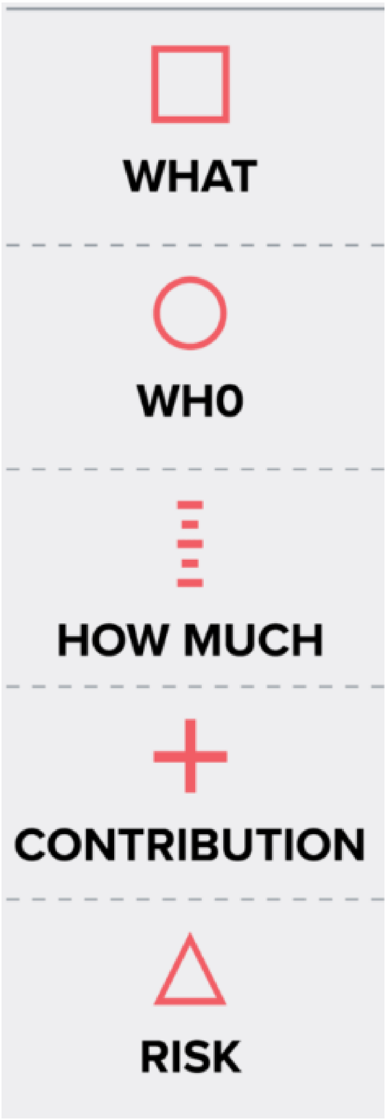
This is just one of the ways 'social finance' is used to deploy private capital to address social and environmental issues. Impact investment became the avenue for investors to put their money where their ethics are and invest with the intention to 'generate positive, measurable social and environmental impact alongside a financial return.'

IMPACT MEASUREMENT AND MANAGEMENT (IMM) IS A HALLMARK OF IMPACT INVESTING

IMM commonly involves establishing impact objectives by creating a strategy using the theory of change, setting performance metrics/targets, monitoring and managing the performance of the investment against the targets, and reporting on the performance. Emphasis is placed on the engagement of all stakeholders, to the extent possible, and monitoring for both positive and unintended negative consequences.

To my evaluation colleagues, this may sound very familiar! Yes, the language is somewhat different. Impact investing involves financial returns and concepts that are commonly not part of public sector evaluations. There are new actors and stakeholders with varying interests that must be considered and involved in the process. And finally, there are new frameworks, systems, and standards that have been developed (and continue to evolve) to enhance consistency in reporting and accountability. But what hasn't changed or at the least should not be re-invented is the tools and methodologies, rigor, and neutrality of evaluation, and lessons learned from developing, implementing, and using evaluation products for years.

5 Dimensions of Impact



LESSONS LEARNED FROM THE EVALUATION

And so here are a few lessons learned from a lifelong evaluator working in a country where evaluating the impacts of all government grants and contributions over $5 million has been the law of the land for over 20 years.

Create a culture of continuous improvement. When we created Qatalyst Research Group we wanted to talk about hard things, like change. One of those pesky things we can't ignore no matter how hard we try. Change is hard but it is necessary to effectively respond to evolving ecosystems, emerging players and initiatives, political environments, etc. To effectively respond to changes your first priority must be to create a strong culture, throughout the value chain not just at the funder level, of wanting to know, to reflect and to improve.

Without infrastructure for data collection, there will be no reliable data. I can not emphasize this enough. In the evaluation world, there is something called evaluability assessment, which among other things, determines whether the right data collection and monitoring systems are in place (or should be put in place) to ensure that high-quality evaluation can be conducted. If investors do not focus on helping their investees put in place tools, processes, and mechanisms to collect data in an ongoing manner, the quality of the impact measurement will be questionable and the usability of its results for decision making diminished.

Hear from the stakeholders. It will get very messy out there. If you do it right, there will be varying perspectives and priorities, different and often contradictory voices to be considered and reconciled. Remember that the qualitative data (the feeling among community members and the stakeholders that change is occurring) can be as important if not more important than what the statistics may show. Ignore this type of data and those voices at your own peril.

Unintended negative consequences are not found in plain sight. You must put on your detective hat and curiosity lenses and look for them. Ask any evaluator and they will tell you that just asking the question "Are there any unintended consequences of this program/project/activities" will commonly result in one of the following responses "nope, the program is great" or "can't really think of any" or "this is a great investment". Nothing to see here folks... This is where system thinking, stakeholder mapping, creativity, and truly engaging 'other stakeholders' play a crucial role.

LESSONS LEARNED FROM THE EVALUATION

Be mindful of who is interpreting the data. One of my favorite quotes by Mark Twain is “Facts are stubborn things, but statistics are pliable.” The merits and perils of evaluation neutrality are still debated in the evaluation world, but there is very little question in my mind that confirmation bias (the tendency to interpret evidence as confirmation of one’s own beliefs) is real and we are all susceptible to it. The pressure of financial returns can make people even more vulnerable to interpreting data in a way that tells a story that fits their preconceived notions of what is true.

Without flexibility and contextual analysis, standards can turn into a check box. Standards are great. They allow us to measure things consistently, understand how we fare in relation to others, and build confidence and trust in whatever products or services are offered. But over-standardization can easily turn into a check box and reports with pretty pictures sitting on the virtual shelf. In Canada, the Federal Government Treasury Board attempted to improve quality by fostering much greater standardization in the approach to evaluation. While an admirable objective, the unintended consequence was that evaluations became much less useful to decision-makers; they were done largely because they were required, not because they improved program design or decision-making going forward. In 2017, my team conducted a meta-analysis of over 53 published evaluation reports from 13 different federal departments and agencies and found that nearly all programs were “relevant”, although “some overlap” with other existing services were noted. Few final reports contained substantial recommendations regarding ways in which the programming could be improved. We all measured the same thing, asked the same questions, and got the same results. What was needed was the flexibility to ask the right questions for the context, think more broadly and systemically, and focus not only on tomorrow or next year, but borrowing from wisdom of our First Nations, future seven generations.

Contribution and attribution are not the same. Contribution is easier to determine. If your theory of change is solid, then demonstrating how your activities contribute to some change is easier to assert. For example, an impact assessment can show that the supported activities (e.g., training for youth) created some outputs (e.g., number of youth engaged) which are plausibly linked to some desired outcomes (e.g., increased awareness about the danger of using drugs). Leaving aside the questions of whether these activities have a deep (or long term) impact (e.g., reduced use of drugs in two or three years), the question that must be asked is whether, in the absence of the supported activities, the youth may have developed the same level of awareness of the dangers of drugs. Attribution is much harder to determine in a complex system with many actors, players, providers, and users of services and products. Demonstrating attributable impacts in a complex system often requires more sophisticated methodologies and more detailed analysis.

It is my impression that IMM for impact investing is doing many things right – developing a theory of change, prioritizing indicators, setting standards and benchmarks, and putting in place impact measurement systems before services or products are offered in the communities. But as I outlined above, things get messy. Evaluators have been dealing with this messy business for years so ask us, we may just be able to help.