Helpdesk Research Report: Methodologies for Measuring the Value of Civil Society
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Query: What different methodologies, including Social Return on Investment, have been used to calculate the value of civil society in developing countries? What measures have been used and how have they calculated costs and benefits?

Enquirer: DFID

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1. Overview

“...[S]ome people expect to be able to compare the social value of various social programs similar to how they compare the financial return on investment (ROI) of various companies. This is not a reasonable or realistic expectation given that the infrastructure necessary to calculate social value creation for social programs is virtually non-existent. The infrastructure that makes financial ROI calculations possible (e.g. the accounting profession, brokers, financial analysts, financial reporting, financial concept development), has taken a long period of time (some might argue centuries) to develop and there are still constant debates about how economic value is measured and how much value companies are creating (p.6, Tuan)".

The rise of social entrepreneurship and venture philanthropy has led to an explosion of interest in the area of measuring value and calculating the impact of non-profits and social organisations. There is enormous interest in generating and developing rigorous quantitative tools to assist in accurate measurement of impact and value and a significant number of organisations are currently working on these issues. In the 2 days available for this query response it has therefore not been possible to review all the available literature. The methodologies featured below do not represent a comprehensive list, but instead highlight the most popular / publicised methodologies that are currently being used in developing countries.

In many cases methodologies that have only been used in developed countries to date could plausibly be applied in a developing country context. Similarly, methodologies developed for profit-making companies could equally be used for non-profit making organisations. Most of the methodologies aim to calculate the value of civil society on an organisational or programme level, although the ‘UN Non Profit Handbook Project’ and ‘The Comparative Non Profit Sector Project’ consider how to measure and value the sector on a national and international scale.

A repeated theme in the literature below and in the feedback from experts is that this is an extremely complicated area and that there is currently no consensus on the best tools to use. Instead, all the methodologies have limitations and the debate as to how one can accurately value civil society organisations has only really just begun.
2. Reviews of methodologies and toolkits


This paper is highly relevant to the query and is an excellent, in-depth study of the methodologies, benefits and drawbacks of various techniques for calculating the value of social projects and organisations. The paper describes and analyses 8 different approaches (not all have been used in a development context), including 2 classical methodologies (the first 2) and 6 newer, more innovative approaches:

- Cost-Effectiveness Analysis
- Cost-Benefit Analysis
- REDF Social Return on Investment (SROI)
- Robin Hood Foundation Benefit-Cost Ratio
- Acumen Fund BACO Ratio
- William and Flora Hewlett Foundation Expected Return
- Center for High Impact Philanthropy Cost per Impact
- Foundation Investment Bubble Chart

Tuan also highlights the ‘bigger picture issues’ which hinder attempts to accurately measure value and impact, including:

- Inconsistent use of language
- Lack of common measure in the social sector
- Lack of quality data
- Lack of incentives for transparency
- Unintended consequences
- Inadequate utilisation
- Cost of measurement

The paper emphasises the immaturity of all the methodologies stating “at this point in time, no single methodology has been widely adopted throughout the social sector. And it is premature to declare that one “right” method for measuring and/or estimating social value creation should be promoted. However, for organisations that are interested in integrating a cost approach to measuring social impact, there is significant value in employing a single, consistent methodology throughout the organisation.” (p. 14).


This catalogue lists the methods used by a variety of different funders to document, define and report on non-financial performance. These are:

- Theories of Change
- Balanced Scorecard
- Acumen McKinsey Scorecard
- Social Return Assessment
- AtKisson Compass Assessment for Investors
- Ongoing Assessment of Social Impacts
Each method is described in detail from an operational, on-the-ground perspective, rather than just from a theoretical viewpoint. Each method can be used in a comprehensive, scientifically rigorous way, or can be implemented in a simpler, less costly manner. The report aims to provide a ‘snapshot of current practice’ in this field. The authors emphasise that a widely used standard for social impact accounting does not yet exist. However, their evaluation of the various methodologies in use leads to the development of an 'Integrated Toolkit for Social Impact Assessment' which blends some of the techniques investigated. Details are also given of a new tool called TROI (Total Return on Investment) which incorporates elements of both SROI and cost-benefit analysis.

This handbook is an updated version of NEF’s ‘Prove and Improve Toolkit’. It lists 20 different approaches, or tools, to assist third sector organisations in proving and improving their performance. SROI, Social Accounting and Auditing, and Social Enterprise Balanced Scorecard are among the tools that are summarised. NEF have also devised an accompanying ‘tool decider’ and ‘comparison chart’ to aid organisations in choosing the tool that is most suitable for their context.

2. Resources on specific methodologies

Cost Benefit Analysis


This study assesses the measurement and use of estimated economic value (or ‘shadow prices’) in applying benefit-cost analysis (BCA) to social programme evaluation. Various different methodologies are analysed. Amongst other conclusions, Karoly finds that:

- many of the important benefits that accrue from social programmes are rarely, if ever, monetized
- shadow prices for outcomes valued in BCAs do not consistently capture the full range of societal benefits or costs
- the use of shadow prices is not consistent across studies of social programmes

SROI

SROI builds upon cost-benefit analysis. Some experts consider SROI to be distinct from cost-benefit analysis whereas others consider it to be a wide term used to encompass a variety of methodologies, including cost-benefit analysis.

This is a comprehensive introduction to the basics of SROI, and includes information on how to carry out SROI calculations and analysis.
Olsen, S. and Nicholls, J., 2005, ‘A Framework for Approaches to SROI Analysis’ report from SROI working circle:
http://svtgroup.net/sites/default/files/publication/download/Framework%20for%20Approaches%20to%20SROI%20Analysis.pdf

This paper identifies different approaches to SROI analysis. An SROI value attempts to give a monetary value for non-financial impacts. However, this paper emphasises that “the SROI number cannot be seen or understood in isolation from the process by which it is calculated” (p.4). The authors distinguish between SROI the number, and SROI analysis which encompasses information on how the number was calculated and contextual information to enable accurate interpretation. The Framework has been developed because of a recognition that the way SROI has been used has evolved considerably since the Roberts Enterprise Development Fund (REDF) first published a SROI methodology; “as people have tested the methodology in different contexts, they have moved in slightly different directions with slightly different points of emphasis. A framework is required so that new users are not confused by different approaches, and practitioners understand the bases for different calculations” (p.4). The paper gives case studies to exemplify different approaches to SROI analysis, distills ten principles for the design of SROI analysis and offers a basic methodology for the four main stages of conducting an SROI analysis.

Best Available Charitable Option (BACO)


This draft paper outlines the rationale and methodology for the BACO ratio, a tool devised by the Acumen Fund. BACO differs from SROI in that the impact of an organisation or project (either profit-making or non-profit) is quantified in relation to the other existing charitable options for that sector. The ratio aims to give a quantifiable indication of whether a particular investment will ‘outperform’ a plausible alternative. This paper gives full details of how BACO ratios are calculated. The conclusion articulates some of the limitations of BACO analysis.

Expected Return

http://www.hewlett.org/download?guid=562456ee-49c2-102c-ab7e-0002b3e9a4de

The William and Flora Hewlett Foundation have developed the concept of ‘expected return’ to measure the impact / outcomes of potential investments in CSOs in developing countries. This report acknowledges that the methodology is still in its infancy but states that ‘expected return’ is a “consistent, quantitative process for evaluating potential investments” (p.3). It can be applied across sectors and countries. Section 2 of the report explains how ‘expected return’ is calculated and gives a case study example from Nigeria where the calculations conclude that $1 invested in the project is expected to double the incomes of 6,700 people.

The UN Nonprofit Handbook Project

This project, run by the Center for Civil Society Studies at John Hopkins University, seeks to improve the representation of CSOs in national economic statistics. A major barrier to understanding the nonprofit sector in a particular country is the lack of basic statistics on the
scope, structure, financing and activities of CSOs. The Center has developed a handbook to improve the way nonprofits are treated in the System of National Accounts (the international guidelines for compiling national economic statistics). The Handbook can be downloaded at: http://www.ccss.jhu.edu/index.php?section=content&view=&sub=11&tri=16

The Center’s website states that ‘the completion of this Handbook will thus produce a quantum leap forward in the basic information available on civil society organisation, philanthropy and voluntarism around the world, increasing the visibility and credibility of these organisations and making it possible to gauge their contributions and track their evolution.’ This process will make national data available on:

- The number of civil society organisations by field
- The number of civil society workers, paid and volunteer
- The ‘value added’ by CSOs
- The value of volunteer contributions, by field
- Operating expenditures
- Sources of revenue
- The size and distribution of foundation grants

In 2002 the UN Statistical Commission accepted the Handbook and the Center has since been commissioned to disseminate it widely and encourage national governments to implement the process. To date it has been implemented in several developing countries including Argentina, Brazil, Cameroon, Ghana, India, Kenya, Mali, Mexico, Morocco, Nigeria, Peru, Philippines, South Africa, Thailand, Uganda and Vietnam. For more information please see: http://www.ccss.jhu.edu/index.php?section=content&view=9&sub=11

The Comparative Non Profit Sector Project

This project, also run by the Center for Civil Society Studies at John Hopkins University, is the largest systematic attempt to analyse the scope, structure, financing and role of the non-profit sector on an international scale. For more information please see: http://www.ccss.jhu.edu/index.php?section=content&view=9&sub=3

The project aims to:

- Document the scope, structure, financing and role of the non profit sector for the first time in solid empirical terms in a significant number of countries
- Explain why this sector varies in size and character from place to place and identify factors that seem to encourage or hinder its development
- Evaluate the impact these organisations are having and the contribution they make
- Publicise the existence of this set of institutions and increase public awareness of them
- Build local capacity for this work to continue

To do this the project uses a comparative empirical approach, relying heavily on teams of local associates in country, a common framework and definitions and a network of advisory committees to oversee the work. For more detailed information on methodology, please see http://www.ccss.jhu.edu/pdfs/CNP/CNP_Methodology.pdf

Project work is currently being carried out in the following developing countries: Argentina, Brazil, Chile, Colombia, Egypt, Ghana, India, Kenya, Mexico, Morocco, Pakistan, Peru, The Philippines, South Africa, Tanzania, Thailand, Uganda and Venezuela.
4. Additional information

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**Websites visited**

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