# IMPACT ASSESSMENT TOOLS FOR BOP AND OTHER TYPES OF TRIPLE BOTTOM LINE INVESTING

## Review of Available Tools and their Relevance for ADB's Inclusive Business Initiative

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# IMPACT ASSESSMENT TOOLS - A Review

## 1 Overview

1. Many different organisations are using impact assessment tools to evaluate their work with or in the private sector. This includes NGOs, social enterprises (for-profit and not-for-profit), impact investment funds (both 'impact-first'[3] and 'financial-first'), development finance institutions , community investment activities in commercial organisations, core business activities in commercial organisations, and public sector organisations. Their objectives in using these tools will vary according to the type of organisation and its particular outlook. They take different perspectives on their impact, looking at it from the point of view of the economy as a whole, the local community or individuals. They can also decide to look at different scopes of impact, whether direct, indirect or systemic. And they will assess impact in different categories or areas. The choice of these parameters - and the model used to apply them in practice - will depend on the cost of gathering the data and the benefits to the organisation of having it and using it.

## 2 What are the objectives of different organisations in using impact assessment tools?

2. The objectives will vary according to the type of organisation (eg commercial or not-for-profit) and their particular outlook (eg short-term approach or building long-term value), but include-

- Prove positive impact (for host governments, shareholders, customers, local communities, employees)
- Check for any negative impact / identify risks
- Enhance the impacts of the specific activity / project / investment
- Check progress against specific targets or objectives
- Strengthen relationship with key stakeholder(s)
- Improve processes for activity / project / investment selection in the future
- Compare with others, either for overall impact or cost-effectiveness

## 3 From what perspective is the impact being assessed?

3. Organisations take different perspectives, depending on their mission and specific objectives. Impact assessment might take the perspective of -

- The economy as a whole (GDP, output)
- The local community (local incomes, local employment)
- Individuals as economic agents (wages, employment, income from production)
- Individuals as people (quality of life, self-esteem, relationships, opportunity)

[3] The differentiation between impact first and financial first impact investment funds was first articulated by Bridges Ventures and The Parthenon Group and the Global Impact Investing Network (GIIN) in their report "*Investing for Impact*"

## 4 What is the scope of impact assessment?

4. Depending on the type of organisations and its objectives, the scope of the impact assessment could include some or all of the following -

- Direct impacts
  - reach (eg number of people employed, number of products sold, taxes paid, raw materials bought from suppliers)
  - depth (eg improved quality of life for people employed, improved access to/quality of goods)
- Indirect impacts
  - reach (eg number of local suppliers, number of people in families impacted by the activity)
  - depth (eg working practices of suppliers, social and environmental impacts of the product in use, social /environmental impacts of the product at the end of its life)
- Externalities
  - impacts on the wider society or environment that are not accounted for in either of the above (eg multiplier effects, changes to the local environment as a whole as a result of changing land use or new forms of communication etc)
- Transformational or systemic impacts
  - shifts in the way that things are done across the sector or economy (eg changes in working practices across a whole sector, business model that can be scaled up and replicated)

**Table 1: Overview and categorisation of different approaches**

| | Approach and example | Applied to: |
|---|---|---|
| **1** | **Local assessment: Livelihood impact & stakeholder views** | |
| | SABMiller/PwC assessment of 'enterprise development' in the supply chain<br>Diageo/LBG assessment of 'Water of Life' projects<br>Body Shop assessment/ verification of Community Trade | Company initiative to boost benefits to the poor |
| | Anglo American Social Economic Assessment Toolbox | A mine in a developing country |
| | Vodafone assessment of the impact of mobile phones | Mobile phone users, aggregated. |
| | WBCSD impact assessment framework | Scope determined by company |
| | | |
| **2** | **Value chain footprinting** | |
| | Unilever/Oxfam assessment of Unilever Indonesia | A multinational in one country (Indonesia) and its entire value chain (supply, distribution, retail) |
| | Oxfam poverty mapping | A national or multinational company, impact within one country |
| | ODI, IFC, SNV, pro-poor mapping of tourism value chains | Tourism sector, comprising multiple firms, in one destination |
| | | |
| **3.** | **Economic contribution and multipliers** | |
| | Unilever: economic footprint in South Africa<br>SABMiller: contribution of SAB to South Africa's economy | A multinational in one country, all direct and indirect affects. |
| | Tourism Satellite Accounts | Entire tourism sector in one country |
| | | |
| **4** | **Scorecard performance** | |
| | Reporting against GRI indicators. E.g. Barclays, Diageo, SABMiller etc. | Company performance, internationally |
| | SPeAR framework of ARUP and Engineers against Poverty | Project-specific investment |
| | Good for Development 'badge' concept | Company performance, internationally |

5. Caroline Ashley of the Overseas Development Institute in *Assessing the impacts of business on development - 4 contrasting approaches*[4] describes four broad approaches by business to the scope of impact assessment. These are (1) local assessment: livelihood impact and stakeholder views; (2) value chain foot-printing; (3) economic contribution and multipliers; and (4) scorecard performance. Some impact assessments will use a combination of these approaches. For example, IADB's impact assessment tool for its Opportunities for the Majority Programme combines a calculation of the Economic Rate of Return with a scorecard of many indicators. Table 1 (above) is extracted from Caroline Ashley's paper and gives some examples of impact assessments that adopt each of these different approaches.

## 5 What types of impact are assessed?

6. We need to distinguish between the types of impact that are assessed by

- commercial businesses in their core business activities, where financial performance is the key driver but positive impact is also a key measure of success
- organisations such as social enterprise, venture philanthropy, that primarily seek positive impact but are also driven by financial returns because these underpin sustainable enterprise
- activities by not-for-profits or corporate philanthropy whose primary purpose is to have a positive social impact in a particular area but who may need to demonstrate value-for-money.

### *5.1 Impact assessment models for commercial businesses*

7. Most commercial organisations focus primarily on financial performance and assess their social and environmental impact from a risk management perspective. Some take a wider view and consider that opportunities arise from understanding their social and environmental context and identifying how they can improve their business through focusing on these aspects. For example, they might save costs by becoming more energy-efficient, or they might increase the quality of their raw materials through strengthening their relationship with suppliers. Most of the models that are designed for use by business cover broadly the same areas of impact as each other but categorise them in slightly different ways, as outlined in the following sections (and in more detail in the Appendices) -

8. The UNEP Toolbox[5] suggests that businesses should assess whether their activities have had an impact in 3 broad areas – economic, social and environmental

- Economic impact, with focus on
  - Improve profits – through: increase customer demand and loyalty, increase willingness to pay, reduce material inputs, reduce operating costs, increase workflow efficiency
  - Increase income – through: improve access to markets for own products, create access to employment, enable savings from better product/price for consumers
  - Improve economic infrastructure – through: generate know-how and capacity, build physical infrastructure
  - Generate taxes –through generate taxes for municipal, regional and national level

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[4] *Approaches to assessing business impacts on development,* Caroline Ashley, Overseas Development Institute, May 200

[5] *Towards Triple Impact- Toolbox for analysing sustainable ventures in developing countries* – UNEP 2011

- Social (uses the Millennium Development Goals)
  - Eradicate extreme poverty and hunger
  - Achieve universal primary education
  - Promote gender equality and empower women
  - Reduce child mortality, improve maternal health, and combat HIV/AIDS, malaria and major diseases
  - Ensure environmental sustainability
  - Develop a global partnership for development
- Environmental impact, with focus on
  - Improve resource efficiency – - through: improve raw material productivity, improve energy efficiency, reduce waste, and increase reuse and recycling of waste
  - Reduce use of toxic and hazardous material – through: improve efficiency of use, and replace with less harmful substances
  - Maintain and improve ecosystems and biodiversity – through: ensure continued provisioning of food and water, maintain regulating capacity eg of climate and disease, maintain supporting services, eg nutrient cycles and crop pollination, build on cultural services, eg spiritual and recreational benefits, and preserve genetical and species diversity

9. The Arup and Engineers against Poverty[6] framework adds a fourth dimension to the impact assessment model – institutions. It also emphasises slightly different elements within the 3 standard headings.

- Economics (Equity, Livelihoods, Macro, Viability)
- Society (Population, Culture, Stakeholders, Services, Health, Vulnerability)
- Environment (Materials, Energy, Biodiversity, Water, Land, Air)
- Institutions (added to ensure specific consideration around governance, transparency and local capacity, all critical for successful outcomes for the poor): Structures, Skills, Policies, Reporting

10. The Forum for the Future uses 'five capitals'

- Natural capital (the stock of natural ecosystems and the environment
- Human capital (the stock of skills, knowledge and personal attributes
- Social capital (relationships between individuals and groups, through informal networks and formal institutions)
- Manufactured capital (the built environment and infrastructure)
- Financial capital (funds to enable the other capitals to be developed)

11. The WBCSD's Measuring Impact Framework Methodology[7] uses 8 impact areas in 4 clusters

- Governance and sustainability
- Environmental management – both in short term and in terms of the business's contribution to long-term environmental sustainability

[6] *ASPIRE – a sustainability poverty and infrastructure routine for evaluation* – Arup and Engineers Against poverty. The development of ASPIRE was developed through the adaptation o Arup's in-house appraisal tool, SPeAR (Sustainable Project Appraisal Routine) which was based on the Global Reporting Initiative It also draws on a range of other tools, including the Ex Ante Poverty Impact Assessment tool developed by the OECD

[7] Measuring Impact – Framework methodology – WBCSD 2008Corporate governance – procedures and practices that govern how a company operates including Board structures, business ethics, accountability and compliance with international and national standards

- Assets (Infrastructure and Products & services)
  - Infrastructure – transport infrastructure, energy services, water, telecommunications, sanitation, health facilities delivered as part of a business's activities but not the core product
  - Products & services - "the fundamental purpose of business is to provide continually improving goods and services for increasing numbers of people at prices they can afford" WBCSD - The Role of Business in Tomorrow's Society[8]. The impact of products and services on development is most significant when they are being made available in the assessment area.
- People (Jobs and Skills & training)
  - Jobs – number and type of full-time and part-time employees, conditions of work, jobs created in the supply chain, induced employment derived from employee spending
  - Skills and training – on-the-job and off-the-job training ,community capacity development activities, educational assistance programmes
- Financial flows (Procurement and taxes)
  - Procurement – purchase of goods and services by the company, from local or other suppliers, contracting or sub-contracting to SMEs
  - Taxes – corporate taxes paid by a company, taxes paid by its suppliers, income taxes paid by employees, and subsidies o grants received from government.

12. Oxfam's Poverty Footprint for business has 5 areas of focus: value chains, macro-economy, institutions and policy, social implications of environmental practices, and product development and marketing.

13. The Business Call to Action[9] has 7 areas of focus: investment, job creation, enterprise development, human capital development, income generation, goods and services provision, and infrastructure and sustainability.

14. Some commercial businesses will have specific targets for their defined areas of impact. Others will simply seek to demonstrate that their activities have had a positive impact in some or all of the areas. But it would be rare for commercial companies to view the impact assessment as a tool for benchmarking performance against other companies.

### *5.2 Impact assessment models for social enterprise and impact investment*

15. A social enterprise or an impact investment deliberately seeks to have a positive impact on a particular group of people, alongside its financial return. Therefore a more detailed assessment is required than in the case of a commercial company of who exactly is being impacted and how[10]. Impact assessment models for social enterprise and impact investment often incorporate different or additional elements to the business models in section 6.1 above. .

16. IFC[11] is a 'financial-first' impact investor (at least in most of its portfolios) so it also

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[8] This definition seems to me to need qualification – "…and within environmental limits"

[9] Business Call to Action is supported by IFC, DFID, Clinton Global Initiative and other. BCtA adapted these categories from Nelson, Jane (2003). "Economic Multipliers: Revisiting the Core Responsibility and Contribution of Business to Development." (IBLF Policy Paper 2003 No. 4 and WBCSD Measuring Impact Framework, 2008

[10] It is worth noting that this approach could be relevant for the core operations of commercial businesses in some circumstances - if, for example, their business model relies on supplying goods and services to a particular group, perhaps the poor, requiring a more detailed understanding of the reach and depth of existing activities

[11] Other development financial institutions have similar methodologies

tends to consider impact through the lens outlined in section 6.1 above. IFC has safeguards in place to prevent negative impacts and targets for positive impact in some areas. But selection and management of investments tends to focus primarily on financial performance. Provided that good practice is followed in social, environmental and governance areas, strong financial performance is expected to deliver jobs, incomes, taxes and development. IFC's impact is therefore assessed in 4 areas, very similar to the areas outlined in section 6.1 above[12].

- Financial performance (Financial rate of return, Net sales, Net income, Project cost)
- Economic performance (Economic rate of return, Improved product availability, Improved product quality, Training outlays, Taxes paid, Total employment, Female employment, Purchases from local suppliers, Wage bill (men and women)
- Environmental and social performance (Labour and working conditions, Pollution prevention and abatement, Renewable energy / energy efficiency, Community development outlay, Involuntary settlement, Biodiversity conservation)
- Private sector development (New market development, Change in competition, Privatisation, Assistance provided to buyers, Assistance provided to suppliers, Corporate governance, improvement, Independence of Board, Independence of Audit Committee, Risk management, Demonstration effect )

17. The Corporate Policy Project Rating Tool (GPR) developed by DEG and used by a number of other development finance institutions also adopts this approach, with the categories being

- Long-term profitability
- Developmental effects/sustainability
  - For manufacturing, these are quantitative effects like governmental revenues, net currency effects, contributions to employment and qualitative effects such as, for instance, technology and know-how transfer, qualification and advanced training, environmental standards, social benefits.
  - For finance sector projects and private equity funds, focus is on mobilisation of savings, diversification of credit allocation, indirect promotion of small and medium-sized enterprises.
  - In infrastructure projects, the contribution to closing supply bottlenecks or performance increases (e.g. tariff reductions) is particularly relevant.
- The strategic role of DEG: Additionality, and contribution to strategic goals – low-income or high-risk country, promotion of ESG standards, SMEs, equity finance.
- Return on equity of DEG

18. Global Impact Investing Rating System (GIIRS)[13] is an impact assessment rating tool that is designed to identify where companies are having a positive impact and to score them on these activities. GIIRS looks at similar areas for impact as the other examples above, but has an explicit focus on areas which are expected to generate particular positive impacts – for example, beneficial products and services or beneficial methods of production. In addition, importantly, the impact assessment model is organised to address the different groups of stakeholders that might be affected, rather than on the general areas that might have an impact on them. GIIRS rates companies in 5 areas –

- Accountability: Governance / accountability, Transparency / reporting, Fair trade /

[12] On top of these 4 areas, IFC also assesses the impact it has had through catalysing additional finance and through adding value through its technical expertise

[13] The Global Impact Investing Rating System www.giirs.org

supplier code of conduct

- Employees: Compensation and benefits, Employee ownership, Work environment
- Consumers: Beneficial products / services, bneficial method of production / impact, serving those in need
- Community: local, suppliers, diversity / broad ownership, charity / direct service
- Environment: corporate office; transportation / distribution, energy usage, manufacturing facilities, supply chain

19. The Business Innovation Facility, set up by the UK's Department for International Development to support investment in commercial organisations with a pro-poor business model, holds a workshop at the beginning of the investment process to decide on additional specific indicators relevant to the particular activity concerned. It uses a number of universal indicators -

- Commercial performance, including: aggregate reach to low income people, number of low income gainers, income earned / saved
- Likely types of impact on systems, markets, other market actors
- Change in carbon emissions: output
- Trend line and projections for output and returns

20. The William Davidson Institute's BOP Impact Assessment Framework, adapted for ADB[14], shifts the focus of the impact assessment away from macroeconomic and aggregated data and towards an attempt to assess changes in individual well-being. The approaches we have considered so far look at the jobs, incomes or goods and services that a company has produced, or the impacts on the environment. This impact assessment model tries to look beyond the fact of these quantifiable outputs (the 'reach') to assess the impact they have actually had on people's lives (the 'depth'). This model assesses impact in three ways -

- Economic well-being – refers to changes in income, productivity, consumer surplus, assets
- Capability well-being – refers to changes in quality of life (including access to new/better products and services), knowledge and skills, and dignity and self-esteem
- Relationship well-being – refers to changes in roles or status, social support, dependence on and responsiveness from intermediaries and institutions, local physical and cultural environment

21. LGT Venture Philanthropy also assesses impacts on well-being, and combines an assessment of 'reach' with an attempted assessment of the 'depth' of impact achieved by their interventions. LGT uses 5 categories, namely material well-being, physical well-being, social well-being, security, and freedom.

22. Balanced scorecard: Many impact investment funds use a 'theory of change' to determine the specific areas of impact for their business model or for individual investments and create their own balanced scorecard. The impacts that are tracked in this case can relate to specific quantitative outcomes ('reach') and well as indicators designed to assess the quality of the impacts ('depth'). A range of direct and indirect impacts will be tracked on the scorecard (taken from the categories in the sections above). The scorecard may also have indicators to try to assess the potential for wider systemic change -

- how innovative the business model is

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[14] *Ex Ante Impact Assessment Framework and Process* – William Davidson Institute, 2011

- how scalable, how replicable[15]
- the value for money – ie how much it costs to reach each person.

23. Combined approaches: Increasingly, impact investment funds are using impact assessment models that combine a check of their basic performance on economic, social, environmental and governance matters with a scorecard of defined impacts in specific areas. A number are selecting from the library of indicators put together by the Impact Reporting and Investing Standards (IRIS). IRIS indicators include some which relate to 'general organisational information' on companies, such as its social impact objectives and its environmental impact objectives, a description of the product or service, target beneficiaries, governance, social and environmental policies, wages and training. Other indicators then drill down further into the specific output and outcome indicators, often on a sector-specific basis. IRIS is not prescriptive about the combinations of indicators that should be used to demonstrate or measure impact in any particular project, although increasingly organisations are using 'metric sets', common groups of indicators for certain sectors or activities. The impact assessment and ratings tools being developed by the Inter-American Development Bank[16] use this approach.

### *5.3 Impact assessment models for not-for-profit organisations*

24. Not-for-profit organisations funded by donors cannot use the proxy of financial success to indicate that they are meeting their objectives as an organisation. They need to demonstrate, through tracking certain indicators of social or environmental progress, that their interventions are creating change. These organisations have to be clear on how they expect their activities to create change. They then have to measure how their particular inputs lead to identifiable outputs which can be linked to specific outcomes. If it is clear that these outcomes would not have happened without the interventions, then that activity can be said to have had an impact.

25. As donors increasingly want to see that their money is being well-spent, increasingly sophisticated social impact assessment models have been developed in the not-for-profit sector to try to demonstrate impact.

26. In New Philanthropy Capital's Charting Impact framework, NPC suggests that NGOs focus on these 5 questions –

(1) What is your organisation aiming to accomplish?
(2) What are your strategies for making this happen?
(3) What are your organisation's capabilities for doing this?
(4) How will your organisation know if you are making progress?
(5) What have and haven't you accomplished so far?

27. Similarly, in Making Good in Social Impact Investment, Evenett and Richter[17] comment that models are becoming too complex and 'the perfect is becoming the enemy of the good'. They suggest that an auditable methodology should simply ask the following 5 questions –

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[15] In theory, this should not be geographically bounded. So, for example, if a successful inclusive business model in Asia is replicated successfully in Africa and has an impact on the poor, then it would be reasonable for the original business to claim impact. In practice, the qualitative assessment will tend to be more closely bounded, so that there may be an attempt to quantify local systemic impacts but the wider impacts would only be reflected in the narrative

[16] Based on a conversation with Elizabeth Boggs Davidsen, Claudia Martinez Ochoa and Helio Bertochini Neto, IADB on 17th November 2011

[17] *Making Good in Social Impact Investment* – Rupert Evenett and Karl H Richter, 2011

- Have deliberate social objectives been specified at the outset? (*Say what you will do.)*
- Are measurement systems in place to record whether those objectives have been achieved? (*Do what you say you will do.)*
- Are results evidence-based and objectively verifiable? (*Transparent, objective and unambiguous)*
- Are results linked to incentives for the organisation and / or staff? (*Outcomes-based reward / payment by results)*
- Is there a mechanism for learning and continuous improvement? (*Feedback loop to improve quality and best practice)*

28. Impact assessment models used in not-for-profit organisations include

- Social return on investment methodologies seek to place monetised values on the impacts, combining cost-benefit analysis with financial analysis tools.
- Cost-benefit analysis tends to be used by economists to evaluate investments when certain important consequences of an investment are not fully reflected in revenues and expenditures. This impact assessment model is sometimes not clear from whose perspective the benefit is calculated.
- Poverty and Social Impact Analysis is not a tool for impact assessment in and of itself but a process for developing a systematic impact assessment for a given project. The method emphasises the importance of setting up the analysis by identifying (a) the assumptions on which the programme is based, (b) the transmission channels through which the programme effects will occur; and (c) relevant stakeholders and organisational structures. The programme impacts are estimated and the attending social risks assessed.

## 6 How are impact assessment models used?

29. The objectives of an organisation will determine what type of impact assessment model it uses, what perspective it takes, what areas of impact it seeks to assess and how much time and resources the organisation is prepared to commit to the work. All these aspects affect how an organisation decides on its priorities and how it gathers relevant data.

30. If organisations could gather data on all impacts without cost then they might well choose to do so. But obviously that is not the case. They have to be selective and decide how much resource to allocate to the impact assessment process. This decision will be based on an analysis of the costs of gathering information and the benefits accruing to an organisation from having it.

### *6.1 Use of impact assessment models in commercial organisations*

31. Broadly speaking, commercial organisations are concerned first and foremost with ensuring that they have no negative impact. Their positive impact is assumed to emerge from the fact that they employ people, pay taxes and produce goods or services that people want to buy. They may also want to demonstrate to a wide group of stakeholders, including employees, shareholders, local governments and customers, that they are contributing more widely to society.

32. The UNEP toolbox[18] suggests that a business should consider its impacts in

[18] *Towards Triple Impact- Toolbox for analysing sustainable ventures in developing countries* – UNEP 2011

the context of 3 questions –

- Where are opportunities to create value by meeting needs better and more efficiently?
- What factors determine the success of the venture?
- What are the costs and benefits of the venture for the business, society and the environment?

In order to answer the third question, the toolbox proposes that a business should map its impact in this way -

**Figure 2: UNEP Impact Assessment Tool**

| **Life cycle step** | **Stakeholder affected *** | **Economic** | | **Social** | | **Environmental** | |
|---|---|---|---|---|---|---|---|
| | | Costs | Benefits | Costs | Benefits | Costs | Benefits |
| Raw material extraction | | | | | | | |
| Production | | | | | | | |
| Packaging & distribution | | | | | | | |
| Product use | | | | | | | |
| End-of-life | | | | | | | |
| Bottom-line | | | | | | | |

* Company, shareholders, employees, suppliers, poor suppliers, customers, poor customers, local community, Government, society

33. The WBCSD impact assessment tool proposes a prioritisation process, based on the following steps: (1) identify objectives for assessment, (2) define geographic area, (3) collect information on the development context, (4) select business activities to be assessed. (5) The business then decides which impacts it should focus on, based on this matrix –

**Figure 3: WBCSD Impact Assessment Tool**

| **Importance to business** | | **Impact on area: Low** | **Impact on area: High** |
|---|---|---|---|
| | **High** | Act but consider ways to improve societal value | Just do it |
| | **Low** | Not a priority for anyone | Consider but try to improve linkages to business |

### *6.2 Use of impact assessment models in commercial businesses serving the BOP*

34. A focus on businesses that grow through serving the BOP shifts this thinking. It requires businesses to consider much more closely how they might combine financial objectives with social objectives by supplying poor people with goods and services they need[19] at prices they can afford, by employing poor people or by buying from them.

35. In this category, there will be some businesses that are focused on delivering social impact and will be generating positive - but potentially not risk-adjusted market - returns. There will also be other businesses that are primarily focused on the growth opportunities that might emerge from their strategy and therefore see a pro-poor focus as a means to tap into new markets and achieve high financial returns.

### *6.3 Use of impact assessment models for social enterprises and 'impact-first' businesses*

36. The performance of an impact first business will be judged primarily through the achievement of social impact, so it has to gather sufficiently high-quality data to give its investors confidence that it is achieving that impact. Impact assessment models therefore tend to be more detailed than in the for-profit sector.

37. So, for example, in 2006 Acumen Fund developed the PULSE platform for social impact metrics, assisted by some technicians from Google. This gathers data on a very wide range of impacts and is a very valuable tool for social investors and businesses to measure and understand their impact. But evidence suggests that the companies with a commercial remit are not prepared to report in that much detail.

38. Many impact assessment models for social enterprises tend to start with developing the 'theory of change' and then select indicators to align with this. Most impact assessment models will use some form of 'logical framework' that describes how the inputs to the project are expected to deliver specific impact. Resources — Activities — Outputs — Outcomes — Impacts

### *6.4 Use of impact assessment models in ex ante or ex post rating of projects*

39. Some organisations will use the impact assessment tool to rate projects. They therefore take the categories outlined in section 6 above, decide which are the most critical to the success of a particular project or investment and weight them accordingly in a rating system. This section draws out some important points in relation to the way these weightings are applied and the ratings used.

40. Broad-brush comparisons between the way that ratings might be used in the private sector, in 'financial-first' and in 'impact-first' investment suggest that, while there will be exceptions, the following will tend to apply.

- Private sector organisations
    - will use impact assessment tools to understand and manage negative impacts and to enhance the positive impacts where this is aligned with commercial objectives
    - will use an impact assessment at an early stage of an activity to identify areas of

[19] Need is not the same as want – focus on sustainable products and services

  concern but will not apply a rating to the overall impacts
  - will rarely make an investment decision on the basis of one activity having a more positive ex ante social impact rating than another
- Development finance institutions and 'financial-first' impact investors
  - may want to develop impact assessment rating tools to consider ex ante which projects to support and also to assess performance ex post
  - will also want to ensure that each project has at least a minimum score in each area of impact – for example, financial, economic, private sector development
  - have historically tended to give a strong weighting to financial performance in their overall assessment of project success. In part this is because financial performance in itself is seen as a good indicator of development impact as it indicates a sustainable enterprise capable of financing itself over time. In part it is because financially viable activities are expected to attract new investors, creating a positive cycle of growth
  - will also tend to give a strong weighting to the 'mobilisation of capital'
  - may in some cases weight specific indicators more heavily because of their expected impact on poverty – so for example in the GPR index "effects directly contributing to poverty reduction are specifically weighted (such as employment, qualification, social and gender effects)"[20]
- Social enterprises and 'impact-first' impact investors
  - may want to have a rating system in place to ensure that all basic standards are covered (for example, a social enterprise focused on the poor may not have identified its impacts on water supplies or climate change)
  - but may not be as concerned about the overall scores across a range of different categories as achievement of a great performance in one or more particular areas
  - will focus on particular indicators that will have a bearing on the 'theory of change' articulated – so, for example a business that is looking to achieve positive impact for the poor through provision of maternal healthcare will have a very targeted set of indicators relating to deaths in childbirth, incidence of specific medical conditions and so on
  - may in some cases tend towards indicators that are more difficult to quantify (for example, dignity or self-esteem, roles or status) or where the ratings may be subjective.

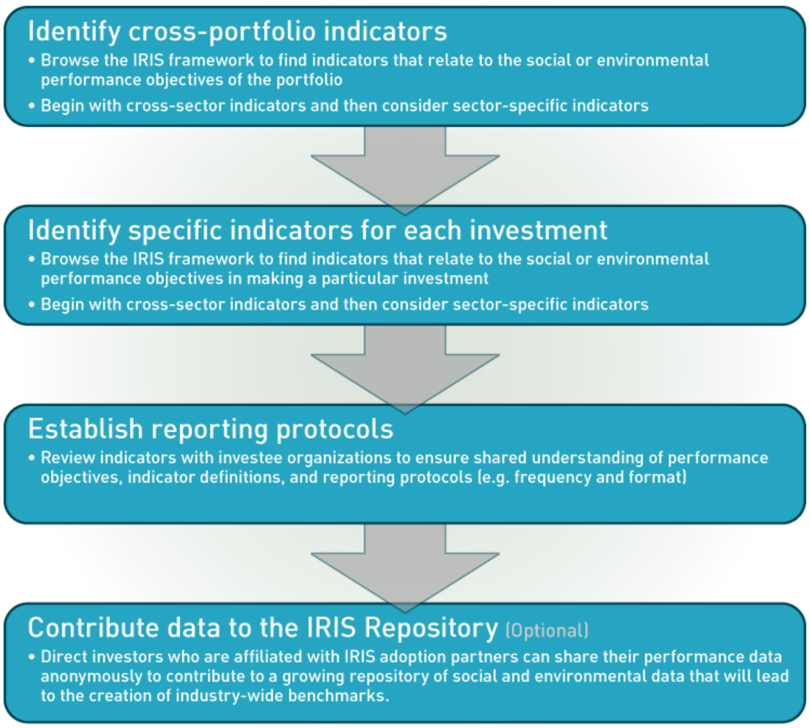
41. There is a degree of tension between (a) uniform indicators providing weighted scores, which may enable comparisons of ratings between projects, and (b) tailored indicators, which provide a more detailed assessment of the specific ambitions of the project ex ante and how well is has achieved them ex post, but which are more difficult to incorporate in a weighted score to guide decisions.

42. The Impact Reporting and Investment Standards (IRIS), a library of indicators put together by the Global Impact Investors' Network (GIIN), helps to ensure that investors measuring areas of impact (number of full-time employees, price of products sold, number of women treated) are all using the same definition and therefore the data are comparable. Over time, the IRIS library could potentially be used to gather data across specific areas of intervention (provision of bed-nets, primary school education for children in slums, clean energy provided in rural areas) and this may help to benchmark good practice.

[20] From Corporate Policy Project Rating (GPR) – Executive Summary 02.2010

Benchmarking between projects will obviously need to be treated with some caution because it is difficult to compare projects in different geographies and with different supporting institutions, cultures and infrastructure. Nevertheless, as more data is gathered, it will become possible (with caveats) to establish whether a particular project is in line with indicators for good practice, value-for-money, labour productivity, energy efficiency and so on. It is possible that these comparisons could be used as an ex ante assessment tool in the future, but this will not be the case for a while. It should be noted that IRIS itself is not an impact assessment tool but the library of indicators can contribute to assessment and can potentially contribute to a rating process. At present, the way they are used is not defined. The IRIS process is outlined as follows –

**Figure 4: IRIS/GIIN Impact Reporting and Investment Process**




**Development of ratings**

43. Ratings depend on a specific score being allocated to certain elements of performance. As discussed above, there are some weaknesses in this approach. However, a number of development finance institutions have rating systems in place. GPR weights the scores on its categories as follows:

| | | |
|---|---|---|
| Long-term profitability of the project | - | 150 out of a total of 500 points |
| Development effects / sustainability | - | 150 |
| Strategic role of DEG | - | 100 |
| Return on equity of DEG | - | 100 |

**Figure 5: IADB Inclusive Business Rating**

| Weights in the IADB Impact Rating | | |
|---|---|---|
| Sector (higher score if in a strategic focus sector) | | 10.0% |
| Country (higher score if in a strategic focus country eg poor) | | 15.0% |
| Quality of the sponsor | | 10.0% |
| Financial | | 15.0% |
| Social Impact | | |
| | number of direct beneficiaries | 10.0% |
| | cost per beneficiary | 5.0% |
| System impact | | |
| | innovation factor | 15.0% |
| | role of the BOP | 7.5% |
| | replicability | 7.5% |
| | scalability | 5.0% |
| Total | | 100.0% |

# 7 Impact Assessment Model for ADB's Inclusive Business Fund

## 7.1 ADB's proposed Inclusive Business Impact Assessment Tool

44. Within the Inclusive Business Funds, fund managers will make investments in commercial businesses. Several of those businesses may combine financial and social objectives but, for most of them, their primary purpose will be to make a profit. The purpose of the Fund is to invest in viable, inclusive businesses that improve the quality of life for poor people, and it is vital that it finds ways to assess its success in those terms. The Impact Assessment Framework must therefore combine the process and content of the models used by business with elements from the approaches used by impact investors.

45. The monitoring and evaluation framework must have focused targets for development impact that provide the Fund with data that can inform investment decisions and measure the performance of the Fund's investee companies. But this must not create such a burden of measurement and reporting for the businesses that they are unable to focus on developing and maintaining a viable business.

## 7.2 Key Principles for the design of the Tool

46. The review of impact assessment tools and ratings in the sections above can be used to inform the design of the ex ante impact assessment model for ADB's inclusive business funds so that it drives investment decisions that meet ADB's objectives.
The tool should be designed in such a way that it -

- Ensures that all investments in the Funds meet basic eligibility criteria
- Ensures that each investee company in the Fund portfolio has articulated how its business achieves impact
- Provides a framework for Funds to assess the development impact of each proposed investee company ex ante (but not necessarily to rank or rate different investments)
- Generates enough impact data for effective ex ante decision-making, and ex post monitoring and evaluation, through selection of a few appropriate indicators not data overload
- Helps the company generate transparent and measurable targets for development impact which can then be monitored by the Fund

47. The Inclusive Business Fund will select investments on the basis of whether they meet certain eligibility criteria (yes/no decisions) and, if these criteria are met, will then consider the merits of individual investments (through applying formal or informal weightings). It is important to note that a Fund manager would be unlikely to be in a position where he or she is directly comparing a range of different potential investments and scoring them to decide which investment would be preferable. However, he or she would be using criteria to decide whether an investment can be expected to deliver impacts of sufficient quantity and quality to merit selection for the Fund.

### *7.3 Outline of the proposed Impact Assessment Framework*

48. Initial discussions on ADB's Inclusive Business Impact Assessment tool suggest that the tool should be a blend between ex-ante impact assessment used to determine potential impact of an investee as part of the due diligence process, a screening tool used to determine which invested should undergo due diligence, and a tool for rating the performance of the fund manager. As such the proposed tool would follow 5 steps: eligibility, route to impact, scoring of projects, setting targets and monitoring results, and performance rating for the fund manager. The impact assessment framework will need to address the key areas suggested in Figure 6.

49. In the next phase of this project, we will build on this framework to

- prepare more detailed guidance for fund managers to use at various stages of the investment process, based on this outline
- develop ideas on how the weightings might be applied
- consider how the impact targets could be included in fund manager remuneration

**Figure 6: Proposed eligibility criteria for ADB's impact assessment tool**

| Criteria | Explanation | Use of information | Comment |
|---|---|---|---|
| Geography | The proposed investee company's activities should be in Vietnam, Laos, Cambodia or in Thailand outside the Bangkok area | Yes / no decision | Fund should aim for a balance of geographies.<br>*[Will ADB provide guidance on preferred mix, or targets for regions?]* |
| Sector | Focus on agriculture, aquaculture, clean energy, healthcare, utilities, light manufacturing and financial services. Not consumer goods. | Yes / no decision | Fund should aim for a balance of different sectors.<br>*[Will ADB want to weight certain sectors more eavily than others?]* |
| Clear and well-defined route to impact | Company's strategy for delivering development impact is clear, and an appropriate reporting framework can be put in place. | Yes / no decision | Each investee company should define its route to impact and related targets.<br>*[This will be new to many companies and may require ADB support.]* |
| Robust financial returns | The company's financial projections show a financial rate of return that clears the hurdle rate of [x%], based on conservative assumptions about future growth. | Yes / no decision | A Fund could decide to take a greater financial risk to support an innovative business model but the net return across the whole portfolio is expected to be 10-12%. |
| Alignment of interests between company and Fund | The proposed investee company combines commercial and development objectives in a way that is aligned with the objectives of the Fund. | Yes / no decision | The Fund should seek business models where the two objectives reinforce each other. Where there is a conflict between the two objectives, these should be explicitly identified. |
| Long-term sustainability | Fund has processes in place for understanding, managing and monitoring the impacts of its activities on wider society and the environment (beyond its targeted development impact) | Yes / no decision | The Fund needs to check compliance with basic ESG to ensure that a company with a positive development impact has no unintended effects.<br>The products and services should be compatible with long-term sustainability. |
| Development impact (reach) | Number of poor people reached as consumers, producers, suppliers or distributors.<br>Income generated for these people | Weighting in investment decision | Indicators in this area will be used to incentivise fund managers to select investments that reach large numbers of poor people. And to set targets to be achieved post-investment. |
| Development impact (depth / quality) | Route to impact through consumers –<br>(a) Relevance of the specific product to meeting basic needs of poor<br>Affordability of the product<br><br>Route to impact through employees –<br>Labour standards<br>Training opportunities<br>Security of employment<br><br>Route to impact through producers –<br>Improved certainty of purchases<br>Technical support for producers | Weighting in investment decision | These areas are important for achieving meaningful development impact but many of them are difficult to measure. |
| Development impact (gender) | Extent to which women benefit from the proposed activities | Weighting in investment decision | ADB may put in place gender targets for the Fund. |
| Innovation, scalability, replicability | Fund is investing in inclusive business models that can have a wider transformational impact | Weighting in investment decision | This is an important aspect of maximising the impact of the Fund and Funds will be incentivised to give this a strong weighting |

### 7.4 Expanding on the key criteria

**Geography**

50. The proposed Fund is targeted at 4 countries - Laos, Cambodia, Vietnam and Thailand. The scoping study showed that capital is scarce throughout the first three countries and investments by the Fund will add value everywhere. In Thailand, however, the market scoping study highlighted the need for the Fund to focus investment on the area outside the greater Bangkok region, particularly the northern provinces and the agricultural corridors that have begun to open with other Mekong countries.

51. The first element of the impact assessment framework is simply to confirm that the investment is in Laos, Cambodia or Vietnam, or in the under-attended, poorer parts of Vietnam. The Investment Policy will need to define the latter carefully, to provide effective guidance to fund managers.

**Sector**

52. Investments will only be made in sectors that have been assessed as relevant to poverty alleviation in particular countries covered by the Fund. The sectors chosen are agriculture, aquaculture, clean energy, healthcare, utilities, light manufacturing and financial services.

53. The Investment Policy will need to make clear which are the preferred sectors and how they are expected to have an impact on poverty alleviation. This will need to be tight enough to provide guidance on the types of investment that are expected to deliver pro-poor outcomes. The Investment Policy will also need to define who qualifies as 'poor'.

**Clear and well-defined 'route to impact'**

54. The impact of business on poverty can be achieved through offering employment opportunities, a market for producers of goods and services, access to affordable goods and services, and more predictability in any of the above. In order to qualify for investment by the Fund, each business will need to articulate how it sees its impact on the poor. From this, each business will develop some specific indicators for measurement and monitoring of its development impact.

55. In some cases, the business model will be specifically designed to deliver services – such as education, health or finance – to the poor. In other cases, the business will be adapting its usual business model to have a greater pro-poor impact through

- actively looking for ways to extend its products and services to marginalised and excluded groups
- working with smallholders or other groups so that they are in a better position to supply goods and services
- actively seeking ways to include women and vulnerable groups as employees, producers or consumers

**Robust financial returns**

56. The Fund is targeting net returns of 10-12%. It is therefore likely that individual business plans will need to show anticipated returns of [20-25%]. Particular focus is required on -

- whether any parts of the financial return depend on subsidy

- whether the financial returns are sustainable in the long term – ie do they depend on the depletion of resources (soil fertility, water supplies, timber resources); are they likely to be resilient in the face of climate change?
- whether the business will incur additional expenses as it grows – for example, the cost of establishing additional social infrastructure (local clinics, schools) for employees

**Alignment of interests between company and Fund**

57. The proposed Inclusive Business Funds will invest in small and medium-sized enterprises. Some of the companies that the Fund identifies for investment will be nearer the social enterprise end of the spectrum, with an 'impact-first' approach but generating a solid financial return. Many others will be enterprises designed primarily to generate financial returns in a sector that delivers social impact. These will each have different perspectives on the need for gathering data on development impact and will be motivated in slightly different ways.

58. All entrepreneurs will have a combination of objectives in establishing a business, and it may not be straightforward to determine their current approach, nor how it will change as the business grows. However, it will be important for the fund manager to try to understand the particular motivations of the entrepreneur, in both social and financial terms. This will help to determine whether the interests of the Fund and the business are aligned before investment and to guide the business effectively after investment.

59. Without this alignment of interests, disagreements will arise between the company and the Fund about how to balance social and financial objectives. In some cases, they will not be in conflict. However, there will be situations when outreach to the poor as consumers, employees or suppliers may reduce financial returns, at least in the short term. The following information will be recorded for each investee company –

- How financial and social objectives relate to each other
- Reasons why they reinforce each other
- Areas where pro-poor focus increases costs
- Areas where pro-poor focus increases the length of time to profitability

**Long-term sustainability**

60. Whether a company has been developed as a social enterprise or a commercial company, it may not focus on ensuring that it manages all of its environmental, social and governance (ESG) impacts effectively. However strong a company's pro-poor impact in one particular dimension, it may have negative impacts in other areas. For example, a company providing access to water for a particular group may reduce access for people or the environment elsewhere. Or a company supplying energy-efficient technology may not focus on the working conditions of the people making the products. And a growing SME will not necessarily be familiar with good practice on elements of governance such as Board structures, reporting or shareholder protection.

61. It is important to note that this area of the framework should be considered as a process to safeguard against bad outcomes, but it is not at the heart of defining the positive development impact.

62. The following information will be required for each investee company

- What environmental policy is in place and how is it applied?

- What is the composition of the Board?
- What management systems are in place to enable timely and accurate reporting of data in both financial and social areas?

63. In addition, each business will analyse its life-cycle impacts and ensure that its effects on stakeholders are fully understood, possibly using the UNEP framework below –

| **Life cycle step** | **Stakeholder affected *** | **Economic** | | **Social** | | **Environmental** | |
|---|---|---|---|---|---|---|---|
| | | Costs | Benefits | Costs | Benefits | Costs | Benefits |
| Raw material extraction | | | | | | | |
| Production | | | | | | | |
| Packaging & distribution | | | | | | | |
| Product use | | | | | | | |
| End-of-life | | | | | | | |
| Bottom-line | | | | | | | |

**Development impact (reach)**

64. For each proposed investee company assessed, the route to impact will be different. Some will have their primary impact through the goods or services they supply, whether by making them more accessible or more affordable. For other companies, the main route to impact will be through offering employments to those on very low incomes while others will be buying from low-income producers. Several companies will have an impact in more than one of these areas. The following data will be recorded for all companies –

**Figure 8**

| **Indicator** | **IRIS reference** | **IRIS description** |
|---|---|---|
| Total Clients | PI4060 | Total number of individual clients served. |
| Jobs Created | PI3687 | Number of full-time jobs. |
| Wealth Creation, measured by Total Wages | OI5887 | Value of wages paid to all full-time employees |
| Taxes paid | FP7345 | Corporate taxes paid |

65. Additional data on the reach of development impact will be relevant for some companies. For example, where the impact is principally through purchasing products or services from low-income groups, an appropriate indicator (Payments to supplier individuals – IRIS ref PI1492) will need to be added to this list. Rather than having a wider blanket set of indicators that need to be completed for each investee company, the company should be requested to provide information on how they perceive their principal routes to impact, and therefore the scorecard indicators that should apply to that particular investment.

**Development impact (depth /quality)**

66. Generating meaningful data on the quality of the development impact of a company is a significant challenge. Many funds have elected not to try to do this because of the difficulty of measurement and the subjectivity. However, there are certain areas where it makes sense to record qualitative data.

67. Where the route to impact is through consumers, the ex ante impact assessment should seek to establish the quality of the development impact through analysing – (a) the relevance of the specific product to meeting basic needs of poor, and (b) the affordability of the product.

68. Where the route to impact is through employees, the ex ante impact assessment should determine the quality of that employment through considering – (a) working conditions (safety, hours of work etc), (b) training opportunities to increase skills, and (c) security of employment

69. Where the route to impact is through producers, the ex ante impact assessment should consider how the intervention adds value beyond simple access to markets. For example, indicators of development impact quality in this area might be (a) improved certainty of purchases; and (b) technical support for producers

70. These (mostly qualitative) indicators can be used ex ante to understand the expected 'depth' or quality of the expected impacts of the investment and to identify benchmarks either with peers or with good practice.

71. Ex post impact assessment or evaluation can be undertaken, particularly through interviews with the beneficiaries, but it is unlikely that data from these sources could be aggregated to provide an overall assessment for the Fund.

**Innovation / scalability / replicability**

72. The Fund will have the greatest impact through catalysing ideas for reaching poor people at scale. Therefore the preferred investments will be in businesses that have identified innovative ways to serve the poor that can be replicated elsewhere.

# 8 Conclusions

73. This paper explores how the various impact assessment tools used in commercial companies, development institutions, social enterprises and not-for-profits might be relevant for the development of a framework for ADB's own Inclusive Business Fund. It is clear from the above analysis that neither the models designed for purely commercial businesses nor the models designed for impact investments are fully appropriate for the ADB Inclusive Business Fund and that an adapted approach will be required.

74. In the next phase of the project, we will use and build on the principles for design of the tool (section 8.1) and the outline of the proposed Impact Assessment Framework (section 8.2) to – (a) prepare more detailed guidance for fund managers to use at various stages of the investment process; (b) develop ideas on how the weightings might be applied; and (c) consider how the impact targets could be included in fund manager remuneration.

## APPENDICES - Summaries of Impact Assessment Tools

### Appendix 1 - Towards Triple Impact – UNEP 2011

Toolbox for analysing sustainable ventures in developing countries

The tools respond to 3 questions that appear over and again in the process of building and managing a sustainable venture

- Where are opportunities to create value by meeting needs better and more efficiently
- What factors determine the success of the venture?
- What are costs and benefits of the venture for the business, society and the environment?

Overall approach -

Because consumption and production processes are deeply intertwined and impacts can be shifted along the life cycle, between stakeholder groups and between different kinds of impacts, it is important to maintain an eye on the whole system, using three perspectives throughout –

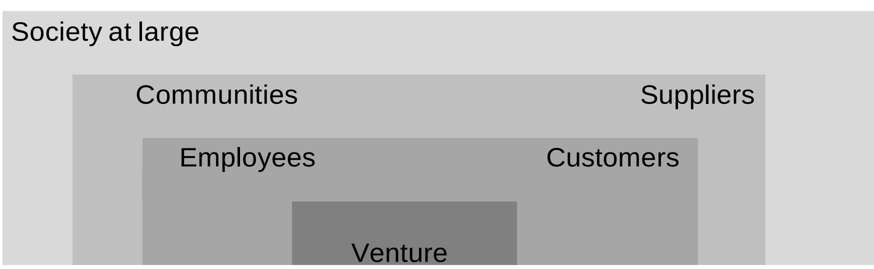
(1) **Triple bottom line perspective** – considers the social, environmental and economic costs and benefits of a venture

| | | | |
|---|---|---|---|
| Economic | Social | Environmental | **Impact area** |

(2) **Life cycle perspective** – considers all the steps in the consumption and production process from raw material extraction to disposal, reuse and recycling

| | | | | | |
|---|---|---|---|---|---|
| Raw material extraction | Production | Packaging and distribution | Product use | End of life | **Life cycle stages** |

(3) **Stakeholder perspective** – considers relationship between the venture and the actors it impacts or is impacted by.




**Stakeholder groups**

There are four principles underpinning the approach

- Completeness
- Participation
- Transparency
- Plan for usability

Areas of impact -

Impacts of sustainable ventures on the MDGs

Impacts of sustainable ventures on environmental sustainability –

- improve resource efficiency
- reduce use of toxic and hazardous material
- maintain and improve ecosystem services and biodiversity

Impact areas on economic development

- improve profits
- increase income
- improve economic infrastructure
- generate taxes

Mapping costs and benefits

| **Life cycle step** | **Stakeholder affected *** | **Economic** | | **Social** | | **Environmental** | |
|---|---|---|---|---|---|---|---|
| | | Costs | Benefits | Costs | Benefits | Costs | Benefits |
| Raw material extraction | | | | | | | |
| Production | | | | | | | |
| Packaging and distribution | | | | | | | |
| Product use | | | | | | | |
| End-of-life | | | | | | | |
| Bottom- line | | | | | | | |

* Company, shareholders, employees, suppliers, poor suppliers, customers, poor customers, local community, Government, society

## Appendix 2 - Measuring impact - framework methodology – WBCSD 2008

Business activities in 4 clusters –

- Governance and sustainability
- Assets (Infrastructure and Products & Services
- People (Jobs and Skills & Training)
- Financial flows (Procurement and Taxes)

4-step methodology

***(1) Set boundaries***

"Define your business"

- identify objectives for assessment
  - Improve decision-making
  - Mitigate risks
  - Identify new investment opportunities
  - Strengthen relations with specific stakeholders
- define geographic area
  - Does company infrastructure stand on coastland, farmland, village etc
  - Where do company supplies and resources come from?
  - Where do employees of the operation come from? Do they come from or interact with any neighbouring communities?
- collect information on the development context
  - Political / regulatory; demographic; economic; social; ecosystems
  - What are the key drivers influencing facts and trends in this area?
  - What are the key barriers to resolving these issues and making progress on development?
- select business activities to be assessed – eg high importance to business and high impact
  - Choose from Corporate Governance; Environmental Management; Infrastructure; Products and services; Jobs; Skills and training; Procurement; Taxes

Importance to business

| | Low | High |
|---|---|---|
| High | (1) | (2) |
| Low | (3) | (4) |

Impact on area

1) Act but consider ways to improve societal value
2) Just do it
3) Not a priority for anyone
4) Consider but try to improve linkages to business

(2) ***Measure direct and indirect impacts***

"Measure your company footprint"

- identify and measure direct and indirect impacts, mapping out what is within the company's control and what it can influence

- o identify sources of impact for each business activity
- o identify relevant indicators for direct and indirect impacts
- o measure

***(3) Assess contribution to development***

"Understand your footprint in a development context"

- o determine level of stakeholder engagement
  - if companies perceive too many risks with an active process of
  - stakeholder engagement they can use the development issues identified in Step 1 to build a hypothesis of the business contribution to these issues
- o engage with stakeholders to prioritise development issues (optional)
- o build hypothesis of business contribution to development
  - accept that attribution is difficult and that any one company is likely to
  - one of many actors contributing to a development priority
  - recognise synergies between the development priorities eg improved access to potable water may also improve health
  - 2 parts to building the hypothesis – linkage and hypothesis of contribution
- o test hypothesis with stakeholders and refine the overall assessment (optional)
  - identify key perceptional differences between stakeholders and the company on the business contribution

(4) ***Prioritise management response***

"Make better-informed decisions"

- o identify priority areas for action
- o consider possible management responses and prepare recommendations for management
- o decide on way forward
- o develop indicators to monitor progress

| | | | | | |
|---|---|---|---|---|---|
| Business influence over impacts | Direct | | | | |
| | Indirect | | | | |
| | | High -ve | Low –ve | Low +ve | High +ve |

Contribution to development issue

## Appendix 3 - Anglo-American socio-economic assessment toolbox (SEAT)

**STAGE 1 - PROFILE THE ANGLO OPERATION AND ASSOCIATED COMMUNITIES & IDENTIFY KEY ISSUES**

STEP A - Profile the Anglo American Operation Tool
A1: Pro-forma operation profile

STEP B - Profile the community and dialogue with key stakeholders to identify key issues
Tool B1: Stakeholder identification and gap analysis
Tool B2: Building a basic community profile
Tool B3: Overview of potential issues and possible causes Tool B4:
Guidance on potential approaches to consultation Tool B5:
Overview and guidance on baseline data collection
Tool B6: Summary of issues raised by stakeholders and needs identified

**STAGE 2 - IDENTIFY & ASSESS SOCIAL & ECONOMIC IMPACTS & SHARE RESULTS OF THE ASSESSMENT**

STEP C Identify and assess the social and economic impacts of the operation, and assess existing management measures and social investment initiatives
Tool C1: Identifying Anglo American activities that are resulting in social and economic impacts
Tool C2: Assessment of issues raised during consultation
Tool C3: How to calculate an operation's value added
Tool C4: Inventory of all payments made to the public sector
Tool C5: Calculating total employment generated by an operation
Tool C6: Identifying and evaluating existing community social investments
Tool C7: Guidance on assessing performance in relation to corporate level policies

STEP D - Share results of impact assessment with stakeholders and get recommendations for management of issues
Tool D1: Sharing results of SEAT process with stakeholders

**STAGE 3 - DEVELOP MANAGEMENT RESPONSES TO KEY ISSUES, INCLUDING PLANNING FOR CLOSURE**

STEP E - Development of a management and monitoring plan for key issues, including formulation of key performance indicators (KPIs)
Tool E1: Developing a management and monitoring plan
Tool E2: Developing local key performance indicators

STEP F - Improving the implementation and contribution of non-core activities
Tool F1: Increasing local procurement and outsourcing to support local business development
Tool F2: Establishing new community social investment initiatives

Tool F3: Developing human capital

Tool F4: How to set up partnerships

STEP G - Post closure planning
Tool G1: Guidance on closure planning/ planning for the future

**STAGE 4 - REPORT THE RESULTS OF THE ASSESSMENT**

STEP H - Prepare SEAT report and feedback to community
Tool H1: Pro forma report template

<u>Pro forma report</u> –
Step A
Basic information about the company's operations

- How do you see the company developing in the future – next 5 years, next 10 years, next 20 years? Output, employee numbers, contractor numbers.
- What main supplies are purchased from the local community?
- What proportion of workers is recruited from the local community / country? (Categorised by level of seniority).

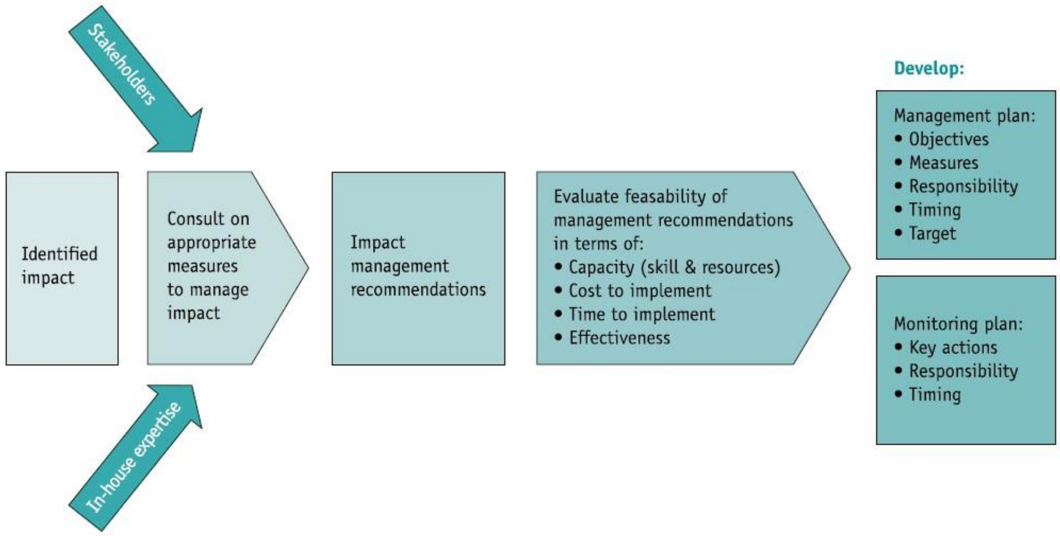
Step B
Building a basic community profile –

- geographic, historical, community characteristics, social and economic infrastructure (including health, education, utilities, transport), livelihoods (types of economic activity, forms of livelihood eg short-term waged labour, subsistence etc, average income level, distribution, skills), stakeholders

Step C
Activity

- Aspect of activity causing change in local context
- What change does this cause in the receiving environment?
- What is the social or economic impact resulting from this change?
- Who is impacted?
- Is there an existing / effective management measure?
- If management measure exists, provide a description.
- Has impact been raised as an issue in consultation (Y/N)?
- Is this a significant impact?

Figure E1.1 The Process of Management Measure Identification and Evaluation




SEAT is a tool for assessing progress on an activity and to enhance the impact over time through engagement with stakeholders. It is not really a tool for assessing impact ex post.

## Appendix 4 - Business Innovation Facility – UK Department for International Development

The monitoring and evaluation system has 3 milestones that apply to all the businesses it supports –

(1) Baseline process
(2) Progress report
(3) Progress update

For the baseline process –

- some questions are filled out by the company – perceptions, current challenges, partnerships etc
- a baseline workshop is held to identify categories most relevant for this project (eg
- smallholders, consumers, environment etc) and then a few indicators for that specific category

>

| **Type of results covered** | **Universal indicators** |
|---|---|
| Results for the business | Commercial performance |
| Results for development and low income people | aggregate reach to low income people<br>number of low income gainers<br>income earned / saved |
| | Likely types of impact on systems, markets, other market actors |
| Environmental results | Change in carbon emissions: output |
| Potential scale | Trend line and projections for output and returns |

Constant tensions –

| | |
|---|---|
| As a pilot project at the cutting edge of inclusive business, we should deliver hard results about impacts of IB and the return on donor investment | As an economical project working directly with business to help them be competitive, we have to minimise burdens on them. Also on country managers whose priority is to help projects over the line |
| Development / donor perspective focuses increasingly on numerical results. That is why IB investment is good – scale will ultimately reach large numbers | BIF is not a classic donor/NGO project: it delivers development via commercial business. So doesn't fit with tracking impact via standard development indicators eg changes in employment and income |

Plus some 'usual' challenges

Attrbution The counter-factual Impacts of other engagements

There are several reasons why traditional indicators do not work for BIF

(a) Where projects reach producers in the value chain, they gain market access, secure sales, chance to diversify or take up improved varieties but it is not 'new employment'. It may not even be increased income but security, less fluctuation etc

(b) Where the focus is on the poor as consumers, the emphasis may be on access to communications, healthcare, information, more efficient or safer technology. This is not just about lower-priced goods and services. Often it is about improving access or quality.

(c) Direct impacts on BOP are just half the story. The most significant impacts in some projects will be systemic effects on what others do. In a few cases where this is replication of the business model, the indirect beneficiaries could be counted. But more often it is a sideways impact eg others investing in services for farmers that can be used via a mobile app.

(d) Even in projects that do directly benefit BOP people with jobs or income, it is almost impossible to do a baseline. Businesses do not start with fixed client groups and then serve them, as a project does. Baseline analysis has to be done with likely BOP participants in terms of capturing general income / livelihood data for that type of client group.

(e) BIF's engagement is with companies and BIF relies on them for reporting results. Business should be able to report numbers of BOP people reached directly as clients, buyers, suppliers, distributors etc. But it can be time-consuming and costly to generate data and this does not help the commercial viability of the business.

(f) BIF can fund some 'deep-dive' impact assessments that go beyond what a business will report. But only on a selection of projects in year 3.

Evidence from other projects

- Most Inclusive business projects report numbers of BOP people reached. Assessing how much they benefit in monetary or livelihood ways is rare.

## Appendix 5 - Business Call to Action (BCtA)

What makes a Business Call to Action (BCtA) initiative?

- Have the potential to generate economic and development benefits;
- Are clearly linked to the company's core business;
- Incorporate a "fresh" or new approach to business for the company, e.g. through the setting of new targets;
- Generate measurable results

The credibility of the BCtA hinges on its ability to disseminate results that can: demonstrate the unique contribution of BCtA initiatives to development; inform and improve practice in the creation of inclusive business models; and inspire additional action by the private sector in this area. Therefore, as a condition of BCtA membership, companies are required to report results toward achieving their BCtA initiatives on an annual basis. It is important that these results show the measurable contributions (to date) of their initiatives to both development and commercial goals.

The BCtA has identified a number of indicators from which companies can pick and choose. Some of these indicators are intended to be broadly applicable across all BCtA initiatives regardless of business sector or activity, while others may be more relevant to specific activities. As good development practice, it is recommended that gender-disaggregated data be supplied for all indicators, where possible.

Indicators have been allocated under the following categories (These categories have been adapted from Nelson, Jane (2003). "Economic Multipliers: Revisiting the Core Responsibility and Contribution of Business to Development." (IBLF Policy Paper 2003 No. 4 and WBCSD Measuring Impact Framework, 2008).

**Investment**: Companies inject cash into economies and increase capital investment by: localizing production and/or manufacturing; investing in research and development; paying local taxes and/or royalties to host governments; timely payments to suppliers; reinvesting back in the local business for future growth; earning foreign exchange; and leveraging other investments in the community.

**Job Creation**: Companies support national and local employment generation by: creating jobs at all levels of operations and management for local employees; supporting indirect local job creation along value chains; and proactively employing women and marginalized groups where possible.

**Enterprise Development**: Companies support local business development through backward and forward business linkages along their value chains especially with medium, small and micro-enterprises and accompanied by support in terms of financing and skills development.

**Human Capital Development**: Companies support human capital development through: training and skills development for employees, joint venture partners, local contractors and suppliers, and other stakeholders; and/or investing in research, training and education in local schools and universities.

**Income Generation**: Companies impact upon incomes and family well-being through various activities but in particular by paying wages to employees; enabling economic activity of other stakeholders; and supporting access to basic needs.

**Goods and Services Provision**: Companies can ensure more beneficial local impacts of their goods and services by: adapting brands to meet local needs, tastes and cultures; ensuring affordability and access in the case of basic and/or essential goods and services; understanding and managing the full product lifecycle from sourcing to manufacturing, marketing, distribution and product end-use and disposal; and investing in product quality and safety.

**Infrastructure and Sustainability**: Companies can play a valuable role in contributing to the building and maintenance of critical infrastructure, particularly those which support access to water, energy, health and ICT; reduce vulnerability through adaptation; and protect against environmental degradation and climate change.

## Appendix 6 - Oxfam – Poverty Footprint

A Poverty Footprint[20] examines five key areas where companies interact with five dimensions of poverty to assess the effects of the company on people's lives. It also looks at the way in which these effects relate back to the company.

**Research areas**

The research is organised around five main 'Research Areas' that group the ways in which companies interact with and affect poverty and development.

**(1) Value chains:** how a company's value chain and its procurement, manufacturing, and distribution policies and/or practices influence the ability of poor people to access good-quality employment, earn a living wage or sustain a business, and participate in the market.

**(2) Macro-economy:** how a company's economic contributions, including distribution of profits, shareholder dividends, taxes, and employment, affect the standard of living of poor people, or the balance of payments, in countries of operation.

**(3) Institutions and policy:** how the company's actions regarding social institutions and policy affect the well-being of people living in developing countries. It considers the effects of lobbying, direct investment, and procurement and distribution practices in relation to the development of institutions (such as producer organisations, unions, cross-sectoral learning labs, social networks, women's groups) and policies that focus on trade, finance, education, and health.

**(4) Social implications of environmental practices:** how a company's environmental practices affect the livelihoods and health of poor people, their ability to access natural resources, and their risk of being affected by a natural disaster. The resilience of the value chain to environmental shocks is considered.

**(5) Product development and marketing:** how a company's products and services and its marketing strategy influence the cultural practices of indigenous and local communities (including gender impacts), affect their health and well-being, and shape their ability to obtain essential goods and services.

[20] Oxfam Poverty Footprint: Understanding Business contribution to development -

## Appendix 7 - BOP Impact Assessment Framework – Ted London

Making better investments at the base of the pyramid, Harvard Business Review 2009

To aid organisations in assessing and enhancing their local poverty alleviation impacts and improving the value proposition for BOP stakeholders.

2 phases –

(1) strategic analysis to gain a deep understanding of enterprise's set of impacts
(2) performance analysis to identify, understand and improve key indicators over time.

Framework addresses who is impacted and how they are impacted.

| | Sellers | Buyers | Community |
|---|---|---|---|
| Economic well-being | | | |
| Capability well-being | | | |
| Relationship well-being | | | |

Economic well-being – changes in income, income stability, assets, consumer surplus and economic productivity resulting from the enterprise's activities.

Capability well-being – changes in physical well-being (health, ability to perform certain activities); intellectual well-being (skills, knowledge, capabilities etc) and psychological well-being (self-esteem, dignity etc)

Relationship well-being – changes in roles and status (within family, community etc), access to social support (relationships with individuals, groups and partners), levels of dependence and responsiveness (suppliers, intermediaries, government etc) and quality of the local physical and cultural environment (changes in land use, waste generated, traditional values, consumption patterns etc)

The impacts within each of these three areas of well-being are prioritised based on their magnitude and their likelihood in order to enable an organisation to understand their most significant impacts.

The framework was amended in the light of ADB requirements so that the list of groups impacted was expanded to include –

- Distributors or entrepreneurs
- Consumers
- Producers
- Agents
- Employees

..and the means of impact was expanded to make more explicit reference to access to and affordability of new or improved goods and services –

- Economic well-being includes changes in consumer surplus brought about through changes in the affordability or accessibility of existing products or services
- Capability well-being includes changes in access to not-previously available or substantially improved products or services or involvement in new activities

## Appendix 8 –Overseas Development Institute

Assessing the impacts of business on development

Caroline Ashley, Overseas Development Institute, May 2009

**Table 1: Overview and categorisation of different approaches**

| | Approach and example | Applied to: |
|---|---|---|
| **1** | **Local assessment: Livelihood impact & stakeholder views** | |
| | SABMiller/PwC assessment of 'enterprise development' in the supply chain<br>Diageo/LBG assessment of 'Water of Life' projects<br>Body Shop assessment/ verification of Community Trade | Company initiative to boost benefits to the poor |
| | Anglo American Social Economic Assessment Toolbox | A mine in a developing country |
| | Vodafone assessment of the impact of mobile phones | Mobile phone users, aggregated. |
| | WBCSD impact assessment framework | Scope determined by company |
| | | |
| **2** | **Value chain footprinting** | |
| | Unilever/Oxfam assessment of Unilever Indonesia | A multinational in one country (Indonesia) and its entire value chain (supply, distribution, retail) |
| | Oxfam poverty mapping | A national or multinational company, impact within one country |
| | ODI, IFC, SNV, pro-poor mapping of tourism value chains | Tourism sector, comprising multiple firms, in one destination |
| | | |
| **3.** | **Economic contribution and multipliers** | |
| | Unilever: economic footprint in South Africa<br>SABMiller: contribution of SAB to South Africa's economy | A multinational in one country, all direct and indirect affects. |
| | Tourism Satellite Accounts | Entire tourism sector in one country |
| | | |
| **4** | **Scorecard performance** | |
| | Reporting against GRI indicators. E.g. Barclays, Diageo, SABMiller etc. | Company performance, internationally |
| | SPeAR framework of ARUP and Engineers against Poverty | Project-specific investment |
| | Good for Development 'badge' concept | Company performance, internationally |

Approach 1; Local assessment: livelihoods impacts and stakeholder views

**Box 1: What does it mean in practice?**

**Example: Diageo, Water of Life Project**

*Examples of impact reported:*

- In 2008, 1.18 million beneficiaries have been reached, the majority being in Nigeria (420,000) and Kenya (372,690) and Ghana (158,960)
- Water supplies and sanitation close to people's home has also indirect benefits, for instance an increased sense of security, particularly among women. Health benefits, increased social harmony and new sources of income

*Examples of questions asked at community level*

- Do you have access to water and sanitation in your village? If so, since when?
- Did your daily live change with having access to water in your community?
- Apart from positive impacts can you think of any problems that arose due to access to water and sanitation?

**Example: SABMiller, Enterprise Development in their supply chain: The Smallholder Programme**

*Examples of impacts reported*

- In 2007/08 over 10,500 smallholder farmers engaged in SABMiller programmes in Africa and India. The number is estimated to reach nearly 17,000 in 2009
- In India, farmers receive a preferential price, which in 2007/08 was around 5% higher than the open-market rate

*Examples of questions asked to farmers*

- Have you been involved in the SABMiller smallholder programme?
- Did the participation enable you to hire additional temporary labour during harvesting?
- Did the programme have any long-term impact on your business? E.g. more disposable income?

*Summary:*

The key feature of this approach is the use of local level information and perspective gathered from firms, workers, enterprise and residents. Versions of this approach are used by companies, NGOs and project funders, researchers, and business-related schemes.

It is useful for:

- Either 'proving' impact to date, or 'improving' future management based on in depth understanding of what works, how;
- Grounding the impact assessment in tangible local change and real data, including measurables such as incomes, jobs.
- Covering both measurable economic results with less tangible data on preferences, social, and environmental issues
- Aggregating and comparing some key data between different sites, to learn more about big picture impacts and areas of high/low performance:

Limitations:

- Unlikely to deliver simple quantitative answers that summarise impact, nor standardised results that enable comparisons such as return on investment, or ranking between sites.
- Requires fieldwork at community level, so cannot be done rapidly from the desk.
- Does not assess impacts at a large scale, such as across a major value chain, or entire economy.

Approach 2: Value chain maps and poverty footprints

Shares a lot of data with Approach 1 but also tracks wider flows to intermediaries, shareholders, Treasury and looks more at aggregated data rather than personal stories. Links to other sectors and industries but does not go as far as Approach 3 to look at macroeconomic impacts such as contribution to output or growth. Approach 2 combines local level data with a big picture of the impacts and relates to the channels and systems through which the company or sector works.

**Box 2: What does it mean in practice?**

**Example: Unilever Indonesia (UI) and Oxfam** collaborated in a joint research project in 2005. The research considered the impacts of Unilever Indonesia across the entire business value chain.

*Examples of impact reported*

- Overall, the research estimates that the full-time equivalent (FTE) of about 300,000 people make their livelihoods from Unilever's value chain. More than half are within the distribution and retail chain.
- Total value generated along the value chain is estimated at US$ 633 million. Of this, UI earns about US$ 212 million; the remaining US$ 421 million is distributed among other actors in the chain with greater concentration among actors who are in direct interaction with UI.

*Examples of questions asked to poor consumers*

- Do you know whether Unilever personal care products are available in your local shops?
- Do you buy Unilever products for your personal care?
- In how far does using these products have an impact on your daily life?

*Summary:*

The key feature of this approach is the combination of information from local stakeholders and corporate operations, brought together into a 'big picture' covering the entire value chain from material supply to distribution and consumption. Versions of this approach are used by companies, researchers, NGOs and donors. Companies may do it to either prove or improve. The others do it mainly to assist in diagnosing how to make value chains perform better.

It is useful for:

- Both 'proving' impact of the entire value chain, and 'improving' future management based on disaggregated analysis. The picture of the entire business or sector can be summarised in a few overall statistics but also contains detail of different parts of the footprint as a basis for decision-making.
- Combining assessment of impact with assessment of commercial operation, so the inter-dependence of the two are clear.
- Combining tangible data on jobs, wages, enterprises linkages and revenue flows, with potential to add non-financial issues, such as governance within the chain and stakeholder views on social impact, and the 'big picture' of national impact. .

Limitations

- A significant undertaking requiring fieldwork, detailed corporate data and skilled aggregation and analysis.
- Likely to capture static picture but not dynamic impacts on local development

Approach 3: Assessment of multipliers and contribution to economic activity

This approach calculates the economic footprint of a company drawing from economic data rather than local level assessment. It draws on company data to build a picture of jobs created in different parts of the supply chain.

**Box 3: What does this mean in practice?**

**Example: SABMillers contribution to the South African economy**, assessed by the Bureau of Economic Research at the University of Stellenbosch

*Examples of impacts reported (economic contribution)*

- In 2007, SABMiller's contributed 3.3% to the South African GDP
- In addition to directly employing 8,780 workers, 75% of whom are from disadvantaged groups, SAB's operations support an estimated 48,000 jobs at SAB's first round suppliers. In all, 378 000 full-time jobs (or 3.0% of total employment in South Africa) can be directly or indirectly linked back to the production and sale of SAB's products

*Examples of questions:*

- To managers: what is total spending on each supply component?
- To economists: how does $x of spending on transport translate into economic outputs and jobs, according to the input-out tables and Social Accounting Matrix for South Africa?

*Summary:*

The distinctive elements of this approach are that it uses economic tools to provide clear aggregated data on the economic contribution of a company. It covers the entire corporate value chain, from an economic perspective. Such approaches are often used by economists and so far by few companies.

It is useful to:

- quantify and demonstrate the overall economic contribution of a sector or large business;
- move beyond anecdote to hard numbers;
- make comparisons between different parts of the business, or between comparable assessments across sectors, countries or companies.

Limitations:

- Less likely to generate disaggregated data for making decisions on specific parts of the business, nor finely textured analysis of causes of impact and areas to develop
- Less likely to include non-financial impacts, or reflect non-financial issues prioritised by different stakeholders

## Approach 4 – Reporting against scorecards and standardised indicators

*Summary:*

Scorecards and indicators can be used to report regularly on performance at corporate level, or at a project site. They are good for:

- Capturing fixed information which can be repeated over time and compared across respondents.

GRI and UN Global Compact indicators:

- Are used by many large companies
- To report publically and transparently on a wide range of issues of corporate performance, not specifically development impact.

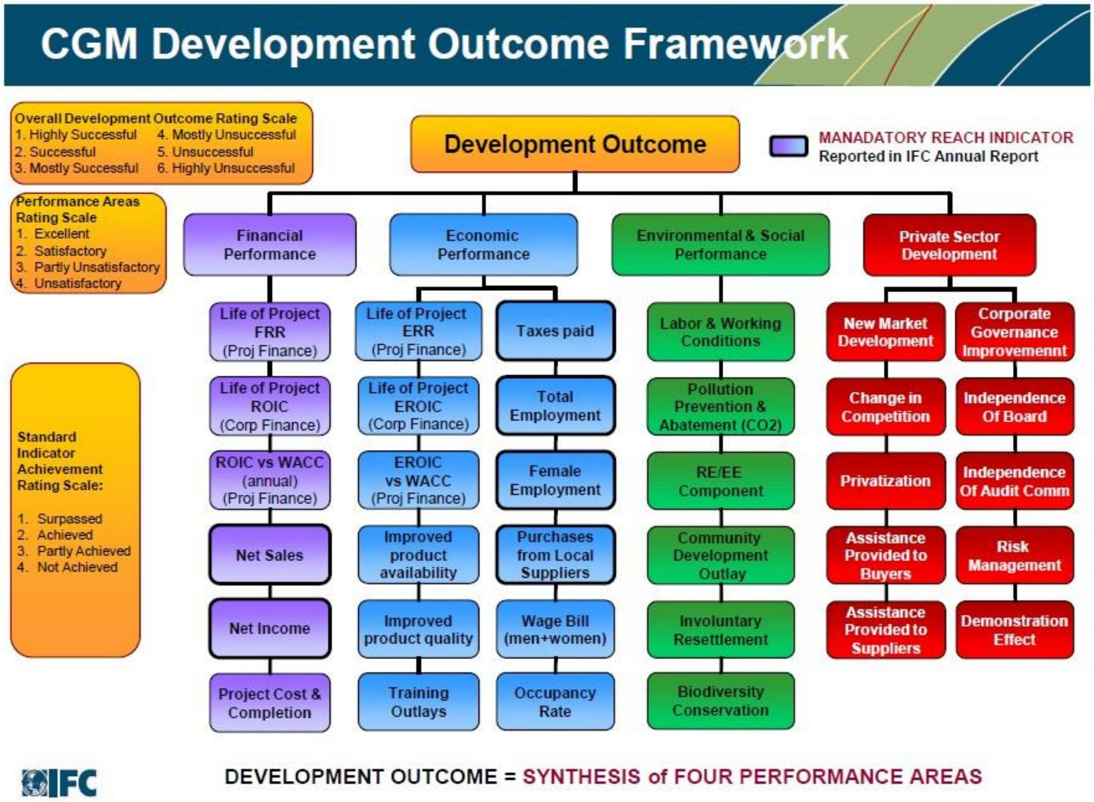
Alternative scorecard approaches could be used to report on a combination of quantitative impacts (jobs, tax payment etc), and more qualitative impacts and contribution to structural change (institutional development, SMME development). They are useful for:

- Trying to capture wider development issues in a standardised way. Standardisation enables diminishing costs of repeat assessments, and comparison between time periods, sites, or respondents.
- The scorecard approach enables numerical indicators to be combined with other important indicators of impact, and can visually be presented as such.

Limitations:

- It is difficult to establish fixed indicators that can capture development impact, are applicable in widely differing circumstances, and can generate scores that can reasonably be compared.
- Scores provide a static snapshot. While highlighting areas of weakness, they do not necessarily explain strong and poor performance, so additional insights are needed for improved decision0-making.

## Appendix 9 - International Finance Corporation




## Appendix 10 - Progress out of Poverty Index – Grameen Bank

This tool is designed to measure the poverty levels of groups and individuals, and to track changes in poverty levels over time.

A composite of 10, easy-to-collect, country-specific, non-financial indicators such as family size, number of children attending school, and type of housing they live in

PPI draws information on each country from that country's national household survey

- Mexico – National Household Income and Expenditure Survey
- Pakistan – Integrated Household Survey

Or the relevant World Bank survey or Living Standards Measurement

PPI score then serves as a baseline from which client progress is measured.

(a) Measuring
Field staff visit homes of clients to collect key information and score it
(b) Analysing
Field staff match points against poverty level estimate
(c) Managing
Use data to decide on programmes and to communicate

PPI aims to measure changes through time – so powerful indicators such as education of the female head/ spouse that are unlikely to change over time are omitted in favour of slightly less powerful indicators (e.g. number of radios) that will change.

## Appendix 11 - Making Good in Social Impact Investment – Evenett & Richter - 2011

The ever more complex social impact metrics industry runs the risk of allowing the perfect to become the enemy of the good.

It should be satisfactory that an auditable methodology asks –
(1) Have deliberate social objectives been specified at the outset?
Say what you will do.
(2) Are measurement systems in place to record whether those objectives have been achieved?
Do what you say you will do
(3) Are results evidence-based and objectively verifiable?
Transparent, objective and unambiguous
(4) Are results linked to incentives for the organisation and / or staff?
Outcomes-based reward / payment by results
(5) Is there a mechanism for learning and continuous improvement?
Feedback loops to improve quality and best practice

## Appendix 12 - Charting Impact framework by New Philanthropy Capital

(1) What is your organisation aiming to accomplish?
(2) What are your strategies for making this happen?
(3) What are your organisation's capabilities for doing this?
(4) How will your organisation know if you are making progress?
(5) What have and haven't you accomplished so far?

## Appendix 13 - Double Bottom Line Project Report

Assessing Social Impact in Double Bottom Line ventures – Clark, Rosenzweig, Long, Olsen

| | | | | PRIMARY APPLICATION TO DATE | |
|---|---|---|---|---|---|
| METHOD | PROCESS | IMPACT | MONETIZATION | NONPROFIT | FOR-PROFIT |
| Theories of Change | ● | | | ● | |
| Balanced Scorecard (BSc) | ● | ◓ | | ● | |
| Acumen Scorecard | ● | | | ● | ● |
| Social Return Assessment | ● | | | | ● |
| AtKisson Compass Assessment for Investors | ● | ◓ | | | ● |
| Ongoing Assessment of Social Impacts (OASIS) | ● | ● | | ● | |
| Social Return on Investment (SROI) | | ● | ● | ● | |
| Benefit-Cost Analysis | | ● | ● | ● | |
| Poverty and Social Impact Analysis (PSIA) | | ● | ● | ● | ● |

All ventures can benefit from a Theories of Change analysis
Before designing a project, must know who the stakeholders are and what they want.

There is a difference between the entrepreneur's and the social scientist's definition of impact, output, outcomes and social return.

Outputs – can be measured directly eg number of pupils in school
Outcomes – ultimate changes we are trying to make eg higher self-esteem for participants or higher educational achievement.
Need a counter-factual to remove what would have happened anyway but
➢ Can be costly to prove with certainty
➢ Can create practical problems eg the people who don't have access (the control experiment) may not be satisfied.

Need to combine feasibility and credibility.

3 methods for social impact assessment
(1) Process methods – tools used to track and monitor the efficiency and effectiveness of the outputs, variables or indicators that management uses
(2) Impact methods – tools that relate outputs and outcomes.
(3) Monetisation methods

One cannot get to high quality assessment of impact without having a good tool to track process outputs. Impact assessment data have to inform process management.

<u>Impact methods include</u> –
- Theories of change
- Balanced scorecard
- Social return on investment

- Atkisson Compass Assessment
- Ongoing assessment of social impacts
- Benefit-cost analysis
- Poverty and Social Impact Analysis

Balanced scorecard (Kaplan and Norton)
Companies measure performance in terms of financial, customer, business process and learning-and-growth outcomes

Social return on investment – place monetised values on portfolio. Combine cost-benefit analysis with financial analysis tools

Atkisson Compass Assessment – 5 key areas –
Nature (environmental impacts and benefits)
Society (community impacts and involvement)
Economy (financial health and economic influence)
Well-being (quality of life)
+= Synergy (links with other 4)

Ongoing assessment of social impacts
This is based around creation of a customised comprehensive ongoing social management system. It involves designing a social Management information System (MIS) and then implementing through integration with other information tracking processes.

Benefit-Cost Analysis
Costs and benefits are assessed in terms of
(1) NPV; (2) Benefit-cost ratio and (3) IRR
Used by economists to evaluate investments when important consequences of an investment are not fully reflected in revenues and expenditures
Can suffer from
(a) poor accounting framework so that it is not clear from whose perspective the benefit is calculated
(b) missing important intangible impacts and / or costs

Poverty and Social Impact Analysis (PSIA)
Not a tool for impact assessment in and of itself but a process for developing a systematic impact assessment for a given project.
The method emphasises the importance of setting up the analysis by identifying
- the assumptions on which the programme is based
- the transmission channels trough which the programme effects will occur; and
- relevant stakeholders and organisational structures

The programme impacts are estimated and the attending social risks assessed. The feasibility and cost of PSIA would challenge organisations with limited research resources.

## Appendix 14 - Emerging markets, emerging models

4 business models serving the poor as customers

(1) Pay per Use
(2) No frills
(3) Paraskilling
(4) Shared channels

3 business models serving the poor as suppliers or producers

(1) Contract production
(2) Deep procurement (bypassing traditional middlemen)
(3) Demand-led training