Final proposals to connect social impact measurement and SDGs in favor of SSE

Social Impact Measurement and SDGs: Peer Learning Partnership

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Executive summary

This report analyses the work done with the 18 organisations of the PLP consortium in studying the potential opportunities of using Sustainable Development Goals (SDGs) in social impact measurement (SIM) and in boosting SSE organisations.

Through a series of workshops, discussions and expert interviews, members of the consortium have analysed why PLP consortium members should link SIM to SDGs and how the identified stakeholders should be involved in this mission.

Our research has shown that SDGs can be a valuable tool for building a common language and facilitating discussion among actors. However, there is a consensus that the implementation of SDGs in SIM is still turning out to be a long process that extends beyond the Agenda for 2030 and must involve a large panel of stakeholders (investors, policy makers and social entrepreneurs). It should also be noted that the SDGs only apply until 2030, which is less than nine years from now. This is a very short time frame, especially when talking about impact and trying to influence global practices.

A survey of literature (French Impact, 2021[1]) and PLP members' exchanges has indicated that it is critical to involve policy makers, foundations and grant makers if all the actors concerned want SSE organisations to use this common language. This could take the form of training, consultancy support or conditioning funding in order to conceive a common project.

Some relevant inspiring practises are available in the dedicated PLP library (French Impact, 2021[2])such as the proposal from the government of Biscay: The Biscay Model: Aligning tax policy with the United Nations sustainable development goals (Mazzucato et al., 2021[2]).

Although practical experiences and literature have both found that some organisations, such as Informe Association Amica in Spain (AMICA, 2020[3]), already have an intrinsic motivation to measure impact in relation to the SDGs, receiving financing for the activities remains a central incentive (see Findings section of this report for details). It is necessary to take into account that SSE organisations might be

unwilling or unable to take part in time-consuming tasks if they are not genuinely interested in the outcomes of their application.

SDGs should be promoted as a common tool to help SSE organisations boost visibility, increase access to funding and play an advocacy role. Exchanges among PLP members expressed that using the SDGs could help SSE organisations show their real contribution to Agenda 2030 and gain credibility in society.

PLP exchanges also underlined the following core elements needed to guarantee success in using SDG in social impact measurement:

- stronger commitment from policy makers to democratize the use of this common language
- real commitment from investors to partner with SSE organisations in changing current practices
- list of clear and proven methodologies used by stakeholders (investors, policy makers and SSE organisations) that need impact data for decision making and trusted communication tools that avoid green-washing practises.

These methodologies must allow the creation of key performance indicators (KPIs) adapted to the context to remain. Further, all of this could take the form of focusing training, consultancy support or funding toward conceiving a common project.

Recommended actions for each stakeholder

In order to clarify the big picture, PLP members compiled a list of detailed proposals to promote SDGs in order to use it in SIM and in boosting SSE organisations. This list has been broken down according to the three main stakeholder groups: investors, policy makers and SSE organisations. The proposals were made on the basis of PLP exchanges and supported by literature and documents available at the PLP Library - a collection of cases and examples from all the countries participating in this PLP (French Impact, 2021[25]).

1. PROPOSALS FOR SSE ORGANISATIONS

1.1 SSE organisations should have the opportunity to explain what is happening in the field and what it means to resolve social issues.

SSE organisations are not on a level playing field in terms of size and power - either among each other or with investors. This indicates the need for capacity building and technical assistance, so they can all express and understand each other's issues.

In order to overcome this challenge, the consortium identified potentially helpful initiatives. Some examples:

- **The Common Approach** is a set of four impact-measurement standards created for - and governed by - social purpose organisations. This is an inclusive approach to building a community-based standard (Common Approach, n.d.[36]).
- **The Impact Management Project** is a comprehensive example of an SIM framework that is shared by both investors and the SSE organisations. It provides a community of over 2 000 practitioners with a forum for building global consensus on measuring, assessing and reporting impact (The Impact Management Project, n.d.[37]).

Other testing initiatives developed by the consortium are included in our PLP library

1.2 SSE organisations with unclear/under-developed impact areas should be encouraged to refer to SDG indicators to reinforce their legitimacy.

SSE organisations must be very careful in explaining how their practices of governance, profit allocation, cost structure and internalising externalities are ways of contributing to SDGs. If they succeed in showing it, then they will also defend their specific business model and reinforce its legitimacy.

It is necessary to work on sector-specific catalogues of SDG indicators and curricular training modules to determine and describe how certain SDGs relate to social economy organisations. This would help SSE organisations in monitoring and impact analysis tasks

1.3 SSE organisations should have a list of recognized tools to integrate SDGs with their SIM tool. This should be provided by public authorities or recognized institutions such as the OECD, UN or policy makers.

SSE organisations have a real interest in developing adequate impact measurement systems not only to respond to investors' information and data needs but to optimise and strengthen the production of impact and better access to financing.

These organisations need a flexible but meaningful structure in order to implement integration of SDGs into their SIM. Without such a structure, these organisations will not have comparable data and processes and, in the worst case, may never get started with the SDGs. Without flexibility, "one size fits all" tools won't work within existing processes, and they also risk distracting these organisations from their core missions or abandoning them altogether.

2. PROPOSALS FOR POLICY MAKERS

2.1 Strengthen the cooperation with SSE organisations in order to democratize SDGs and its implementation

Policy makers should strengthen their link with SSE organisations by building trust and confidence through partnerships. Policy makers (including national and local level) should create a supportive SSE ecosystem to foster and spread social innovation and sustainability at scale. This can be done in 4 ways:

2.1.1 Promote the power of the collective by fostering cross-sectoral collaboration.

- Establish a permanent "office for SSE organisations" or identify a central spokesperson, ideally close to decision-making powers that are relevant for SSE organisations, such as someone in the Prime Minister's office or the Ministry of Finance.
- Establish or recognise an SSE organisation to advocate on behalf of the social sector as an independent body, such as a group similar to a Chamber of Commerce. This will allow formalisation of policy experimentation through an independent body that co-creates approaches with stakeholders, and also funds and tests pilots as well as institutionalised innovations in cooperation with the government.
- Incentivise cross-sectoral collaboration with celebrations and meetings for civil servants. Formalise the process by having frequent and consistent learning exchanges between SSEs and civil servants. For example, hold a yearly conference.

2.1.2 Strengthen capabilities by building a skillset that improves effective collaboration.

- Offer experience-based learning in private, social, local and national government levels, and public sectors.
- Adapt appraisal processes and adjust ways of working to reward a holistic perspective and appropriate risk taking.

2.1.3 Enable social sector models by creating an environment that is inclusive of and conducive to social enterprises and their business models.

- Provide fiscal benefits to social enterprises and their investors by, for example, foregoing registration fees and introducing tax benefits tailored to size, type or social impact.
- Include social and environmental impact alongside financial considerations in government procurement criteria.
- Establish a social seed fund which supports social enterprises that focus on the SDGs.
- Support scalable flagship projects to help overcome investors' fears regarding financial risks.

2.1.4 Provide information by supporting efficient and well-informed decision-making processes on social innovation.

- Operationalise a data exchange platform to allow for collaboration in information generation. To do this, for example, SSE organisations can add data to a common database.
- Create a permanent dedicated infrastructure at national governmental level to programmatically institutionalise proven innovations, such as a platform, and to optimise and accelerate existing paths.

2.2 Translate SDGs into specific targets at regional level. Specific goals coming from local authorities could help align incentives with the SDGs and enhance effectiveness.

The implementation of the UN's 2030 Agenda can appear too complicated or abstract for local-level organisations.

PLP exchanges confirmed that even if SDGs present a common language, they are more understandable at international level than at regional or local levels. The PLP consortium members stressed that policy makers should take steps to boost their public and local policies in order to make them consistent with the SDGs. The consortium members also identified the SDGs as a real opportunity to bring different actors together and engage in dialogues for cooperating in SIM and value SSE organisations.

Some local governments are already working on how they can translate the SDGs to their own needs (Mazzucato et al., 2021[2]). This is critical for broader social adoption so that SDGs become a natural part of everyday measurement and impact conversations. To help them, the OECD has developed the ambitious "Better Policies for 2030: An OECD Action Plan on the Sustainable Development Goals" programme to support cities and regions in developing, implementing and monitoring strategies to achieve the SDGs (OECD, 2016[38]).

2.3 Provide more investment opportunities to make public funding a tool to achieve social and environmental goals. Policy makers could create policies and regulations that guide investors in their priorities.

Policy makers are very powerful players in impact creation because they are considered among the largest funders of impact. This means policy makers can actually provide investment opportunities that are linked to the SDGs and, in turn, create the impact PLP consortium members need to see in our societies.

In this regard, there are some potential initiatives for policy makers to consider:

- Incentivise outcome-based logic and approach to create interesting investment opportunities to achieve the SDGs. If entrepreneurs achieve agreed upon SDG targets, then investment funds will receive payments that cover additional costs and mitigate risks of investment in SSE organisations that otherwise would not receive access to finance.
- Use fiscal policies to achieve some of the SDGs that are their top priorities. For instance, tax authorities could compare contributions to the SDGs across a set of organisations and reward them accordingly through tax incentives (Mazzucato et al., 2021[2]).
- Create policies that give companies incentive to improve their performance on social and environmental outcomes, or that penalise companies that fail to manage the negative impacts they have on people and the planet. As a result, impact will become a financial or material risk for organisations to manage, and investors will increasingly consider impact criteria in their investment decision-making process. One of the most common and successful examples of this is the carbon tax. Policy makers can incentivise with laws or national strategy that mandate how a part of every contract has to be spent with social enterprise.

3. PROPOSALS FOR INVESTORS

3.1 Investors should make sure that SDGs are part of the SIM process and recognize the time and resources necessary to implement it. This should be part of the investment agreement.

Social impact measurement practices should be considered an integral part of the impact investment process and as the core of any partnership between SSE organisations and investors. Investors cannot be seen only as finance providers. Indeed, when working with investees, investors should recognise the importance of investing their time as well as financial resources into organisational development. A lack of organisational development can be the reason for the mission drift of an investee.

The ultimate goal would be for SSE organisations to integrate SIM practices as part of their operations. In this way, they can pursue SIM beyond the duration of the investment, as a tool of self- assessment and improvement.

Investors should assure that the SSE organisation has the means and the resources to set up and implement measurement tools. Furthermore, investors do not have to impose the measurement tool in a rigid way. Rather they can co-develop the implementation with the beneficiary organisation. When designing a social assessment process, the starting point should always be the local issue the organisation aims to address, keeping in mind how useful the SDGs are in defining impact perimeters and long-term goals.

The cost for the SIM could be reduced by involving private and public investors but also by relying on common tools, methodological resources and lessons from past experiences. However, there are some warnings that should be heeded, such as the risk of under appropriation of the tools by the social enterprises themselves, the risk of misunderstanding the global objective of SIM, which is demonstrate the value added to society, and the risk of standardization.

3.2 Investors should embed their SDGs and outcomes into their management practices to optimise impact. By doing so, they would encourage SSE organisations to do the same.

The SDGs can be a great tool for investors who want to drive impact through their investments, and more education on this tool will result in a wider adoption rate. Further, PLP consortium members believe that the quickest way to get the SDGs into an entrepreneurial venture's strategic plan is through the investment community, since there is a strong financial incentive.

At the macro level, the investors are increasingly aligning their investment theses with the SDGs but it is often done superficially. Investors need to integrate the SDGs into their impact assessment, set ambitious goals and do a better job of taking their interdependence into account.

At the micro or project level, SSE organisations are trying to measure their social impact but, according to our PLP exchanges, they are usually not using the SDG framework to do it. Therefore, there is a broad desire in the impact investing community to find a common method to measure and demonstrate the impact of their investments, driven by investors themselves (Convergences-Impact Finance Barometer, 2021[8]). However, according to PLP exchanges, a lot of positive intent to engage with the SDGs is shallow because there is lack of clear guidance on how organisations can translate these good SDG intentions into SDG action (see Annex D for an interview with GIIN members (GIIN, 2018[13]).

In this regard, the SDG Impact Standards promoted by the UNDP provide compelling and complete guidelines for investors to embed impact management in their strategy, governance and processes (SDG Impact, n.d.[14]).

3.3 Investors shall provide clear guidance to their investees on their investment strategy and impact measurement framework. These investors should be transparent as to their objectives and expected reporting deliverables, and build awareness through active dialogue.

Once they have identified an investee, many impact investors should look to develop collaborative approaches to their providing support. This can be done by demonstrating - through measuring and reporting - that the investee's impact aligns with their investment thesis, and determining how to manage and improve the investee's impact performance throughout the investment's term or lifespan.

According to the GIIN 2020 Annual Impact Investor Survey, 89% of impact investors use external systems, tools and frameworks to measure their impact. The most commonly used impact measurement and management resources are the SDGs (73%), the IRIS Catalog of Metrics (46%), IRIS+ Core Metrics Sets (36%), and the Impact Management Project's five dimensions of impact convention (32%) (Hand et al., 2020[39]).

Best practices involve a small set of standard indicators linked to the SDGs that can be easily reported by all the organisations that the investors are supporting. It is not easy for investees to implement the SDG framework because it is often unfamiliar to them and not their priority, so they really need to be supported by the investors.

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