Philanthropy Impact
Magazine
Issue 10: Winter 2015–16

There's a huge win when you invest socially
Dame Stephanie Shirley

The new social economy
Edward Finch and Hugh Swainson

Early stage funding: sometimes it's just too early to measure impact…
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Philanthropy services by Dutch banks: Creating impact for colleagues, clients, and charities
Jacqueline Detiger

THE RELATIONSHIP BETWEEN MONEY AND MISSION

Understanding ROI in philanthropy and social investment

PART ONE

A SHIFTING SCENE

We are at an exciting moment in the history of philanthropy and social investment. Measuring return on philanthropic and social investment is more and more an imperative. At this time, theory and art combine. Science and logic work alongside intuition and creativity, but with a shifting emphasis towards evidence. The relationship between money and mission and the ROI in philanthropic giving and social investment is a hot topic.

Philanthropy Impact members and key stakeholders debate how to measure impact as well as the different types of ROI funders are looking for from their investment.

Social impact measurement is the discipline of understanding and reporting on social, environmental and other changes effected by organisations for their stakeholders.

Whether you are engaging in philanthropy or social investment, understanding social impact and how it is measured is important, and the only way we can truly understand the relationship between money and mission.

YEAR OF MONEY AND MISSION

When we called for articles on impact measurement, the response was overwhelming. With over 60 high-quality articles submitted, we did not want to limit the debate. Therefore, all four issues of Philanthropy Impact quarterly magazine throughout 2016 will address the subject. We bring you the perspective of professional advisors and their clients, philanthropists and social investors, and trusts and charities assessing the ROI and impact of their philanthropic and social investments.

We hope that you find a deeper exploration of this important topic stimulating and informative. *Editor*

PLUS: Kevin Jennings Exercising leadership and assessing its impact

Evita Zanuso Social investment tax relief: Is it achieving an impact?

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The relationship between money and mission – Understanding ROI in philanthropy and social investment (Part 1)

Evaluation is the path to impact

We at the Arcus Foundation couldn't be happier to sponsor this issue of *Philanthropy Impact* and in doing so facilitate a dialogue on such an important issue as evaluation. This topic is important to funders, of course, who want to spend their philanthropic dollars wisely, but most significantly, evaluation matters because it is the path to impact. And really, impact is the only reason that the philanthropy sector exists. Optimism without strategic focus can become nothing more than the inert dispersal of energies without appropriate rigor in our work. Only by constantly focusing on two key meta-level questions and a number of logical derivative questions, can we and those who receive our funding manage effectively toward meaningful, sustainable change. In a strong, self-examining voice, we must always be asking the following: *What's working? What's not working?*

Examining the impact of individual grants and program activities has been the traditional approach to foundation evaluation. At Arcus, we are following the lead of foundation colleagues who take a 'systems view' and use a foundation-wide approach to organizational performance evaluation and impact assessment. Just this year, we have begun the process of creating a mechanism for applying this rigor as we attempt to optimize our ability to leverage the foundation's valuable resources to advance our impact in the foundation's two mission areas—social justice and conservation. We offer up the details and rationale associated with our strategic framework in our own contribution to this publication.

Our approach, of course, is only one of many, and we know there is tremendous value in understanding the ways in which others are pursuing this challenge. We hope all of the perspectives shared in this issue of *Philanthropy Impact* will enrich and inspire so that we can all accelerate the change we are working so hard to bring about.

Kevin Jennings *(www.arcusfoundation.org)*

Founded in 2000 by Jon Stryker, the Arcus Foundation is a leading global Foundation dedicated to the idea that people can live in harmony with one another and the natural world. Arcus believes that respect for diversity among peoples and in nature is essential to a positive future for our planet and all its inhabitants. We work with experts and advocates for change to ensure that lesbian, gay, bisexual, and transgender (LGBT) people and our fellow apes thrive in a world where social and environmental justice are a reality.

The Arcus Foundation funding strategy targets general operating support, project support for specific programs, public policy and research, capital projects and capacity building, in two main areas of focus: social justice and great apes conservation. We do not make grants to individuals, or for scholarships, lobbying purposes, political campaigns, film production, or medical research.

Arcus grantees work in more than 30 countries around the world, and affect millions of lives. In 2014, 48 grants totaling more than $10 million were awarded to organizations working to protect the great apes, and 178 grants totaling more than $18 million were awarded to organizations working to advance social justice for LGBT people around the world.

The Arcus Foundation requires all organizations seeking funding to have in place a board-approved Equal Employment Opportunity (EEO) Policy that specifically includes and lists sexual orientation and gender identity, and requires compliance with all other applicable federal and local EEO laws.

Kevin B. Jennings, Executive Director, Arcus Foundation

Kevin has made a long and distinguished career as an educator, social justice activist, teacher, and author. He served as Assistant Deputy Secretary of Education in the Obama Administration, heading the department's Office of Safe and Drug-Free Schools where he led the Administration's anti-bullying initiative. Kevin began his career as a high school history teacher and coach in Rhode Island and Massachusetts. During this time he served as faculty advisor to the nation's first Gay-Straight Alliance, leading him in 1990 to found the Gay, Lesbian and Straight Education Network (GLSEN), a national education organization tackling anti-LGBT bias in U.S. schools, which he led for 18 years.

Kevin earned a BA (magna cum laude) from Harvard College, a Master of Education from Columbia University's Teachers College, from which he received the Distinguished Alumni Award in 2012, and an MBA from New York University's Stern School of Business. He has been honored for his leadership in education and civil rights by the National Education Association, the National Association of Secondary School Principals, the National Association of School Psychologists, the National Association of Independent Schools, and numerous other organizations. He is chairman of the boards of The Ubunye Challenge and First Generation Harvard Alumni. Kevin also serves on the board of Marjorie's Fund and the Council on Foundations. His seventh book, One Teacher in Ten in the 21st Century, *was published in 2015. Along with his partner of 20 years, Jeff Davis, he is the proud dad of a Bernese Mountain Dog, Jackson, and a Golden Retriever, Sloane.*

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Philanthropy Impact: Vision and Mission

Our vision is to increase philanthropy and social investment across borders, sectors and causes.

Our mission is to achieve greater sector knowledge and expertise by working with professional advisors. Through our links with key sector stakeholders we develop thought-leadership on philanthropy and social investment.

We do this by delivering activities that include:

- Events: a comprehensive programme of events that support professional training and development
- Publications and Research: our 'body of knowledge' guides, case studies, and other resources, and the acclaimed Philanthropy Impact Magazine
- Lobbying: we advocate for policies and regulations that encourage philanthropic giving and social investment

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The purpose of the magazine is to share information about philanthropy in a domestic and international context. We welcome articles, letters and other forms of contribution in Philanthropy Impact Magazine, and we reserve the right to amend them.

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There's a huge win when you invest socially

Dame Stephanie Shirley *(www.steveshirley.com)*

The relationship between wealth and philanthropy is a subtle one. Aristotle may have described wealth as 'whatever money can buy', but that is not how we view it today. Wealth is not defined in terms of what it can be exchanged for, but rather in absolute money terms. Yet if Bill Gates's wealth lay untouched in a bank and he lived in a hovel, eating bread and beans, he would undoubtedly be poorer than those who use money to buy books and see films, who travel and entertain and, in doing so, live richly.

Aristotle forgot what we all know – that there are many kinds of wealth that money cannot buy. A large bank balance is not a mark of achievement. The things that count are those we have earned, done, seen and enjoyed in the course of a life. We need to count what is spent, not what remains. That is why philanthropists give away their money.

Dame Stephanie Shirley

Economists seem uncomfortable with the idea of morality. Morals are clear in a business context; acting honestly even when the opposite may be advantageous. Trustees are to be trusted. Managers too have positions of trust in their business. Acting accordingly is their prime moral responsibility. That is why corporates give away money.

The concept of responsible capitalism includes patient capital such as using microfinance to solve societal problems. It is not new, but rather like venture capitalism in investing over longer periods and in its risks. Philanthropy gives meaning to wealth and a voice to the generous, but can also serve to launder celebrity into political power.

The things that count are those we have earned, done, seen and enjoyed in the course of a life. We need to count what is spent, not what remains. That is why philanthropists give away their money.

Many people believe that philanthropy is only what wealthy people do when they give serious money. A more meaningful definition would be strategic giving, independent of value.

Most of us are taught as children to share and give. Perhaps as part of family tradition. Many families struggle to make do, but some mega wealthy people want to limit the amount their heirs inherit so as to release them to make their own way. Devout people give to satisfy divine will. Enlightened self-interest is when we give to others and so, indirectly, help ourselves; perhaps as insurance – to Age UK for possible future benefit ourselves.

Another example of enlightened self-interest comes as entry into some elite group or event. Or with reputation – to show moral dignity not just our spending power – and achieve 'fame and good report in this transitory world'. Unfakeable authentic advertising.

We give to things that interest us, places with which we are linked, people we like and find stimulating and who are not sycophantic (wealthy people are surrounded by the less-than-genuine) – all situations where in some ways we get as much as we give.

These drivers contrast with the altruistic ones – 'it's the right thing to do' or 'giving makes me feel good'. (The positive-psychology movement swears that doing good has fabulous mental health benefits and it's a scientific fact that brain scans show the pleasure centres in the brain are stimulated when we act unselfishly.) My own giving is some sort of repayment for all that I was given as an unaccompanied child refugee.

Perhaps the motives hardly matter. The fact that people give is the birth right and defining characteristic of the human species. Britain has always had a secretive attitude towards money. In the States 'even the bad guys give'.

I believe that giving is more of a social and cultural activity than a financial transaction. People give time and skills; people give blood and body parts. Money alone is seldom the answer.

Of course, giving can be a compassionate act of detachment. I try always to make it a committed act of love. I get personally involved so as to ensure that the money I give truly makes a difference; I always use my business and entrepreneurial skills along with my wealth, never, ever just writing a cheque.

Perhaps the motives hardly matter. The fact that people give is the birth right and defining characteristic of the human species.

So the giving spectrum stretches from: no reward whatsoever; through acknowledgement, prestige and fun; to tangible returns and a sniff of immorality. Something which chronicles the gift. Such conditionality makes giving into an enforceable contract.

My company took 25 years before it ever paid a dividend but some people have made their wealth overnight or over year and want their giving to make a difference on similar timescales.

Fiscal policies do much to nurture a culture of philanthropy. It may be driven by tax considerations, but the decision as to timing is always a personal one: before a company goes public; waiving a legacy in favour of a charity; spreading a gift over more than one tax year; to mark a special occasion…

Tactical giving – a bit here and a bit there – is both inefficient and ineffective. Giving is no longer amateur but rather professional.

Our gifts go to things that we know and care about. Perhaps to local projects so that we can really understand what people are doing with our donations. Perhaps further afield. Studies show that women tend to give more to international projects than men do; the diaspora tends to send money 'home'. Getting the leverage of tax breaks is more complicated when giving outside the UK. But exactly the same principles apply.

The personal return comes when we give with a warm hand – what's the point of writing gifts into a last Will and Testament? We create our most lasting legacy not in what we leave behind but in the way we live – especially the way we live with money. Success as a human being comes from learning how to give.

The personal return comes when we give with a warm hand – what's the point of writing gifts into a last Will and Testament? We create our most lasting legacy not in what we leave behind but in the way we live – especially the way we live with money. Success as a human being comes from learning how to give.

The Quaker Society of Friends gives quietly, usually anonymously. Muslims do not give 'to charity' but rather 'in charity' to individuals (much more difficult) and – like many Jews – think of giving as a duty, not an option. Giving to someone to help their self-sufficiency is viewed as more valuable than giving which might engender a dependency culture.

All faiths are equally valid givers. The important thing is that they all give – many Christians and others do so by tithe. Sikhs believe in life in three equal dimensions, one of which is giving one's earnings, talents and time to the less fortunate. Eastern cultures, in particular Buddhism, have philanthropy-like activities where giving is outside what people value and outside market behaviour; leaving philanthropy as a one-sided exchange.

Governments also make unconditional cash transfers. Nothing beats getting cold hard cash into the hands of poor people. The logic behind much aid is that the donor can do better than the recipients could be enabled to do for themselves.

Philanthropic money is uniquely well placed to provide evidence to government as to what works. But philanthropists do not support activities that are rightly matters for the state.

Why is giving always high on the list of virtues? I guess that's because anyone can do it. We might not be particularly 'moral', we might be partial to a drink too many, have a roving eye, or prefer light reading to philosophy. We may not see ourselves as all that spiritual. But we can all give.

As a normal part of everyday living, philanthropy sits very comfortable alongside both our business and social lives. Engaging others is one of its key qualities. I do not accept the established vision of the world as a vicious jungle where only the fit and selfish survive. But neither is philanthropy totally altruistic. It needs to be balanced between the giver and the receiver. We try to evaluate our contributions to understand what we are getting for our money. Not in the sense of bricks and mortar, but rather in terms of outcome and impact. The impulse to give does not always square with thinking in such a calculated way. The philanthropist who understands what difference a given donation makes to the world, is a philanthropist who will give three, or even thirty-three, times as much.

As Francis Bacon said: 'Money is a great treasure that only increases as you give it away.' It doesn't buy happiness. Worldwide, it has been shown that giving it away makes people happier than when they keep money for themselves. It can ruin people's lives. Unless it is made a pro-social experience.

The return when investing in yourself is negative; there's a huge win when you invest socially – the benefit to other people and also, ultimately, to the donor. When you measure philanthropy against the difference it makes, it's indecent not to help.

As Aristotle wrote: 'To give away money is an easy matter. But to decide to whom to give it and how much and when, for what purpose and how, is neither in every man's power, nor an easy matter.'

Dame Stephanie Shirley *(82) was the first ever national Ambassador for Philanthropy in 2009/10. Her philanthropy of £67m to date has included £15m to her professional discipline of IT and over £50m to her late son's disorder of autism. Her memoir,* Let IT Go, *was published in 2012.*

Philanthropy services by Dutch banks:
Creating Impact for Colleagues, Clients and Charities

Jacqueline Detiger *(www.betergeven.nl)*

Joining forces for more impact

In October 2015 four Dutch Charity Desks at banks offering philanthropy services to wealthy clients set up the FAFI network (the name derives from Philanthropy Advice by Financial Institutions). The aim of this cooperation is to meet regularly to share best practices, new perspectives and research results so as to improve knowledge and insights in philanthropy and to be able to expand the number of clients making use of philanthropy advice.

Jacqueline Detiger

Recent research in the Netherlands shows that wealthy individuals are looking for ways to give more strategically. Charity desks of banks provide this service. In the end, it is all about helping clients with their giving plan and to increase the number of clients investing in charities: making the pie bigger for everyone!

We even have a verb for joining forces so as to get positive results that are beneficial for everybody.

The Netherlands has a long tradition of joining forces. This started when Holland was one big swamp and everybody (regardless of background or social status) had to work together to manage the water, create land and then keep the water out so that we could survive. We even have a verb for joining forces so as to get positive results that are beneficial for everybody. We call it 'polderen' (a 'polder' is reclaimed land below sea level). So in the Netherlands it is not strange that the philanthropy advisors of four competing banks (ABN AMRO MeesPierson, Insinger de Beaufort (part of BNP Paribas), Rabobank and Van Lanschot Bank) are getting together and sharing knowledge. As a result they can provide clients with the best possible advice available – in short, helping clients to keep their feet dry when embarking on their philanthropic voyage.

Banks provide this service because customers show a keen interest in it and it is part of these banks' DNA. Guus Loomans of Rabobank states: "We have a long tradition of giving through our foundation and through our employee giving fund. Giving is in the DNA of our Cooperative Bank. To be able to support our clients with philanthropy we started our Charity Management Services eight years ago." Andrew Mackay of Van Lanschot Charity Service remarks: "The client is asking us about giving and social investing. They see it as part of their financial planning, so we have to provide the client with the best advice we can give which means we need professional staff dedicated to this topic." Jasmijn Melse adds: "The slogan of ABN AMRO MeesPierson is 'A better bank contributing to a better world'. Our Philanthropy Advisory Services shows we really walk the talk."

Getting closer to the client

Speaking with clients about philanthropy gives bankers the opportunity to talk about things besides financials, numbers and investing. It is fun to discuss philanthropy and find out what deeper passions have led clients to support specific charities. It also may involve connecting with other family members.

Some might think that banks offer this service purely because of commercial reasons but according to Andrew, "this is not logical thinking. We are actually stimulating clients to give away money!". But there are benefits for the bank. Research among staff shows that clients are happy with this service. It also increases client satisfaction. As Jacqueline Komin, Insinger de Beaufort, puts it, "We are moving towards a more holistic approach to banking".

…"the client is asking us about giving and social investing. They see it as part of their financial planning, so we have to provide the client with the best advice we can give which means we need professional staff dedicated to this topic."

It might surprise some that in the Netherlands clients pay for philanthropy services. Some banks are experimenting with 'pay what you want' fees and others have an hourly or lump sum fee for specific services. ABN AMRO MeesPierson reinvests 25% of fees for activities that stimulate philanthropy in the Netherlands, including research, publications and media activities. Maartje van Aardenne mentions that: "Clients can determine what our advice is worth to them because of our 'pay what you want' fees. We have found that clients value our services and this approach works. This is important to us as philanthropy and responsible giving is a serious and professional business."

"In FAFI meetings, we discuss how to spread the word among banking colleagues. Sometimes we feel like pioneers, exploring new terrain, convincing our colleagues of the value of philanthropic services, and making sure they start conversations with clients," says Jacqueline. "And after 20 years of providing this service, I know that time is on our side now. Philanthropy is a hot topic and our bankers often bring me in at client meetings." Maartje adds: "We regularly give in-house presentations for our fund managers. Last week after one of such meetings a manager came to me and told me he was so inspired by our talk that he wanted to start donating to charities himself!"

This shows that impact is created within the banks as well.

Effect on clients

At these four banks, clients receive professional support in developing a giving strategy. But clients are also assisted with practical tasks such as creating a website, writing a policy plan, defining the focus and identifying reliable organizations. Banks aim to provide independent advice about whom to support, and some work together with the Kennisbank Filantropie, the Dutch database where charities can register for free, to find suitable organizations.

What is the effect on clients? Andrew says: "Van Lanschot is a bank for wealthy individuals. Discussing financial planning is a big part of our services. In these discussions, the client can realize that he or she has the means to give (more) to philanthropy. One client has no children and helping her with her legacy plan gives her peace of mind". Jasmijn continues, "Many clients

that we visit are involved in philanthropy but often in a very unstructured manner. They donate to whatever comes along, without focus or clear direction. We sit down with them and their family members to work out what they really want to achieve with their giving. Once a clear focus is in place, feedback shows that they feel happier and enjoy their philanthropy more".

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Jacqueline agrees: "At Insinger de Beaufort we also help clients by providing administrative services. We set up the foundation and manage administrative tasks. For the client this means more time for giving and less time spent on the hassles of running the foundation." Guus adds, "We help Rabobank clients who want to donate over 50,000 euros to develop a strategic plan. We need to listen well as their wishes are often personal and motivated by emotion. We develop the giving plan and help find the right charities, enabling the client to color this world more beautiful."

Impact on the charities

Do clients of the Dutch philanthropy services of these banks ask about impact measurement and creating change? Jacqueline observes: "It is usually not the question my clients start with. In the beginning, there is so much to think about and measuring impact is not on top of mind. I do see the most entrepreneurial type of giver wanting to support projects that are scalable. For example one client invested in a research programme in a hospital which was, in the second phase, expanded to nine other hospitals." This gentleman enjoys seeing the larger impact of his given euros.

Andrew explains: "Because of our conversations with clients, they end up giving more to charities. It is often not only about money, they also want to help with their time and networks. Last month we started a programme with Ashoka, so now if we have clients who want to support social entrepreneurs we can direct them to Ashoka or invite them to one of their events."

Jasmijn says: "Because we work with a national database for charities, we have access to detailed information of thousands of charities. It really helps to find the organizations that are most effective and best fit our client's preferences. As a result, money does not go to the most well-known organizations, but to the most effective ones." Clients do not want charities to depend on them forever, so designing an exit strategy is important to them. Guus adds: "Giving is only a success if at some point you are not needed anymore. Clients are also looking to invest in structural changes, so for example instead of providing food aid, they want to provide knowledge about farming."

Concullega's

Another typical Dutch word is 'concullega's'. It is a mix of 'concurrent' (= competitor) and 'collega' (colleague). The four banks are competitors but there is enough – non-sensitive – information they can share and discuss. In the FAFI network, they are colleagues first and competitors second, and by sharing best practices they improve their work. The participants in the network all strive towards more people giving, and more euros given, leading automatically to benefits for charities. Clients benefit too by being better informed, giving more wisely and enjoying their philanthropic journey more. This leads to positive effects on the charities that can, in turn, create more impact. Client and charity satisfaction leads to happier employees and a better working environment. Paraphrasing one bank's slogan says it all, "A better world contributing to a better bank!".

__Jacqueline Detiger__ has been working in the field of philanthropy in the Netherlands for more than twenty years. She runs Beter Geven Advisory Services together with Luuk van Term. Beter Geven provides support and advice to grantmaking foundations in the Netherlands and abroad.

This article is based on interviews with:

Jacqueline Komin
Insinger de Beaufort Charity Office

Guus Loomans
Rabobank Charity Management

Andrew Mackay
Van Lanschot Charity Service

Jasmijn Melse
ABN AMRO MeesPierson Philanthropy Advice

Maartje van Aardenne
ABN AMRO MeesPierson Philanthropy Advice

The new social economy

Edward Finch and Hugh Swainson *(www.buzzacott.co.uk)*

There are a number of fronts on which the harsher impacts of an increasingly globalised and commodified world economy are being resisted and beaten back. From the wealthiest individuals acting through their philanthropy, via the major corporations (which can have greater influence than most nation states), to individuals making choices as consumers and employees, there is an increasing trend away from charity and voluntarism existing separately from the desire to use wealth to create a more sustainable and socially constructive economy[1].

Edward Finch

Hugh Swainson

The new philanthropists

There is an increasing feeling that the early decades of the 21st century are in some ways a reprisal of the early part of the 20th century. Economists, notably Thomas Piketty, highlight the return of significant concentrations of wealth and the potential for those concentrations to become entrenched. Governments, responding to the economic crisis which began in 2008 and has not yet fully passed, have slashed state spending on social programmes.

This has led to a resurgence of philanthropy as a vital component of the social order. Many of the world's wealthiest individuals and families have committed large parts of their fortunes to philanthropy – emulating the great names of the 19th and 20th centuries such as Getty, the Cadbury family and Wellcome. Facebook founder Mark Zuckerberg is only the most recent of the world's wealthiest people to follow the example of the Giving Pledge initiated by Warren Buffet and Bill and Melinda Gates.

End of the enduring foundation?

Although there are similarities between the early 20th and 21st centuries, there are also important differences that affect the ways in which philanthropy is executed. Among the ultra-wealthy, there is a trend away from establishing enduring foundations towards lifetime giving. Among those with smaller and perhaps more volatile resources, there is also a trend towards providing returnable capital as an alternative to absolute gifts.

A common theme for both groups is an increasing demand for rigour in the design and implementation of social and environmental programmes. Many of the projects supported by philanthropists are 'high impact today' programmes delivering major environmentally-friendly infrastructure or addressing disease eradication or extreme poverty. Impact investors and active philanthropists will require detailed financial and operating plans that demonstrate business rigour in deploying funding. More importantly, they will be seeking evidence to demonstrate the social value created by the projects they support.

Care, act, quantify

Much has been written about the need for charities and other social purpose organisations to be able to demonstrate their impact. Equally, the pitfalls of 'commodifying' social and environmental interventions and driving out the intangible benefits of the caring ethos that brought most charities into existence are well rehearsed. In response to these arguments, a growing professional community has grown up around meeting the demand for data, as 'hard' as possible in the circumstances but which retains the primacy of social objectives.

The ambitions of those concerned with social value creation have been growing. Jeremy Nicholls is Chief Executive of *Social Value UK*, which spearheaded *Social Return on Investment* – one of the most widely adopted, and donor-accepted, methods of reporting social value. He also sits on a panel of the *Institute of Chartered Accountants in England and Wales*, exploring ways in which businesses might also account for their creation and use of natural and social capital.

Reporting social value

Nicholls and others are bringing consideration of social and environmental value into the mainstream. The integrated reporting initiative aims to bring awareness of social and environmental impact into large corporates' core accountability and governance processes. Pioneering work, such as the *'EP&L'* reporting by sportswear giant *Puma*, is leading the way in this direction. These methodologies look at both conscious creation of social value through good business practice and the management of potential destruction or, more kindly viewed, consumption of social value.

Where is the greatest potential for social value?

This broader view of social value takes the perceived monopoly on the creation of social value away from the third sector. There is huge potential for companies to create more social value or alternatively reduce their negative social value. Corporate social responsibility is already being driven by customer attitudes, government legislation and employees themselves. However, it is also accepted that corporates are only at the beginning of the journey of engaging with social responsibility.

This is in no small part down to the lack of information available in much of the corporate world. Whilst measures on profitability and risk are integrated into the fabric of every successful business, information on social value in most organisations remains scarce. It is scarce not only at a corporate level, but also at an individual level – few staff would have any clue as to the extent to which their actions were creating or consuming social value on any more than an anecdotal basis.

The third sector still struggles to operate at scale and to compete with the corporate sector. The blurring of the lines and the growth of social businesses such as HCT Group (red bus routes), Divine Chocolate or Belu Water show that socially minded businesses can go head-to-head with corporates and deliver goods and services in a more social way. Whilst it is unlikely that such 'social first' enterprises will ever grow to a scale which dominates the industries they compete within, they already act as exemplars and disruptors that can and do change the behaviour of the 'profit first' businesses around them.

What about me?

Traditionally the extent to which any individual creates or consumes social value has been described with reference to the balance of their interaction with the corporate or third sectors. The majority of people will work for organisations that are perceived to consume social value and seek to make up for it by paying money to charity or volunteering. As with 'the new philanthropists', this is people redressing the social balance on an individualised level.

The need to redress social balance only arises due to a failed system. People feel the need to take social action because the system does not create the right balance without this action.

The need to redress social balance only arises due to a failed system. People feel the need to take social action because the system does not create the right balance without this action.

Only a very small percentage of people are willing to make the level of sacrifice that it takes in order to dedicate their lives wholly to social value creation. Many of the people that make the biggest difference to the third sector are inspiring, but rare. However, it does not follow that the vast majority of people are not interested in creating social value (or worse – that they want to destroy social value!). Most people would like to do something socially good on a regular basis, but without giving over their lives to it.

As highlighted above – pressure from the people within large corporate organisations drives a great potential for creating social value. It is with this huge majority of people who work within organisations who are now seeking opportunities to follow their natural instinct to make a good living and do it in a socially responsible way.

Back to the reporting

As those pushing for greater social accountability in the corporate sector recognise, requiring businesses to evaluate the extent to which they add to or draw down common resources would enable stakeholders to make more rounded decisions about consumption, employment and – in the case of governments – taxation or subsidy for business.

Social value reporting has always been about stakeholders. In the corporate world, three of the key stakeholders are shareholders, employees and customers. Information on social value needs to be available for each of these and then social value can be created in the following way:

- Social value for investors who are keen for a social return;
- Social value for customers who are willing to pay for a social product; and
- Social value for employees who will be more engaged with the business.

Creating this reporting is not easy. It is easy to have a CSR scheme or set up a charitable foundation with which the corporate sector can make claims of creating social value. However, integrating social value into the business requires proper systems; just as integrating the recording and reporting of shareholder value (profits) takes time and effort and requires an accounting system.

Back to the charity sector

Social value reporting is being driven through the third sector and by the need for trustees to understand the social value that a charity is creating and communicate this to stakeholders. Charities are becoming ever more aware of this and the 2015 versions of the charities' *Statement of Recommended Practice* encourage charities to talk more about impact and not just outputs.

Inevitably, systems and data will underpin any attempt to analyse social value and make use of it to create greater social value. Many of the charities that are best at doing this already are ones that are paid for the delivery of outputs and need the data to improve the output and run the charity's activities.

These approaches are becoming more mainstream and an increasing proportion of the sector is seeing the benefits of an evidence-driven approach.

'Tear down the wall'

The big potential for reporting social value is to bring down the barriers between the third sector and the corporate sector. If reporting social value can achieve this, it will disrupt the habit – which we see among the public, businesses and philanthropists – of thinking of social value as belonging to the realm of the third sector and shareholder value belonging to that of the corporate sector.

Political opinion will remain divided on the extent, if any, to which these energies should be 'nudged' in a desirable direction by government. It is clear, though, that the new philanthropy, responsible business and a shift of voluntarism and social action towards the workplace have the potential to bring to the global village a measure of the community values and mutual support that exist in human scale environments.

[1] *A shorter version of this article appeared in the Buzzacott magazine – Beyond the numbers.*

Edward Finch *is a Partner and works in the Charity & Not-for-Profit team. As well as a wide range of charities, he has a particular interest in social enterprise. He oversees the audit and advisory services that Buzzacott delivers to his clients operating locally, nationally and internationally.*

He undertakes a variety of writing and speaking, including regular articles for Pioneers Post and other publications as well as contributing along with Amanda Francis and other members of the Buzzacott team to the Bloomsbury Professional Publishing's reference book 'Charity Accounting and Taxation'.

Edward has acted as trustee or board member for a number of social purpose organisations including a social finance intermediary and a local charity working with older people. In 2016 he will be taking on the chair of a charity managing innovative social finance products.

Hugh Swainson *joined Buzzacott Chartered Accountants in 2003 where he is an Associate Director within the Charity and Not-for-Profit team. He delivers audit and advisory services and strives to provide charities with a comprehensive service through focusing on clients' business needs and taking an active interest in the sub-sectors in which they work.*
He delivers training and information to clients including accounts workshops as well as risk management and governance guidance.
Hugh works on the shortlisting and reviewing of the organisations which apply for the annual SE100 awards for exceptional social businesses.
As someone who is keen advocate of businesses measuring social value, Hugh is SROI certified and has helped a number of charities think through their monitoring and decision making on a stakeholder impact basis.
As part of Buzzacott's volunteering programme, Hugh is taking part in a charitable incubator and mentoring programme with young social entrepreneurs.

Making measurement matter for the social economy

Alistair Davis *(www.socialinvestmentscotland.com)*

Against a backdrop of crisis in global capitalism, the UK has in recent years witnessed an explosion in the social enterprise economy. More people are setting up social enterprises than even before and political support continues to grow at all levels and across party political divides. Underlying this growth in social entrepreneurship has been a rapid increase in the supply of social investment and philanthropy capital, fuelling the growth and ambitions of social enterprises up and down the country.

If estimates are to be believed, then we could just be at the tip of the iceberg when it comes to philanthropy capital. Research from Worthstone and Big Society Capital in 2013 suggested that the investor market could generate £165 million of new social investment capital over the next three years and £480 million over the next five years. The report was based on research by Ipsos Mori highlighting unmet appetite for social investment amongst High Net Worth Individuals, who wanted their money to 'do good'.

Alistair Davis

The growth in supply of social investment to meet demand should not be taken for granted. As the market for social investment and philanthropy capital matures, so does the requirement to demonstrate the impact of that capital. The UK is currently rich with charities and social enterprises who are working hard to deal with some of the most challenging issues in the UK – such as youth unemployment, financial exclusion, environmental impact and homelessness. But how can they ably demonstrate the impact of their work to provide some form of 'return' for investors?

Getting measurement right is absolutely central to ensuring the future growth of the social investment marketplace.

In many ways, social investment is the same as a traditional investment – investment for a return. Financial return is in many ways, easier to understand by conventional investors under standard metrics – an interest rate, revenue share or simply repayment of the amount.

The concept of return for social investment is somewhat more complex. Of course, the foundation of any business model must be sustainability and profit - generating business models. However, when it comes to social investment, the social return is equally, if not more important, not only as the sector matures but also because we may be asking investors to take a lower financial return in exchange for the social impact.

The need to demonstrate social returns has created a whole industry around social impact measurement with a range of competing methodologies and tools – some of them proving very helpful while others are not so useful. An interesting example is the idea of a Social Return on Investment which attempts to attribute financial values to social impacts, such as improved confidence, which can be very subjective. However, there are a range of other tools and techniques, including social accounting methodologies, with similar strengths and limitations in equal measure.

The need to demonstrate social returns has created a whole industry around social impact measurement with a range of competing methodologies and tools – some of them proving very helpful while others not so useful.

What's become increasingly apparent, as the sector matures, is that social investors have a range of motivation and different interests. Measurement tools simply cannot be the same across different sectors. For example, measurements to show the impact of an organisation that helps get young people into jobs are unlikely to be suitable for a cultural organisation. Such measurements cannot, therefore, be easily aggregated across social investment portfolios. The impacts are not less important, just different.

At Social Investment Scotland, we decided earlier this year to use the Big Society Capital (BSC) Outcomes Matrix, introduced by BSC as a tool to help grow the marketplace and to help investors make investment across a range of different outcome areas.

This Outcomes Matrix allows organisations to report their social impact using a range of beneficiary level indicators that are appropriate to what they do, or to use other indicators that are more appropriate for them. More importantly, these indicators allow for better storytelling and case studies. While statistics are vital in the hunt for evidence of success, the power of a good story is more powerful than any statistics and much more likely to engage investors looking for a home for their money. The Matrix also allows for the easier aggregation of relevant outcome data with comparable organisations, so as not to be comparing 'apples with pears'.

SIS' 2015 Social Impact Report (http://www.socialinvestmentscotland.com/social-impact-report-2015/) is available to view on the SIS website. There are eight case studies telling eight stories of impact, alongside headline social and economic impact data for the full portfolio of SIS activity. For example, the Outcomes Matrix means we now know that 51% of the beneficiaries of SIS investees are children, young people and families; and 48% those experiencing long-term unemployment – powerful data we were not previously aware of. With SIS investment activity creating over 450 jobs and sustaining over 3,000, a compelling and easily understood story of performance develops.

We must also not forget the role of the social investor. Whilst the industry has focused its attention on the actions required by social enterprises to become better at reporting and measuring, so there must also be a responsibility for social investors to make it easy for organisations to report on their impact. Reporting should not be a barrier to service delivery, particularly when resources at many of these organisations are already stretched.

Ultimately it is incumbent on all parties to develop an effective way of demonstrating social impact, by focusing on the specific impacts that they are looking to achieve – whether cultural, economic, health or environmental. A one size fits all approach will never work within this sector. Whatever the methodology employed, organisations must be able to highlight progress against objectives in order to satisfy a social investor's appetite for making a difference. Highlighting positive outcomes will benefit both parties and, in a broader sense, help to contribute to the growing base of evidence demonstrating the worth of social investment to both our economy but, more importantly, the well-being of people's lives in communities across the UK.

Alastair Davis *has been Chief Executive since September 2011, although he has worked with SIS since 2009 when he joined to run the investment team. Before joining SIS, Alastair worked with Bank of Scotland community banking and therefore has extensive experience of social investment. In 2012, Alastair completed the prestigious 'Strategic Perspectives Non Profit Management' programme at Harvard Business School. He is also Big Society Capital's nominee on the board of the North East Social Investment Company in England and serves on the board of the Community Development Finance Association. @AlastairSIS*

Exercising leadership and assessing its impact

Kevin Jennings *(www.arcusfoundation.org)*

When I arrived at the *Arcus Foundation* to assume the position of Executive Director in September 2012, the Senior Leadership team was in the process of completing a new strategic framework under the leadership of the Interim ED, my colleague, Annette Lanjouw. This framework sought to guide and focus our work by setting forth the course we put in place to advance our mission. Not simply a reiteration of our two major program strategies, the framework included sections on why we exist, our values and culture, what role we play in the world, our core competencies and what it would take for Arcus to be effective and achieve our goals.

At the heart of the document was an articulation of the three primary roles that we see ourselves playing — strategic grantmaker, listener and learner, and leader. Grantmaking, of course, is our core activity; though we have evolved to view it as just one of the many tools we have at our disposal to achieve social change. Listening and learning informs everything we do, including grantmaking and leading, and is the method we employ to stay engaged with the fields we fund so that we receive ongoing feedback about the extent to which our program goals remain relevant and helpful.

Kevin Jennings

But what about leading?

In all honesty, we hesitated a bit over that one. We asked ourselves, was it really our role to lead? Weren't we resourcing movements and other stakeholders so they could do that? Were we just contributing to the troubling power dynamic that already exists between funders and their grantees?

In the end, we decided to address these valid concerns within the framework itself by clearly defining our role as a leader, articulating our specific collaborative approach, and setting forth the attributes that would guide all of the work we pursue under the heading of leadership.

The *Arcus* strategic framework describes our leadership role as 'defining the direction, shaping the agenda, influencing the field/policy/attitudes, and strengthening leadership in social justice and conservation.' While our definition of leading is relatively straightforward, it does, when viewed in isolation, raise a number of valid concerns. Is it philanthropy's role to shape the agenda and set forth a direction? What kind of influence should we be exerting?

It is only when this definition is read in the context of our specific approach to leadership that it becomes clear we have credibly wrestled with these and other questions. The framework explains that '*Arcus* advocates and facilitates leadership as a collaborative effort' that 'works with partners', 'makes information available to others', 'determines what is known and what gaps need to be addressed', 'encourages and values debate and dialogue', and is 'assertive without dominating' so that our role is clearly articulated to others.

In short, what we have attempted to do is to balance the very important need for those of us in philanthropy to leverage our position as providers of resources who possess a 'thirty-thousand foot view' of issues and fields with the respect and deference we hold for partners who are much closer to the work and are more directly impacted.

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Since our board of directors approved the foundation's strategic framework at the end of 2012, we have taken a number of concrete steps to ensure it does not remain a nice document that sits on a shelf. In particular, the assertion that Arcus plays three key roles (listener/learner, leader and strategic grantmaker) has become fully integrated into our programs and within our functional areas. Our department and individual work plans, our budgeting, our reporting to the board and other stakeholders, our evaluation and measuring of impact, and the way we talk about the Foundation's work fully incorporate this configuration. In addition, and perhaps most significantly, our efforts reflect this as well.

The following are two examples of how we have been exercising our role as leader:

- *States of the Apes*, a biannual publication: Over the last three years, we have worked closely with partners to publish the first two editions of a comprehensive series that is filling a key information gap in the field of great ape conservation – the need for an extensive examination of the critical threats to these species in their range states and an update on all efforts to both conserve apes and their habitats and to eliminate exploitative practices. Published by Cambridge University Press, these publications reflect the input and contributions of multiple grantees and other experts in the field, as well as our own staff. Once completed, these volumes are made available to key audiences, not just as hardcover books, but as online content accessible through our website and through presentations, such as the recent *Arcus Forum* event on industrial agriculture and ape conservation, the subject of our second edition.
- *Arcus Leadership Fellowship*, a program for first-time executive directors: Over the years, the *Arcus Social Justice Program* had funded many leadership development efforts, but none were set up to help new executive directors learn to lead while also managing an organization. *The Arcus Leadership Fellowship* filled that gap by providing cohorts of first-time executive directors of LGBT organizations with one-to-one mentoring by long-time, experienced movement leader-managers. The program prioritizes Executive Directors from under-represented populations as a way of broadening the diversity of the LGBT movement. It also convenes participants in an effort to create peer-based support networks of new leaders throughout the US. While the Fellowship was conceived to nurture and support new executive directors, it also prioritizes the need to help them manage sustainable and effective organizations. The participants themselves are integrally involved in articulating their goals, in prioritizing what they would need from a cohort retreat and in shaping the program's future through an evaluation conducted at the end of year one.

In both cases, the Foundation exercised its leadership role to fill gaps we identified in areas that were highly aligned with our program strategies. In both, we enlisted the support of grantees and partners, in creating the *State of the Apes* publication, in the first example, and in tailoring a fellowship program that could best serve its participants, in the second.

Along these same lines, other leadership efforts we've undertaken include the *Arcus Forum*, a series of panel discussions on topics of importance to our program areas; the *Partnership for Great Ape Conservation (PGAC)*, a group for donor education and networking that aims to expand resources for the field; and the *Russia Freedom Fund*, an effort to raise funds from individuals, foundations and corporations to defend and support the LGBT movement in Russia through a community-based funding process. Again, partnership involvement is a key component of each, as well as other leadership attributes in our framework, including dissemination of information, encouragement of dialogue, and a clearly identified role for the Foundation.

While we believe we have been able to bring the principles of our strategic framework to life through the exercise of all three of our roles, we still need to understand how all of this work adds value and creates impact, especially in the very important, yet also delicate, area of leadership.

The framework provides a helpful beginning by including a series of evaluative questions that can guide our assessment of the Foundation's work across all its areas as well as some metrics that can be used to measure our progress. Two of these questions in particular ('What has changed as a result of *Arcus*' intervention?' and 'What would happen if *Arcus* didn't exist?') are especially germane to an investigation of our role as leader. The following metrics also help us assess whether we are pursuing our leadership work in a manner that is both consistent with the approach and attributes set forth in the framework and on target to achieve important outcomes:

1. Partners adopt *Arcus* strategies and priorities and use *Arcus* data and information to advance their work.
2. *Arcus* facilitates the development and visibility of new leaders.
3. Available funding in mission areas is expanded.
4. Partners increasingly work across sectors and movements.

Like many in philanthropy, we are working to improve our systems and approaches to ensure that we are able to both measure our progress and impact as well as learn and improve. Many of our leadership efforts – including the *Arcus Leadership Fellowship, PGAC,* and the *Russia Freedom Fund* – have been assessed separately, both through focused process evaluations and through ongoing measurement activities. From these, we've learned that participant feedback will improve the design of our programs, we've ascertained just how much new funding our facilitative leadership approach is raising through *PGAC*, and we've better understood how our grants are building a movement and securing safety for activists in Russia.

The next step is to aggregate across all of this work to obtain a clear picture of *Arcus* as a leader, not solely through the lens of accomplishment, but also through the lens of the values we have set forth for ourselves to embody as a global, private foundation working from a position of relative privilege. We welcome opportunities to learn with and from others in philanthropy who are similarly engaged in this important and worthy endeavour.

Kevin B. Jennings *is the Executive Director of the Arcus Foundation and has made a long and distinguished career as an educator, social justice activist, teacher and author. He served as Assistant Deputy Secretary of Education in the Obama Administration, heading the department's Office of Safe and Drug-Free Schools where he led the Administration's anti-bullying initiative. Kevin began his career as a high school history teacher and coach in Rhode Island and Massachusetts. During this time he served as faculty advisor to the nation's first Gay-Straight Alliance, leading him in 1990 to found the Gay, Lesbian and Straight Education Network (GLSEN), a national education organization tackling anti-LGBT bias in U.S. schools, which he led for 18 years.*

Kevin earned a BA (magna cum laude) from Harvard College, a Master of Education from Columbia University's Teachers College, from which he received the Distinguished Alumni Award in 2012, and an MBA from New York University's Stern School of Business. He has been honoured for his leadership in education and civil rights by the National Education Association, the National Association of Secondary School Principals, the National Association of School Psychologists, the National Association of Independent Schools and numerous other organizations. He is chairman of the boards of The Ubunye Challenge and First Generation Harvard Alumni. Kevin also serves on the board of Marjorie's Fund and the Council on Foundations. His seventh book, One Teacher in Ten in the 21st Century*, was published in 2015. Along with his partner of 20 years, Jeff Davis, he is the proud dad of a Bernese Mountain Dog, Jackson, and a Golden Retriever, Sloane.*

Social investment tax relief: is it achieving an impact?

Evita Zanuso *(www.bigsocietycapital.com)*

Social Investment Tax Relief (SITR) is helping smaller social enterprises and charities raise the much needed investment that they need.

SITR was first announced in the 2014 Budget. It's a generous tax relief (30% income tax relief) brought in to encourage private individuals' investment into qualifiying charities and social enterprises. By giving investors a tax incentive in this way, it levels the playing field for social enterprises and charities with small- to medium-sized enterprises (SMEs), who have enjoyed tax incentives similar to this under the Enterprise Investment Scheme (EIS) for many years. As at July 2015, EIS have raised more than £12.2bn for SMEs in the UK (EISA Association). It's an exciting development and offers a new dynamic to social impact investing.

Despite the recent indication that the enlargement of the scheme to £5m per annum and up to a maximum of £15m per organisation won't be approved by the European Union (EU) for another 6 – 12 months, what we have seen to date have been very encouraging signs of how SITR is unlocking much needed investment for social enterprises. In particular, the diverse nature of the deals would suggest some very different organisations operating in a variety of impact areas are making use of the tax relief in order to raise investment. From small organisations that are raising only SITR investment to larger deals where SITR is the higher riskier layer of capital provided.

There have been five direct SITR deals to date:

FareShare South West is a Bristol-based charity which works with the food industry to reduce the amount of fit-for-purpose food going to waste, distributing it to local organisations working with vulnerable people so that the most in need have nutritious meals. They took an investment of £70,000 from a small group of angel investors to scale up their activities in the Bristol area, particularly the expansion of their catering arm, which provides socially conscious and sustainable catering for events, festivals and offices. They also offer work experience and job opportunities for vulnerable individuals who are excluded from the job market.

FC United of Manchester is a supporter-owned football club which is democratically run by its 4,000 members and raised a £270,000 loan stock scheme using SITR. Without their own ground since they were established in 2005, they used the loan stock as part of the funding for a new 5,000 capacity stadium, opening at the end of May 2015. The project includes new sport and non-sport community facilities, giving them a base in Moston, North Manchester, from which to continue their outreach work. Andy Walsh, General Manager of the club, used SITR as an opportunity to enable supporters to have a stake (and say) in their own club, very much going against the grain of billionaire and private equity takeovers of football clubs in the country.

Two Social Impact Bonds (SIBs), **Ambition East Midlands** and **Aspire Gloucestershire** were arranged by Triodos Bank to provide £910,000 to four charities to help 500 young people who are homeless or at risk of homelessness. These social impact bonds are payment by results contracts with the Department for Communities and Local Government and supported by the Cabinet Office. Each SIB will use the investment raised to deliver programmes aimed at housing and supporting vulnerable young people into education, employment or training. Investors receive a competitive rate of interest and the benefit of the tax relief. Return of capital is dependent on the successful achievement of the stated goals of the SIB.

Freedom Bakery is a new Glasgow-based artisan bakery established at HMP Low Moss. Set up as a social enterprise rather than a charity, the bakery will give training and employment to recently released ex-offenders. The social impact is to reduce reoffending through increasing employability of ex-offenders. They

Evita Zanuso

successfully raised £60,000 from individuals to help start the bakery. Matt Fountain, Founder of Freedom Bakery believes going to investors directly using this attractive tax relief, helped him get things moving faster and access the investment he needed at a level that was more affordable than other forms of investment.

What other deals are on the horizons?

To date, we know that the government has received 40 applications for SITR. There are currently a diverse range of social enterprises looking to raise capital using SITR including a socially driven courier and mail service, community shares in a Victorian Pier, a local community shop where the area was at risk of losing their local shop and Post Office, a sports centre and a religious nursery.

SITR funds

Aside from direct investments, there are also a number of SITR funds in the market.

Social Investment Scotland Community Capital Earlier in 2015, Social Investment Scotland launched the first ever SITR fund in Scotland. The fund had a successful launch and close and will look to support between five and ten social enterprises in the area.

Resonance Bristol SITR Fund A partnership between Resonance and UBS Wealth Management. The fund is looking to raise £5m from individual investors and will look to support charities and social enterprises in the Bristol area. The fund managers have ambition to grow and have plans for more SITR funds around the country.

Bright Futures Fund Social Finance and Kin Capital have launched the first national SITR fund in child-based, youth and other vulnerable communities and will only invest in social enterprises alongside a Social Investment and Finance Intermediary where they are the lead investor.

What's on the horizon?

Our research and engagement suggests that more funds are being developed by both Social Investment and Finance Intermediary and mainstream EIS managers. How quickly these funds will come to market will very much depend on how quickly enlargement of the SITR scheme happens.

Looking forward, crowdfunding is another channel where SITR deals can be accessed by socially conscious investors. We will be soon be launching our Crowd Match Fund, a £5m fund to match crowdfunded investments made by individuals into SITR-eligible charities and social enterprises.

It's really exciting that there are now a growing number of channels where individuals who are motivated by social impact can invest in charities and social enterprises that resonant with them either directly or with the help of professional managers. More importantly, SITR is helping organisations raise much needed investment that will enable them to continue, scale or replicate the social impact they are delivering to their communities.

***Evita Zanuso** is the Financial Relationships Director and is responsible for investor engagement and building relationships with the financial community.*

She is currently focused on building relationships with VC & PE fund managers, take up of SITR and working with Charitable Trusts & Foundations. She has more than 10 years' experience with wealth managers, asset managers and private banks, and most recently founded her own marketing consultancy serving advisers to HNWIs.

Prior to financial services, she worked for a UK political party. She has an MBA from Imperial College Business School and is a Trustee of mental health charity WPF Therapy.

Understanding the real ROI of our association Citydogs4Streetdogs:
A small charity demonstrates it can be done effectively and efficiently

Gabriela Gustafsson *(www.citydogs4streetdogs.com)*

Like all smaller charitable associations, ours is dependent on various constituents for financial support as well as relying on the volunteers and help from our community in the form of workforce, know-how, time, endurance and passion. With these relations of dependency come expectations of achievements and accountability. In order to ensure the sustainability of our operations, we need to reach our goals, be able to show mission success and the real return on everybody's investments. The focus lies heavily on transparency and trust, which we take seriously in everything we do.

Citydogs4Streetdogs was founded in 2011 by three Swiss founding members who courageously decided to start up a shelter for homeless dogs in Romania. Seeing the misery of the dogs during a business trip was too hard to walk away from, and that was the moment when hope and love started to grow hand-in-hand with the plans of building a shelter and finding a team of local staff. Four years later, we now have an association that rescued over 270 dogs, created a shelter for 150 dog residents and employed local staff of professionals to run the daily tasks. All this, and ultimately changing the lives of so many dogs and their new owners, was achieved through the creation of awareness and fundraising through social media, fundraising events and educational visits to the shelter. The Swiss association has grown into an efficient Board of five honorary members, and a stable core team of nine honorary members who all work for our charity tirelessly beside their everyday work. Our team at the shelter outside of Bucharest consists of seven local professionals.

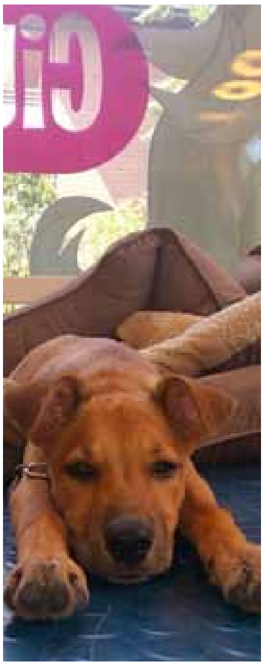
Gabriela Gustafsson

Our mission statement is very short and straight to the point: to heal the dog-human relationship. Not an easy task. The dog is human's best friend, and would not exist without us. Our paths have been intertwined for thousands of years and we have co-existed through close relationships. All goals we set up come back to our mission: to heal the dog-human relationship. We, like so many other charitable organisations, work to improve the conditions in our society and to make the world a better place. But abstract notions like that are hard to measure in quantitative terms and often pose a challenge to the association when trying to report on mission success and ROI. If we would ask our investors, it is very likely they think there is a lack of clarity in our mission statement, which for us is the very essence of clarity. Nevertheless, we need to meet the expectations of our investors. Thus, a prerequisite for continued success lies in offering them more metrics on ROI.

We, like so many other charitable organisations, work to improve the conditions in our society, to make the world a better place. But abstract notions like that are hard to measure in quantitative terms and often pose a challenge to the association when trying to report on mission success and ROI.

To make the somewhat intangible mission statement and goals easier to transfer into an annual report, several quantitative surrogate measures can be used. Together these surrogate measures point towards mission success or, at least, mission success on an operational level. The collection of data for quantitative measures may be challenging for smaller organisations with limited resources. The typical underlying pain points for charitable organisations are a lack of professional staff, time and money. Inadequate technology and equipment are other hindrances for collecting data. After four years of operation, we are now at a point where we have established procedures and standards of working that enable collecting data. Not only does this data show our investors the progress and the ROI, but it also helps us follow up on our development and to reach the quality we strive for in our activities. In addition to all the traditional financial data, data for our logistics and social media, we also collect data on the medical and health status of our dogs, puppy mortality rates, socialization program advancements, successful adoptions, training and support needs post-adoption, replacement of adopted dogs and last but not least employee, adopter and volunteer satisfaction rates. These metrics help to report on how we are doing with achieving our mission: healing dog-human relationship. It is crucial that the data is simple to collect, universally understood, easy to communicate and transparent.

Measuring our impact with quantitative measures shall not overshadow our daily work and real ROI, or take away too much of the scarce resources of our workforce. Even though we want to be able to convey our achievements in neat numbers to our investors and constituencies, we also want to make sure our focus and main performance lies in getting the work done and keeping our hands dirty. The two, somewhat contradictory, key aspects are transparency and trust. The demand for accountability and transparency is increasing in the non-profit sector, but it should not hinder the efficiency and the creativity of the charitable organisations in their actual work. Thus, a certain degree of trust is needed from the investors: trust in us as a charitable association to create value beyond the figures in our annual report and data collected throughout the year.



At the risk of sounding too naïve and emotional, what we see from our work with the dogs and the people, is that we are creating a ripple effect of love. Not only do we rescue dogs, treat them, train them and find homes for them, but we also see family members finding each other again, new friendships forming, children learning to trust and respect dogs, and our community of people who want to help and make a difference, growing.

A story can start with a small newborn puppy found hanging in a plastic bag by our shelter in the middle of the winter and end with that dog forcing a father and son to forgive each other and support each other to overcome a death in the family. Because what we have learned is that our dogs that we save are not only the most grateful of dogs but also the most intelligent and sensitive ones. For them to be happy we have to be happy and at peace. What could be said about the value creation in charitable contexts is – the more you give the more you get!

One could and should ask, when talking about ROI in charitable contexts, what the return really is and to whom? Is it a return for the investor, for the beneficiary, or for ideally everyone? This is what we discuss with our investors, and find that this mutual understanding in itself already creates transparency and trust needed for our cooperation. Social investments are about doing the right thing and getting the feeling of doing the right thing when seeing the impact around you. When you see the return of your investment, both in numbers in the annual report and as ripple effects of love in people around you, these are the moments when you do not ask what the meaning of life is, why it is worth fighting the endless misery in our world, and what your role is in it all. Because you have that feeling, the understanding of doing exactly what you are supposed to do – the right thing. If you had not wanted that feeling more than you wanted your money, you would not have made the investment to begin with. You can feel your return, and that is the real impact for us.

Gabriela Gustafsson *completed her Master's degree in Economics at HANKEN Svenska Handelshögskolan in Helsinki, with the focus on Humanitarian Logistics and Performance Measurement. Since then she has moved to Zürich, Switzerland where she has both been working in the field of logistics as well as for Rotary International in the Europe and Africa Office. With her background she is especially interested in what the non-profit sector can learn from the business world and how to bring efficiency and accountability into charitable projects. Her free time she divides between sitting on the Board of Citydogs4Streetdogs improving the conditions of street dogs in Romania, and spending time with her two dogs and offering training support to the adopters of street dogs.*

Return on investment:
philanthropy in the Arab region

Atallah Kuttab *(www.saaned.com)*

A surge in Arab philanthropy by a new generation is challenging views on wealth and approaches to impact. Arab philanthropy is not a unified ecosystem of coordinated parts; it is a diverse and complex combination of sources of funding, intermediaries and beneficiaries, which varies greatly depending on which part of the Arab world we are talking about – the *Gulf Cooperation Council (GCC)*, North Africa (Maghreb) or the eastern Mediterranean (Levant or Mashreq). However, in all the countries of the region there is a longstanding tradition of social giving in a variety of forms and inclusive of all faiths, the best known being *waqf* [1].

Across the globe, and the Arab region is no exception, the strong tradition of giving spanning several hundred if not thousands of years, has often been disrupted by governments that considered the welfare of their citizens as their sole responsibility and, therefore, took control of the philanthropic resources that existed including endowments, lands and property. During the last 25 years, a renewal has been taking place and a surge in philanthropic organizations is being witnessed. While this renewal shows many similarities in different countries, there are also many specific differences, and it is this diversity that makes global philanthropy rich.

Atallah Kuttab

Return on investment and assessing philanthropy's contribution

Investment is more than just money. Assessing the effectiveness of philanthropy remains problematic. Two things seem clear: first, money spent is a poor indicator of impact. Nor is money the only thing philanthropy brings to the solution of social problems. Second, however rich a foundation or an individual philanthropist, the part they can play in service provision is a minor one in comparison to that of the state. It is worth considering if philanthropy's most significant role may not be in providing money for this or that initiative but in building on the assets of a community and creating solidarity. In any event, if we are to give a truer account of philanthropy's contribution, we need to find better ways to assess its impact, and these need to take into consideration the voluntary work and horizontal giving that are prevalent in many parts of the world.

Leveraging – grantmaking to NGOs or direct programming? Two trends for solving social problems are for private endowed foundations to make grants to civil society organizations with direct contact with people on the ground, or to implement programmes directly, using their own professional staff. The latter is prevalent not only in the Arab region but elsewhere as well, for example in much of Europe,

Latin America, Africa and China). In the Arab region, effecting social change directly as implementers of programmes rather than as grantmakers to NGOs on the national or local level is the norm; grantmaking is the exception.

There are several possible reasons for this: lack of knowledge among private foundations of NGOs that are worthy of support; lack of trust in the financial governance of most NGOs; and lack of confidence in the closeness of most NGOs to the people who need support. Also, contributing to the reluctance of Arab philanthropy to make grants to NGOs is a perception that NGOs' reliance on government and/or foreign funding makes them unable to promote local agendas. Regulations exercising tight control of NGOs in the name of protecting the national interest may also have contributed to the unwillingness of private capital to partner with NGOs.

Whatever are the reasons, it is argued here that direct programming is limiting in its reach. Not working through NGOs on the ground is a missed opportunity for better leveraging and efficiency directly affecting the return on investment for social change.

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Leveraging – relationship with government. Many new Arab philanthropists believe giving needs to be more strategic and connected to creating change and have expressed some willingness to experiment with new models of programming and collaborating that leverage their resource, particularly with a government.

On the face of it, this partnership between governments and private wealth seems profitable for all concerned: governments endorse private wealth's plans to solve social problems and private wealth receives the blessings of officialdom, at the least, and a guarantee for the scaling up of small achievements, at most. In reality, this partnership is more problematic. Private foundations, no matter how independent they are of the corporate business interests of the founder, tend to stick to projects that promote the provision of services, avoiding those projects that address deep structural reasons for government failure to deliver. This shyness often stems from fear of government wrath, which could harm the business interests of the donor. If foundations stick to straightforward service provision, they are likely to have the government's approval. However, if they involve themselves in more contentious 'political' issues like human rights, they are likely to incur government hostility. In Saudi Arabia, for example, referring to a 'sufficiency line' for a decent living rather than a poverty line is more acceptable. Similarly, a programme by Chinese foundations to feed rural children was safe, and even supported by the state, so long as it was portrayed as simply meeting a need; if it had been clothed in the language of rights, the story would have been very different.

There is no doubt that leveraging of resources by partnering with governments would lead to more efficiencies and return on investment. However, if cooperation is restricted to services and does not deal with structural issues, the benefit will be limited.

Case of impact assessment of the programs of two foundations in Saudi Arabia

SAANED for Philanthropy Advisory is assisting in setting a system of impact assessment for two foundations in the Kingdom of Saudi Arabia as a step to measure the return on investment. One foundation is a grantmaker working across the country and the other is implementing its own programmes in only one city. For both to invest in measuring impact of their programs and, therefore, be able to measure the return on investment is already unusual in the region. Both foundations are playing a leading role in developing local best practices and be transparent on what they are able to achieve with their investment.

The first step was to agree on the theory of change and decide on few key top level performance indicators. It was not easy to decide at what level impact measurement is done. In the case of the grantmakers would it stop at the level of grant recipient organizations? Or how would the foundation working directly with citizens attribute benefits in society to their work? This is work in progress and in its early stages but exciting to see that these two foundations are pursuing such goals.

Where is the future…?

Most Arab private wealth goes into supporting projects or single outputs; rarely does it support the long-term, sustained and institutionalized demand for systemic change towards more equitable societies.

What gives hope for the future for the Arab region and elsewhere facing the same constraints, is that philanthropy is not just something the wealthy do. The rise of crowdfunding and the increasingly wide reach of the internet mean that anyone with access to a computer can be informed about and contribute to any cause they are interested in anywhere in the world. Also, the growth and spread of forms of community philanthropy, of which the most notable is the community foundation, is increasingly drawing local money and support to local issues. In both cases, the sums of money involved – or other assets such as time and skills – might be modest but they can still be significant.

Finally, the mix of profit and non-profit is creating lots of change in both the philanthropy and the business sectors. The language of social investment (the very term investment) should not mislead us into creating a dichotomy between for-profit and not-for-profit activities. There are many examples where the two are combined. Social investment is an emerging field whose shape cannot yet be clearly discerned, and more time and exploration are required before judgements can safely be made about it. What we do know is that this blend of sectors is bringing to the forefront the emphasis on measuring return on investment not just in monetary terms, but also in terms of transformation in the lives of people that social investment brings about.

[1] Waqf – a form of endowment – is the oldest and most common form of religiously motivated social giving. In the 1800s, more than a quarter of Egypt's agricultural land was waqf land, with revenue from such land spent on social services for the poor. The history of waqf is rich with achievements in social services including education and healthcare and in many cases dealing with inequities in society.

Atallah Kuttab *is Chairman and Founder of SAANED for Philanthropy Advisory in the Arab Region, Jordan.*

Atallah holds a Ph.D. from the Imperial College of Science and Technology, University of London. He spent three years working in engineering consulting in the private sector and ten years in education, which included planning, teaching, and research at Birzeit University in Palestine and at Heriot-Watt University in Scotland. Dr. Kuttab was a Deutsche Gesellschaft fuer Internationale Zusammenarbeit (GIZ) technical advisor for informal sector employment in Zambia for 3 years, and served with Save the Children for 11 years, most recently as Middle East Regional Manager, covering operations in Palestine, Egypt, Lebanon and Jordan. His management specialty areas are in staff management, fundraising and in forging private sector/ non-government sector relationships to further development efforts.

In the period 2005-2011, he was Director General of the Welfare Association, the lead foundation supporting Palestinians primarily in Palestine and Lebanon. He is a Founding Member of Arab Human Rights Fund, Founding Member of the Arab Foundations Forum and since October 2015 Chairman of the executive committee of the Arab Reform Initiative. He is also a member of the Editorial Board of Alliance Magazine, member of the Board of Resource Alliance, member of the Working Group on Peace and Social Justice, Founding Board member of the Worldwide Initiatives for Grantmaker Support (WINGS), and since January 2013 as Chairman of the Board of WINGS.

PHILANTHROPIC TRADITIONS

Exactly a month after the Paris attacks, my Arab-speaking cab driver dropped me off at the airport and made a point of wishing me Merry Christmas. Shukran. Shukran kteer, my heartfelt thanks.

I spoke the next day about international philanthropy to the board and international staff of *The HALO Trust*, the global humanitarian mine clearance charity. Every year in December they gather to share knowledge and to make plans for the year ahead. In many countries around the world, landmines and other explosive remnants of war keep people from their homes, contributing to the refugee and migrant crisis. They block the way to progress, sustainable livelihoods and economic development, sometimes years after the conflict. So when, preparing for my talk, I reread one translation of a 9th-century description of *'sadaqa'*, the Islamic principle of voluntary charitable giving, and found a reference to removing harmful things, I heard the past calling out to the future for action.

Allah's apostle said:

"There is a Sadaqa to be given for every joint of the body (as a sign of gratitude to Allah) every day the sun rises. To judge justly between two persons is regarded as Sadaqa, ... and, (saying) a good word is also Sadaqa, and every step taken on one's way to offer the compulsory prayer is also Sadaqa and to remove a harmful thing from the way is also Sadaqa." **Muhammad al-Bukhari, Sahih al-Bukhari.**

We know, thanks to abundant research on the subject, that giving makes individual people happy. The commonalities in our traditions, and our collective caring for those in need, could and should help us to embrace our common humanity and common future, happily together.

Islamic tradition:

For those who give in Charity, men and women, and loan to Allah a Beautiful Loan, it shall be increased manifold (to their credit), and they shall have (besides) a liberal reward.

Qur'an, Sura 57 (Al-Hadid), ayah 18.

Judeo-Christian tradition:

He that hath pity upon the poor lendeth unto the Lord; and that which he hath given will he pay him again.
The Bible, Old Testament, Proverbs 19:17.

Lucy Blythe, *Director, Philia International. December 2015*

Note regarding quotations: *There are many translations of the original texts. I am neither an Islamic nor a biblical scholar, and I read neither Arabic nor Hebrew, so I apologize for any inaccuracies.*

Social impact of buying from women

Elizabeth Vazquez *(www.WEConnectInternational.org)*

Many impact investors are identifying creative new ways to invest in women's economic empowerment by investing in social enterprises owned by women. This movement has huge potential for impact because when women's enterprises grow, the women create jobs and tend to invest back into their families and communities.

In addition to traditional ways of thinking about impact investing, a more broad and immediate impact could be realized if people and organizations simply made a conscious decision to buy more products and services from women suppliers. We all make purchases every day.

If just 10% of all spend was with women-owned businesses, we would see an immediate impact on those investments, that in turn would give us an immediate reward in the form of a product or service we want and we will likely buy it again if we like it. This is a market-driven solution to impact investing that is not only sustainable, but it is also a powerful way to get large amounts of money into the hands of women quickly, which ultimately benefits families and communities.

WEConnect International recognizes that women-owned businesses play an important role in boosting the economy. Since 2009, our mission has been to help women-owned businesses succeed in global value chains, and we are proud to provide the knowledge, networks, certification and platform women business owners need to reach their goals.

The research is clear – women business owners are starting to think big, but also face obstacles to reaching their full potential. First of all, women are growing and creating jobs in their communities.

In 2015 with support from Canada's International Development Research Centre, we launched the Growing Women-Owned Businesses in India by Building on Private Sector Initiatives' project. We collected data on the India-based women's business enterprises certified and registered in the WEConnect International eNetwork. Data points included revenues for each company for each year as collected in our in-person assessments: the number of employees; legal incorporation status; the most popular banks with WBEs; access to lines of credit; and market focus.

Elizabeth Vazquez

The research is clear – women business owners are starting to think big, but also face obstacles to reaching their full potential. First of all, women are growing and creating jobs in their communities. WEConnect International certified businesses generate over US$127 million annually and employ more than 4,600 people across India.

Second, most of the women business owners in the WEConnect International eNetwork are ready to do businesses. The women have secured loans or lines of credit, have submitted tax returns for the last three years, keep up-to-date financial statements and maintain company websites with company email addresses.

…just over one third of the businesses had access to loans or lines of credit through their banks. Given that the women are growing and employing more people over time, global banks are missing a huge opportunity to invest in women with scale up enterprises.

Third, some certified women's business enterprises are eager to grow their businesses. They are keeping documentation for the facilities where their companies operate; seeking multinational partners, agents, and customers; keeping up-to-date governance documents; and implementing payment and invoicing systems.

Fourth, women entrepreneurs are being held back by a lack of capacity for development opportunities and poor access to finance. Though certified women's business enterprises adhere to many common business practices, very few implement sustainability programs, secure insurance, design marketing plans, or document hiring and firing procedures – all of which are important to corporate buyers.

Moreover, just over one third of the businesses had access to loans or lines of credit through their banks. Given that the women are growing and employing more people over time, global banks are missing a huge opportunity to invest in women with scale up enterprises. Two-thirds of the businesses still lack access to a loan or line of credit.

Certified business, Chocolate Philosophy, embodies many of the project's findings. Co-founder Nivedita Prasad was exposed to her mother's confectionary in her earlier years and this influenced her to open her own confectionary with her friend, Uma Raju, selling premium chocolates at an affordable price. They started out small. They made 100 boxes with chocolates and sent it to their closest friends. The response was so overwhelming that they decided to start Chocolate Philosophy.

Like the majority of women entrepreneurs around the world, Nivedita and Uma did not go to a bank for a line of credit. Instead, they started with a small personal investment and early on lacked the capacity to deliver their product on time.

"We encountered problems in terms of finances and staffing," says Nivedita. "Someone would order 300 boxes to be ready in three days and that was a problem. But when you work with your heart and soul, it motivates your staff and that matters a lot."

In fact, Nevidita and Uma were able to overcome their challenges in large part with support from WEConnect International training and by leveraging our network of member corporations representing over US$1 trillion in annual purchasing power. The experience has been nothing short of transformative for Navidita and Uma.

After initially working from their home and subsequently renting out a house, today Nevidita and Uma run their business from a 900-square-foot workshop. They have ten employees to help manage delivery and administrative functions. They have moved from producing a few hundred boxes a year to over 10,000 boxes. In the past fiscal year, they have doubled their profits.

It is important to highlight that, as with many business owners, supporting the community is a large part of Nevidita and Uma's company mission. 'Many of our staff come from economically disadvantaged backgrounds,' explains Nevidita. 'We help and encourage them through giving them tasks such as billing and using Excel. We need to do more for our people and our community.'

Imagine the impact that Nevidita and Uma could have in their community if they had better access to markets, finance and capacity development opportunities. Now consider that according to the IFC, a US$300 billion gap in financing exists for formal, women-owned businesses, and more than 70 percent of women-owned small and medium enterprises have inadequate or no access to financial services.

Imagine if we could level the playing field so that those women have the same opportunity as their male counterparts to design and implement business solutions that create wealth and ensure the sustainable prosperity of their communities. Research by McKinsey & Company indicates that the global GDP could rise by up to 28 percent or US$12 trillion by 2025.

The evidence connecting women's empowerment with economic growth shows us that we can no longer afford not to invest in women. And one of the best ways to do this is to simply buy more from them.

Elizabeth A. Vazquez *is the President, CEO, and Co-Founder of WEConnect International, a corporate led non-profit that helps to empower women business owners to succeed in global markets. She is a serial social entrepreneur and world leader in global supplier diversity and inclusion.*

Ms. Vazquez is the co-author of the book, 'Buying for Impact: How to Buy from Women and Change Our World.' The book includes information on women business owners and ways to support and leverage their potential to create a more sustainable and inclusive global economy.

Ms. Vazquez sits on several Boards of Directors, including the Global Banking Alliance for Women, the Cornerstone Capital Group, and the Eisenhower Fellowships Board of Trustees. She is an Advisor to the Clinton Global Initiative, a member of the International Council on Women's Business Leadership, a W20 Representative to advance G20 commitments, and sits on the International Advisory Council for the Walmart Global Women's Economic Empowerment Initiative. She is a speaker and has trained leaders in all regions of the world on a range of issues—supplier diversity and inclusion, women's entrepreneurship and economic empowerment, and corporate and government sourcing policies and practices.

In 2014, Ms. Vazquez accepted an award on behalf of WEConnect International from the Women's Business Enterprise Hall of Fame for its "stellar record as an outstanding advocate in the women's business enterprise community."

Ms. Vazquez was born in Mexico, has a Bachelor of Arts in Political Science from Arizona State University, and in 2013 the Barrett Honors College honored her as an Inspiring Alumni for making significant contributions in her career and community. She has a Master of Arts in Law and Diplomacy from the Fletcher School at Tufts University where she studied development economics and international negotiation as a Woodrow Wilson Fellow. She also completed graduate seminars at Harvard Law School and the Kennedy School of Government, the Heinz School of Public Policy and Management at Carnegie Mellon University, and Sookmyung Women's University in South Korea.

Communities and social investment

Niamh Goggin *(www.small-change-ltd.org.uk)*

Understanding the potential for and the role of social investment in communities comes from the 'end of funding' problem. What do you do when the funding is spent? How does good work carry on? By investing, rather than granting, communities aim to develop long-term income sources and relationships as well as delivering social, economic and/or environmental returns. Social investments tend to be part of a wider agreement that may involve grant funding, volunteering, commissioning and collaboration.

Niamh Goggin

How does social investment work in communities?

The main opportunities for social investment are in responsible finance organisations, property projects and social enterprises. As part of the Big Local programme, Small Change, (working with a team of advisors) is retained by Local Trust to provide social investment advice, support and due diligence services to the 150 Big Local areas across England. Residents in each Big Local area have up to 15 years to use £1m and a range of support to address local priorities that they identify. Small Change's work includes matching areas to credit unions or responsible finance organisations that work in their areas, helping residents to understand the opportunities and challenges in collaborating with these organisations, advising on negotiations, carrying out a bespoke due diligence check on credit unions or responsible finance organisations and developing a light-touch reporting system. For property projects, most input is required on governance issues as communities work out the roles and responsibilities of funding, project implementation and commissioning developments such as social housing, community hubs, work-space and sports facilities.

Case study

North West Ipswich Big Local area made our first social investment in East of England Credit Union (Eastern Savings and Loans - ESL) in May 2015. The community identified that the area had a particular problem with the operation of illegal loan sharks. They developed a relationship with the credit union and agreed to collaborate. Their investment agreement included a social investment, a grant, targets for the credit union and activities, and support from community organisations and residents.

The credit union received a subordinated loan of £20,000 and a grant of £5,000. In return, they agreed to:

- Provide informal advice on budgeting and 'jamjar' budgeting accounts to 100 residents
- Help 250 residents to open new savings accounts
- Help 250 children to open savings accounts, provided volunteers came forward to support Junior Savers Schemes in schools
- Provide 50 loans per year over 2 years, delivering a reduction in interest paid of £30,000 per year
- Run six workshops to train volunteer credit union champions to raise general awareness of the credit union
- Run a workshop to inform community group treasurers and management committees of the option to deposit their funds in a credit union
- Produce promotional materials for use in the North West Ipswich area.

The Big Local partnership agreed to provide the funding above and also to:

- Work with churches, community associations and schools to raise awareness and encourage involvement (particularly in schools' Junior Savers Schemes)
- Recruit volunteers to attend awareness raising sessions and/or train as credit union champions
- Run awareness raising campaigns and advise the credit union of events and activities in the area at which credit union services could be promoted
- Encourage local organisations, including Christmas savings clubs, to deposit with the credit union and to promote the workshops for community groups
- Promote the credit union to social housing providers.

Ron Impy, who chairs North West Ipswich Big Local (NWIBLT), says that so far the collaboration is working very well. 'ESL are represented on one our sub groups and have produced postcards promoting ESL that also mention us. Members of the Big Local partnership have personally delivered these to every house in the area.'

Although final figures are not yet available, ESL has reported that they have noted a distinct increase in enquiries. The next step is for ESL to write to all its members in the area, to encourage people to become trained 'credit union champions'.

What are the challenges?

This is a long, slow process to communicate the social investment approach to communities; helping them to understand the potential of the approach and supporting them to decide on social investments that would produce both a financial and a social, economic and/or environmental impact.

The second social investment challenge is to find opportunities which benefit primarily local residents, with organisations that have a realistic prospect of maintaining the capital and producing a financial return. Small, local social sector organisations are used to grant-funding and are not familiar with the concepts of investment, due diligence or investment readiness.

What are the opportunities?

Switching from a deficit-based to an asset-based funding model is a recognition that most residents are

proud of where they live and want to build on local strengths. They are also best-placed to identify assets and how they can be used most effectively.

People in the communities we support have proved themselves as masters of collaboration, bringing together residents, local businesses (large and small), local authorities, schools, colleges and universities, sports clubs, health trusts, prisons and voluntary and community organisations to share resources and capabilities for common goals.

People in the communities we support have proved themselves as masters of collaboration, bringing together residents, local businesses (large and small), local authorities, schools, colleges and universities, sports clubs, health trusts, prisons and voluntary and community organisations to share resources and capabilities for common goals.

As public spending shrinks and the public sector retreats from some areas of service provision, residents can collaborate with local authorities to develop and manage community assets, if they are adequately resourced and supported. Big Local areas are working on projects involving community hubs, pubs, shops, cafes, parks, playgrounds, sports facilities, allotments, training and employment and social housing.

What have we learned?

It is possible to change mindsets from 'receive and spend grants' to 'receive and invest', but it takes time, which one and three-year projects don't have. *Big Local* has given residents 15 years to develop, implement and evolve their strategies.

These are not commercial or quasi-commercial investments, on a par with professionally managed funds. They are programme-related investments where residents aim to invest in an income-generating asset, to generate social impact and to strengthen the organisations in which they invest and therefore the wider community infrastructure.

We share the difficulties encountered across the social investment sector, in finding investible opportunities. Funding reductions in the third sector and changes in funding for renewable energy projects are shrinking an already limited market.

Finally, the financial returns are small and risky, but building long-term relationships between residents and the organisations that serve them can deliver real social and economic returns.

It seems likely that an initial focus on building very local economic activity through social investment will develop into a broader focus on engaging and connecting with the wider economy.

'Year 11 thinking' – planning for impact beyond the end of Big Local funding – is now a central part of community strategies in the 150 areas we work in. 52% of areas are working on financial inclusion through partnerships with credit unions and other responsible finance organisations. 49% are engaged in local enterprise support; 46% are developing community land and building projects and 42% are considering other social investment opportunities. It seems likely that an initial focus on building very local economic activity through social investment will develop into a broader focus on engaging and connecting with the wider economy.

***Niamh Goggin** is Director of Small Change Ltd, which currently provides social investment advice and support to communities involved in Big Local. Big Local is a £200m programme managed by Local Trust and endowed by Big Lottery that enables residents in 150 deprived areas in England to make their communities better places to live. She works with the Institute for Voluntary Action Research on a research commission from IVAR, the Access Foundation and Barrow Cadbury Trust on the experience of small, and medium-sized charities in seeking and using social investment. She has more than 20 years' experience of social finance and social investment in the UK, EU and Latin America.*

Early stage funding:
Sometimes it's just too early to measure impact...

Mary Rose Gunn *(www.bulldogtrust.org)*

A number of years ago the Bulldog Trust was introduced to Ginny Williams-Ellis, an inspirational woman who had established an adult literacy charity. ReadEasy UK has turned out to be one of our most successful grant recipients to date but our experiences working with Ginny and other charities and projects at an early stage have taught us to be cautious about insisting upon impact measurement. Requiring return to be measured too early can risk distorting the ability of an organisation to grow and develop effectively, and to respond to the need it has identified. We see social return or impact as the equivalent of profit and few would question the good sense of a start-up adjusting its forecasts to secure a business in the longer term.

ReadEasy started as one group in Dorset. The beautifully simple model recognised that most adults who cannot read are too embarrassed to attend public classes and so offered one-to-one coaching from trained volunteers, coordinating coaches and students to achieve great initial results. When we first met, the charity was already on to its third regional group and Ginny had just established a parent charity that could support and enable further expansion. There was absolutely no doubt of the immense positive impact ReadEasy groups were having on people's lives. Or that Ginny was the right person to lead the expansion of the organisation – her instinctive business sense shone through in the design of her scalable model and her sophisticated gathering of data pointed towards her being a natural at reporting. But, we realised 18 months later, even the simple impact targets we agreed with her for our three-year funding period, were an additional burden on her already over-stretched operations and could have become a factor in causing ReadEasy UK to fail rather than helping it succeed.

For our original funding of ReadEasy UK, the second and third years' support was offered subject to a review of the number of new groups that had been established. At the time, this seemed like a simple way of encouraging Ginny to be ambitious and matching resources with easily measurable outcomes. However, we learnt an important lesson when we met around six months after the end of the first year of funding: Ginny apologised profusely for not having come back to us sooner to request the second year of funds because, she explained, they hadn't yet achieved the target number of new groups.

With the encouragement of her excellent business mentor and some probing questions, the truth of the situation became apparent. Requests for support and information, training resources for coaches, impact measurement resources for students and even media coverage were beginning to drown the organisation before it had even started to swim. No one, least of all

Mary Rose Gunn

Ginny, could have predicted the volume of work that had been generated as the number of groups rose and our targets for more groups were adding further to this pressure. What Ginny needed immediately was administration support to help her ensure the foundations of *ReadEasy UK* were strong enough to cope with the demands on its central structure going forwards.

On the back of this knowledge, our funding for year two was promptly changed to unrestricted and all group targets put on hold as we encouraged Ginny to spend as much time as she needed securing the current structure before looking to expand any further. By year three she was back on target and has been flourishing ever since. Our actions can take no credit for securing the success of the organisation – that belongs entirely to Ginny and her team – but had the organisation not survived, we would definitely have been partly responsible.

As a funder of an increasing number of early-stage organisations, our grants frequently support organisations during the processes of, for example, clearly defining their purpose, strengthening their structures and or embedding their activities. When in such a fragile phase of their development we have learnt that we cannot emphasise more strongly to our grantees that all targets they set for themselves for our funding periods must be seen to be flexible. As any organisation develops, its needs and those of whom it serves can change dramatically and funding requirements must be able to work with these changes or risk destroying the very projects they are intending to support.

Our funding offer is relatively low – between £1,000 and £30,000 over a maximum of three years is offered alongside pro bono business advice from our network of professionals – but this level of funding meets the needs of the organisations we work with partly because it enables us to keep our monitoring light. Since 2012, the *Bulldog Trust* in partnership with the *Golden Bottle Trust* has offered 45 grants to early-stage organisations with strong results and our belief in the principles of communication and flexibility when it comes to impact and monitoring continues to strengthen.

Our faith in these principles has already been justified by the only organisation we have worked with so far that has failed to achieve its potential. In 2014, the *Bulldog Trust* provided a one-year grant to a UK business development charity working in Africa. Unfortunately six months in, the project realised it could not continue past the year end but, despite our funds having already been transferred to southern Africa, the relationship we had with the organisation was so strong that 50% of our funding was returned to us for reinvestment in other projects.

We recognise that as an independent charitable foundation we are lucky we do not have anyone to answer to – should we end up only helping 750 school children instead of 1,000 it doesn't matter. However, that does not mean that we do not agree with the principle or the importance of impact measurement across the board. In fact quite the opposite. We see a major function of our role is to be part of a supportive environment within which an organisation can mature, to ensure that it is able to quantify and communicate its social return clearly and effectively when it is ready for more significant grants or investment.

...as we build and develop our early-stage grants programme we are incorporating the provision of a key performance indicator tool for all grantees to help them thrive in the modern funding climate.

In support of this principle, as we build and develop our early-stage grants programme we are incorporating the provision of a key performance indicator tool for all grantees to help them thrive in the modern funding climate. This funded 12-week programme, undertaken with an external business consultant, will be a condition of our grant funding but what is of crucial importance to us is that the organisation undertakes the process when it is ready. We will continue to work with our grantees to make sure this is the case. As the funding world becomes more professional and quite rightly, demands more clear quantification of value from those it supports, we would like to be playing a valuable role in making sure there is a steady stream of organisations that are ready for the challenge.

Mary Rose Gunn *is the Chief Executive of the Bulldog Trust, a charitable trust established in 1983 that offers financial and advisory assistance to charities. The Trust is based at and owns Two Temple Place which supports and inspires many of its activities including the Winter Exhibition Programme, promoting museums and galleries around the UK through showcase exhibitions.*

From 2004 - 2006 Mary Rose worked in Parliament, concentrating most of her time on research into international development issues. She previously worked in the media as a news producer for an entertainment channel. She graduated with a degree in Modern History from Oxford University in 2000. She is also a trustee of the Margaret Pyke Trust.

The Churches Conservation Trust:
Achieving multiple forms of impact

Anthony Bennett and Crispin Truman *(www.visitchurches.org.uk)*

The Long View of Philanthropy

Crispin Truman

Anthony Bennett

As we approach our 50th Anniversary in 2019, the *Churches Conservation Trust (CCT)* has moved from a pure building preservation charity to become a membership organisation with a vision to increase philanthropy and social investment across civic society and religious heritage. We work with businesses, philanthropists, charities and governments to develop greater expertise, awareness and impact in the social sphere.

On the issues of venture philanthropy and impact investment, the *Churches Conservation Trust* takes, in a way, the long view. Of the 347 churches under our care, a great many of Norman foundation and even earlier, all are listed or deemed of outstanding cultural or heritage significance: all can be seen, in one form or another, as the product of patronage and philanthropy over many centuries.

St Nicholas, Saintbury, for example, was first constituted on a Saxon or pagan site and has in its long history been subject to many key additions and alterations. The building's earliest known feature is an 11th-century sundial. The early finely carved box pews are an 18th-century addition and there are some interesting early post-Medieval wallpaintings in the chancel, Arts and Crafts features that were added in the early 20th century including the chancel and north chapel ceilings, the north chapel screen and the Chancel chandelier.

What appears to be a complete and integrated piece of work is, in fact, the culmination of active and interested investment over many generations. The cumulative impacts of these acts of philanthropy are more than aesthetic: close study rewards the view that each building of this kind forms a vivid, living tribute to the active philanthropic involvement of many individuals over many years. We see our 21st-century philanthropists as being part of this distinguished tradition.

The CCT itself emerged as the passionate endeavour of a private individual. Ivor Bulmer-Thomas was one of a number of charismatic figures who emerged in the 1960s in the vanguard of the preservation of our architectural inheritance, Sir John Betjemen being another. (Betjemen's daughter, Candida Lycett Green, was formerly our Vice President and, since her death, we have named our Annual Lecture in her memory).

Bulmer-Thomas was a singular force and a social entrepreneur before the phrase had been coined. His mission, ultimately, was to strengthen the social capital in our communities. He understood the threat to these churches as more than just the demolition of bricks and mortar: he saw these buildings were more than just vessels of worship. Their historical function had always been a central meeting point for song, trade, meeting and discussion.

When first founded in 1969 and for its first 30 years, the CCT was principally funded by a combination of Church and State. Under recent Chairs Frank Field MP and Loyd Grossman, we have understood for quite some time that this model can only diminish and have been working towards much greater levels of independent income to secure the future of our unique collection.

Notably, in 2015, we were awarded the prestigious Europa Nostra prize, the Oscars of the European heritage sector, for our outstanding work in this field. At a recent meeting in London, Secretary of State

Freefolk church. (Photo courtesy of Andy Marshall)

Tracy Crouch singled out the CCT for its innovative entrepreneurialism and willingness to engage with multiple commercial and philanthropic partners. So what have we done to earn these plaudits?

A new partnership between government, commerce and philanthropy

The CCT has taken an entrepreneurial approach to philanthropy and charitable funding. We are actively engaged with our grassroots, a strident advocate of 'smart working' and a more strategic business-like approach to built heritage and the local community. We also offer an advisory service to local community groups on building their resilience and protecting their heritage, through workshops, research and formal training programmes.

In 2014, we conducted a review of both our existing philanthropic supporters and a sense check against the new emerging philanthropic and civil society paradigms. What emerged were two very different routes to market, which we believe represent an innovation in the field, but with traditional-sounding titles. Our data evidenced that our philanthropists wanted to see two difference relationships, and as such two new programme streams were generated.

The first of these was seen in those (HNWIs) whose interest in our work was typically driven by an interest in historical and heritage work; many of these HNWIs were motivated through personal faith, cultural detail or come from specialist scientific backgrounds. Many are regionally based and have a strong personal interest in the rural agenda. They have a desire for good scientific data and empirical, evidence-based analysis of archaeological findings. Their interest typically centred on a specific kind of church, or region of England, quite often arising from a family connection. Reflecting our historic lineage and our proud association with our founder's guiding principles; we have called this programme the Bulmer-Thomas Circle.

Our second group was identified as ultra high-net worth (UHNW) whose interest in our work was more strategic and aligned with our social, environmental and political impacts. This group are typically more urban-based, metrocentric and culturally diverse. This group has a desire to give, not just monies, but of their time and expertise in providing guidance and political support in our activities. Their interest is not just confined to heritage or rural issues, but stems from a broader desire to work with the long-term strategic objectives of CCT. This 'Chancel Club' programme works closely with our board and Chair; participation is by strict invitation of the Chairman and Chief Executive.

This work complements an energetic and unapologetic approach to commercial partnership. We have a thriving income stream of film and video hire to production companies; 2016 will see us in partnership with a major music label, co-promoting our churches as touring venues; and most recently, our 'Champing' endeavour (essentially, 'glamping' in a church) has proven our greatest success yet, with coverage as far afield as Germany and the United States (see *champing.co.uk* for more.)

The inter-relationship between people and their built environment is complex and subtle. Increasingly, *CCT* has come to be regarded as an important social business through our Regeneration team – an important new social enterprise with demonstrable and measurable impacts. The Regeneration team and our churches generate over £12m of business in local communities, using core investment of just £4.2million, a return on investment of roughly 3:1. We needed to demonstrate the impact of this work both in order to understand for ourselves what works and to attract wider support and potential for growth.

Measuring impact

Measuring impact is in some senses as old as the hills. In its simplest form, an organisation looks at the data it already produces through its financial and operational records and analyses and presents them in a way which demonstrates the effectiveness or otherwise of its work. Charities have always produced accounts and an annual report, there's no magic about that.

This is where we started at *CCT*. We conducted an impact analysis by recruiting an accomplished volunteer with policy and research skills – a former senior civil servant – to do the thinking and the groundwork and provided him with the data he needed to analyse our effectiveness. He took a straightforward approach – desktop research using existing financial and management reports added to some fresh qualitative analysis mostly based on interviews with partners, staff and volunteers.

The study showed that *CCT's* charitable activities generate a 'knock-on benefit' of £10million in local economic activity. Our historic church repair programme supports over 70 local full-time craft and related skilled jobs. A total of 1,750 volunteers contribute their time and skills to our buildings, with a value equivalent to at least £1m. Around 1.9m visitors to our churches enjoy a heritage experience valued at more than £4m when compared to paying attractions. They go on to spend an estimated £6m with local businesses each year.

The resulting *Impact Report* gives a good picture of the value of our investment across a wide range of social, environmental and economic outputs. You can see it here. This does the job where what we want is to capture and present global indicators of an organisation's overall performance.

A theory of change

We realised however, that we needed to develop something a bit more sophisticated and, crucially, transferable, for the growing number of complex, multi-dimensional community and heritage projects we were getting involved in. We needed an impact measurement system which could apply consistently across a diverse range of projects in very different situations: from a heritage and enterprise space in post-industrial Bolton to a community hub and shop in rural Lincolnshire. It also needed to be something we could help other groups do for themselves when they wanted to measure the impact of the projects we were assisting. So we worked with multiple local and national community organisations to:

1. Develop a core set of social outcomes of meaning in all contexts
2. Build an evaluation framework which would allow us to measure and present those outcomes.

The resulting *Theory of Change* can be used by CCT, other charities and local communities to value and manage their own projects and assets (in this case, historic churches) so that their full social, environmental, economic and cultural value can be realised. This is important work as it demonstrates to communities the potential of historic churches in an era of declining church attendance.

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What is a *Theory of Change*? In essence, it is a carefully-crafted statement which captures the change we aim to bring about through our intervention. Our consultants, *BOP Consulting*, define it as something which:

1. Explains how an initiative has an impact on its beneficiaries
2. Outlines all the things that a programme does for its beneficiaries, the ultimate impact that it aims to have on them, and all the separate outcomes that lead or contribute to that impact
3. Effectively describes and explains the impact of the programme from a beneficiary's point of view.

A *Theory of Change* is, of course, different for all charities. Ours is:

'The [CCT] Regeneration Taskforce supports communities to create projects that address community needs through local historic churches'

The Theory is a hypothesis which can then be broken down into a number of planned aims including:

1. **Outputs**, such as: *'Project management, project delivery and activities'*
2. **Intermediate outcomes**, eg: *'Community management is organisationally and financially sustainable'*
3. **Long-term outcomes** which include:

'People feel more confident, valued and supported'

4. **Impacts**, such as: *'Communities are happier and more successful places'.*

It's also important to identify any underlying assumptions in the methodology, such as: 'Quality assurance adequately assesses community & commercial project needs'

Indicators, or 'events' which are deemed to demonstrate the occurrence of the various outputs, outcomes and impacts and against which they can be measured are developed for each of 1 – 4. A wide range of tests and research procedures are then used to record and measure the occurrence or otherwise of the indicators in order to assess the impact of the programme overall and the varying impacts of each input. All or a selection of the following might be used:

- Skills audit
- Desktop analysis of accounts, business plans etc.
- Needs audit
- Participant survey
- Focus groups
- Quality assessment user survey.

The *Theory of Change* approach works well for assessing the impact of multi-dimensional, community-led projects which need a high degree of flexibility and sensitivity to local conditions but to which a framework has to be applied if they are to be measured. We're still in the developmental stages of this work and will now be testing it out on forthcoming projects.

All Souls, Bolton. (Photo courtesy of Andy Marshall)

Crispin Truman *is Chief Executive of the Churches Conservation Trust, the national charity protecting historic churches at risk. The Trust runs over 340 heritage buildings across England attracting almost 2m visitors a year and promotes them as an educational, tourism and community resource.*

Crispin is on the Council of new European network, Future Religious Heritage and is a member of Defra's Civil Society Partnership Network core group. He is Chair of Governors at Stoke Newington School & Sixth Form and was formerly trustee of a number of UK charities including The Heritage Alliance, Rethink Mental Illness and The Building Exploratory.

Crispin trained as a social worker. He was formerly Chief Executive of the Revolving Doors Agency and helped set the charity up to demonstrate new ways of working in mental health, homelessness and criminal justice.

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Anthony Bennett, *Director of Development, has worked in fundraising and development for more than 16 years, and his considerable experience during that time includes helping to raise the £41m for the restoration of the English National Opera's London Coliseum and serving as Director of Development at the World Wide Fund for Nature. Prior to this, Anthony studied at Glasgow School of Art, practising mosaic in the Department of Environmental Art, and undertaking a postgraduate diploma in art history and an MA at the Chelsea School of Art in Public Art and Architecture, before embarking on a career in the ecclesiastical antiques trade. He is a trustee of the Kensal Rise Library.*

Transformation –
A journey: An Australian example

Dr Michael Liffman *(www.swin.edu.au)*

Some 15 years ago, after a period as CEO of a major family foundation in Melbourne, Australia, I took to the business school of a local university the idea that a centre for the study of philanthropy and social investment be established. My rationale at the time was that in Australia, and elsewhere, the giving of private funds for public good was very much a personal, 'feel good', and often self-congratulatory matter, lacking almost all of the strategy, rigour, assessment and accountability of comparable financial investment, and therefore often not achieving optimal impact.

My main purpose, therefore, was to introduce reflectiveness and discipline into philanthropic practice. For our students, this led to them being told in their very first class – possibly to their dismay – that the entire learning journey to which they had just committed considerable time and expense could be reduced to a four-word mantra: 'promote outcomes, not intentions'!

Although I didn't appreciate it at the time, far from being a lone voice – as the challenges I faced in gaining acceptance for the idea initially led me to feel – I was part (perhaps in the vanguard) of a larger Zeitgeist which has transformed the field in the subsequent years. Now strategic philanthropy, impact assessment, return on investment, theories of changes, impact investment, and the like, are commonplace, almost de rigueur, and supported by a wealth of resources, tools, training materials, short courses and conferences. This is great progress, to be welcomed, encouraged and consolidated.

But some challenges remain. Methodological and conceptual questions about the capacity of interventions in the long term, multi-factored social issues to be effectively evaluated and causation reliably attributed, abound. The better practitioners and analysts grapple with these questions intelligently and honestly; others use the language and tools of impact assessment in less convincing ways.

Overall, though, there has been little short of a transformation in the philanthropic sector, and, rightly, recipients of social investment funds are expected to submit to the requirements of impact assessment and return on investment in a way virtually unknown even a decade ago.

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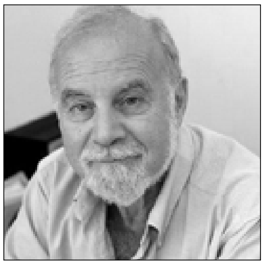

Michael Liffman (Dr)

return on investment in a way virtually unknown even a decade ago.

The aspect of this that now intrigues me is how the investor – as distinct from the investee – experiences this rather different atmosphere. Does the investor, especially the personal donor who remains the backbone of philanthropy, understand and support the much more hard-headed approach now expected of his or her investment decisions? And, importantly, will there be the sort of satisfactions in this approach which will sustain an ongoing commitment to giving?

The real meaning of this question is brought home to me very immediately in a class I teach on 'personal and family philanthropy'. In the first session of that class, I invite students to do some of the exercises in Tracy Gary's popular book, *Inspired Philanthropy*. Gary is an enthusiastic advocate of engaged and passionate giving, in which the donor is in touch with, and gives expression to, the experiences, values and feelings which most strongly affect them, and her book contains a range of clever self-survey instruments for people to use to explore their passions. Most students seem to discover that their own giving is indeed personal, emotional and circumstantial; some are heartened, and others a little surprised, by the extent of this.

In the next session we look at the very different approach currently popularised by Peter Singer in *Effective Altruism*, and by Givewell. This approach is unapologetically hard-headed, unsentimental, impersonal and analytic – to the extent that Singer argues against most arts funding, and proposes that donors in privileged nations such as Australia should not give within their own country but only to undeveloped regions.

Students' response to this is fascinating. Some are open to its challenging logic, but hardly any are able to act on its implications. Almost invariably they feel unable to resist the pull of family and friends, local community, immediate need and distress, and their own experiences, preferences and values, in shaping their giving. They are troubled by the difficulty they experience in mounting theoretical challenges to the formidable logic of the case for effective giving but usually cannot escape their own loyalties and passions.

This is the classic 'head/heart' tension which underlies the field of philanthropy – and so many other domains – and explains so much of its characteristics: its resistance to study, its frequently limited effectiveness and the depth of feeling it generates. It seems to me that as the understanding of the importance of effective philanthropy matures, the challenge that must not be overlooked in reconciling money and mission is just this.

This challenge has been addressed by some commentators, and especially well by Peter Frumkin in his *Strategic Philanthropy: the Art and Science of Giving*. The central premise of his work is 'finding a way to maximise both the public benefits of giving and the private fulfilment of donor; not just to secure the continued flow of funds into philanthropy, but also to ensure that private giving in all its idiosyncratic forms continues to play a vital role in supporting pluralism in society' *(2006:ix)*.

It is beyond the scope of this short contribution to prescribe how this is to be done: simply to note its importance and stress that social investment is as serious and complex an endeavour as any other, and that neither head nor heart alone can do the job.

Dr Michael Liffman *(BA hons., Melb; M.Sc [Social Admin], LSE; Ph.D, Melb;) is founding Director of the Asia-Pacific Centre for Philanthropy and Social Investment at Swinburne University, Melbourne, Australia. The centre offers a masters degree in grantmaking and social investment, and undertakes research, and is one of few such Centres in the world. Michael has a background in social policy, research and community work.*

After working with a number of community agencies, Michael went – as some have described it – from poacher to gamekeeper, as CEO of one of Australia's leading philanthropic foundations, The Myer Foundation. His book on the history of Myer family philanthropy, A Tradition of Giving: Seventy-five Years of Myer Family Philanthropy *was published by Melbourne University Publishing in 2004.*

Michael is a Director of WINGS (Worldwide Initiatives for Grantmaker Support). He is a former President of the Australian Association of Philanthropy, and was a member of the International Network on Strategic Philanthropy. He was a Director of the Australian Institute of Multicultural Affairs. Other involvements have included membership of the Human Research Ethics Committee of the Government of Victoria's Department of Human Services, the Community Advisory Committee of the Special Broadcasting Service, the Immigration Review Tribunal, Southport Community Nursing Home and the Alpine School for Student Leadership.

Other publications include Power for the Poor *(Allen & Unwin 1978),* Refugees, Resources and Reunion, *[ed, with Birrel, Hay and Glezer] (VCTA 1989), editorship of* Migration Action, *and* The Non-profit Motive in Civil Society'*in Australian Philanthropy Research Papers 2000.*

Harnessing governments for social innovation in Asia

Stacey Choe *(www.avpn.asia)*

Governments are not typically the organisations that one thinks of when associating with innovation. When we think of social issues, it is hard not to relate solutions, treatments and responsibility back to governments, no matter the extent of social welfare undertaken by that particular government. Social problems exist at scale evidently because the existing help and assistance given do not work. In many situations, what is required is innovation to change the current way that things work. Unfortunately, expecting a behemoth organisation like government body to turn on its wheels to change and innovate internally is usually extremely difficult, if not, near impossible. Many factors like organisational culture, high prioritisation on accountability and hierarchical obstacles add to the mix.

Stacey Choe

In Asia, as with many other regions, what has happened of late is the 'outsourcing' of innovation to those who do it best. Social enterprises have sprung up, along with young innovators and game-changers from the corporate sector. Some of these are supported by private foundations, others incubated by tech companies or commercial investors. In the middle of all these, the biggest player is at times ignored.

Governments aren't sexy

Young start-ups like to shun the government, foundations fear the government interfering and stunting progress with bureaucracy, and commercial investors don't even know where to start with them on social issues. And yet, what we all have to realise is that in order for any good idea or solution to go to scale and become a real game changer, the one who writes the rules and sets the framework has to be involved.

Who's doing what in Asia?

So we see government agencies slowly dipping their toes in, starting with social innovation competitions and awards with small grants to seed the market and to drum up excitement and enthusiasm. In Malaysia, the *Agency for Innovation (AIM)* has run such competitions for social enterprises, the *Malaysian Global Innovation & Creativity Centre (MaGIC)* set up a separate arm focussing on social entrepreneurship with boot camps and incubation programmes.

The stellar jewel to the crown was when *AIM* participated in a collective impact programme for education, with their pilot project commencing in Klang Valley. This was a first in many ways. Not only was this project led by corporate foundations working together, it was jointly funded by government and foundations in order to address a social issue that all of them were already working on separately before this started. They realised that working individually was disjointed and the impact was symptomatic at best for the community. Also, the project was not something commissioned by the government, to be merely executed by other parties; it was a joint effort recognised in part that something had broken down within their system. The foundations also realised that by involving a government body, should the project prove successful, the chances of this being brought back to the government as a case in point that should result in policy change and nation-wide overhaul in the system would be much higher.

In other countries, Hong Kong government's *Efficiency Unit* launched a *Social Innovation and Entrepreneurship Development Fund*, which supports intermediaries, rather than direct recipients. In doing so, they are building up the local market for more players in the social investing eco-system so that the market would be able to sustain itself without government intervention eventually. As a catalyst and supporter, they have co-funded four projects since late 2014.

Over in Singapore, the *Singapore Centre for Social Enterprise (raiSE)* invests in social enterprises with seeding grants, loans and even direct equity. This illustrates a willingness from the government side to take on more risk in supporting the development of the social enterprise sector and enterprises with good potential.

One of the most progressive governments where social innovation is taking place at accelerated speed is in Korea. The *Korea Social Investment* has already started a pilot of Social Impact Bonds on childcare for children with special needs. The government has also since 2007 introduced a social enterprise promotion Act that supports the social enterprises with professional consultation for management, technique, taxation, labour affairs, accounting and even provides subsidised rents and reduced taxes.

The [Korean] government has also since 2007 introduced a social enterprise promotion Act that supports the social enterprises with professional consultation for management, technique, taxation, labour affairs, accounting and even provide subsidised rents and reduced taxes.

Safe space for governments to be innovative!

There are many more examples which have not been mentioned that are happening all over Asia today. What is important now is to share these so we can all learn from each other – both in terms of best practices and also the lessons learnt. Where there is a community of policy makers, eco-system builders and civil servants talking to each other of their experiences, they do not feel like they are alone and will be more willing to take risks, as is required where innovation is concerned. Each might be breaking new frontiers in different sectors and in their own countries, but others are also doing the same near them. What *Asian Venture Philanthropy Network (AVPN)* has done while reaching out to all these stakeholders is also to set up the platform for them to exchange their knowledge.

In November 2014, *AVPN* led a group of 18 government officials and affiliates from Asia on a European study trip that exposed them to the best-in-class models of multi-sector collaboration. The delegates from China, Hong Kong, India, Thailand, Malaysia, Japan and Indonesia attended the launch of the *Social Values Act* in London and met with the leaders of *Big Society Capital, Social Finance, Bridges Ventures* and *Social Enterprise UK*. The project, which was also supported by *BMW Foundation* and *British Council,* allowed the participants to have direct discourse with lawmakers in Germany, European Commission and the United Kingdom.

Building on this, the group reconvened at the 2015 *AVPN Conference* in Singapore *(see below)* and the organiser added more participants, including representatives from the Philippines, Singapore and development agencies from Australia and even Latin America. They shared their individual progress in the six months since they last met and the meeting was a rare insight into what Asia was doing in the sphere of social innovation and impact.

Social impact: it takes many across sectors to get it right

Riding on the enthusiastic response from the government participants, we are looking at building a regular platform for Asian policy makers and government players to come together for further knowledge exchange. This will be a direct channel for these government officials to tap into each other's' experience. Many of them have found it hard to find the right counterparts in other countries because the work in social innovation, impact and investment often straddles different agencies and in many countries, there isn't one department that undertakes this responsibility. This platform will be the one channel for agencies and departments in charge of different sectors to come together to look at models of social innovation and collaboration with other sectors.

We are currently building this up and will be looking at more partnerships and engagement from interested Asian government bodies. This will culminate in a launch event at the *AVPN Conference 2016* in Hong Kong, which will be held from 23-25 May 2016. Look out for more information and remember – the social impact you create will only be as far as the reach of your partners.

Stacey Choe *is the Director of Membership & Services at the Asian Venture Philanthropy Network (AVPN), which has member organisations in 28 countries. She oversees the team that is in charge of recruitment of members and rolling out bespoke services for the community like roundtable events, customised webinars and study tours on social investment. She has organised countless international events, bringing together leaders in the investment, corporate and government fields.*

Prior to joining AVPN, she had eight years of experience in marketing communications, events management, market research and strategy. She spent three years in China as the marketing director of a boutique Italian consulting company. During that time, she established herself as a leading PR and communications consultant in the food and lifestyle industries in China.

In Singapore she was responsible for regional incentive and rewards programmes in Intel Corporation, and before that, Stacey worked in the government sector on nationwide campaigns relating to social cohesion and national identity.

Stacey holds an MA in Social Anthropology of Development from SOAS, University of London, and a BA in Political Science and English Literature from the National University of Singapore. She has varied interests in social, political and community development, and has also co-founded a Lean In chapter for professional women in Singapore, sits on several committees including the Asia Environment Innovation Forum, mentors social enterprises and speaks on venture philanthropy at regional events.

The 100% model and impact measurement

Ingrid Harstad *(www.humanpractice.org)*

Navigating in a time of economic recession and decreased public funding to the third sector, charities find themselves under heavy scrutiny as critical voices claim a disproportional amount of resources are spent on the operating budget. There is a rising tendency of donors expecting an increased ROI, and non-profit organisations frequently face questions about their overhead expenses. This development is driving changes, but can the charitable sector be expected to adopt a more business-like approach to ensure they can survive in the challenging times?

Donors primarily care about how donations are used and what the charity in question achieves: a 2014 publication by charity think tank and consultancy *NPC* shows that three in five donors pay close or extremely close attention to how their donation will be used[1]. A further 58% of mainstream and 61% of high-income donors pay close or extremely close attention to evidence an organisation is having an impact. In short, donors want to invest in non-profits that are going to deliver the best results for the largest number of people in the donor's chosen giving areas. This is hardly surprising, but how can these expectations be met? And how can impact be measured and communicated in a trustworthy and meaningful way?

In short, donors want to invest in non-profits that are going to deliver the best results for the largest number of people in the donor's chosen giving areas.

The increasingly demanding public eye in part explains the emergence of a relatively new donation approach in the charity sector; a 100% donation policy, where all overhead costs are covered by specific donations, allowing public donations to be allocated in their entirety to specific projects. Danish charity Human Practice Foundation (HPF), founded in 2014, has had a very successful first year of operation and we believe we owe much of this success to this business- and investment-based approach that has resonated with our donors. HPF primarily supports projects aimed at elevating the standard of living in indigenous communities in the developing world. The targeted areas of emphasis are education and agriculture – Nepal is our first project country, although our long-term goal is to operate in developing countries all over the world. The objective of the projects funded by the foundation is to assist our local partners to jointly create a sustainable livelihood for themselves and their communities. This entails improving education

Ingrid Harstad

by generating conditions favourable to teaching and learning and developing innovative skills and methods in agriculture. 100% of the means donated to a specific project will be channelled, in its entirety, to that project; the donors receive regular updates and also have the opportunity to become personally involved in their respective projects. The operating expenses of the foundation are separately financed by a group of private individuals who have been part of the foundation from the very start.

It is easy to see why the model is attractive to donors who might harbour some scepticism towards the charity sector. We are not claiming that overhead costs are unnecessary or not part of the cause, and we try to communicate this clearly to avoid misinformation. These are very real and necessary expenditures and we simply could not function without them being covered by our Founding Members. In many ways, they are the facilitators who form the basis of our organisation and allow HPF to operate.

The 100% donation model has received criticism for changing the playing field for charities, affecting especially the expectations of donors, and making it more difficult for other non-profits who cannot adopt the same model to explain their overhead costs. Committing to such a definite structure can be challenging and is not for everyone. However, HPF is a small organisation with a short chain of command, uncomplicated communication lines and relatively straightforward projects, and although larger non-profits like Charity: Water is based on the 100% model, most others simply cannot be. But is it fair to say that if all organisations cannot achieve a specific model, that none should be utilising them? We believe that it is not. We believe we appeal most to those donors who are attracted to the key concept that the 100% model represents: transparency. And this is an area where improvements are more easily achieved by all organisations regardless of size or history. There is no reason why different donation models should not be utilised; ultimately the important factor should be what kind of impact the donation is making, how transparent the organisation is and how accessible the results are.

Donation model discussions are futile unless put into context with the impact an organisation is making. Solid impact information is vital for internal performance, to acquire funding, and to provide meaningful updates to stakeholders. If our success is to continue, a solid impact measurement strategy is vital to assure our concept of transparency is fulfilled.

Construction of the Chhirringkharka Primary School in the Solukhumbu District of Nepal. Once completed eighty children from the village will be enrolled.

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As our first projects have been completed earlier this year our data is limited – for now. We will, however, in the beginning of 2016 conduct combined one year impact measurements consisting of internal evaluations where our own team will visit the various project sites in addition to having independent evaluations conducted, pro bono, by Deloitte. Deloitte has also lent their expertise in helping us develop assessment tools we will utilise prior to, during and after projects are undertaken. The result of our investments will be rated according to, amongst other things, changes in school attendance levels, improvements in analphabetic levels, changes in the number of women employed locally and the socioeconomic growth of the local community. The findings will be used to revise strategy and execution and will be communicated to our supporters.

Different approaches to running non-profits yield a healthy discussion and are driving changes in the industry. The debate is helpful in understanding the needs and expectations of stakeholders and demonstrates that there is more than one way to move money from those with means to those without. Focusing on keeping overhead expenses linked directly to the ability to run the organisation and being transparent about the operating costs goes a long way to ensure that patrons will offer their continued support regardless of the approach. Offering contributors the option of becoming personally involved in a project adds to a heightened sense of commitment and ownership and is key to building donor relationships. Making a positive and sustainable impact is surely the founding motivation for any organisation in the non-profit sector, and finding meaningful impact measuring programmes that are appropriate for the organisation is vital to ensure that purpose and intent are being fulfilled.

[1] New Philanthropy Capital, http://www.thinknpc.org/publications/money-for-good-uk/ (March 2014)

A potential project: Three main buildings of the Parewadanda lower secondary school in the Sindhuli District in the Janakpur Zone of South-East Nepal collapsed during the April 2015 earthquake.

***Ingrid Harstad** is a communications professional working with Danish charity Human Practice Foundation.*

The charities (protection and social investment) bill and SROI

Gordon Reid *(www.barlowrobbins.com)* **and David Richardson** *(www.investec.co.uk)*

The Charities (Protection and Social Investment) Bill currently working its way through Parliament will (amongst other things) give effect to a recommendation from the Law Commission that charities should have a statutory power to undertake social investment. Many charities arguably already had the power to do this but if it is passed, this provision will bring welcome clarity.

Gordon Reid

David Richardson

The provisions as currently drafted allow charities (except those created by statute or Royal Charter) to invest 'with a view to both (a) directly furthering the charity's purpose; and (b) achieving a financial return for the charity'.

The Bill does not set out any minimum degree of mission benefit which must be achieved so that trustees can look at a combination of mission benefit and financial return without the need to quantify each element. Trustees, of course, have a basic duty to act in the best interests of the charity. Under the Bill there will be a statutory obligation for trustees to satisfy themselves that it is in the interests of the charity to make the social investment, having due regard to the benefit they expect it to achieve. Trustees will, therefore, need, in every situation, to strike a balance between mission benefit and financial return and will want to seek professional advice as they do so. The charity's investment policy will also need to be amended to cover social investment.

One striking feature of the Bill is that investments made using the power will not have to be restricted to the investing charity's objects although they must be seen as a means of furthering the charity's own objects. Lord Bridges, in a debate in the House of Lords, put it this way.

'A charity might have the care of horses as its charitable purpose. It may wish to invest in a horse and donkey social enterprise, which provides joint facilities for both. The social enterprise may also expect to make a financial return, perhaps from charging visitors. Having weighed the benefits to horses along with the expected risk-adjusted financial return, the horse charity is able to invest in the horse and donkey social enterprise. So long as the trustees have satisfied themselves that the combination of expected financial return and mission benefit in relation to horses is appropriate, this is covered under the social investment power.'

The power does not apply to the use of assets held as a permanent endowment. Charities are also free to decide that they do not want to make use of the power – and can exclude it by a specific provision in their governing document.

What will be key is the means by which charities can assess and measure social return. David Richardson goes on to consider those issues.

Social return on investment (SROI) attempts to put a social value on the outcome of an investment in addition to the historic financial consideration that is used in traditional financial accounting. It can be used by any organisation to consider the social impact of its actions as well as financial ones.

The history of SROI can be traced back to 2000 when a San Francisco-based philanthropic fund, Roberts, first sought to establish a method of measuring the wider implications on society of its grant making.

Over the intervening years, interest in this sort of accounting has developed particularly into the area of environmental and climate sustainability and in 2006, a network was established to promulgate further techniques and measurement tools for this type of analysis. This network is now called Social

Value and has over 700 members globally. Its aim is to standardise, as far as possible, the assessment of the social impact of a particular investment, policy or organisation. This methodology is inevitably subjective and it is not always possible to put a financial proxy value to all considerations but the aim is to involve all stakeholders to ensure that social impact is broadly considered.

In the UK, the government recognised the potential of this analysis and in 2007 commissioned a project to assess guidelines when organisations apply for government funding for a particular project.

There are now seven principles agreed on by most practitioners in *SROI* and these form the building blocks for any entity that wishes to assess in the widest terms whether an undertaking is worth following.

1. Involve stakeholders

Stakeholders are those people or organisations that directly experience change as a result of the activity. They will, therefore, be best placed to describe the change. Stakeholders need to be identified and involved throughout the analysis.

2. Understand what changes

Articulate how change is created both positively and negatively and those which are intended and those which are unintended. These changes are the outcomes of the activity and need to be assessed and measured.

3. Value the outcomes that matter

Making decisions about allocating resources between different options needs to recognise the possibly different values of stakeholders. Ensure that these values are relevant.

4. Only include what is material

Determine what information and evidence must be included in the analysis to give a true and fair picture such that stakeholders can draw reasonable conclusions about impact. There may well be many outcomes, and decisions should be made about those that really matter. Stakeholders need to assure themselves that material issues have been included.

5. Do not overclaim

Only claim the value that the activity is responsible for recreating. This principle requires reference to supporting data and benchmarks to assess the extent to which a change is genuinely attributable to the activity.

6. Be transparent

Demonstrate the basis on which the analysis may be considered accurate and unbiased and show that it will be reported to and discussed with stakeholders.

7. Verify the result

Ensure that there is independent and appropriate assurance about the changes observed.

Whilst following these principles will give the person preparing the social impact assessment guidance there is inevitably a substantial element of subjectivity particularly involving the 'monetisation' of extra-financial factors. This is the putting of a valuation on outcomes which do not have a market price. This is not always straightforward or even possible.

The approach is to establish financial 'proxies' which are appropriate and explainable in order to establish credibility and these will also be subjective but a methodology can often be established. Stakeholders are often able to estimate how much they value an outcome as against other outcomes and the government publishes a wide range of data which can be used. Sometimes monetisation is fairly straightforward, like a cost saving, but at other items, one is forced to rely on stakeholder preferences.

There is a wealth of information on SROI and as with any young discipline it is still evolving but the basis for techniques has now been established and it seems highly likely that this form of accounting will continue to grow.

Gordon Reid *is the Head of the Charities Team at Barlow Robbins, solicitors. He advises a range of national and regional charities on all aspects of charity law and practice with a particular emphasis on governance issues, and regularly runs seminars and workshops for trustees, covering all aspects of their duties and responsibilities.*

David Richardson *is a Senior Investment Director for Investec Wealth & Investment (formerly Rensburg Sheppards). He manages investment portfolios for a wide range of charities with a variety of segregated mandates. Since joining the company in 2004 David has advised clients on the development of strategies that enable charities to achieve their investment objectives across the full spectrum of asset classes. David has a BSc (Hons.) in Economics from UCL and is a Chartered Accountant.*

Philanthropy Impact

Join us in our vision to *increase philanthropy and social investment across borders, sectors and causes*

Why *join us*

'I believe Philanthropy Impact has a key contribution to make as a forum to encourage more – and more effective – philanthropy and social investment through the exchange of ideas, spreading knowledge and improving the professional advice available. This is more important than ever.'

LORD JANVRIN Deputy Chairman
HSBC Private Bank (UK) Ltd

Since 1998 Philanthropy Impact has been delivering services to professional advisers and other key stakeholders including philanthropists, trusts, foundations, and charities. Our vision, as a charity, is to increase philanthropy and social investment across borders, sectors and causes.

We provide resources and learning opportunities to professional advisers and other sector stakeholders in order to enhance their expertise, awareness and influence in increasing the level of philanthropy and social investment. Philanthropy Impact's 2014 – 2017 strategy as a centre of competence and impact encompasses growth by:

- Supporting advisers, ensuring they are equipped with best-practice philanthropic and social investment knowledge for discussion with their clients
- Organising learning events seminars for members and interested parties
- Creating networking opportunities to enhance understanding amongst advisors, philanthropists, social investors, trusts, foundations and charities
- Providing know-how, reports and analysis on philanthropy and social investment
- Disseminating information that raises awareness about best-practice amongst advisors
- Collaborating with third parties to support the development of philanthropic and social investment practices relevant to advisors and their clients
- Advocating for philanthropy and social investment internationally

Participants find events 'essential', 'highly educational' and 'inspiring'

FOR PROFESSIONAL ADVISERS

We produce a range of resources to support advisers, donors and their families:

- Opportunities to meet and network with professional advisors, philanthropists, trusts, foundations and charities
- News and updates on philanthropy, social investment and corporate giving
- Support to help fulfil CSR mandates and improve employee engagement in philanthropy
- Bespoke initiatives and advocacy activities to promote philanthropy and social investment
- Tailored professional development programmes

FOR NON-PROFIT ORGANISATIONS AND PHILANTHROPISTS

We offer a range of resources to help non-profits improve their social impact:

- Free access to our network through roundtable discussions with expert speaker panels and topical subjects.
- Opportunities to engage with members and increase influence through publications, events and advocacy initiatives
- News and resources on charity governance, giving trends and social investment.

Philanthropy Impact exists for the benefit of its members. We welcome any suggestions or contributions at **editor@philanthropy-impact.org**

To find out more about member benefits including free event registration, partnership opportunities and free resources please visit our website

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