



OECD  
Global Action | Promoting  
Social & Solidarity  
Economy Ecosystems

# HIGHLIGHTS

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OECD Global Action on Promoting Social and Solidarity Economy Ecosystems

**Virtual Expert Meeting**

**Social Impact Measurement for the Social and Solidarity Economy**



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# Social Impact Measurement for the Social and Solidarity Economy

## ■ The OECD Global Action

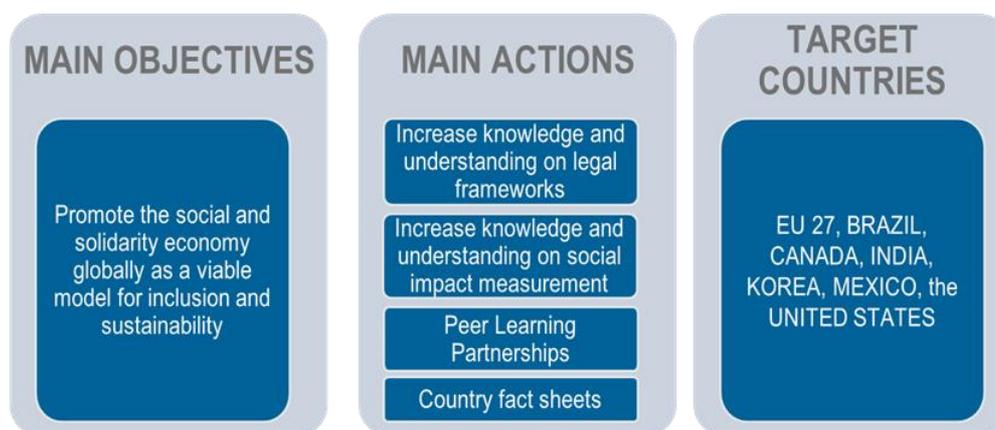
**The Social and Solidarity Economy (SSE) is a broad phenomenon, also referred to as Third Sector or Social Economy.** It gathers a diversity of organisations (including associations, co-operatives, mutuals, foundations, social enterprises, community-based initiatives, among others) that develop economic activities and are driven by common principles, such as solidarity, the primacy of people over capital, democratic and participative governance.

**Growing inequalities, persistent unemployment and environmental imperatives have come to the fore as priority policy issues worldwide.** This is more than ever the case now with the COVID-19 crisis that has worsened socio-economic challenges. Policy makers around the world have placed the SSE high in the agenda to “build back better” after the pandemic crisis.

**In this context, the SSE can play a major role in building more inclusive and sustainable economies and societies.** For instance, a cross-country study shows that traditional social economy organisations account for 6.4% of employment and 11.9 million jobs across EU27 countries. Despite the increasing recognition of the importance of SSE, many countries are still struggling to develop conducive ecosystems and to access good practices at the international level.

**The OECD Global Action “Promoting Social and Solidarity Economy ecosystems” seeks to better understand the levers and obstacles to build enabling policy frameworks.** **Error! Reference source not found.** summarises the main objectives, actions and target countries of the OECD Global Action.

Figure 1. The OECD Global Action in a snapshot



**Social Impact Measurement (SIM) is one of the priorities identified as part of the OECD Global Action.** SIM aims to assess the social value and impact produced by the activities or operations of any for-profit or non-profit organisation. It is commonly thought of as the process of understanding how much social change occurred and can be attributed to an organisation's activities. The term has only recently emerged and it stands at the juncture of other pre-existing functions such as performance management, evaluation and accounting.

## ■ What is the issue?

**The Agenda 2030 calls on all actors in the economy to contribute to sustainable and inclusive development.** As the financial and corporate sectors take strides to plan, implement, and assess their impact strategies, SSE organisations are under increasing pressure to

demonstrate their value added to society. External donors and investors request evidence on how resources are used and what results are achieved. Public policies that place greater emphasis on competition for contracts, user choice and efficiency call for further attention to social impact measurement. Most importantly, SSE organisations can proactively and voluntarily embrace social impact measurement for both learning and promotional purposes.

**SIM is increasingly understood as an integral part of the intangible market infrastructure** that is necessary to not only orient the supply of capital toward sustainable and responsible investment opportunities, but also to aggregate and organise the demand side in the social and solidarity economy. Across all countries covered by the Global Action, policy makers have taken initiatives to foster the emergence of a social impact measurement culture and support its dissemination in the SSE sector. National and local governments can do build on this by improving the policy framework, delivering methodological guidance, producing impact evidence and/or supporting capacity development.

**SSE organisations pursue a social mission, which they prioritise over the maximisation of profits.** This implies a heightened burden to prove their benefits to society and creates a strategic need to understand the levers and obstacles to positive social value creation. Social impact measurement does not merely serve as a tool for external accountability, but may provide SSE organisations with a differentiating factor in the market place as well as an opportunity for strategic reflection and growth. Yet, both practical and theoretical difficulties hamper a more widespread adoption of social impact measurement by SSE organisations. The lack of a clear definition of social impact, shared by all actors in the SSE ecosystem, makes it difficult to translate it into meaningful measurement practices.

**Despite significant progress and growing attention to harmonisation, there is not yet a universally agreed approach for social impact measurement.** Several methodologies exist, but they are not necessarily coherent and suitable for the needs of SSE organisations. Frequently applied methods range from collecting stakeholder feedback to conducting fully-fledged impact evaluations, which may also include monetary valuation. The diversity of tools and resources available can be daunting and difficult to navigate, especially for smaller or less experienced entities. While some guidance exists, ultimately each SSE organisation has to decide how to select and develop the most appropriate social impact measurement strategy, based on their needs and context.

## ■ About the expert meeting

The OECD Global Action, through its work stream on social impact measurement, endeavours to explore: 1) current social impact measurement practices among SSE organisations; 2) the methodologies best suited to capture the social benefits of the SSE; and 3) policy initiatives to foster a social impact measurement culture and practice in the SSE ecosystem.

The main objective of the expert meeting was to explore the different methodological trends related to social impact measurement and how public action can foster learning and accountability in the social and solidarity economy. Specific objectives included:

- Taking stock of policy efforts to promote social impact measurement practice in countries covered by the OECD Global Action;
- Better understanding the diversity, relevance and implications of social impact measurement methodologies as they are being applied in the SSE;
- Identifying crosscutting opportunities and challenges that could inform the international guide on social impact measurement to be delivered by the Global Action in 2022.

This document summarises the main messages and information shared by the 46 participants, whose list is provided in Annex.

## ■ Next steps

A scoping paper on Social Impact Measurement for the Social and Solidarity Economy shall be presented at the OECD International Conference planned in September 2021. From April to October 2021, peer learning partnerships will take place in the framework of the Global Action, some of them addressing the topic of social impact measurement at the country and international level. By end of 2022, the OECD Global Action aims to deliver an International Guide and further consultation is foreseen in the coming months.

# Policy Initiatives to foster Social Impact Measurement for the Social and Solidarity Economy

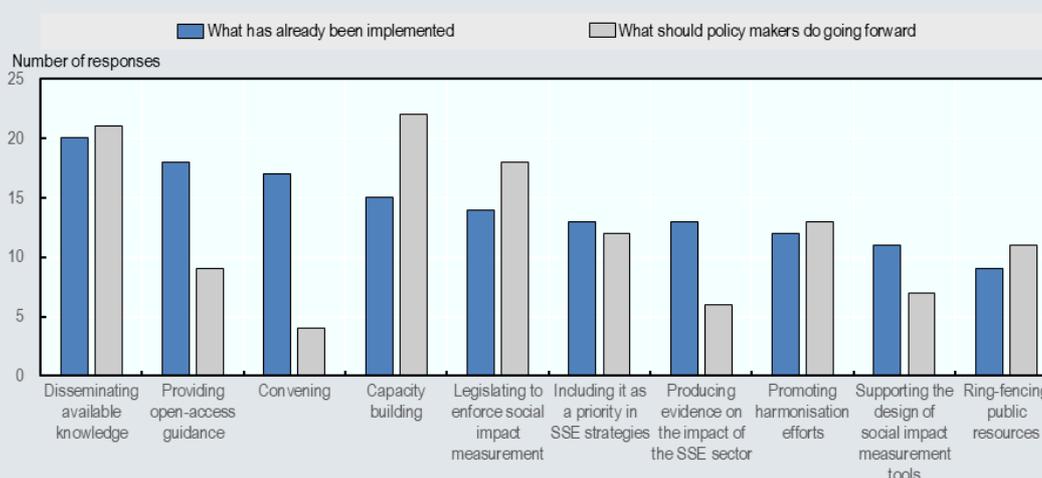
## Box 1. Main messages

**The SSE includes different types of actors, facing different challenges when it comes to SIM.** For instance, smaller organisations, such as NGOs and associations, risk getting caught in a “vicious circle”, being forced to prove impact at all costs.

**It is crucial to bring together the different actors for the development of appropriate SIM policies for the SSE.** In addition, the SSE should engage proactively with the mainstream economy.

**Public initiatives in support of SIM uptake by SSE organisations are being implemented in many countries.** Policies to disseminate available knowledge emerge as the most common practice according to participants, who also highlighted that, going forward, capacity building on SIM should be a top policy priority (see Figure 2).

**Figure 2. Policies to promote SIM among SSE organisations: What has already been implemented and what should policy makers do going forward?**



*Note:* This chart summarises results from two multiple-choice questions asked during the expert meeting. The questions were: “What public initiatives have been implemented to promote social impact measurement in your country or region?”; and “In your opinion, what should policy makers do to promote social impact measurement among SSE organisations?”. 41 participants answered the first question and 39 answered the second.

*Source:* Expert meeting poll questions.

**Participants highlighted a number of challenges that SSE actors face when it comes to SIM.** These include for instance:

- **The SSE includes a wide range of entities (social enterprises, NGOs, associations, foundations, etc.),** which have different means at their disposal and face heterogeneous accountability demands. Smaller SSE organisations risk being caught in a vicious circle, as they are requested to measure impact, but do not have sufficient resources.
- **Funding for SIM activities within the SSE can be scant.** To solve this problem, parts of (public and private) investment and grants could be relocated from financial accounting to social impact measurement.
- Despite a peak in public interest, **regulation on the disclosure of impact reports or their quality remains limited.**
- **In addition, the overall evidence in the SSE as to whether outcome measurement has led to improved performance is mixed.** Research shows that in three decades since the early 1970s, impact assessments and evaluations done by the SSE (mostly non-profits and foundations) lacked rigor.

- **Finally, outcome measurement in itself is not sufficient to improve performance in the SSE.** There might be several reasons for this. For instance, impact evaluations undertaken by social economy actors may lack rigor and hence credibility. In addition, philanthropy has historically shown a rather poor track record of using impact evidence, as investment decisions tend to be spurred by the interests of donors. Finally, policy makers might not pay sufficient attention to the findings and recommendations of impact evaluations.

**Several examples of policies that could be implemented to promote SIM uptake by SSE organisations were discussed:**

- Identifying and promoting best practices;
- Funding research to produce evidence around impact;
- Supporting open data initiatives;
- Encouraging transparency and reporting;
- Enabling monitoring of impact when it comes to public funding;
- Supporting capacity building especially for small SE actors;
- Training, including social impact professionals.

**Initiatives to promote SIM and its uptake from SSE organisations have been implemented in several countries.** Examples include:

- **In Austria, the public administration has to report on impact measurement,** setting a good practice that other organisations, including in the SSE, then follow as well.
- **In India, the main government think tank, NITI Aayog, has a dedicated monitoring and evaluation office.** The office has issued guidelines for output/outcome measurement. In addition, in July 2019, the Indian Finance Minister proposed a social stock exchange to help social enterprises raise capital. In 2020 a report was published for public consultation, including recommendations to implement common minimum standards for reporting social impact, governance and financials. However, social enterprises are not always identified as a priority.
- **In Italy, the so-called Reform of the Third Sector (2016) includes guidance on social impact measurement.** Since 2019, a government decree has made impact measurement compulsory for all social enterprises that access public procurement contracts above EUR 1 million. In addition, by identifying SSE stakeholders as “impact holders”, the Italian Fund for Social Innovation provides funding to Italian municipalities for arranging social impact partnerships.
- **Over recent years, Korea has introduced several measures to support social impact measurement for SSE organisations.** These include the *Social Value Index* for social enterprises, a new social venture value measurement model, as well as the *Social Economy Enterprises Evaluation System*.
- **In 2018, Sweden allocated EUR 15 million to support social innovation and social entrepreneurship,** one of the priority areas being impact measurement.
- **In France, the government provides funding and support for SIM.** Public authorities have encouraged the harmonisation of impact indicators. For example, MESIS is a public-private initiative including a database of indicators, used both by investors and by project holders. The French government also promotes social impact bonds and impact investing, as well as direct financing of impact assessment.

**Finally, participants identified two success factors for the adoption of SIM by SSE organisations:**

- **Engaging relevant actors in the development of policy responses and strategies for SIM is crucial to ensure these are appropriate and effective.** For example, in Quebec (Canada), there is an institutionalised mechanism between community groups, social economy representatives and government that helps do the assessment of the needs of the social economy and methods to evaluate the intervention.
- **SSE organisations should also proactively engage with the mainstream economy,** so that their experience and knowledge on SIM can be leveraged more broadly.

# Methodologies for Social Impact Measurement

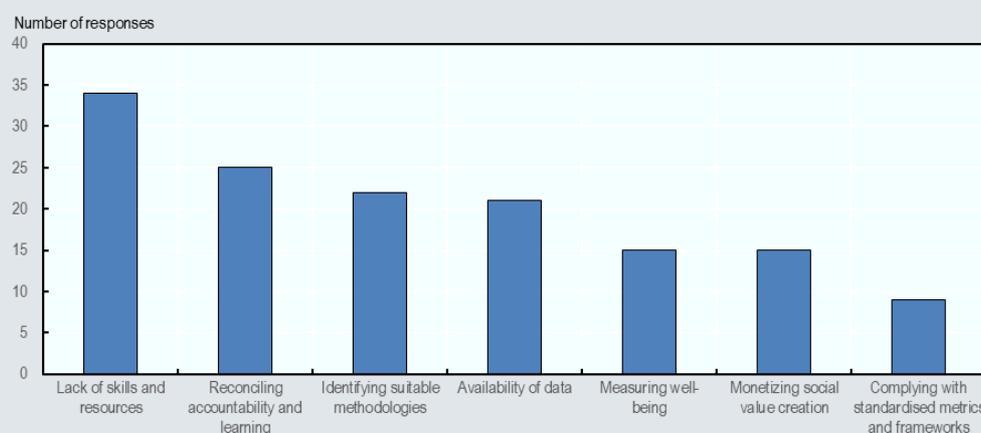
## Box 2. Main messages

**SSE organisations face a fundamental tension between being responsive to people whose life is affected and embracing methodological rigour, comparability and upward accountability.**

**Feedback loops and closing the gap between SSE organisations and investors are crucial to ensure SIM methodologies address the needs of both.**

**The choice of SIM tools depends on the context, size and topics of the activities being assessed.** The lack of skills and resources emerges as the main challenge faced by SSE organisations when it comes to SIM (see Figure 3).

**Figure 3. Which are the main challenges faced by SSE organisations?**



*Note:* This chart summarises results from a multiple-choice poll question asked during the expert meeting. The question was: "Which are the main challenges faced by SSE organisations?". 40 participants answered the question.

*Source:* Expert meeting poll question.

**Participants identified a number of challenges when it comes to SIM methodologies for SSE organisations, including:**

- **Existing legal frameworks for SIM are usually defined following a top down approach.** This can lead to developing and mainstreaming tools that do not necessarily answer to the needs of SSE organisations. While common tools and methodologies are needed, these should be adapted to the context and topic of each project or activity. A key challenge is to allow SSE organisations to take up SIM tools that fit their needs.
- **A low level of uptake, from both SSE organisations and investors, still hampers a more widespread adoption of SIM practices.** Participants pointed out that, in several instances, both donors and SSE organisations are not aware of the main concepts and methodologies of SIM. For instance, a recent study shows that in Germany only 50% of all the players in the impact-investing ecosystem, including investors and intermediaries, actively engage in impact measurement.
- **SSE organisations face a fundamental tension in reconciling their strategic need for stakeholder consultation with growing expectations on methodological rigour and comparability.** Acknowledging this trade-off, working on both community responsiveness and upward accountability would help improve SIM methods.
- **Assessing the work of SSE organisations requires a multi-disciplinary approach.** Evaluation of SSE organisations should not only focus on the application of financial grids, but pursue a horizontal approach, involving for instance sociologists to better understand the organisations' social impact throughout their life cycle.

- **In this context, emerging practices in the evaluation of SSE organisations may also generate unintended consequences.** For instance, when innovative initiatives are judged too soon, they risk losing financing and government support, which will in turn prevent them from achieving longer-term impact. The growing emphasis on quantitative data may end up squashing promising initiatives, with little measurable results at the time of the evaluation. Too often, SIM is perceived as a “one shot” exercise, where SSE organisations are assessed by one report, at a given point in time, while there would be the need for longer-term assessments.

**Participants highlighted a number of key success factors for the adoption of SIM by SSE organisations, as well as emerging trends that are going to influence this field in the future:**

- **Methods and tools to be used should depend on context, size and topics of the SSE project or activity being assessed** (e.g. there might be no need for a complex approach such as Randomised Controlled Trials for a small local organisation). The risk in predefined standards is that they may shift the focus of measurement away from what is most important to beneficiaries and stakeholders. Stakeholder primacy in assessing outcomes and their value should be upheld as a core principle when selecting impact measurement methodologies.
- **An integrated model for impact measurement and management would be needed to close the gap between SSE organisations and investors.** There is a strong disconnection between the corporate language of investors and people experiencing the day-to-day reality. Each player in the ecosystem might advance their own unique performance indicators and conform to different standards. Collaboration between investors and SSE organisations throughout the decision making cycle, from due diligence to post-investment reporting, would be important.
- **In addition to “proving” results for external accountability, SIM methodologies should also serve the “improving” function.** That implies capturing unexpected or negative effects and signalling below-target achievements. Social impact is not linear, but it is rather a dynamic process. The evaluations process should not only focus on measuring the difference that can be observed in a given period or geography, but also on understanding the dynamics that produce those changes.
- **Policy efforts could therefore focus more on establishing standards of practice** (e.g. levels of stakeholder engagement/accountability and decision making) **rather than standardising performance metrics** than can only provide external audiences what they need (i.e. an investor aggregating across a portfolio).
- **The digital revolution (blockchain, artificial intelligence and Big Data) opens up new opportunities in terms of data management and treatment,** which may allow for cross-analysis while ensuring greater transparency.
- **Racial reckoning, in the spotlight in the USA, is going to re-shape SIM.** Renewed political attention to minorities will likely affect accountability demands and trigger a redistribution of power, also in SIM practices. A recent report from the Center for Effective Philanthropy includes a pledge from the Council on Foundations to relax reporting requirements to support non-profit organisations and the people and communities hit hardest by COVID-19.

**A number of SIM practices and innovations were discussed:**

- **A Common Impact Data Standard has been recently introduced in Canada.** This methodology preserves the organisations’ autonomy in measurement choices, while also allowing for comparability. Moving from homologation to building transparency in the system, thanks to digitalisation and big data, this methodology allows the ultimate impact interpreter to make its own discretionary judgement.
- **SIM guidelines were also developed by the social and responsible finance sector in Quebec, Canada.** This is an example of methodology co-constructed by SSE organisations and finance specialists.
- **In Italy and Spain, the most commonly used approach is the Theory of Change.** The DAC/OECD evaluation criteria are also widespread. Other tools mentioned include the Impact Value Chain and Social Return on Investment (SROI). The Italian association for the promotion of co-operation culture and non-profit (AICCON) is developing a new tool to measure the quality and the value of community institutions.
- **In Ireland, a 2-year project supported by the government department produced a validated and shared SIM method, the Distance Travelled Tool.** It included both qualitative and quantitative indicators, and was the result of partnerships with

universities. Overall, the project was successful, with a lot of enthusiasm in the beginning. However, since it mostly focused on “proving” what was effective and informing policy decisions, it found some resistance.

## About the OECD Social Economy and Innovation Unit

OECD began work on social entrepreneurship over 25 years ago. The OECD assists national, regional and local governments in designing and implementing strategies to support the SSE and social enterprises by providing them with tailored and evidence-based policy recommendations. The work supports the OECD's Local Employment and Economic Development (LEED) Programme.

For more information, visit our website: [www.oecd.org/cfe/leed/social-economy/](http://www.oecd.org/cfe/leed/social-economy/)

### CONTACT

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