

The background of the entire page is a photograph of a diverse group of people sitting around a long wooden conference table in a bright, modern meeting room. They are engaged in a discussion, with some looking at laptops and others at each other. The lighting is natural, coming from large windows on the left side of the frame.

# OUTCOME AND IMPACT MEASUREMENT FOR SOCIAL IMPACT INVESTING CONSULTATION PAPER

PREPARED BY URBIS AND FUNDED BY  
**THE AUSTRALIAN GOVERNMENT  
DEPARTMENT OF SOCIAL SERVICES**  
APRIL 2020

**URBIS STAFF RESPONSIBLE FOR THIS REPORT WERE:**

**Director:** Julian Thomas  
**Associate Director:** Frances McMurtrie  
**Senior Consultant:** Christina Griffiths  
**Consultant:** Su-Ann Lim  
**Research Assistant:** Peter Sakis  
**Project Code:** P0016296



Urbis is supported in its engagement and consultations with Aboriginal and Torres Strait Islander enterprises and communities by Cox Inall Ridgeway, a majority Aboriginal owned social change agency with the key aim of improving outcomes for Australia's Indigenous communities

More information about our ongoing partnership is available on the Urbis website.



Urbis' Economic and Social Advisory team has received ISO 20252 Certification for the provision of Economic and Social Research and Evaluation. Certificate No.: MSR 603559

All information supplied to Urbis in order to conduct this research has been treated in the strictest confidence. It shall only be used in this context and shall not be made available to third parties without client authorisation. Confidential information has been stored securely and data provided by respondents, as well as their identity, has been treated in the strictest confidence and all assurance given to respondents have been and shall be fulfilled.

© Urbis Pty Ltd  
50 105 256 228



This work is licensed under a Creative Commons Attribution 3.0 Australia License.

# CONTENTS

<b>INTRODUCTION</b>	<b>4</b>
---------------------	----------

<b>CONTEXT AND BACKGROUND</b>	<b>5</b>
-------------------------------	----------

<b>CONSULTATION THEMES</b>	<b>9</b>
----------------------------	----------

DEFINING PURPOSE AND AUDIENCE	10
-------------------------------	----

CONNECTING TO IMPACT THEORY	11
-----------------------------	----

DIFFERENTIATING THE EVALUATION TASK	12
-------------------------------------	----

ENSURING VALUE FOR MONEY	13
--------------------------	----

STANDARDISING APPROACHES	14
--------------------------	----

LEVERAGING AND LINKING DATA	15
-----------------------------	----

ASSURING MEASUREMENT QUALITY	16
------------------------------	----

SCALING IMPACT MEASUREMENT	17
----------------------------	----

THE FUTURE STATE	18
------------------	----

<b>REFERENCES</b>	<b>19</b>
-------------------	-----------

## MORE INFORMATION

For more information about this project, contact the study team via [OIMScopingStudy@urbis.com.au](mailto:OIMScopingStudy@urbis.com.au)

Urbis acknowledges the important contribution that Aboriginal and Torres Strait Islander people make in creating a strong and vibrant Australian society.

We acknowledge, in each of our offices, the Traditional Owners on whose land we stand.

# INTRODUCTION

**Social impact investing (SII) is gathering momentum in Australia and internationally. The Australian Government has made a number of investments in SII.**

Among a range of initiatives, this has included:

- the establishment of the Social Impact Investing Taskforce to provide evidence-informed recommendations to Government on a comprehensive SII strategy.
- funding the SII Outcome Measurement Initiative, with a specific focus on enhancing outcome and impact measurement (OIM) practice as a cornerstone of SII market growth.

Urbis has been commissioned to support the Outcome Measurement Initiative by conducting a scoping study into the current state of OIM practice in Australia, and providing advice to government on potential strategies to build market capability and capacity in OIM. Our report is due to the Department of Social Services in June 2020.

This consultation paper has been developed as a 'conversation piece' intended to provide a starting point for Urbis' engagement with the SII sector in Australia. It contains a brief background and context for the study, and sets out nine key themes that will provide the framework for stakeholder consultations.

Those consultations will take place over April and May 2020 and will engage stakeholders in all States and Territories and from a diversity of viewpoints within the SII ecosystem. In addition to a series of virtual roundtables, we'll be conducting 1-1 interviews with key stakeholders and releasing a sector survey.

## ABOUT US

Urbis is a multidisciplinary consulting firm with a 30 year history of conducting impact measurement, research and evaluation in the Australian social services and government sectors. [Read more here.](#)

This scoping study is led by Julian Thomas, Richard Gibbs and Frances McMurtrie. Engagement with Aboriginal and Torres Strait Islander enterprises and communities will be led by **Cox Inall Ridgeway**, a majority Aboriginal-owned social change agency.

## CONSULTATION THEMES



Defining purpose and audience



Connecting to impact theory



Differentiating the evaluation task



Ensuring value for money



Standardising approaches



Leveraging and linking data



Assuring measurement quality



Scaling impact measurement



The future state



**Julian Thomas**

Project Co-Director  
(view profile)



**Richard Gibbs**

Project Co-Director  
(view profile)



**Frances McMurtrie**

Project Manager  
(view profile)

# CONTEXT AND BACKGROUND



**TASKFORCE FINDINGS ARE BEING SHARED WITH URBIS AND WILL INFORM OUR FINAL REPORT AND ADVICE TO GOVERNMENT**

**Social impact investing (SII) aims to achieve a social objective alongside a financial return - and measure the achievement of both.<sup>i</sup> There is growing support for SII as a mechanism for strengthening how our society responds to complex social problems.<sup>ii</sup>**

In this context, the Commonwealth Government currently has a number of initiatives underway to support social impact investing in Australia.

## THE OUTCOME AND IMPACT MEASUREMENT SCOPING STUDY

In 2018 the Government committed \$6.7 million through the Outcome Measurement Initiative to support the SII sector build its capability to define, measure and communicate their outcomes. The Initiative is intended to build the capacity of the Australian SII sector to measure their outcomes in order to attract investment.

As part of this work, the Department of Social Services (DSS) has commissioned Urbis to undertake a detailed scoping study to explore:

- what the current state in outcome and impact measurement looks like,
- what SII sector stakeholders would like the future to look like, and
- what the Government can do to help the sector strengthen outcome and impact measurement practices.

This scoping study will provide DSS with evidence-based and market-informed guidance on actionable strategies to strengthen outcome and impact measurement practices in the SII sector within the next two years.

It is anticipated that over time this will support the SII sector to improve service delivery through applying findings from outcome measurement, support funders and investors to understand the outcomes achieved and create a market environment that encourages investment.

This consultation paper informs consultations we are undertaking nationally in April and May 2020, and will provide the basis for a final report prepared by Urbis in June 2020. The conversations we have with the sector will focus on testing and exploring the issues raised in this paper.

## THE SOCIAL IMPACT INVESTING TASKFORCE

In 2019 the Commonwealth Government committed \$5 million to establish a SII Taskforce. The Taskforce comprises an Expert Panel supported by a team in the Department of the Prime Minister and Cabinet (PM&C). The Taskforce is developing a strategy for the Commonwealth's role in the SII market. They currently due to report to Government by mid-2020<sup>iii</sup>.

The Urbis scoping study will integrate with the work being undertaken by the Taskforce, which has identified government can help "build the market for social impact by supporting the widespread use of accurate methods for measuring, reporting and evaluating social impact".<sup>iv</sup>

While the views expressed within the Taskforce's interim report represent those of the Expert Panel and are not endorsed by government, the final report will consider recommendations for impact and outcomes measurement frameworks that could be supported by the Commonwealth Government over the longer term.

The Taskforce has undertaken a range of consultation across the SII sector, and has also commissioned research focused on the potential applications of international OIM frameworks to the Australian context. Taskforce findings are being shared with Urbis and will inform our final report and advice to government.

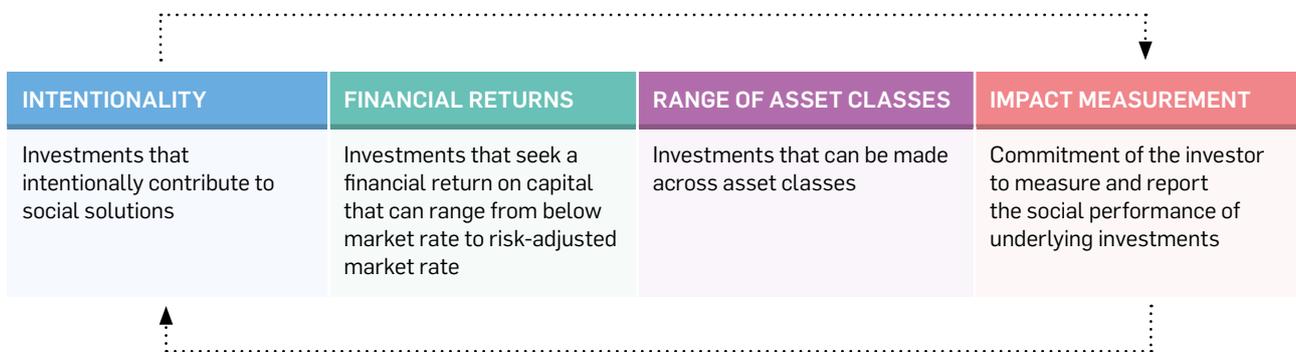


**SOCIAL IMPACT INVESTING AIMS TO ACHIEVE A SOCIAL OBJECTIVE ALONGSIDE A FINANCIAL RETURN - AND MEASURE THE ACHIEVEMENT OF BOTH**

## WHAT IS IMPACT INVESTING?

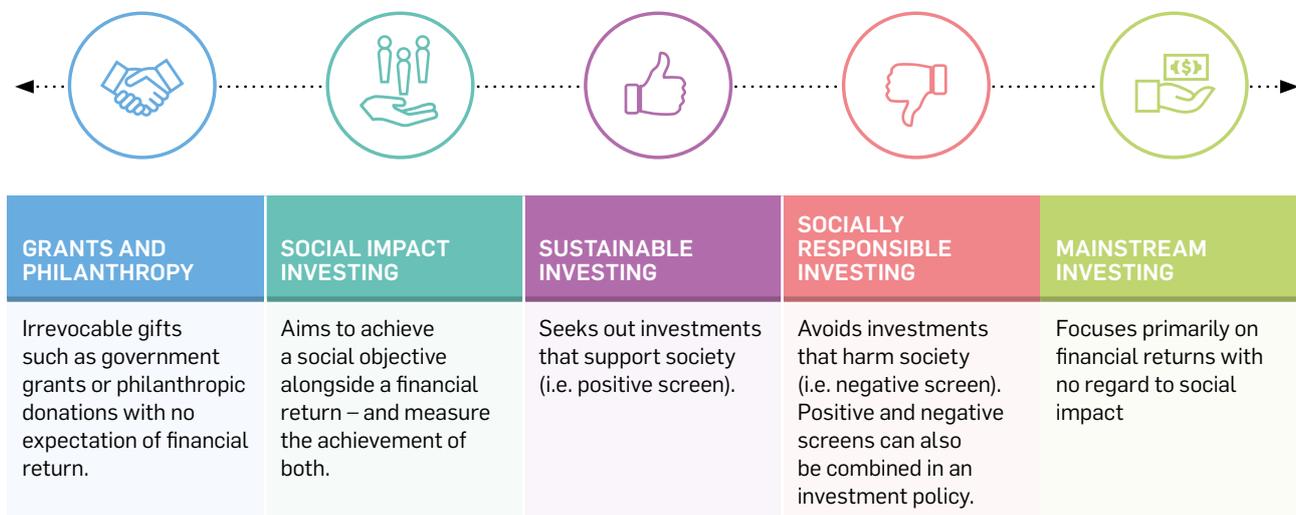
The Taskforce has adopted a simple definition of social impact investing: “social impact investing (SII) aims to achieve a social objective alongside a financial return - and measure the achievement of both”.<sup>v</sup>

More broadly, social impact investing is the provision of finance to companies, organisations, and funds with the intention to generate measurable social impact alongside a risk-adjusted financial return. It is a way to channel new capital and resources from both private and public spheres to initiatives that tackle social challenges. Social impact investing is characterised by four key elements: intentionality, financial returns, a range of asset classes, and impact measurement.



Source: Adapted from the Global Impact Investing Network<sup>vi</sup>

Social impact investing can also be understood as existing within a spectrum of investment types which differ depending on the way in which they focus on financial return and social impact. At one end, non-returnable government grants and philanthropic contributions are focused on enabling social outcomes with no expectation of financial return; at the other, mainstream investments focus primarily on financial return without targeting or considering social impacts. In between are SII, sustainable investing, and socially responsible investing – and hybrids of these.



Source: Social Impact Investing Taskforce<sup>vii</sup>



**OUTCOMES MEASUREMENT FOCUSES ON THE SHORT AND MEDIUM TERM CHANGES ARISING FROM IMPACT ENTERPRISE ACTIVITIES**



**IMPACT MEASUREMENT IS FOCUSED ON THE LONGER TERM SOCIAL CONSEQUENCES OR EFFECTS OF IMPACT ENTERPRISE ACTIVITY**

## MEASURING OUTCOMES AND IMPACT

The measurement of outcomes and impact is a crucial aspect of SII that is intrinsically connected to intentionality of impact, and sets impact investments apart from other forms of investment. Measurement makes results tangible and investments accountable.

However, while financial and risk metrics for investment are well understood and supported by standardised frameworks, a common language and set of practices, the diversity and complexity of social outcomes present specific challenges for a growing SII sector.

Good outcomes measurement enables impact enterprises to understand the immediate or medium term outcomes of their activities. Impact measurement brings to light the downstream social changes that these outcomes drive. Both provide data to inform impact management – helping impact enterprises deliver beneficial outcomes more effectively and efficiently, and enabling impact investors to direct and manage investment toward investment goals.

Three key considerations inform OIM design:

- **Attribution:** to what extent does the service or product cause or contribute to the change being examined, and what is the influence of external factors?
- **Validity:** do the (often simplified) indicators adequately represent the (often complex) social change that is being examined?
- **Cost effectiveness:** does the value that measurement creates outweigh the costs and risks of measurement (including those borne by beneficiaries)?

Attribution is connected to the intentionality of impact investment. In order to intentionally create impact, impact enterprise models will generally have:

- a theory of change (a model for describing why change happens), and
- a theory of action (describing how the impact enterprise is configured to activate the theory of change).

Together, these inform the theory of impact articulating how an impact enterprise creates impact – a tangible expression of intentionality. Outcomes and impact measurement require a working theory of impact to connect what is measured (and reported) to the investment intent.

Choosing valid measures is similarly important. The ambition for SII is that it provides another “tool in the toolkit” for addressing complex social issues. The challenge lies in the dynamic, complex and multi-faceted nature of some social problems. In addition to the challenges of attribution in this context, outcome and impact measurement also relies on the selection of indicators that adequately represent the change being examined. For some types of outcomes or impact, there are readily recognisable indicators (e.g. providing secure employment for marginalised groups), while in other cases it may be less clear (e.g. strengthening social inclusion for those same people).

## THEORY OF IMPACT

INPUTS	ACTIVITIES	OUTPUTS	OUTCOMES	IMPACT
Resources invested in the activity	The actions or tasks performed to support impact goals	The products of services that result from the activities undertaken	Changes that result from the activity or task	Outcomes adjusted to consider the influence of social and external factors

Source: Impact Measurement Working Group<sup>viii</sup>

The Taskforce's preliminary report has flagged that strengthening outcome and impact measurement is key to unlocking the SII market. Yet research and consultations undertaken to date also indicate that stakeholders within the SII sector believe that there are significant limitations to current OIM practices in Australia. There is also a strong view that as the sector grows, increasing the level of rigour and standardisation within OIM approaches is critical to encourage greater investment capital, increase investor certainty and allow government, private and community sectors to better identify impact investment opportunities.



**EIGHTY-NINE PER CENT OF  
IMPACT INVESTORS SAW A  
LACK OF TRANSPARENCY  
OF IMPACT PERFORMANCE  
AS A KEY CHALLENGE  
FACING THE MARKET**

## THE 'STATE OF PLAY'

The Global Impact Investing Network (GIIN) recently released its second comprehensive survey of the state of impact measurement and management across the global impact investing industry.

The survey sought information about how impact investors were understanding and measuring impacts and what progress was being made across the impact investing sector. The results confirmed that impact investors are active in seeking to measure their impact, continue to pursue a broad span of impact objectives, and that impact measurement practices continue to grow in significance and sophistication.<sup>ix</sup>

While impact investors are increasingly demanding better insight into the impact performance of their investments, challenges regarding the quality of data and transparency of impact performance remain. Eighty-nine per cent of impact investors saw a lack of transparency of impact performance as a key challenge facing the market. Ninety-two per cent referenced challenges in collecting quality data and 74 per cent in aggregating, analysing, or interpreting data.<sup>x</sup>

In Australia, there is limited data on OIM practices, although the recent consultations undertaken by the Taskforce affirm that in Australia, as internationally, there is a diversity of practices and relatively little standardisation.<sup>xi</sup> In Australia, the Taskforce's recent consultations highlighted that stakeholder groups perceived particular challenges:<sup>xii</sup>

- **Lack of standardised outcomes measurement.** Stakeholders indicated that the absence of standardised practices and the lack of consensus on appropriate frameworks, tools and metrics is hampering the SII market.
- **Limitations of quantitative data.** Stakeholders observed an emphasis on quantitative data within conversations about impact measurement, and that quantitative forms of data do not tell the full story of impact. Stakeholders observed that qualitative data and insight was needed to balance limitations of quantitative data.
- **Burden on impact enterprises.** Stakeholders described the significant investment of effort required to implement data collection processes in support of outcome or impact measurement, and that it was important to weigh the cost of measurement against the value created.
- **Inappropriate data collection mechanisms.** Stakeholders highlighted the risks that some measurement approaches result in perverse incentives (particularly in the context of payment for outcomes arrangements). Similarly, stakeholders also noted risks associated with making assessments of impact performance when there are significant limitations of data quality or an absence of nuance.
- **Limited alternative frameworks.** Aboriginal and Torres Strait Islander impact enterprises observed that there are no universal measurement frameworks specifically for Indigenous communities, but that it was important to contextualise measurement approaches to local communities and their understanding and valuing of outcomes. Stakeholders also argued that ideally, development of outcome and impact measures should be informed by people with lived experience.

There was a consensus across all stakeholders that the lack of transparent, consistent, and accessible data, particularly – but not exclusively – government datasets) was inhibiting OIM practice in the market.

## OIM RESOURCES AND TOOLS

There is a significant array of OIM resources already available. These resources comprise of various guidelines, frameworks, standards, tools and rating systems. Organisations generally choose OIM methodologies based on the specific requirements of the organisation. There is currently no standard method for measuring and reporting on social value and impact, however, there are several global initiatives and projects underway which are endeavouring to bring together industry experts, impact investors, and standard setters to collaborate and increase consistency across OIM.

# CONSULTATION THEMES

Our consultation with the sector will explore a range of themes and questions, summarised below and detailed in the pages following. Some conversations may focus on just a few themes, while others may be more expansive.

Our approach is flexible, depending on the interests, knowledge and perspectives of those we're consulting with. All consultations will address the final theme – the future state.

	THEME	KEY QUESTIONS
	<b>Defining purpose and audience</b>	<ul style="list-style-type: none"> <li>• What are the different audiences for outcome and impact measurement information?</li> <li>• What roles do outcomes and impact data play in the SII ecosystem?</li> <li>• What are the implications of these audiences and uses for OIM in the sector?</li> </ul>
	<b>Connecting to impact theory</b>	<ul style="list-style-type: none"> <li>• How well integrated is impact theory into investment and business models?</li> <li>• How consistently are impact theory approaches informing OIM activity?</li> <li>• What capability or gaps exists in terms of the development of impact theory?</li> </ul>
	<b>Differentiating the evaluation task</b>	<ul style="list-style-type: none"> <li>• How do we differentiate OIM for proven and innovative or novel impact models?</li> <li>• How do we delineate the measurement and evaluative tasks within the sector?</li> <li>• What capability or gaps exists in the measurement or evaluative tasks within the sector?</li> </ul>
	<b>Ensuring value for money</b>	<ul style="list-style-type: none"> <li>• Where do the main costs arise for OIM?</li> <li>• When are trade-offs made between 'good enough' approaches and 'best practice'?</li> <li>• What strategies might help optimise value for money OIM practices within the sector?</li> </ul>
	<b>Standardising approaches</b>	<ul style="list-style-type: none"> <li>• What standards, guidelines and frameworks hold the most promise for application in Australia?</li> <li>• Is an Australian 'Social Outcomes Framework' required?</li> <li>• How can standardisation address the needs of diverse stakeholders?</li> </ul>
	<b>Leveraging and linking data</b>	<ul style="list-style-type: none"> <li>• How can governments and the SII sector identify data linkage opportunities?</li> <li>• What high value opportunities already exist to capitalise on existing datasets for SII?</li> <li>• What would enable the SII sector to better leverage public and government data?</li> </ul>
	<b>Assuring measurement quality</b>	<ul style="list-style-type: none"> <li>• What factors influence the quality of data within OIM for impact investments?</li> <li>• What sector capability or gaps exists in the collection of quality data?</li> </ul>
	<b>Scaling impact measurement</b>	<ul style="list-style-type: none"> <li>• What factors differentiate OIM practices at the smaller and larger scales?</li> <li>• How do OIM practices evolve as impact enterprises grow?</li> </ul>
	<b>The future state</b>	<ul style="list-style-type: none"> <li>• What will OIM look like within a future 'new economy' with a thriving SII market?</li> <li>• What is the role of OIM practice in the growth of the SII market?</li> <li>• What strategic opportunities exist for government to support OIM practice to help grow the SII market in Australia?</li> </ul>



## THE WAYS DIFFERENT SECTOR AUDIENCES USE THE OUTPUTS FROM OIM SHAPE THE FOCUS AND DESIGN OF OIM PRACTICE

# DEFINING PURPOSE AND AUDIENCE

### KEY QUESTIONS

- What are the different audiences for outcome and impact measurement information?
- What roles do outcomes and impact data play in the SII ecosystem?
- What are the implications of these audiences and uses for OIM in the sector?

Outcome and impact measurement practices produce information that is used by different players for different reasons within the impact investing eco-system.

A key example lies in the greater interest of some ecosystem stakeholders in understanding overall investment (or portfolio) impact, while others may place emphasis on directly attributable and more immediate outcomes created by specific services, programs or products.

The ways different sector audiences use the outputs from OIM shape the focus and design of OIM practice.

	AUDIENCE	USES FOR OIM
	<b>Impact enterprises:</b> social needs and social service organisations who require capital to create impact. This includes community organisations, non-for-profits, service providers, Indigenous enterprises, social enterprises, and social impact-driven businesses.	Impact enterprises may use OIM to determine progress towards longer term enterprise impact goals (internal accountability), to meet their obligations to investors and beneficiaries (external accountability). Impact enterprises may also be motivated to measure more immediate outcomes that are driven by enterprise activity, because this provides insight that can improve the efficiency and effectiveness of the theory of action.
	<b>Impact investors:</b> capital providers whose aim is to diversify investments and pursue social and financial goals. This includes public investors e.g. governments, banks, and other financial institutions; private investors e.g. foundations, high net-worth individuals, philanthropists, banks, pension funds, sovereign wealth funds, other financial services firms, and intermediaries.	Impact investors may use OIM to facilitate understanding, accountability, and value creation. Investors may be more motivated to measure impact (particularly readily aggregable measures of impact), because this provides data to support active impact management at product and portfolio levels. Investment managers may also use the outputs of OIM to provide transparency through impact reporting.
	<b>Intermediaries:</b> connect supply and demand side, develop broader ecosystem through finance and capacity building, carry out functions such as creating liquidity and facilitating payment mechanisms, and provide advice as well as help structure deals and manage funds. This includes governments, financial intermediaries, and capacity-building organisations.	Intermediaries use OIM primarily to support institutional credibility and transparency. Positive performance evidenced by OIM data is important to encourage greater deal flow and further participation from stakeholders, particularly from government and mainstream funds and banks, in the SII sector.



**A ROBUST THEORY OF IMPACT IS AN IMPORTANT FOUNDATION FOR MEANINGFUL OUTCOME AND IMPACT MEASUREMENT, PROVIDING THE SCAFFOLD FOR THE IMPACT STORY**

## CONNECTING TO IMPACT THEORY

### KEY QUESTIONS

- How well integrated is impact theory into investment and enterprise business models?
- How consistently are impact theory approaches informing OIM activity?
- What capability or gaps exists in terms of the development of impact theory?

The theory of impact identifies how a service, program or product contributes to intended outcomes, and how those result in broader, generally longer-term social impact. It is an important foundation that gives context and meaning to data, and enabling an impact story to be told.

A theory of impact also provides a hypothesis that is testable. OIM practice can generate data to explore the extent to which implicit and explicit assumptions stack up within an impact enterprise business model.

When OIM practices are informed by inquiry driven or evaluative thinking, they can also support assessments of whether an impact enterprise's service or product is working as planned and how it can be improved. These insights can feed into an impact enterprise's strategy, helping ensure that resources are allocated efficiently and effectively to create impact in alignment with enterprise goals.

At the practical level, the theory of impact guides what is measured through OIM activity; a typical OIM approach is built around key inquiry questions, and indicators that will answer those questions.

### THEORY OF IMPACT INFORMING OIM FOCUS

	INPUTS	ACTIVITIES	OUTPUTS	OUTCOMES	IMPACT
	Resources invested in the activity	The actions or tasks performed to support impact goals	The products of services that result from the activities undertaken	Changes that result from the activity or task	Outcomes adjusted to consider the influence of social and external factors
<b>Key Questions</b>	What goes into the program to enables activities to occur?	Is the enterprise model operating as planned?	What is produced by the activities in the short term?	What are the medium term effects of the activities and outputs?	What has been the impact of the program?
<b>Indicators</b>	Funding, staff, intellectual property etc	Completion and quality of activities or tasks undertaken e.g. volunteer recruitment	Measurable actions or conditions that assess progress against specific operational activities e.g. # of volunteers	Observable, measurable changes that are attributable to the activities and outputs e.g. increased literacy	Effects in broader target population e.g. close the gap in educational disadvantage
<b>OIM FRAMEWORK</b>					

Source: adapted from Impact Measurement Working Group <sup>xiii</sup>



**HOW WE MEASURE AND ATTRIBUTE OUTCOMES AND IMPACT IS INFLUENCED BY WHETHER ENTERPRISE SERVICES/PRODUCTS/MODELS ARE PROVEN, INNOVATIVE OR NOVEL**

## DIFFERENTIATING THE EVALUATION TASK

### KEY QUESTIONS

- How do we differentiate OIM for proven and innovative or novel impact models?
- How do we delineate the measurement and evaluative tasks within the sector?
- What capability or gaps exists in the measurement or evaluative tasks within the sector?

Social impact investment can enable new approaches to social problems, as well as providing new forms of capital. The intended outcomes and impact are generated through the activities of the impact enterprise (e.g. employing staff), or through the services or products it produces.

How we measure and attribute outcomes is influenced by whether an enterprise is delivering:

- a proven activity, service or product that has been shown to generate social impact,
- an existing and proven activity, service or product, but with innovation in delivery or application, or
- a novel activity, service or product where social impact generation is theorised but unproven.

In many cases, the theories of impact associated with impact investments are built on a strong foundation of evidence, and measurement of impact is enough to 'prove' the social value created. In these instances the core OIM task is one of measurement.

In other instances where the investment is in an area with less certain social impacts, including novel or inventive enterprise activities, services or products, measurement of outcomes alone may be insufficient without testing the underlying theory of impact. This includes where impact enterprises are seeking to scale up.

In these cases, the OIM task may have an evaluative dimension in supporting proof of concept, proof of application or proof at scale – in addition to validating the outcomes and impact created. This has implications for what is measured, as the questions being explored require different data and delve deeper into the theory of impact.



**PROVEN  
PRODUCT/SERVICE**



**INNOVATIVE  
PRODUCT/SERVICE**



**NOVEL  
PRODUCT/SERVICE**



**MEASUREMENT TASK**

**EVALUATIVE TASK**



**TO ACHIEVE VALUE FOR MONEY, OIM PRACTITIONERS ARE FACED WITH DIFFICULT DESIGN CHOICES**

## ENSURING VALUE FOR MONEY

### KEY QUESTIONS

- Where do the main costs arise for OIM?
- When are trade-offs made between 'good enough' approaches and 'best practice'?
- What strategies might help optimise value for money OIM practices within the sector?

Measurement of outcomes and impact can be a complex, costly exercise. To achieve value for money, OIM practitioners are faced with difficult design choices that require selection of methods balancing the information requirements of OIM users with the cost of data collection, analysis and reporting.

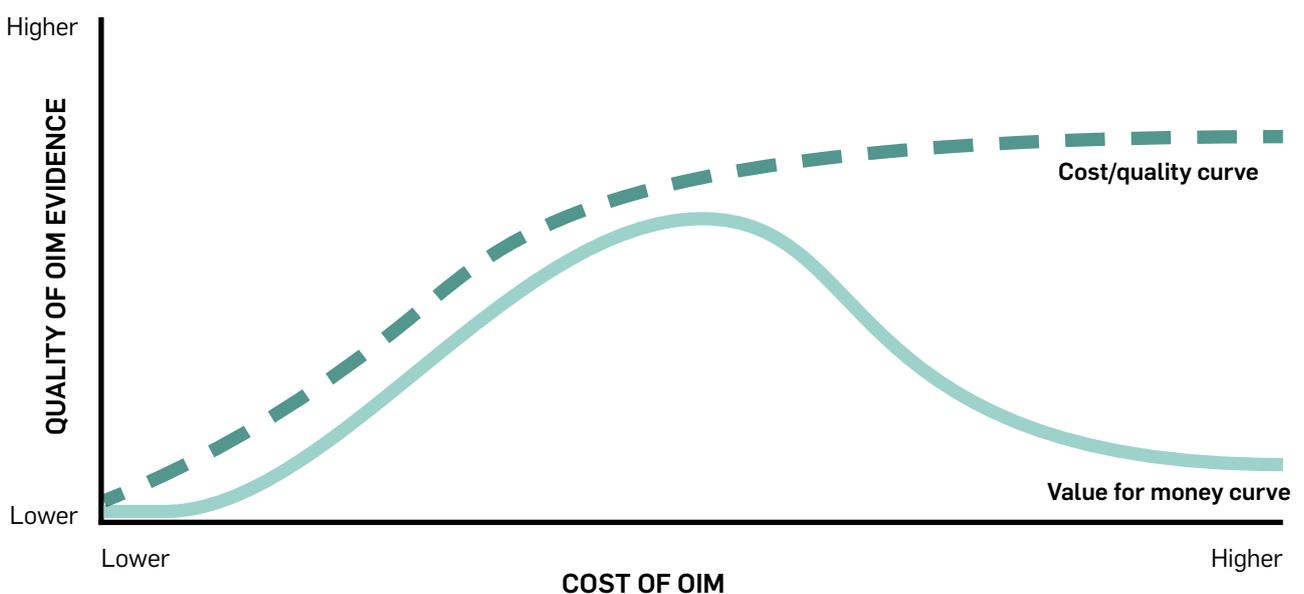
Factors that may influence value for money within OIM design include:

- the specific purposes and goals (measurement or evaluative)
- the availability of existing or readily collated data
- the complexity of new data collection approaches
- the availability of expertise, and
- the available resources and the opportunity cost of OIM.

In research settings, evidence is often categorised into hierarchies related to the certainty of their findings. In general, more rigorous and sophisticated approaches to data collection and analysis (for example, randomised controlled trials) deliver more robust and reliable data. At the same time, these methods can also be high cost and do not always deliver good value. At the margin, it can require a large increase in cost and complexity to deliver a relatively small gain in data quality.

Which OIM approach delivers the best value is unique to each investment case.

### QUALITY/COST CURVE AND VALUE FOR MONEY





**STANDARDISED METRICS  
PROVIDE A BASIS FOR  
CREDIBLE AND COMPARABLE  
PERFORMANCE REPORTING**

## STANDARDISING APPROACHES

### KEY QUESTIONS

- What standards, guidelines and frameworks hold the most promise for application in Australia?
- Is an Australian 'Social Outcomes Framework' required?
- How can standardisation address the needs of diverse stakeholders?

There is considerable interest in standardisation within the SII sector, and several notable efforts in this area are underway at the international level. These include a range of tools and frameworks being examined by the SII Taskforce for their potential application in Australia.

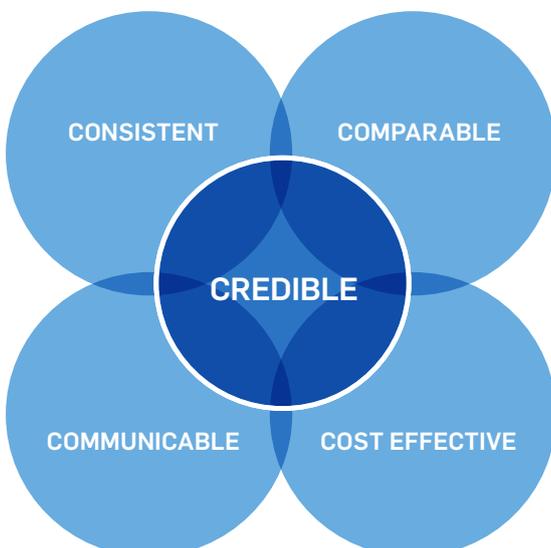
Unlike an organisation's financial performance, measuring and demonstrating social impact is more complex and difficult to quantify because of the diverse nature of social or issues that impact enterprises and impact investors are focused on addressing.

The conversation around standardisation extends to measurement processes, metrics and reporting (which also includes benchmarking and monetisation of impact). Efforts to advance standardisation have potential to strengthen consistency and comparability, facilitate the communication of impact and bolster the credibility of outcome and impact measurement within the sector. Standardisation also has potential to reduce some of the costs of OIM by reducing process design effort.

However, if used inflexibly or in isolation, standardised approaches may not capture a nuanced 'performance story' of an impact enterprise. They may also introduce biases through imposition of a specific framework for measuring or valuing outcomes and impact.

Applying standardised or global frameworks to outcome or impact measurement in Aboriginal and Torres Strait Islander contexts provides a specific example of the challenges that can arise. Principles of data sovereignty and self-determination can conflict with some 'top down' measurement approaches or reporting practices which implicitly apply value judgements to weight or rank different expressions of impact.

### BENEFITS OF STANDARDISED OIM





**THERE IS A SIGNIFICANT ARRAY OF DATA HELD IN THE PRIVATE, PUBLIC AND GOVERNMENT SPHERES THAT, IF UNLOCKED, CAN INFORM ASSESSMENT AND MANAGEMENT OF IMPACT**

## LEVERAGING AND LINKING DATA

### KEY QUESTIONS

- How can governments and the SII sector identify data linkage opportunities?
- What high value opportunities already exist to capitalise on existing datasets for SII?
- What would enable the SII sector to better leverage public and government data?

There is a significant array of data held in the private, public and government spheres that, if unlocked, can inform assessment and management of impact. This is especially the case for assessments of larger-scale impacts on communities, where population level and very large datasets – 'big data' – can offer insights that are difficult for individual enterprises to replicate through their own data collection.

Linked datasets (e.g. bringing together demographic data, movement/activity data, social/health system utilisation data) offer further potential for a rich source of valuable information that significantly extend the insights available from individual datasets.

These insights may assist impact investors and impact enterprises in a number of ways, including at the concept, development and design stage of the impact model. Access to third-party data can also support later stages of outcome and impact measurement through provision of access to credible baseline or

comparator data, and in some cases providing direct measures of impact on individuals or cohorts.

The Australian Government is already exploring potential reforms to how public sector data is shared.<sup>xiv</sup> However, there are known challenges accessing existing data that relate to navigation of ethical and privacy issues, technical challenges around data quality and inter-operability of data systems, and the costs of data maintenance and access.

BENEFITS OF LEVERAGING (AND LINKING) EXISTING DATASETS		
	<b>Opportunity Definition</b>	Help define the social problem or opportunity a theory of impact model will address, or direct impact investment.
	<b>Impact Targeting</b>	Provide specific intelligence to support more effective targeting of impact enterprise activities, services or products.
	<b>Baselines / Comparator</b>	Establish a community or cohort baseline against which outcomes and impact can be assessed.
	<b>Specific Measures</b>	Provide direct measures of changes over time that are attributable to an impact enterprise's activity, service or product.



**THE QUALITY OF DATA IS AN IMPORTANT INFLUENCER ON THE OVERALL VALUE OFFERED BY THE OIM**

## ASSURING MEASUREMENT QUALITY

### KEY QUESTIONS

- What factors influence the quality of data within OIM for impact investments?
- What sector capability or gaps exists in the collection of quality data?

Most OIM approaches will rely at some point on the collection of new data or the utilisation of existing datasets. The quality of data is an important influencer on the overall value offered by the OIM.

Four factors particularly relevant to data quality in the context of outcome and impact measurement include:

- **Materiality:** is the data relevant and influential for its audiences?
- **Validity:** is the data a reasonable indicator for the change or impact it is intended to represent?
- **Reliability:** is the measurement process consistent, conducted with integrity and without bias?
- **Comparability:** is the data sufficiently standardised as to enable comparison to internal or external benchmarks?

For OIM involving collection of new data, quality will be substantially influenced by the design and implementation of data collection and management approaches. Maximising data quality is rarely the 'end game' in practice, and practical trade-offs are often required. Organisations need to consider the availability and timeliness of potential data, privacy and ethical issues, and costs of collection in choosing the best-fit data for the measurement task at hand.

### KEY DIMENSIONS OF DATA QUALITY





**ENTERPRISES MAY FIND THAT OIM APPROACHES DEVELOPED FOR SMALLER OPERATIONS ARE NO LONGER FIT FOR PURPOSE WHEN TAKEN TO SCALE**

## SCALING IMPACT MEASUREMENT

### KEY QUESTIONS

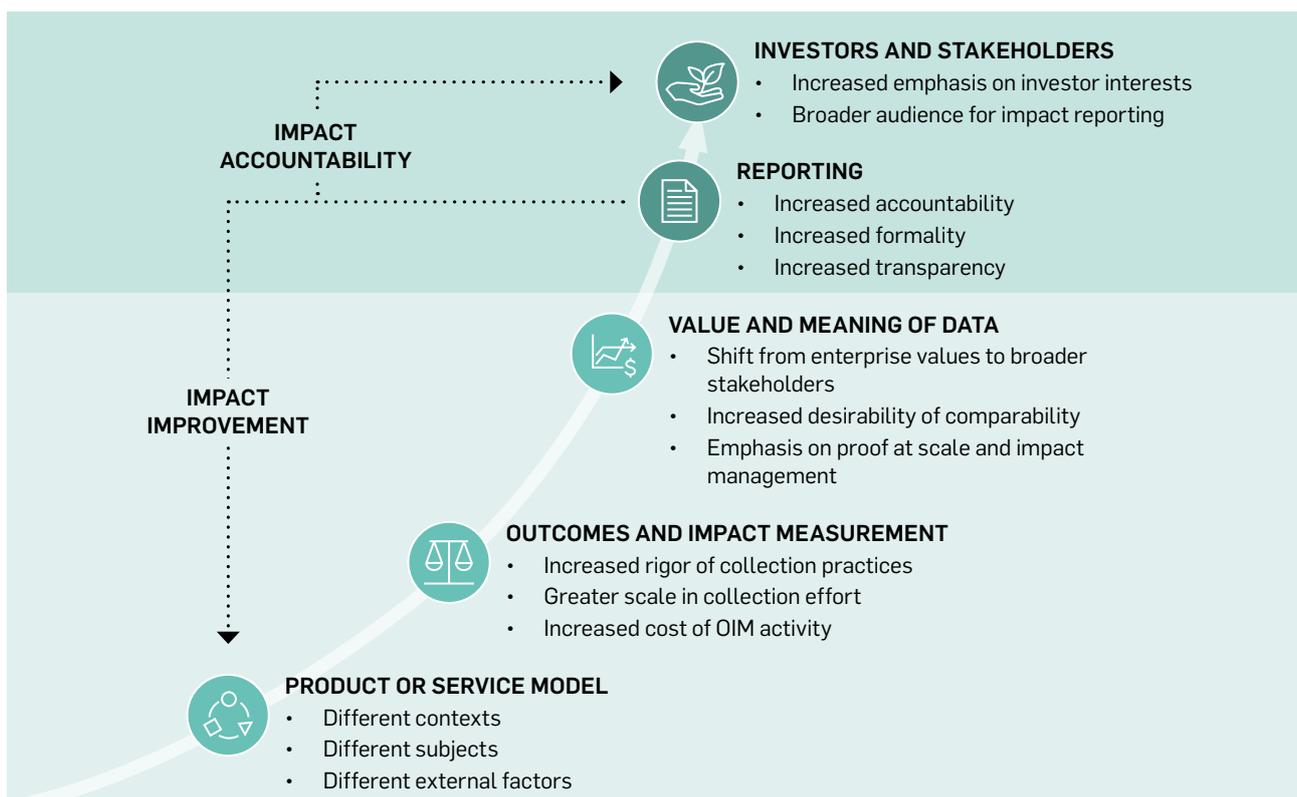
- What factors differentiate OIM practices at the smaller and larger scales?
- How do OIM practices evolve as impact enterprises grow?

Scaling up an enterprise brings with it many challenges. In addition to challenges of securing capital and executing a growth strategy, enterprises may find that OIM approaches developed for smaller operations are no longer fit for purpose when taken to scale. A theory of impact that works at a smaller or local scale under specific conditions may not always perform in the same way in other environments. A broader set of stakeholders with an interest in OIM practices will also exert influence (capital providers, market regulators, social procurers, etc).

Some of the factors that may drive changes to the OIM approach as enterprises scale up include:

- OIM focus evolves with the enterprise life cycle, transitioning from proof of concept to validation at scale
- Investors and others bring new perspectives, influencing which outcomes are valued and reported
- Increased external accountability may mean a different level of formality and rigor is required
- Localised, 'bespoke' OIM tools and practices may become ineffective or inefficient at scale
- Scale adds cost to OIM, but potentially brings efficiencies.

### POTENTIAL OIM IMPLICATIONS OF SCALE





**THE SUMMATIVE THEME OF OUR CONSULTATION IS FOCUSED ON EXPLORING THE FUTURE STATE FOR OIM**

## THE FUTURE STATE

### KEY QUESTIONS

- What will OIM look like within a future 'new economy' with a thriving SII market?
- What is the role of OIM practice in the growth of the SII market?
- What strategic opportunities exist for government to support OIM practice to help grow the SII market in Australia?

The summative theme of our consultation is focused on exploring the future state for OIM, examining the potential role of OIM in growing and sustaining a thriving SII market. Effective outcome and impact measurement is essential to the growth of the SII sector. However, many stakeholders have highlighted limitations within the current state of the market; these are equally opportunities to build sector capability and capacity.

Within its interim report, the SII Taskforce has highlighted the importance of supporting improved measurement, reporting and evaluation of social impact within the Australian market. While the preliminary report of the SII Taskforce represents the views of the Expert Panel, and has not been endorsed by government, it is clear that government has a key role to play in achieving these aims.

### The Taskforce recommends four key action areas to develop a mature and sustainable social impact investing market in Australia

The Taskforce envisages a future in which Australia has a deep capital market for social impact investments, facilitated by skilled specialist advisor 'intermediaries', with measurable social and financial returns across a broad range of investments—from those with a low to those with a market-rate financial return.



#### 1. Measure and incentivise social impact

The first action area is to build the market for social impact by supporting the widespread use of accurate methods for measuring, reporting and evaluating social impact.



#### 2. Foster the growth of social impact investing opportunities

The second is to support an increase in the size and number of high quality investment-ready opportunities. In particular, support social enterprises to build capacity to attract investment and win social procurement contracts, and streamlined payment-by-results programs such as outcomes funds and social impact bonds.



#### 3. Support capital to flow to social impact investments

Thirdly, there is more that can be done to reduce the barriers individuals and organisations face when investing in social impact investments. In particular to support investors to build knowledge and decrease the transaction costs of bespoke social impact deals.



#### 4. Enable a well-functioning market

And finally, action should be taken to ensure the underlying structures are in place to support an efficient and effective social impact investing market that delivers a broad public benefit. Further development of sustainable and dynamic 'intermediaries', for example, is a key enabling factor.

- 34

Source: Social Impact Investing Taskforce (2019). Interim Report.

# REFERENCES

- i. Social Impact Investing Taskforce (2019), Interim Report December 2019, p23.
- ii. Australian Government (2017), Social Impact Investing Discussion Paper, p10-11.
- iii. Australian Government (2019), Social Impact Investing Taskforce Terms of Reference.
- iv. Social Impact Investing Taskforce (2019), Interim Report December 2019, p4.
- v. Ibid.
- vi. Global Impact Investing Network (2020), Core Characteristics of Impact Investing, Retrieved from: [https://thegiin.org/assets/Core%20Characteristics\\_webfile.pdf](https://thegiin.org/assets/Core%20Characteristics_webfile.pdf)
- vii. Social Impact Investing Taskforce (2019), Interim Report December 2019, p10. Adapted from Australian Government (2017), Social Impact Investing Discussion Paper, p xii.
- viii. Impact Measurement Working Group (2014), Measuring Impact: Subject paper of the Impact Measurement Working Group, Retrieved from: <https://gsgii.org/reports/measuring-impact/>
- ix. GIIN (2020), The State of Impact Measurement and Management Practice, Second Edition.
- x. Ibid.
- xi. Inside Policy (2020), Roundtable summary: outcomes measurement roundtable, Sydney, February 2020.
- xii. Ibid.
- xiii. Impact Measurement Working Group (2014), Measuring Impact: Subject paper of the Impact Measurement Working Group, Retrieved from: <https://gsgii.org/reports/measuring-impact/>
- xiv. Australian Government (2019). Data sharing and release. Legislative reforms discussion paper.

