



## International Conference “Unlocking the Potential of the Social Economy for EU Growth”

### WORKING GROUP REPORT

On the first day of the Conference, November 17th, 2014, a total of 10 working groups (WG) were held to discuss relevant topics that had been previously identified via a public consultation. Rapporteurs and moderators produced individual reports for each WG and they are published as they were received, without undergoing any editing process. The reports are divided into five sections (Main recommendations; Starting point; Main issues discussed; Recurrent issues; and Concrete proposals) although not all of them were completed in all WG.

In addition to individual WG reports, a document highlighting the main recommendations from all of the WG is available at [www.socialeconomyrome.it](http://www.socialeconomyrome.it).

*Please note that this is a working document, not edited for form or content.*

### WORKING GROUP 9. SOCIAL IMPACT: WHAT SHOULD BE MEASURED AND REPORTED, AND HOW?

**Moderator:** Ariane Rodert (EESC), Sweden

**Rapporteur:** Antonella Noya (OECD), France

**Speakers:**

1. Alberto Alberani (Arfie), Belgium
2. Filippo Addarii (Young Foundation), UK
3. Nicole Alix (Confrontations Europe), France
4. Andrea Bassi (University of Bologna), Italy
5. James Hopegood (DG Financial Stability, Financial Services and Capital Markets Union – EU Commission), EU
6. Caroline Naett (Coop FR), France
7. Emmanuel Tzouvlekas (Panteion University Athens), Greece

8. Andrea Volterrani (University Roma Due), Italy
9. Konstantina Zoehrer (SES Network), Greece

Main recommendations
<ul style="list-style-type: none"> <li>- Social impact measurement (SIM) aims to assess the social impact produced by business and, more generally, by any organizations, be these for profit or non-profit.</li> <li>- Social enterprises are required by the new EU regulations (EuSEF and EASI) to measure their social impact when they seek funds.</li> <li>- There is, as of yet, no common language and shared understanding of what social impact measurement is. The field is evolving (and this parallels the evolution of the field of social enterprises, including its definition) and national and international debates are taking place, inside academia, the institutions and the communities of practice.</li> <li>- Social enterprises must be at the heart of the evaluation/measurement process and they have to choose the metric which is better tailored to capture their specific added value. This choice has to be done in cooperation with the funders (private or public investors) and when applicable.</li> <li>- The measurement of the social impact has to stay proportionate and the issue of costs of it and capacities of delivering meaningful measurement have to be carefully addressed.</li> <li>- The main recommendations that emerged from the discussions are <ul style="list-style-type: none"> <li>• As SIM does not seem to be a consensual issue therefore more knowledge is needed to help structure the field and to create a culture of measuring the social impact</li> <li>• More knowledge sharing is needed together with some experimentation rather than too quickly put SIM in any legal contexts.</li> <li>• Social impact measurement has to be linked to the European Commission's Social Investment Package overall objectives and to those of the Social Business Initiative, clearly stating that social impact measurement and funding of social enterprises aims to be supportive of the development of social enterprises</li> <li>• Social impact measurement has to be connected to the reality of the ground. In order to do so, it is important that the people who measure the impact of social enterprises know how social enterprises work, their aims and models and that SEs themselves are central in the measuring process.</li> <li>• Build on the work done by several EU and international institutions to have a tailored approach, centered on the needs and mission of the social enterprises and not primarily on the needs of the funders, which empowers social enterprises and helps building their capacities.</li> <li>• A culture of measurement of the social impact has to be fostered and a cultural shift has to be accompanied by allowing social enterprises to enter the field with trust, transparency, clarity and resources.</li> </ul> </li> </ul>
Starting point
<p>The proposed issues for discussions were:</p> <ul style="list-style-type: none"> <li>- What should be measured and reported, how and by whom?</li> <li>- Main risks and opportunities of social impact measurement and how it may impact the social enterprise sector.</li> </ul> <p>Sub-questions:</p> <ul style="list-style-type: none"> <li>- Opportunities e.g. How to capture the added value of social enterprises in terms of intangible assets? How to use SIM as a tool to empower the social economy and build social enterprise capacity, recognition and sustainability?</li> </ul>

<ul style="list-style-type: none"> <li>- Risks: How to avoid that SIM develops with external players motivations in mind which may stifle social innovation and social enterprises and social economy innovation? How to avoid to develop standardized SIM which does not recognize the fully diversity and varied development of the social enterprise sector across Europe?</li> </ul>
<p style="text-align: center;"><b>Main issues discussed</b></p>
<ul style="list-style-type: none"> <li>- Dissatisfaction concerning the current system of social assessment of performance of SE</li> <li>- Increasing and converging interest to assess the social added value by NPO and SE</li> <li>- Many factors pushing towards the adoption of assessment systems:             <ul style="list-style-type: none"> <li>• Economic and financial crisis and shrinkage of resources</li> <li>• Change in the business culture, in the role of citizens as consumers and in the public administration as well</li> <li>• Increased attention to corporate social responsibility, preservation of natural environmental, new public management theory</li> <li>• Hybridization of organizational forms</li> </ul> </li> <li>- Professionalization of management of NPS which pushes for a wide array of methods assessing social performance</li> <li>- Not desirable metric for each level of the chain but on the contrary alignment is desirable to avoid misallocation and misunderstanding</li> <li>- Some SE should measure short term AND others long term result</li> <li>- How can measurement help achieve goals?</li> <li>- Any system should be tailored to the organisation which it measures</li> <li>- We have different definitions and understanding of impact assessment</li> <li>- Avoid creating a market of social impact evaluators/consultants disconnected from the field</li> <li>- Any evaluation is first of all a self evaluation</li> <li>- If SEs do not activate a SIM process someone else will do it instead of them or on its behalf (issue of ownership)</li> <li>- An indirect method to understand the way an organization measures its social performance is to look at the system of rewards (incentives) and sanctions it adopts</li> <li>- Measuring social impact is difficult because:             <ul style="list-style-type: none"> <li>• The majority of effects of Se are intangible</li> <li>• The majority of the effects occur long time after the end of the programme</li> <li>• There are external factors which might influence the results of the programme</li> <li>• There is no a single unit of measurement (metric) universally accepted</li> </ul> </li> <li>- Process in itself has to have the seed of self improvement</li> <li>- Not a "police" evaluation but a self improving evaluation</li> <li>- Ethic versus economics is a wrong paradigm: we need to change it</li> <li>- Social capital is important: relational goods is what social enterprises produce</li> <li>- Evaluation must just be a process : a simple feedback , a continuous process...</li> <li>- Following Europe 2020 strategy we need to move one level higher: A voluntary common European social impact model -derived from extended EU consultation, among academics, experts and practitioners- would act as the basis for common grounds of the social economy ecosystems in EU member states.</li> <li>- Important to communicate how cooperatives work in order to demonstrate their added value</li> <li>- We need a common package of indicators but also some which have to be applied to different types of cooperatives</li> <li>- Why not to apply cooperative audits to other SEO? It could be useful as a model?</li> <li>- social economy finance long experience in SSE financing can enlighten the new approach of "impact investment"</li> </ul>

- There are financial resources but they are not appropriately directed
- the type of financial players and financial tools they use have a great influence on the targets; both (players and tools) are linked, this is why social measurement methods are crucial for SSE and social enterprises
- We have to make a difference between small and large business; new investors have a portfolio approach
- We still need small financial institutions which use their intelligence and proximity knowledge and NOT ONLY data
- Capital risk and asset class approaches do not easily fit to all SSE organisations and to public policies
- risk of social impact revolving investment???
- Impact investing cannot address all the need of SSE
- The public authorities and experts responsibility is engaged towards the regulation of the new PPP impact investing, SBIs ...
- Risk to apply the same criteria, process, indicators used by the private investors to public decision
- Consultation and EuSef
- How do you get non banks funds in the economy e.g. institutional and private investors
- Public finance less guaranteed that it was
- EuSef is a collective investment schemes ( eg SICAV) to invest money in social enterprises
- Consultation by ESMA based on the GECES subgroup report which loses on December 10th
- The fund want to deliver social return which must be quantified
- There needs to be a uniform process for that quantification as required by the regulation
- Is there a balance of responsibilities correct? The responsibility is on the manager but the underlying social enterprise must be involved
- Very concerned that involvement has to be proportionate
- Proportionality not just for the small social enterprises being invested in , but also the fund manager is key. Has this aim been met?
- Is the process recommended by GECES an appropriate framework?
- Private investors are going to step in because of the crisis and they will change the conversation on SIM. They will transform the market and this is already happening
- Major investment companies are working on SIM.
- Our duty to think about this option!
- In the group of researches we have traditional social economy researches but also new scientists: data scientists.
- They are going to measure SIM starting from big data!
- We will see soon a convergence btw larger ICT companies and investors.
- Through technology everybody could be part of measurement. Instead of being measured we be part of a process of measuring, monitor and controlling the process
- Democratisation of capital through crowdfunding.
- Importance of involving SE in the measurement process.
- Importance of the process: EU Social Impact model would be a solution in order to unify the sector, but should consider socioeconomic and cultural circumstances and be flexible for their adaptation.
- People donate money even more but not to the public institutions which they do not trust them.
- There is a community dimension: this issue is about the democracy and our understanding of democracy is changing rapidly
- Transparency. Radical transparency if we want to ask business to be radical and publish everything (wages, etc.)

<ul style="list-style-type: none"> <li>- We want to transform the finance for the sake of the people. The seeds need to die for the flower to blossom</li> <li>- Opportunity: Measurement could foster a reporting culture in the sector, especially in terms of transparency, sustainability and social enterprise development which could empower the values of social economy.</li> <li>- EU Social Impact model would be a solution in order to unify sector, but should consider socioeconomic and cultural circumstances and be flexible for their adaptation.</li> <li>- Risk: Not all qualitative indicators may have quantifying counterparts and not all the change in society is a result of only one intervention. Ecosystemic view on changes and results.</li> </ul>
<b>Recurrent issues that came up during the discussion</b>
<ul style="list-style-type: none"> <li>- Improving the understanding of social impact measurement to reach better consensus around it and how to play it to further improve the SE performances</li> <li>- Difficulty of measuring the social impact <ul style="list-style-type: none"> <li>• The majority of effects of SE are intangible;</li> <li>• The majority of the effects occur long time after the end of the programme;</li> <li>• There are external factors which might influence the results of the programme</li> <li>• There is no a single unit of measurement (metric) universally accepted</li> </ul> </li> <li>- Need to better understand SEOs and SEs and their models in order to measure their social added value</li> <li>- Importance to measure the social added value of SEOs and SEs and to do so with quantitative and qualitative indicators tailored to their activities</li> <li>- Challenges and opportunities to measure social impact: <ul style="list-style-type: none"> <li>• <b>Risk</b> of creating a market of social impact evaluators/consultants disconnected from the field, further removing the key stakeholders from each other</li> <li>• <b>Risk</b> to apply a unique format to all the different typologies of SE in various fields of activities</li> <li>• <b>Risk</b> “from outside and from above” instead of “from inside and from below”</li> <li>• <b>Risk:</b> Difficulty of measuring everything for any kind of organisations and activities: some can measure output (quantitative), some outcomes (short term results), some impacts(long terms efforts) <ul style="list-style-type: none"> <li>○ <b>Risk:</b> That SIM becomes a burned and resource consuming process for SE</li> <li>○ <b>Opportunities:</b> <ul style="list-style-type: none"> <li>▪ To better communicate around mission and added value,</li> <li>▪ As a strategic development tool to better manage SE performances</li> <li>▪ Measurement could foster a reporting culture in the sector, especially in terms of transparency, sustainability and social enterprise development which could empower the values of social economy</li> <li>▪ SIM could be applied to other sectors as well, fostering a culture of reporting both economic and social progress</li> </ul> </li> </ul> </li> </ul> </li> <li>- Time frame for measurement</li> <li>- Standardization versus tailored approach</li> <li>- Building the evidence base</li> <li>- Public policies versus private investments</li> <li>- Impact investing: challenges and opportunities</li> </ul>
<b>Concrete proposals discussed</b>

- More time is needed to explore the subject of SIM together with interested stakeholders. A common language must be created and a supportive culture. The Commission has an ideal position to facilitate this exchange
- Look at innovative theoretical frameworks to build indicators to measure the social added value of NPO/SE able to capture their capacity to produce relational goods and their ability to generate social capital in the community
- “Beyond GDP” EU Commission’s initiative could be linked with social impact metrics, in particular in the half-time review of the EU 2020 review
- Look at the system of rewards (incentives) and sanctions to measure the social performance
- Proposal of a model for measuring the added social value of the third sector as a cornerstone for social impact assessment in the social economy. The model is based on the identification of 21 dimensions relevant to the social value of organizations in the territories and in the community (the alphabet of social cohesion). Each dimension is accompanied by a number of quantitative indicators that allow you to identify the distinctive features and the specific contribution to the development of social cohesion in the third sector than the for-profit enterprises and public administration.
- Eligibility of promissory notes for all kinds of SSE enterprises, including not-for-profit associations, in a category of funds recognised on the European level.

Should you have any questions regarding this report, please contact [info@emes.net](mailto:info@emes.net) and [socialeconomyrome@lavoro.gov.it](mailto:socialeconomyrome@lavoro.gov.it)