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Towards standardised impact evaluation

A pressing challenge is lack of standards, which affects both the fund-seeking organisations and the funders looking for suitable impact projects. **By Deserina Sulaeman**

SINGAPORE has seen in recent years an increase in the number of organisations and projects that address society's most pressing issues. The Singapore Centre for Social Enterprise, raiSE, reported that in 2020, 27.5 per cent of its 368 social enterprise members were new members. To create and deliver social impacts to their beneficiaries, these social enterprises and charities seek funding assistance from various sources, including the government and private funders.

The good news is that more private funders are keen to fund organisations and projects that deliver direct positive social and environmental impacts. In particular, we have seen a growing trend of social investments with a dual focus on creating positive societal impacts and generating financial returns. These social investments have also been proposed as one of the credible and sustainable solutions in tackling critical social and environmental issues.

Recent examples of such initiatives include GenZero, an investment platform launched by Temasek that pursues investment opportunities that actively address the adverse effects of climate change, and the DBS Foundation Social Enterprise Grant Programme that looks to fund only social enterprises. Other examples include the programmes that have been developed by raiSE to fund and accelerate the growth of the social sector in Singapore.

The lack of standardised evaluation metrics makes it difficult for funders to assess and compare social purpose organisations serving various causes. ILLUSTRATION: PIXABAY

Increased pressure to show projects' impact

The bad news is that social purpose organisations seeking funding are under more pressure to show their effectiveness in delivering the promised impacts. Moreover, funders are also expected to perform stringent impact evaluations to fulfil their fiduciary duty.

Impact reporting and evaluation are not straightforward. Compared to financial evaluation that has developed and matured over many decades, impact evaluation is still in its infancy. One of the most pressing challenges is the lack of standards, which affects both the fund-seeking organisations and the funders looking for suitable impact projects.

Impact measurement and reporting are sometimes viewed as an administrative burden that takes the organisations' valuable resources away from conducting activities for their beneficiaries. Social purpose organisations, particularly those that are just starting up or still small in size, face limited manpower resources and knowledge to perform impact measurements properly. This is exacerbated by the lack of standardised metrics to show impact to their stakeholders.

Hard to assess, hard to compare

The lack of standardised evaluation metrics also makes it difficult for funders to assess and compare social purpose organisations serving various causes. Funders end up developing their own distinct sets of metrics to evaluate the impacts of the organisations. Some of the evaluation metrics are based on existing, but non-standard, impact frameworks while other metrics are based on the funders' best practices and experiences from the past.

The different impact reporting requirements exacerbate the burden on resource-strapped social purpose organisations. For instance, to solicit funding from an impact investor or foundation, a social purpose organisation must often produce a lengthy funding proposal that includes impact reporting and evaluation of the organisation's past projects.

The work that goes into meeting specific proposal requirements from a potential funder may come to naught when the organisation seeks funding from another funder, as the two funders have different requirements.

This potentially taxing burden highlights the need to create standardised impact evaluation metrics that social purpose organisations and funders can collectively use. The benefits are clear.

A standardised impact report would lower organisations' administrative costs. Where it was deterred from applying to new funders because of different reporting requirements, it can now reach out to more potential funders with a single report.

Standardised metrics can lead to more applications

Funders can also benefit from a wider pool of projects to assess and fund.

Standardising impact evaluation metrics would increase the number of funding applications as it lowers the costs associated with preparing for funding proposals. This approach is akin to the College Common Application recently adopted by some colleges and universities in the United States – the adoption of this platform resulted in a higher overall number of student applications received by each participating institution, as documented by Knight and Schiff in their study published in 2022. A larger pool of potential impact projects would allow funders to choose projects that better fit their objectives and causes.

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Implementing standardised impact evaluation metrics could lead to the creation of impact investing marketplaces akin to e-commerce platforms like Amazon Marketplace or crowdfunding platforms like Kickstarter.

This model benefits both sides of the market – fund-seeking organisations and impact funders. Social purpose organisations benefit from increased exposure to a larger audience of potential funders, increasing their chances of fulfilling their funding needs.

Potential funders benefit from the larger pool of fund seekers that they can evaluate for potential funding.

The fundamental question is how we should start to standardise impact evaluation metrics. This would require extensive collaborations of key stakeholders in the social sector. The development of such standards would also benefit from evidence-based research that imparts the intellectual framework for the standards.

Lastly, avoiding potential conflicts of interest is crucial in the acceptance and adoption of the standards. With these challenges, independent entities like institutes of higher learning would be well placed to lead the charge in developing a standardised set of evaluation metrics for impact investment and funding.

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