

1 A Brief Introduction of SIA and SROI

1.1 Social Impact Assessment (SIA)

In policy and program evaluation, Social Impact Assessment (SIA) refers to an assessment to identify and measure the social impact of an initiative.^{1,2} Earlier research has highlighted that conducting social impact assessment could assist program implementers to develop deeper understanding on the service performance, and to gather crucial evidence for investors to make strategic decisions in impact investing³.

The process of SIA typically begins with identifying the social outcomes of a project. In this stage, researchers often rely on the logic model to map out how the service potentially creates some social outcomes. Once identified, it moves to the data collection design and subsequent implementation. There is no typical “standard” for data collection, and in many cases, it is context-dependent. Data used for SIA can take multiple forms, such as archival data, individual interviews, focus-group interviews, surveys, and observational data, and among others. The final step of the SIA involves data analysis and reporting⁴.

1.2 Social Return on Investment (SROI)

Another term that often coincides with the SIA is “Social Return on Investment” (SROI). These two concepts are closely related but are not exactly identical. Broadly speaking, SROI is a form of cost-benefit analysis. It attempts to assign a monetary value to the social impacts created by a project and assesses it against with the cost spent. In general, an SROI equal or larger than one indicates that a project has generated an amount of social return that is equal to or larger

¹ See Grieco, C., Michelini, L., Iasevoli, G. (2015). *Measuring Value Creation in Social Enterprises: A Cluster Analysis of Social Impact Assessment Models*; Kwan. (2016). *Introduction to Social Impact Measurement: Hong Kong context*. Hong Kong, Fullness Social Enterprises Society Limited; OECD. (2015). *Policy Brief on Social Impact Measurement for Social Entrepreneurship*. Luxemburg, Publication Office of the European Union.

² See OECD. (2015). *Policy Brief on Social Impact Measurement for Social Entrepreneurship*. Luxemburg, Publication Office of the European Union. Kwan. (2016). *Introduction to Social Impact Measurement: Hong Kong context*. Hong Kong, Fullness Social Enterprises Society Limited.

³ See Grieco, Michelini, Iasevoli, (2015). Kwan. (2016).

⁴ See Social Impact Investments Taskforce. (2014). *Measuring Impact: Subject Paper of the Impact Measurement Working Group*.

than its cost. The greater the SROI, the more social return a project generates with respect to the cost.

2 The Social Impact Assessment adopted in the Evaluation Study of the SIE Fund (at the SII-level)

For the evaluation study of the SIE Fund, the HKU consultancy team conducted a SIA for the social innovative project funded under the innovative program. This document details the methods and data collection procedures used in the mentioned study (the study). This document first describes the data used by the HKU consultancy team and the data collection procedure. Next, it explains the rationale of how the team defines social impacts and the monetization for SROI reporting. Third, it illustrates how to read the SIA report.

2.1 Data collection

Data used for the study was mainly collected via two channels. One was from retrieving archival records from the SIE Fund.⁵ In addition, the HKU consultancy team also contacted the project implementers for first-hand data collection. Data retrieved from this channel involves fieldwork observational data directly made by members of the HKU consultancy team and survey data.

The assessment procedure typically began with a review of the documents explicating the details of the project. Next, the team will systematically retrieve information useful for the SIA compilation (e.g., data on social outputs). The team also attended closely to any evidence in the reports reflected the social impacts of the project. Once identified, this information would be extracted and recorded.

Next, the team would contact the project holders for data verification. In the process, any additional information that emerged and deemed valuable for the SIA would also be recorded. Once all the information was collected and verified, the HKU consultancy team would then

⁵ Information collected via this channel are documents contained necessary data for the SIA report compilation. These include the proposals of the projects, its operational and financial reports submitted to the SIE Fund.

consolidate the information and proceeded to SIA report compilation.

Conceptualization of social impacts

The following section explains how the team conceptualized the social impacts of the projects. Specifically, the team formulated that each project could potentially create, namely, (1) tangible social impact for the target beneficiaries and (2) intangible social impacts for the target beneficiaries ⁶.

2.1.1 Direct social impact for target beneficiaries

There are two specific aspects of direct social impacts for target beneficiaries. The first is the increase in earnings for the target beneficiaries (e.g., by employment). The second aspect is the living cost reduction (cost-saving).

2.1.2 Indirect social impact for target beneficiaries

There are also two types of indirect social impact for the target beneficiaries. The first is related to raising public awareness upon particular social issues. The second type of indirect social impact for the target beneficiaries is related to promotion of social inclusion.

2.2 Monetization of social impacts

For monetizing the social impacts, the HKU consultancy team adopted a market equivalent approach. Essentially, it monetizes the impacts by utilizing the face values of the goods from the market. Details of how the HKU consultancy team monetize the direct social impacts and indirect social impacts are illustrated in below (Table 1).

⁶ Target beneficiaries of the projects refer to target group(s) of the projects stated in their mission statement of the project proposals. They are mainly, but not limited to, children/youths, elderly, non-Chinese speaking communities, persons with disabilities and low income families.

Table 1 : Monetization of the social return

Types of social returns	Items	Monetization methods
Direct social impact towards the target beneficiaries	Increase in earnings	The income generated by the target beneficiaries
	Living cost reduction	The amount of reduction in costs for purchasing products/services
Indirect social impacts	Raising public awareness	The equivalent advertising value (EAV) created from the media pieces
	Enhancing social inclusiveness	The opportunity cost of doing volunteer work.



2.2.1 Interpreting the SROI

In this study, the SROI can be interpreted as the social return of a project created for the target beneficiaries with respect to the cost spent within the project funding period.^{7 8}

As the SROI only reflects the social return of the project created within the funding period, it in other words indicates that the social returns created beyond the project funding period were not included and reported. However, the team recognized that a delayed social return is possible. From interviews, some project holders revealed there was a setup phase in the project, and the project's social impact has only emerged towards the end of the project period (and potentially) after the project period. However, given the HKU consultancy team only has data up to the project completion, the (potential) social returns of the project created beyond the project funding period thus could not be captured in the reported SROI. Readers should aware of this.

Given the above arrangement, one may aware that the reported SROI is somewhat different from some common practices in the local field, where some studies will project the social returns in the subsequent years. For instance, in one study, the research team estimated the median life span of social enterprises in their areas of interest was 9.3 years. In their SROI calculation, they assumed that all projects could last at least the estimated period of time and so as their social creation value process. With the assumption, they project the social returns by respective period of time.⁹ Another study also applied similar logic and projected the SROI by 6.4 years.¹⁰ In this study, the team reflects social returns of the project created within only the funding period. Although it is believed that there will be social returns manifested after the funding period, currently the team does not have solid data to estimate life-span of the projects. Hence, the reported SROI for each project does not include any projection. However, for direct comparison, one can consider adopting previous calculation methods, e.g. by

⁷ Cost here refers as government spending provided to the project grantees in respect to that particular project

⁸ Funding period, used interchangeably with “project period”, refers to the period that the project received fund from the SIE Fund, which varies from project to project.

⁹ See Kee & Chiu. (2013). *Social Return on Investment (SROI) of “Enhancing Employment of People with Disabilities through Small Enterprise Project (3E)”* Fullness Social Enterprises Society

¹⁰ See Kee. (2013). *Social Return on Investment (SROI) of Enhancing Self-Reliance (ESR) through District Partnership projects*. Fullness Social Enterprises Society.

multiplying the reported SROI by a span of 6.4 – 9.3 years. While the team argues this number is likely rough (or incorrect) and should not be directly quoted, the team believes that this gives a closer approximation for the SROI (reported by other local studies) for comparison.

3 How to read an SIA report

The figure below shows an example of SIA reports in this study. As seen, it contains five parts (Part A - E). Part A documents the basic information of the project. Part B provides details of the project (e.g., description of the social missions, their social innovation ideas, and types of activities implemented during the project period). Part C documents the major social outputs created by the projects within the project funding period, such as the number of employment created for the target beneficiaries, discounted products delivered to target beneficiaries, number of prototypes created based on innovative ideas, etc.¹¹

Part D shows some details of the financial performance of the ventures during the project funding period. In particular, the report summarized two aspects of the information. The first aspect is related to whether the ventures have derived income from product sales within the project funding period; the second aspect is related to whether the ventures receive additional funding from investors other than the SIE Fund.¹² Should the venture has derived income from any of these aspects within the project period (regardless of the actual amount created), it will be marked with a positive response (✓) on the SIA report. Part E reports the types of target beneficiaries of the project and the social return created for them with respect to the costs of the project (i.e., SROI). Both the direct and indirect social returns and its combined form are reported.

¹¹ This information is also available from the SIE Fund website

¹² In this study, funding refers to multiple forms on income, including grants, impact investment, sponsorship and donation etc.

Figure 1: An example of SIA

