

GUIDEBOOK

ON COST-BENEFIT / COST-EFFECTIVENESS ASSESSMENT





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Types of gender budget end user analysis

There are a number of ways that one can do Gender Budgeting and there are a range of different entry points. This section of the handbook therefore discusses further types and methodologies. Either one or a combination of two or more of these can be used at any given time. What is presented below is guidelines exercise how to develop the analysis related to the different context depending on availability of sex disaggregated data and the kind of analysis and advocacy that is required at a particular point of time.



1. Participatory planning and budgeting

Involvement of women in decision making is seen as a key to success of Gender Budgeting initiatives. It is not enough to say that women's needs and concerns have been taken into account. Women have to be treated as equal partners in decision making and implementation rather than only as beneficiaries. For this to be effective, there may be need for capacity strategies and methodologies for Gender Budgeting building not only of elected women representatives but also of women members of community-based organisations and self-help groups in order to ensure their active involvement in decision making and budgeting.

2. Mapping of the women's needs

Women's empowerment requires adequate resource allocation in all areas including health, education, sustained employment, access to credit and asset ownership, skills, research and design technology and political participation. Further, regional imbalances have to be corrected. For this, we need to know about the specific needs of women residing in particular places. Mapping of social infrastructure and access to employment opportunities for women can highlight the resources available and overall gaps. This will help in pointing to the resources required taking into account the size of the population and norms for availability of facilities, so that universalization of basic social-economic infrastructure is achieved progressively, and interventions and allocations are more focused. The maps can become the basis for regional plans and projections of funds required for women's empowerment. Mapping would also encourage the taking into account of regional imbalances within regions and municipalities.

3. Gender Appraisal for all new programmes and schemes

All new programmes, policies and projects for which funds are requested should be viewed through a gender lens. The suggested format for doing this is the Questionnaire for evaluation. This format will encourage gender sensitivity and women's participation from the start. It will also ensure that the implementation modality is gender sensitive and that gender impact assessment is built into the design.

4. Gender sensitive review of public expenditure and policy

Public expenditure and policy from a gender perspective to enable identification of constraints in outreach of programmes and policies to cover women and introduction of suitable corrective action. Programmes that are beneficiary-oriented and "mainstream" sectors and programmes.

5. Gender-based profile of public expenditure

The trend of the targeted expenditure, and male/female reach in terms of beneficiaries is indicative of the extent to which budgeting is gender responsive. The exercise can, when first done, point to constraints such as non-availability of gender-relevant data. It can highlight the need to determine reasons for non-adherence to targeted expenditure on women.

6. Impact analysis

Beyond monitoring who the money reaches, it is important to evaluate the impact of programmes and schemes of the policy/project/programme to see if they are meeting the objectives for which they were initiated. Impact analysis can be done through a range of different methods, including impact assessments, evaluations and field level surveys. Results of impact assessment of programmes from a gender perspective help in identifying barriers to women's access to public services/expenditure. They may also identify that, although women were reached by the programme, it did not bring about the desired changes in their situation and lives. In some cases, impact assessments may identify challenges which require fundamental changes to initiatives. In other cases, only minor changes in design and modalities of implementation may be necessary. In the lesson 2 and 3 of this module typical instruments for impact analysis are thoroughly described with an appropriate guideline how to conduct them step by step. For this purpose, cost effectiveness and Social return on investment have been chosen as most appropriate methodologies.

Methodologies and approaches for Impact analysis i.e. Gender budget end user analysis

Gender budgeting provides a range of methodologies for analysis of expenditure and revenue streams by gender, enabling policy makers, analysts and civil society organisations to understand any differential impacts on men and women of policy decisions.

The focus of these methodologies is on analysis rather than formulation of a budget but the results and finding could be taken as inputs in formulation of a budget for a project/programme/policy. Nevertheless, some of these methodologies are somewhat similar to the ones described above.

I. Gender-aware policy appraisal

This is an analytical approach that involves scrutinizing the policies of different portfolios and programmes by paying attention to the implicit and explicit gender issues involved. It questions the assumptions that policies are "gender neutral" in their effects and asks instead: "In what ways are the policies and their associated resource allocations likely to reduce or increase gender inequalities?" It aims to evaluate policies and their budget appropriations to identify their likely impact on men and women.

Gender-aware policy appraisals analyze policies and programmes funded through the budget from a gender perspective by asking if policies and their associated resource allocations are likely to reduce or increase gender inequalities. For doing a gender aware policy appraisal, which is a very useful methodology, the following five step framework could be used:

Gender aware policy appraisals can be carried out by the concerned line ministry, NGOs, research institutes or academics. The tool can be used for all sectors and at different levels. The tool provides a broad-brush picture which then needs to be followed up with more detailed analysis of identified issues.

Step 2
Assessment of the extent to which policies address the gendered situation

Step 4
Assessment of short-term outputs of expenditure, in order to evaluate how resources are actually spent, and policies and programmes implemented

Step 1
Analysis of the situation of women, men, girls and boys in a given sector

Step 3
Assessment as to whether budget allocations are adequate, in order to implement gender-responsive policies

Step 5
Assessment of the long-term outcomes or impact expenditures might have



Step 1: Analysis of the situation of women, men, girls and boys in a given sector by describing the situation of women and men, girls and boys.

How to approach to step 1: Choose the sector/policy which you want to analyze by using the Gender-aware policy appraisal.

Start to brainstorm about the main gender issues in the sector/policy. Guiding questions for this brainstorm are the following:

Poverty Profile

Socio-economic characteristics, different dimensions of poverty

1. How much percent of households are headed by women?
2. Was a PPA undertaken to give women and men a voice concerning their priorities and needs? What are the main constraints of women to overcome poverty?

Activity profile

3. Who does what, where, when and for how long (productive, reproductive and community related roles)?
4. Are women active both in households and industry/job/social policy?
5. Are women active in participating? What jobs do women and men occupy (high profile vs low profile/ highly paid/low paid, decision makers vs executions etc.)?
6. Are tasks shared by women and men or carried out only by one sex?

Access to and control Profile (Who has what?)

7. Who has access to and control over productive resources such as land, capital, and technology, equipment inputs?
8. Who has access to human capital resources such as training opportunities and extension services?
9. Who has access to new technologies?
10. Who has access to markets?
11. How do women and men differ in the constraints they face, and how do these differences affect their work, their productivity, and access to benefits?
12. Are women and men paid different wages?

Time Use

13. How much time is spent by women and men on different activities?

Source of information: Government reports, reports from international organisation and experts, Interviews conducted with beneficiaries from the policies and creators of the policies, stakeholders in the sector.

Steps for preparation for the interviews:

- Draft a short statement and thesis based on the background information and the analysis conducted so far.
- Prepare a strategy that you will pursue to defend the statements/thesis made. Take into consideration your mandate, role, constraints etc.
- Identify alternative statements and how they will fit in your "story"
- Identify the information you would need to make a more in-depth analysis and to prove/reject your thesis.
- Leave a space for additional consultation or request for information

Step 2: Examine government policies and programmes in the sector, to see whether they address the 'gender gaps' - that is, inequalities in the service offered to each group as described in the first step.

To approach the analysis of the step 2 you may use the following questions and table to summarise finding from the brainstorming and analysis:

Questions:

1. Please identify the most important gender issues in the sector of analysis in your country.
2. What are the causes of the gender gaps in the sector?
3. How does the sector policy reflect the gender gaps in the sector and what are the planned policy actions?

Fill in the table:

	Main problems in respect of achievements in the sector	Causes of these problems	Policy actions addressing problems and root causes
Girls			
Women			
Boys			
Men			

Source of information: Government reports, reports from international organisation and experts, Interviews conducted with beneficiaries from the policies and creators of the policies, stakeholders in the sector.

Step 3: Examine the budget to see whether sufficient money has been allocated to implement effectively the gender sensitive policies and programmes

1. Please outline a situation analysis with regard to the sector that you have chosen. What kind of data do you need? Which data are available/missing?
2. Please summarize the intervention areas of the policy of the government. Are the planned activities in line with your findings in the situation analysis? Do you think the policy approach will be effective in addressing main issues in the sector?
3. Are budget allocations in line with policy commitments?
4. Which alternative policy interventions and budget allocations would you propose?

Source interviews with the representatives of the Ministry of Finance or Municipalities, Sectoral ministries, stakeholders in the sector etc.

Steps for preparation for the interviews:

- Draft a short statement and thesis based on the background information and the analysis conducted so far.
- Prepare a strategy that you will pursue to defend the statements/thesis made. Take into consideration your mandate, role, constraints etc.
- Identify alternative statements and how they will fit in your “story”
- Identify the information you would need to make a more in-depth analysis and to prove/reject your thesis.
- Leave a space for additional consultation or request for information

Step 4: Monitor whether the allocated money has been spent and who has benefited from the money

Analysis of causes and effects by using the framework to analyze spending and effects from spending.

	Spending target/ beneficiary 1	Spending target/ beneficiary 2	Spending target/ beneficiary 3
Long-term effects			
Intermediate effects			
Immediate effects			
Immediate causes at household, community, market, and/or state			
Underlying causes at household, community, market, and/or state			
Structural causes at household, community, market, and/or state			

Source interviews with the representatives of the Ministry of Finance or Municipalities, Sectoral ministries, stakeholders in the sector etc.

Step 5: Go back to the first step and re-examine the situation, to see whether the budget and its associated programme has improved on what was initially described.

II. Sex-disaggregated beneficiary assessment of public service delivery and budget priorities

This tool aims to collect and analyze opinions of women and men on the extent to which government policies, programmes and services reflect their priorities and meet their needs.

Policy and budget makers need to know if public money is spent in a way that meets citizens' needs and fulfils their demands in respect of quality. A beneficiary assessment is a tool that aims at gathering information on the views of the actual and potential users of publicly provided services (extension services). Beneficiary assessments might thus help to provide information as to whether money is spent on the right activities. It asks if the services that are funded through public expenditures are in line with people's priorities and address people's needs. Because women and men often have different priorities and needs due to their social roles in society, they might have different perceptions of what is useful. It is therefore important that their voices are heard equally and that their priorities and concerns are considered on equal terms.

Beneficiary assessments can apply both quantitative and qualitative methods to collect information on the perceptions and experiences of users of public services. Qualitative methods encompass one-to-one conversational interviews around key topics or interview themes, focus group discussions or participant observations, attitude surveys and opinion polls. Qualitative methods are especially suitable for revealing hidden causes of behavior, e.g. the refusal of using provided services. Qualitative methods might encompass semi-structured and conversational interviews, preference ranking and scoring, participatory rapid appraisal etc.

In general, the skills and competences of the interviewers are very important for getting meaningful results. A beneficiary assessment is usually carried out by agencies within the government or by groups within civil society. The tool can be applied to any sector which delivers services. If it covers multiple sectors, it can provide information as to whether intra-sectoral prioritization is in line with the needs of women, men, girls and boys in the community.

The limitations of this tool are that it captures only the perception of the beneficiary and not the non-user or the service provider; it is time consuming; and it usually addresses only one service at a time.

Examples of interview themes related to the provision of public services:

- Number of public services workers (females and males)
- Selection of public services themes
- Channels of transmission of knowledge
- Quality of services
- Timing of the provision of services
- Other responsibilities of women
- Constraints to attend public services events
- Cultural constraints
- Willingness and ability to pay for services



Steps for implementation of Sex-disaggregated beneficiary assessment of public service delivery and budget priorities:

Step 1: Choose the topic and aim for exploring and analysis based on the need and research (it could be selected from the themes mentioned above or other).

Step 2: Choose appropriate qualitative and/or quantitative method for collecting information and perception or experiences.

Step 3: Define criteria for pool of informants that will be eligible for research

Step 4: Define the ranges and criteria for interpretation of the results

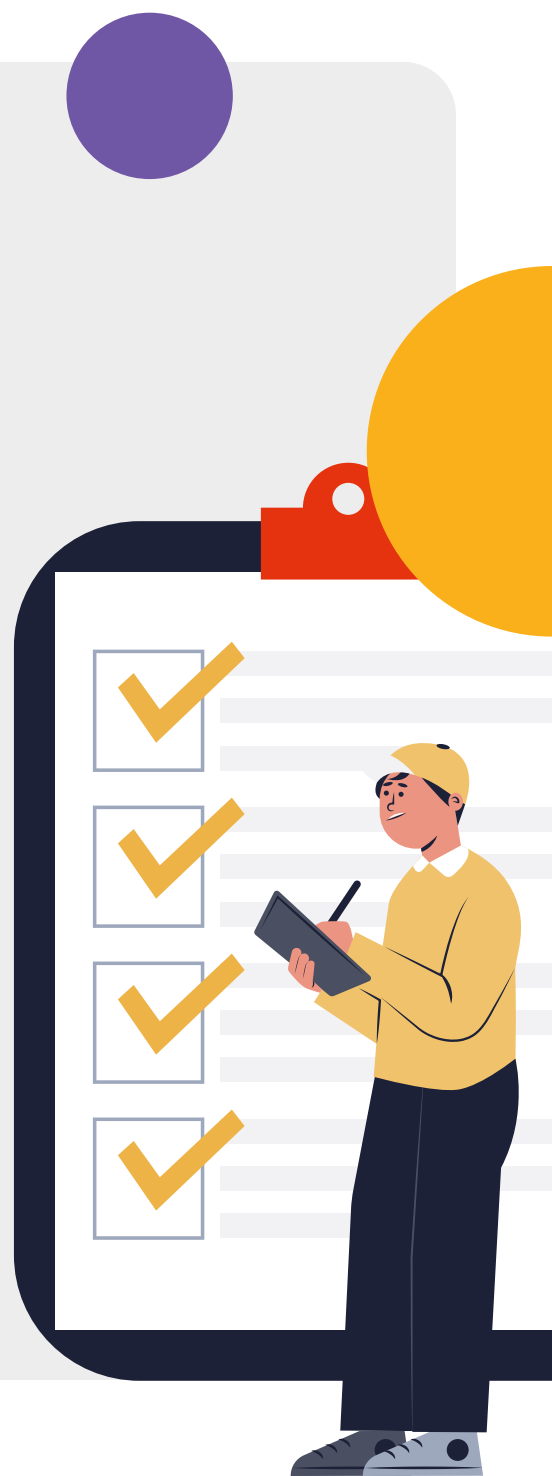
Step 5: Draft the questions for research/interviews

Step 6: Conduct the survey research

Step 7: Analyse/Interpret the results and check them with the stakeholders and experts (peer review)

III. Sex-disaggregated public expenditure incidence analysis

Gender analysis of expenditure is one tool within a wide-ranging school of analysis called gender budgeting. Gender analysis of expenditure focuses exclusively on the impact of expenditure streams by gender. It can be used as policy is being developed, or it can be used later to determine the actual impact of a policy by gender. The objective of this tool is to analyze the extent to which men and women benefit from expenditure on publicly provided services. Statistical analysis is done to determine the distribution of expenditure between men, women, girls and boys. This analysis can be done for any sector or programme. The approach requires calculating the unit cost of providing a service, calculating the number of girls and boys who benefited and working out the benefit incidence by multiplying the unit cost by the number of girls and again by the number of boys. The limitation of this tool is that it assumes that the cost of a service for male and female, rich and poor, rural and urban is the same. It can also only be done for services targeting individuals. Sex-disaggregated public expenditure incidence analysis is a typical impact analysis and will be explained in the next two lessons encompassing two tools such as Cost effectiveness analysis and Social return on investment.



02



Cost-effectiveness analysis

A cost-effectiveness analysis includes the calculation of costs for reaching the goal or objective, as specified in the project/programme. It is a specific type of economic analysis in which all costs are related with one, common effect. The cost-effectiveness analysis is different from the cost-benefit analysis because the benefits is expressed in physical, rather than in monetary units. The identification of the benefits is expressed in physical numbers (i.e. number of saved lives, quantity in kilograms of decreased pollution material, number of vaccinated girls).

The ratio is expressed between costs and fulfilment of the goals i.e. effects. The simplest ratio is the average price versus unit of effect: $CE = C/E$

How to perform cost side of the analysis - types of costs and its quantification:

Application of the costing methodology should be performed based on a plan for adoption and implementation. This plan should determine the crucial variables such as target beneficiaries, design of the project its elements, organisational system, facilities, equipment and other supporting activities thus defining the scope of the work, which needs to be done in order to successfully implement the project.

Then, the cost estimation with a defined scope will be performed as a primary element of project cost management. The approach stipulates use of a cost-per-unit and activity based costing. This means costing exercise of converting measures into smaller, tangible, concrete and measurable activities. From inception to completion (project duration).

The following outlook of a cost categories and methodology will be a basis for determining the cost level:

- **Labor:** The cost of human effort for an hour of work. Calculation based on an average net salary for employees on similar positions or based on a consultant's fee for expert's positions.
- **Materials:** The cost of resources needed to create products.
- **Equipment:** The cost of buying and maintaining equipment.
- **Services:** The cost of external work that is necessary to be provided by third party (vendors, contractors, etc.).
- **Software:** Non-physical computer resources, price for purchase of a software based on quotations and off the shelf prices
- **Hardware:** Physical computer resources prices based on quotations and off the shelf prices
- **Facilities:** The cost of renting or using specialized equipment, services, or locations.
- **Contingency costs:** Costs added to the project budget to address specific risks.

As previously stated the price of the Equipment, materials and services will be estimated by consulting price lists or by going out for bids for the larger pieces. Labor costs are hourly, and determined according to time engagement.

Having done the exercise, it should result in report called the basis of estimate, which also details cost exclusions and inclusions. The basis of estimate report allows to interpret project costs and to understand how and where actual costs might differ from approximated costs. That outlines the assumptions underlying each cost.

After determination of all costs, the costing exercise should provide sufficient data for grouping and analyse the cost in a context of making economic evaluation, project investment cost and estimate the total budget for implementation.

The approach assists in predicting an accurate cost estimate, as an outcome of this exercise, critical for deciding how to carry on the activity of implementation. Furthermore, it assists in determining a project's scope and budget, pinpoints the crucial cost centres and identifies possible savings, as well as ensures that project remain financially feasible, sustainable and avoid cost overruns.

How to measure and quantify the effects

Benefit side is by comparison of an actual project impacts against the estimated. It looks at what you set out to do, at what you have accomplished, and how you accomplished it.

It has to be measured what has taken place during the life of a project, with the intention what has improved as a result of functioning of the project. It could be expressed as a project performance assessment that is also gender responsive, and it can be characterized to show the "4 E's":

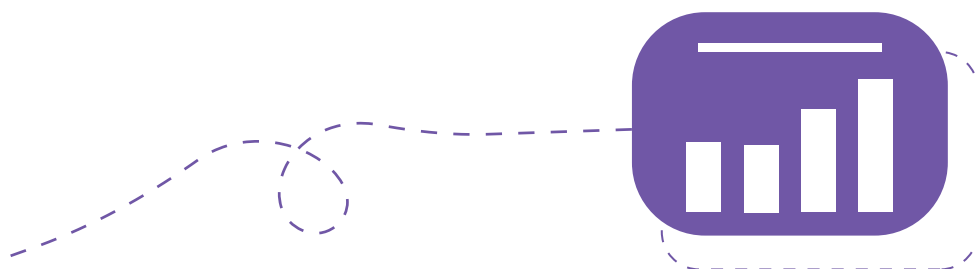
Principles of gender responsive performance - **the 4"E"s**¹ by focusing on Efficiency, Effectiveness and Impact on Equity/Equality.

Effectiveness could be expressed as a gender responsive project performance, and characterized to show the "4 E's" Principles of gender responsive performance the **4"E"s**²

Efficiency shows that the input into the work is appropriate in terms of the output. This could be input in terms of money, time, staff, equipment and so on. By applying equity to this principle adds the dimension of how many women and men can access the results (public services, accessibility, conditions on usage, benefits and position in the society, group), what improvement the project delivers in an equal (fair) way to (gradually) realize gender equality. This addition to the performance concept today provides for the state of the art application of results or performance of a project.

Effectiveness is a measure by using the unit cost. The unit cost methodology is used in all gender equality costing approaches, such as the impact cost approach. In the case of costing gender equality interventions, a unit could be addressing or processing a single case of domestic violence, providing a training workshop on gender equality or establishing an employment scheme for an unemployed woman. Effectiveness is a measure of the extent to which a development programme or project achieves the specific objectives it set. If, for example, we set out to improve the qualifications of all the high school teachers in a particular area and its impact on women/men teachers. Did we succeed and to which extent it had impact on men and women teachers and what is the result?

Impact tells you whether or not what you did made a difference to the problem situation you were trying to address. In other words, was your project useful? Did ensuring that teachers were better qualified improve the ratio of men and women equally or in the manner that we intended to and as a final result what is the pass rate in the final year of school with teachers' men and women? Before you decide to get bigger, or to replicate the project elsewhere, you need to be sure that what you are doing makes sense in terms of the impact you want to achieve, which has to be gender sensitive by applying these filters when making the analysis.

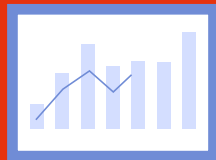


When to best use it:

- The cost-effectiveness analysis is a classic analytical tool. It can be used for any comparison and assessment of the effects.
- The units that are subject of comparison should be the same so the effect could be assessed.
- The most common use is for social effects, environment etc.



03



Social Return on Investment (a Cost benefit analysis applied on social context)

The Cost Benefit analysis (CBA) is used for measuring the efficacy of the economic and social costs compared to economic and social benefits. All costs and all benefits which are result of the implementation of a policy/project/pogramme have to be taken into account.

It is a rather complex method and could be very subjective, mostly due to the monetarisation of the social and environmental impacts. Monetarisation or showing the benefits in monetary terms is the first of the two important differences when compared to cost – effectiveness analysis. The other is actually that all costs and benefits have to be estimated and assessed during the lifetime of the project and depreciated for the time value of the money.

When this analysis is used to assess social context is also called Social Return of Investment (SROI).

SROI analysis is a process of understanding, measuring and reporting on the social, environmental and economic value that is being created by an organisation/project/programme. SROI framework is an approach to measurement – developed from cost-benefit analysis, social accounting and social auditing – which captures social value by translating social objectives into financial and non-financial measures. SROI measures the value of the benefits relative to the costs of achieving those benefits. It is a ratio of the net present value of benefits to the net present value of the investment which is actually intervention.

Social Return on Investment is a framework for measuring and accounting for this much broader concept of value; it seeks to reduce inequality and environmental degradation and improve wellbeing by incorporating social, environmental and economic costs and benefits.

SROI measures change in ways that are relevant to the people or organisations that experience or contribute to it. It tells the story of how change is being created by measuring social, environmental and economic outcomes and uses monetary values to represent them. This enables a ratio of benefits to costs to be calculated. For example, a ratio of 3:1 indicates that an investment of 1 delivers 3 of social value.

SROI is about value, rather than money. Money is simply a common unit and as such is a useful and widely accepted way of conveying value. In the same way that a business plan contains much more information than the financial projections, SROI is much more than just a number. It is a story about change, on which to base decisions, that includes case studies and qualitative, quantitative and financial information.

An SROI ratio is a comparison between the value being generated by an intervention and the investment required to achieve that impact. However, an SROI analysis should not be restricted to one number, which could be seen as a short-hand for expressing value. Rather, it presents a framework for exploring an organisation's social impact, in which monetisation plays an important, but not an exclusive role.

The principles of SROI

SROI was developed from social accounting and cost-benefit analysis and is based on seven principles. These principles underpin how SROI should be applied. The principles are:

- Involve stakeholders
- Understand what changes
- Value the things that matter
- Only include what is material
- Do not over-claim
- Be transparent
- Verify the result



Like any research methodology, SROI requires judgement to be used throughout the analysis and there is no substitute for the practitioner's judgement. In the process where frequently judgements are required, and decisions about materiality need to be taken. For example, materiality is a concept that is borrowed from accounting. In accounting terms, information is material if it has the potential to affect the readers' or stakeholders' decision. A piece of information is material if missing it out of the SROI would misrepresent the organisation's activities.

For transparency, judgements about what is material should be documented to show why information has been included or excluded.

Steps in performing SROI

Carrying out an SROI analysis involves six stages:



Stage 2

Assessment of the extent to which Mapping outcomes. Through engaging with your stakeholders you will develop an impact map, or theory of change, which shows the relationship between inputs, outputs and outcomes.

Stage 4

Establishing impact. Having collected evidence on outcomes and monetized them, those aspects of change that would have happened anyway or are a result of other factors are eliminated from consideration.

Stage 6

Reporting, using and embedding. Easily forgotten, this vital last step involves sharing findings with stakeholders and responding to them, embedding good outcomes processes and verification of the report.

Stage 1

Establishing scope and identifying key stakeholders. It is important to have clear boundaries about what SROI analysis will cover, who will be involved in the process and how.

Stage 3

Evidencing outcomes and giving them a value. This stage involves finding data to show whether outcomes have happened and then valuing them.

Stage 5

Calculating the SROI. This stage involves adding up all the benefits, subtracting any negatives and comparing the result to the investment. This is also where the sensitivity of the results can be tested.

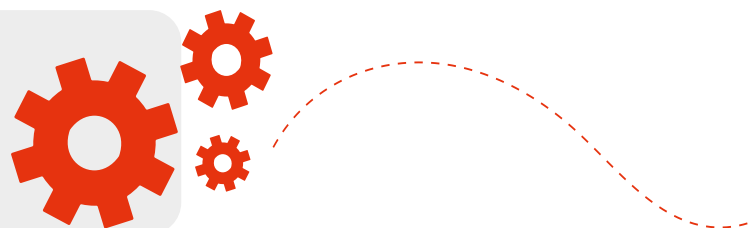
If it is performed properly, this analysis has many benefits. It provides a comprehensive framework for costs and benefits on a longer period, taking into account all stakeholders. Costs and benefits are also divided according to the stakeholder, time when they occur and the amount. These features give a clear review of details upon which the decision could be made.

Guideline for performing the SROI

1. Establishing scope and identifying key stakeholders

There are three steps in this stage:

- **Establishing scope**
- **Identifying stakeholders**
- **Deciding how to involve stakeholders**



Establishing scope

The issues that needs to consider include:

Purpose

What is the purpose of this SROI analysis? Why do you want to begin this process now? Are there specific motivations driving the work?

Audience

Who is this analysis for? This should cover an initial assessment of how the audience is to communicate.

Background

Consider the aims and objectives of project/programme and how it is trying to make a difference (or its theory of change). Understand the objectives of the activities. It is important that you have a clear understanding of what the project/programme does, what it hopes to achieve by its activities and the scale of the issue it is seeking to address.

Resources

What resources, such as staff time or money, will be required? Are these available?

Identifying stakeholders

Stakeholders are defined as people or organisations that experience change or affect the activity, whether positive or negative, as a result of the activity being analyzed. In SROI analysis the concern is primarily to finding out how much value has been created or destroyed and for whom.

To identify the stakeholders, list all those who might affect or be affected by the activities within the scope, whether the change or the outcome is positive or negative, intentional or unintentional.

Deciding how to involve stakeholders

Collecting information from stakeholders can be as simple as phoning someone or as complex as holding a facilitated focus group session. When gathering information from participants, ask staff that work with them about the best way of engaging them. Here is a list of possible methods for involving stakeholders:

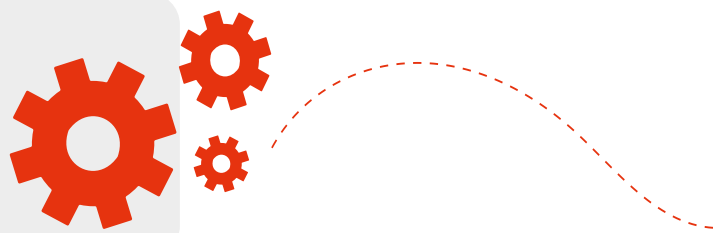
- Getting stakeholders together in one place and ask them directly;
- A workshop format, with informal discussions and a flipchart to record responses;
- Have stakeholders complete a form during a regularly scheduled meeting – for example, an annual general meeting of an organisation, or other set gathering;
- Call representatives from key stakeholder groups and ask them;
- Email a short form to representatives from key stakeholder groups;
- Have a social event and ask staff members to walk around and speak to stakeholders;
- One-to-one interviews.

Ideally, information should be collected directly from stakeholders. However, lack of time or resources may mean that some information has to come from existing research with your stakeholders. Where possible these existing sources should themselves be based on asking your stakeholders. Also, there may be stakeholders you cannot involve – future generations, for example. In this case you need to identify people to speak on their behalf.

2. Mapping outcomes

There are four steps to map outcomes:

- **Identifying inputs**
- **Valuing inputs**
- **Clarifying outputs**
- **Describing outcomes**



Identifying inputs

The investment, in SROI, refers to the financial value of the inputs. You need to identify what stakeholders are contributing in order to make the activity possible – these are their inputs. Inputs are used up in the course of the activity – money or time, for example.

The value of the financial inputs, especially for a single grant or a contract, is usually easy to establish, although it is important that you include the full cost of delivering the services. In some situations, there are other contributions being made, including non-cash items, which need to be valued.

Valuing inputs

Monetized inputs are extensively described in the section for cost effectiveness. Here we are going to refer to non-monetized inputs. These are inputs other than the financial investment, like volunteer time. If the activity would not go ahead to the same extent without these inputs, then a value should be put on them. This will ensure transparency about the full cost of delivering the project.

Two main types of non-monetized inputs are generally relevant in SROI: volunteer time and contributions of goods and services in kind.

Valuing volunteer time can be more difficult. The hours given by volunteers are often given a value equivalent to the, average hourly rate for the type of work they are doing. For example, if an administration volunteer does 5 hours a week in an area where administration work is paid on average 5 per hour, their weekly input would be 25. This value is given regardless of whether any money is paid to the volunteer; it simply gives the input a value that can be added up with other inputs.

Volunteer inputs can also include an allocation of the overheads that would be incurred if the person were employed. This would cover Insurance and pension contributions, personal tax and also the costs of desk space, electricity, and so on.

Clarifying outputs

Outputs are a quantitative summary of an activity. For example, the activity is 'we provide training' and the output is "50 women trained to conduct business plans". Sometimes the same output is repeated for several stakeholders, which are included in SROI at this stage because they form part of the theory of change. They will not be counted in the calculation, so there is no risk of double counting. In situations where stakeholders are contributing their time, the output – a number of hours – may be described in the same way as the inputs: a number of hours.

Describing outcomes

Outcomes for stakeholders

Outcomes for stakeholders SROI is an outcomes-based measurement tool, as measuring outcomes is the only way you can be sure that changes for stakeholders are taking place. Be careful not to confuse outputs with outcomes. For example, if a training programme aims to get people into jobs then completion of the training itself is an output, getting the job is an outcome. Identifying outcomes is not always immediately intuitive. Spend sufficient time getting to grips with the theory of change to ensure that you are measuring the right things.

Intermediate outcomes

In some cases it takes years for outcomes to take place – for example, slowing the rate of violence against women or increasing the rate of economic activity of women – but there may be observable changes along the way. These are intermediate outcomes, or a chain of events. It is important to establish what this chain of events is, not least because your activity may only bring about some changes in the chain. When a new outcome is identified by stakeholders or by assessment of other factors, it has to be decided whether it is an entirely new outcome, or in fact part of an existing chain of events.



3. Evidencing outcomes and giving them a value

In this step, the goal is to develop outcome indicators and use these to collect evidence on the outcome that is occurring, and assess their relative importance by valuing them.

There are four steps in stage 3:

- **Developing outcome indicators**
- **Collecting outcomes data**
- **Establishing how long outcomes last**
- **Putting a value on the outcome**



Developing outcome indicators

Indicators are ways of knowing that change has happened. In SROI they are applied to outcomes as these are the measures of change that we are interested in. The next stage in developing the impact map is to clarify one or more indicators for each of the outcomes on your map. You will need indicators that can tell you both whether the outcome has occurred, and by how much.

Example choosing indicator

Outcome	Indicator
Reduced social isolation	<ul style="list-style-type: none">• Whether participants are taking part in new activities (eg. taking up new sports or hobbies, visiting new places)• Whether participants report having more friends• Level of social skills reported by participants• Whether participants are accessing relevant public services that they had not used in the past, like public transport

Collecting outcomes data

Information could be retrieved from:

- Membership organisations, government departments, market research firms, consulting companies, partner organisations; and
- Published research from universities, government departments and research organisations.

As part of forecasted SROI analysis, it is important to change the way to collect data so that one have the right information in place to carry out an evaluative SROI study at a later date. Think about ways that can be incorporate this into everyday activities to make it as cost-effective as possible. For example, a childcare intervention could engage with parents at regular intervals as they collect their children and record outcomes that way.

When doing an evaluative SROI analysis, use and review the data the organisation already collects and what is available from other sources. It is more time-consuming and costly to gather data about impact after the event, and existing data and self-reported change may have to suffice.

New data will usually come from people directly involved in the creation of social value – project participants or employees, for example – and will be gathered by your organisation. You may be able to get the local government organisation or another organisation to agree to let you include questions in a standard questionnaire that it would administer. The most commonly used techniques for primary data collection include:

- One-to-one interviews
- Record keeping (such as case files)
- Focus groups
- Workshops and seminars
- Questionnaires (face-to-face, over the phone, by e-mail, on the Internet).

A common question is how big the sample of the clients should be. There is no hard and fast rule here. If you work with twenty young people, you should try and speak to all of them. If you work with thousands of people, you should use a representative sample and statistical tests to support your arguments. If this is not feasible it is recommended that you choose a sample size that you feel is defensible and within your budget.

Establishing how long outcomes last

The effect of some outcomes will last longer than others. Some outcomes depend on the activity continuing and some do not. For example, in helping women to start a business it is reasonable to expect the business to last for some time after the project- intervention. Conversely, providing a service to help women in rural areas so that they do not visit their doctors so often may depend on the service being available all the time. Where you believe that the outcome will last after the activity has stopped, then it will also continue to generate value. The timescale used is generally the number of years you expect the benefit to endure after your intervention. This is referred to as the duration of the outcome or the benefit period.

It should be estimated the duration of each of the outcomes. Ideally this would be determined by asking people how long an intervention lasted for them – this will give you evidence of the duration. However, if information is not available on the durability of different outcomes, you can use other research for a similar group to predict the benefit period, such as the likelihood that ex-offenders will begin offending again, or that people in employed women will lose their jobs. Look for research to support your decision. It is important to use data that is as close as possible to the intervention in question so as not to inappropriately generalize. This is an area where there can be a tendency to overstate your case and lose credibility.

Sometimes the duration of the outcome is just one year and it only lasts while the project-intervention is occurring. In other instances, it might be 10 or even 15 years. For example, a parenting intervention with children from deprived areas may potentially have effects that last into adulthood. You will need to have longitudinal data to support the duration of the outcome and should consider how you might start to collect this (if you are not already doing so). If you don't have this information you will need to make a case based on other research. The longer the duration, the more likely it is that the outcome will be affected by other factors, and the less credible your claim that the outcome is down to you.

Beneficiaries	Duration	Rationale
Participants on a year-long IT training programme that go on to get related employment	4-5 years	The move into successful employment could set participants on a career path. Although they might stay on this for some time (eg 15 years), the period is kept to 4-5 years as increasingly the effect of the training will wear off and their work experience will become more important
Careers that get brief respite (1 week)	Up to 1 year	Respite care needs to be regular in order to sustain the benefits
Businesses that get support with cheap workspace	3-4 years	The support could set up businesses that last for much longer than 3-4 years. However, it is likely that after the initial set up other factors (eg. the general economic climate) will become more important

Putting a value on the outcome

The purpose of valuation is to reveal the value of outcomes and show how important they are relative to the value of other outcomes. As well as revealing missing value it will help determine how significant an outcome is.

The next step therefore is to identify appropriate financial values – these are a way of presenting the relative importance to a stakeholder of the changes their experience. Remember that you are identifying a value for the outcome and not the indicator. You will then be able to complete the columns on the impact map relating to financial proxies, their value and their sources.

Valuation is a process often referred to as monetisation because we assign a monetary value to things that do not have a market price. All the prices that we use in our day-to-day lives are approximations – ‘proxies’ – for the value that the buyer and the seller gain and lose in the transaction. The value that we get will be different for different people in different situations.

For some things, like a liter of milk, there is considerable agreement on and consistency in the price. For other things, such as a house, there is likely to be a wider spread of possible prices. For others – a new product that has never been sold before, for example – there may be no comparison.

All value is, in the end, subjective. Markets have developed, in large part, to mediate between people’s different subjective perceptions of what things are worth. In some cases, this is more obvious than in others. But even where prices are stable and have the semblance of ‘objective’ or ‘true’ value, this is not really the case.

If we take the house example again, how much it is worth depends who we are referring to. If you are selling a house, you will have a sense of what you are prepared to accept for it – how much value it has for you. If I am thinking of buying your house, I have my own view of what I am prepared to pay – how much value it has for me.

What the market does – in fact, what it is effectively for – is to bring together people whose valuations happen to coincide. This ‘coincidence’ is called ‘price discovery’ – but it is not uncovering any ‘true’ or ‘fundamental’ value, rather it is matching people who (broadly) agree on what something is worth.

Arriving at an estimate of social value is the same as this in almost every way. The difference is that goods are not traded in the market and so there is no process of ‘price discovery’. This does not mean, however, that these social ‘goods’ do not have a value to people. If I want to buy a house but there are no sellers, this does not mean that it does not have a value to me or that I don’t have an idea of what this is. Similarly, if a local government organisation creates a park for residents, where I can go, this too has a value to me. The fact that I have not had to pay for this does not negate this fact.

In SROI we use financial proxies to estimate the social value of non-traded goods to different stakeholders. Just as two people may disagree on the value of a traded good (and so decide not to trade), different stakeholders will have different perceptions of the value they get from different things. By estimating this value through the use of financial proxies, and combining these valuations, we arrive at an estimate of the total social value created by an intervention.

The process of valuation has a long tradition in environmental and health economics. SROI is building on the methodology and extending it to other fields. While it may seem initially daunting, it is relatively straightforward and gets easier with practice. As SROI becomes more widespread, monetisation will improve and there will be scope for pooling good financial proxies.

Proxies that are easy to source

Sometimes monetisation is a fairly straightforward process – where it relates to a cost saving, for example. This might be the case where you are interested in the value of improved health from the government’s perspective; you may decide to use the cost of attending a doctor’s clinic.

Sometimes this will not result in an actual cost saving because the scale of the intervention is too small to affect the cost in a significant way (see section on marginal costs, below) but it still has a value.

The flipside to cost savings is an increase in income. Rises in income for people through salary or for the state through tax increases are obvious examples. However, be careful of double counting here. For example, if an individual gets a job, they increase their income and the state receives increased taxes. In this case the increase in income should be recorded after deducting taxes.

The increase in income may also not be additional to either the person or the state. For the person the increased income may be offset by an increase in taxes or loss of benefits. For the state the increase in taxes will only result in an increase in government income if no one else loses work and the total level of employment increases. However, there may still be a value to the state of that person getting a job that should be included – perhaps because inequality has been reduced.

Remember we are talking about proxies here, as some of these outcomes will not result in actual financial savings. However, for some stakeholders, such as the funders, you may want to demonstrate cash savings. If you want to do this credibly you will need to approach it rigorously and should consult the guidance on marginal costs and displacement. The information you collect on costs will help you with this but it may require a separate calculation.

Proxies that are more challenging

SROI also gives values to things that are harder to value so are routinely left out of traditional economic appraisal. There are several techniques available.

In Stated preference and Contingent valuation, we ask people directly how they value things either relative to other things or in terms of how much they would pay to have or avoid something. This approach assesses people's willingness to pay, or accept compensation, for a hypothetical thing. For example, you may ask people to value a decrease in aircraft noise in their town – their willingness to pay for it. Conversely, you may ask them how much compensation they would require to accept an increase in crime.

Revealed preference techniques infer valuations from the prices of related market- traded goods. A common technique for inferring preference is to look at the way in which people spend money. Many governments produce data on average household spending which includes categories like 'leisure', 'health' or 'home improvement'.

Although flawed for a number of reasons, not least because it excludes the value of the public services, this can also be useful.

Another approach recognizes that people are generally willing to travel some distance, or give up some time to access goods and services on which they place a value. This inconvenience can be translated into money to derive the estimate of the benefits of those goods and services. This is called the travel cost/time value method.

When identifying proxies, it is important to remember that we are not interested in whether money actually changes hands. It also doesn't matter whether or not the stakeholders in question could afford to buy something – they can still place a value on it. We assume that health has a similar value to people on any income. So, for example, you may want to use the average cost of health insurance as a proxy for improved health amongst children in care. The fact that those children would not be in a position to take out such insurance is beside the point – it gives generic guidance on how people value health.

There are problems with each of these techniques, and there are no hard and fast rules as to which you would use in given situations. We offer them to support you in deriving proxies. Nonetheless, this section requires creativity and research on your part. There is obviously a role for engaging stakeholders here. However, be careful with this approach. Stakeholders will be able to guide your thinking particularly on the relative merits of different types of value. However, some stakeholders may find it more difficult to attach a financial value to something. Again, you need to use some judgement as to the appropriate way to involve stakeholders to assess the relative importance of the outcomes that they experience.



Stakeholder	Outcome	Indicator	Possible proxies
Women that are not economically and socially active	Reduced social isolation	<ul style="list-style-type: none"> Whether participants are taking part in new activities (eg. taking up new sports or hobbies, visiting new places) Whether participants report having more friends Level of social skills reported by participants Whether participants are accessing relevant public services that they had not used in the past, like public transport 	<ul style="list-style-type: none"> Cost of membership of a social club/network Percentage of income normally spent on leisure, Cost of counselling sessions
Women in rural areas	Improved access to local services	<ul style="list-style-type: none"> Take-up of those services, and by whom 	<ul style="list-style-type: none"> Savings in time and travel costs of being able to access services locally
Offenders	Reduced reoffending	<ul style="list-style-type: none"> Frequency of offences for which participant is charged Nature of offence 	<ul style="list-style-type: none"> Forgone wages due to time spent in prison or doing community service
Women offenders	Improved family relationship	<ul style="list-style-type: none"> Child continues living in the family home 	<ul style="list-style-type: none"> Amount that parents spend on their children annually Value of time spent with children Cost of childcare

4. Establishing impact

This section provides a number of ways of assessing whether the outcomes you have analysed result from your activities. These methods provide a way of estimating how much of the outcome would have happened anyway and what proportion of the outcome can be isolated as being added by your activities.

There are two parts to this section:

- **Deadweight and displacement**
- **Attribution**



Deadweight and displacement

Deadweight is a measure of the amount of outcome that would have happened even if the activity had not taken place. It is calculated as a percentage. For example, an evaluation of a programme to support women entrepreneurship found that there has been a 7% increase in economic activity in the area since the programme began. However, the national economy grew by 5% during this time. Researchers would need to investigate how much of the local economic growth was due to wider economic changes and how much to the specific intervention being analyzed.

To calculate deadweight, reference is made to comparison groups or benchmarks. The perfect comparison would be the same group of people that you have affected, but seeing what

happened to them if they had not benefited from the intervention. Since a perfect comparison is not possible, measuring deadweight will always be an estimate. Instead, you need to seek out information that is as close to your population as possible. The more similar the comparison group, the better the estimate will be. If you cannot identify an appropriate comparator group or proxy, you may have to rely on a 'best estimate'.

Attribution

Attribution is an assessment of how much of the outcome was caused by the contribution of other organisations or people. Attribution is calculated as a percentage (i.e. the proportion of the outcome that is attributable to your organisation). It shows the part of deadweight for which you have better information and where you can attribute outcome to other people or organisations. For example, alongside a new initiative for supporting women to acquire digital and other skills to increase their employability, a decrease in unemployment of women was recorded. However, at the same time, a programme for supporting women businesses and subsidies to employ women who have been long term unemployed. While initiative for digital and other skills knows that it has contributed because of the number of people have found a job after completion of the training, it will need to determine what share of the decreased unemployment rate can claim and how much is down to the other initiatives.

It will never be possible to get a completely accurate assessment of attribution. This stage is more about being aware that your activity may not be the only one contributing to the change observed than getting an exact calculation. It is about checking that you have included all the relevant stakeholders.

5. Calculating the SROI

This stage sets out how to summarize the financial information that you have recorded in the previous stages. The basic idea is to calculate the financial value of the investment and the financial value of the social costs and benefits. This results in two numbers – and there are several different ways of reporting on the relationship between these numbers.

If you are carrying out an evaluative SROI analysis, then the evaluation should ideally take place after the period for which the outcome was expected to last. However, interim evaluations will still be useful in order to assess how well the intervention is working and to provide information to support any changes.

If you are comparing actual results against a forecast, you will need the information relating to the time periods over which your outcomes last.

There are four steps to calculating your ratio:

- **Projecting into the future**
- **Calculating the net present value**
- **Calculating the ratio**
- **Sensitivity analysis**



All these stages will be outlined below. We will discuss each step before asking you to do your own calculations.

Projecting into the future

The first step in calculating your ratio is to project the value of all the outcomes achieved into the future, upon deciding how long an outcome would last. Using this, you will now need to:

- set out the value of the impact for each outcome for one-time period (usually 1 year);
- copy the value for each outcome across the number of time periods it will last. Here it has to be decided whether the outcome will decrease or increase over the years

Calculating the net present value

Calculating the net present value in other words, means to take the present value of all future social benefits, and costs, and then add and subtract as appropriate.

In order to calculate the net present value (NPV) the costs and benefits paid or received in different time periods need to be added up. In order that these costs and benefits are comparable a process called discounting is used. Discounting recognizes that people generally prefer to receive money today rather than tomorrow because there is a risk (e.g., that the money will not be paid) or because there is an opportunity cost (e.g., potential gains from investing the money elsewhere). This is known as the 'time value of money'. An individual may have a high discount rate – for example, if you would accept 2 units of currency in one year's time, instead of 1 now, that implies a discount rate of 100%.

For the purpose of easing the calculation, in addition to this guideline a table is presented with coefficients that should be multiplied with the sum of benefits and costs. Coefficient is determined by selection of appropriate year and discount rate.

Calculating the ratio

To calculate the initial SROI ratio, it is a very simple sum. Divide the discounted value of benefits by the total investment.

SROI ratio

=

Present Value/
Value of inputs

An alternative calculation is the net SROI ratio. This divides the NPV by the value of the investment. Both are acceptable but you need to be clear which you have used.

Net SROI ratio

=

Net Present Value/
Value of inputs



6. Reporting, using and embedding

Reporting to stakeholders, communicating and using the results, and embedding the SROI is how to make the most of SROI report.

SROI aims to create accountability to stakeholders. As such it is important that the results are communicated to stakeholders in a meaningful way. This involves more than publishing the results on the website. You may well find that external stakeholders are very interested to hear about your work with SROI – both the process you went through and the results.

Your final report should comprise much more than the social returns calculated. The SROI report should include qualitative, quantitative, and financial aspects to provide the user with important information on the social value being created in the course of an activity. It tells the story of change and explains the decisions you made in the course of your analysis.

The report should include enough information to allow another person to be assured that your calculations are robust and accurate. That is, it needs to include all the decisions and assumptions you made along the way. To help your organization improve it should include all the information that you were able to find out about the performance of the organisation which might be useful to strategic planning and the way it conducts its activities.

An SROI report should be as short as possible while meeting principles of transparency and materiality. It should also be consistent, using a structured framework that allows comparison between reports.



