

Social Impact Measurement and Its Application as SIBs in Japan



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Self Introduction

Ken Ito

- **Founder and Executive Director, SROI Network Japan**
 - **Japan Advisor, Asian Venture Philanthropy Network (AVPN)**
 - **Project Assistant Professor, Graduate School of Media and Governance, Keio University**
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- Involvement in SE field for past 9 years both as practitioner and researcher
 - 10 years in private sector including finance manager position in GE Capital
 - Director at Center for Social Innovation, Institute for Strategic Leadership organized Social Entrepreneur of the Year Japan program (2008-2010)
 - Teaches "Social Finance" and "Product Development and Marketing of Social Business" at Keio University, "Social Entrepreneurship" at Chuo University (2010-)
 - Founder Executive Director, SROI Network Japan (2012-)
 - MBA, Thunderbird Global School of Management (Arizona, US)



Agenda

- 1. Introduction of SROI Japan**
- 2. Characteristics of SROI**
- 3. SROI practice in Japan**
- 4. From Impact Measurement to Impact Management**
- 5. Application of Impact Measurement – Social Impact Bonds**

Introduction : SROI Network Japan

The **SROI** Network Japan
Accounting for Value

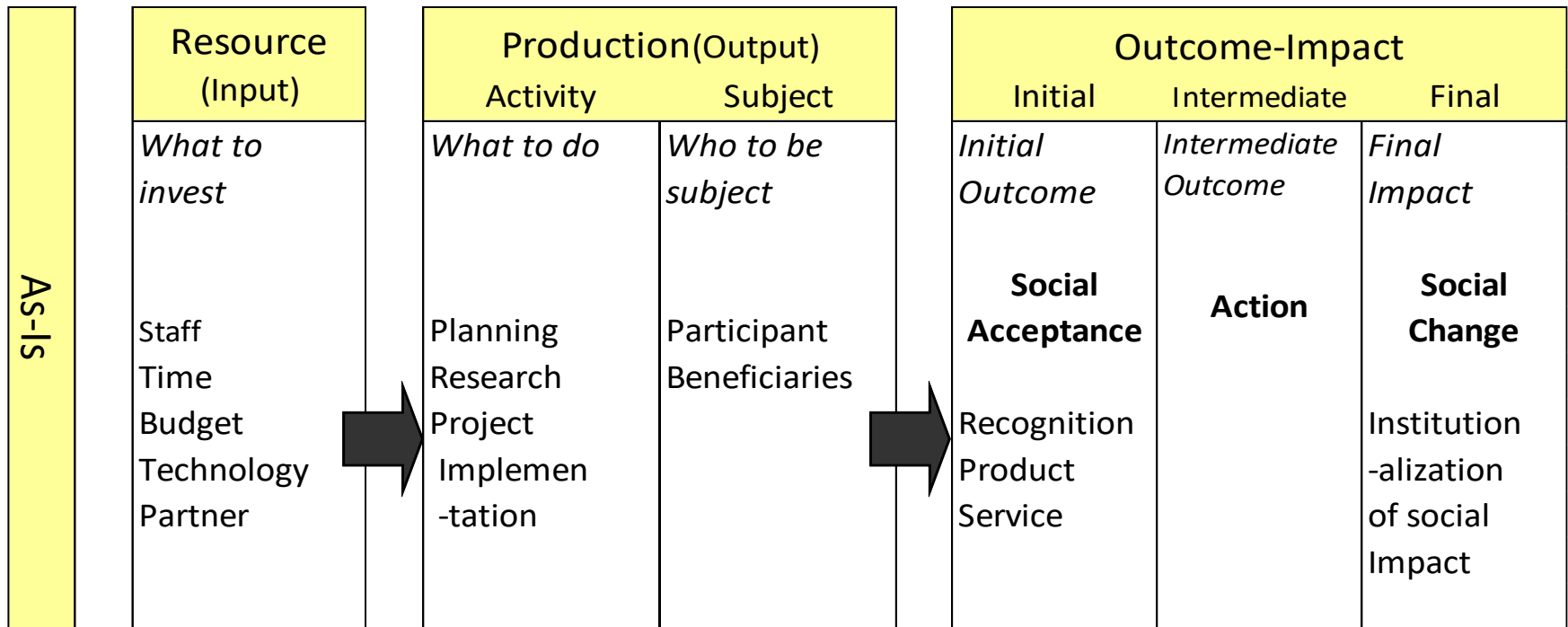
- An international chapter of SROI Value International (formerly known as SROI Network International)
- Established in 2012 as a registered non-profit in Japan
- Conducted 15 times of two-days SROI trainings, number of seminars, workshops and public talk on social impact at civil society and business conferences
- 150+ local members, which are from consultancy, corporate, university and non-profit organizations
- Conducted /involved in 12 SROI analysis during 2012-2016
- Involvement in set up of Social Impact Bond in Japan in 2014 which is funded by Nippon Foundation
- Website : www.sroi-japan.org

Characteristics of Social Return on Investment

- 1. A framework of quantitative analysis on social impact which enables evaluate social return on investment**
- 2. Participatory Approach by Stakeholders**

Logic Model Framework

Logic Model is a framework which to analyze the social impact by identifying the resources deployed (input), the result of project implementation (output), the final result which impacted the society (outcome).



Characteristics of SROI as a methodology

【SROI's Characteristics】

| | SROI's usefulness |
|---|--|
| Creation of common language by numbers | SROI is conducted as an evaluation with participatory approach and it will create common language and understanding of the stakeholders participated in the evaluation |
| Enables Quantitative Analysis | Based on the quantitative approach, evaluator could conduct analysis between different clusters or before-after analysis . Comparability could be observed if two or more SROI analysis is conducted in same condition. |
| Impact maximization by implementing it into management process | If SROI is implemented into the business process for M&E, it helps businesses to develop PDCA cycle to maximize social value |

Limitation of SROI as a methodology

| | Limitation of SROI |
|---|--|
| Careful condition setting requires for comparability | Two or more SROI analysis cannot be compared without careful condition setting, because SROI is created under the consensus of different stakeholders |
| Incomplete Standardization of financial proxies | In UK, Green Book is utilized as standard setting for financial proxies. SVI is developing Global Value Exchange . Each country is required to make similar effort to develop standard set of financial proxies |
| Measurement criteria for attribution etc | More standard setting is required for attribution, displacement, deadweight, drop-off and |

1. Country climate on social impact assessment in Japan

Underdeveloped Impact Evaluation in the non-profit sector

- Government and aid agencies (JICA) has been playing leading role on evaluation, however, the effort is still at budget vs actual of output level evaluation but not outcome-based impact evaluation

Evaluation Practice in Japan

- Japan Evaluation Association established in 2000 (480 members) and they has been actively promoting various kinds of evaluation method
- Impact evaluation is still not a major focus of government or foundations, however, it is attracting more attention from social investors and corporate CSR because of their sense of reporting requirement on productivity

Emerging SROI Practice

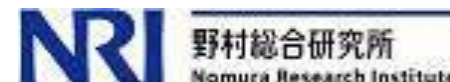
- Ministry of Health and Welfare has more recognition of SROI than other government agencies – recently designated SROI as one of methodology for evaluation
- SROI is getting to be known, however, not many people understand its real implication and significance
- Around 10 SROI analysis was published from 2011-2014 by the government organizations, foundations and non-profits

2. SROI Practice in Japan (1) Ministry of Health, Labor and Welfare

SROI evaluation on safety-net programs for elderly (MHLW)



“Research on impact assessment of welfare programs” (March 2012)



- Nomura Research Institute was commissioned a social impact assessment on service for elderly care. This research was position as methodology development for impact assessment on the related services
- 6 cities - Gyoda, Toyonaka, Kamogawa, Himi, Iga, Kotohira was selected to conduct research from Dec 2011 to March 2012. Data collection and 4 workshops are conducted in each locations and SROI report was created.
- For example, SROI on the program in Gyoda-city was calculated as 3.78 and it was published as a report.

2. SROI Practice in Japan (2) Microsoft Japan

Microsoft Japan Youth-Up project (2010) supporting youth employment utilizing Information Technology

Microsoft Japan provides IT skill training to unemployed youth for support their employment opportunities, working with non-profits. MS Japan conducted impact evaluation using SROI to demonstrate its social impact.

More than 45% of the youth found a job after finishing the program and it exceeds 39.6% of national average of similar program provided by the government. SROI of the program was calculated as 5.6 and it creates Yen 52MM of social benefit for a year.



Full Report : マイクロソフトマイクロソフトコミュニティITスキルプログラム「ITを活用した若者就労支援プロジェクト」に係る評価調査報告書

http://www1a.biglobe.ne.jp/pmssi/upfile/MS_IT_up_outline20111125.pdf

2. SROI Practice in Japan (3) Peace Winds Japan

Peace Winds Japan

SROI evaluation for earthquake recovery projects (2012)

PWJ is a Japanese non-profit specialize disaster recovery and they conducted SROI evaluation for their project in Ofunato city.

SROI of three projects - cooperatives on fish processing, ice making, women's self-help group was calculated as 5.32, 45.18, 1.88.



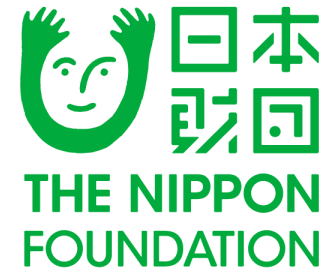
2. SROI Practice in Japan (4) Nippon Foundation

Nippon Foundation

SROI assessment on disability employment programs (2013)

Nippon Foundation, the largest private foundation in Japan, which has more than \$250MM annual budget conducted a pilot SROI evaluation in 2013.

SROI Network Japan and International Development Center Japan was commissioned this research and SROI was calculated as 2.6 and 1.1 respectively, for two of their grantees.



The **SROI** Network Japan
Accounting for Value

2. SROI Practice in Japan (5) Kushiro City

Kushiro City

Support program for households under Supplementary Security (2012-13)

Kushiro city has implemented SROI to evaluate support programs for low income households

SROI method was utilized to evaluate the impact of 19 different programs, analyzing social impact on different stakeholders

Intermediary employment was highlighted its effectiveness on supporting beneficiaries to quit government support as well as



4. Suggestions for further framework development

More Guidelines necessary to scope applicable field of SROI implementation

- Impact evolution is very broad concept and we need to clarify where SROI works better than other methodology

Development of application models enhance SROI's usefulness

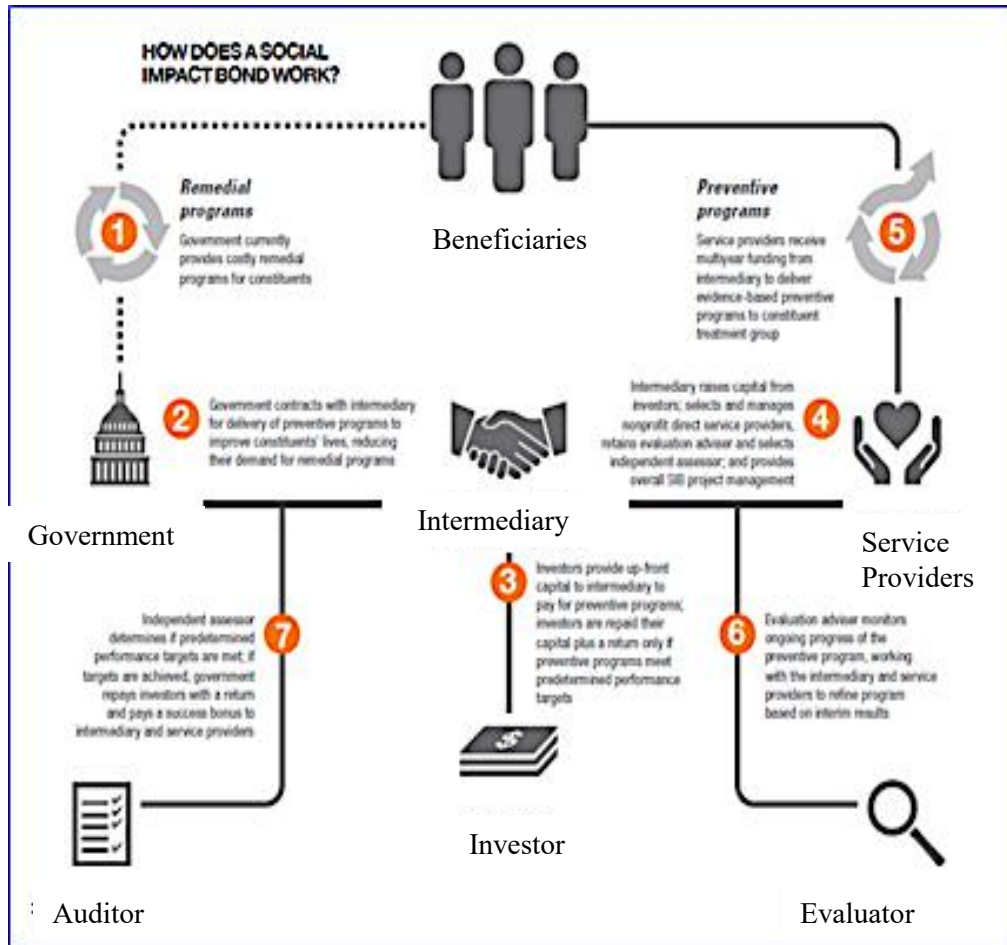
- SROI is a principle based framework and we need to develop concrete set of operation models which is ready-to-use in different circumstances (i.e. Science & technology evaluation etc)
- Accumulation of case studies and data on frequently requested fields, such as employment promotion, elderly care, disaster prevention etc also could be a useful tool to maximize usability of SROI

Application of SROI into social system – Social Impact Bond

- Social Impact Bonds is an application of SROI into social system with funding structure
- SROI idea could be appealing to the people who is interested in proving its accountability but sometimes does not have tangible impact – SIBs could be an application with tangible

5-1. SIB as a tool to maximize social impact through investment

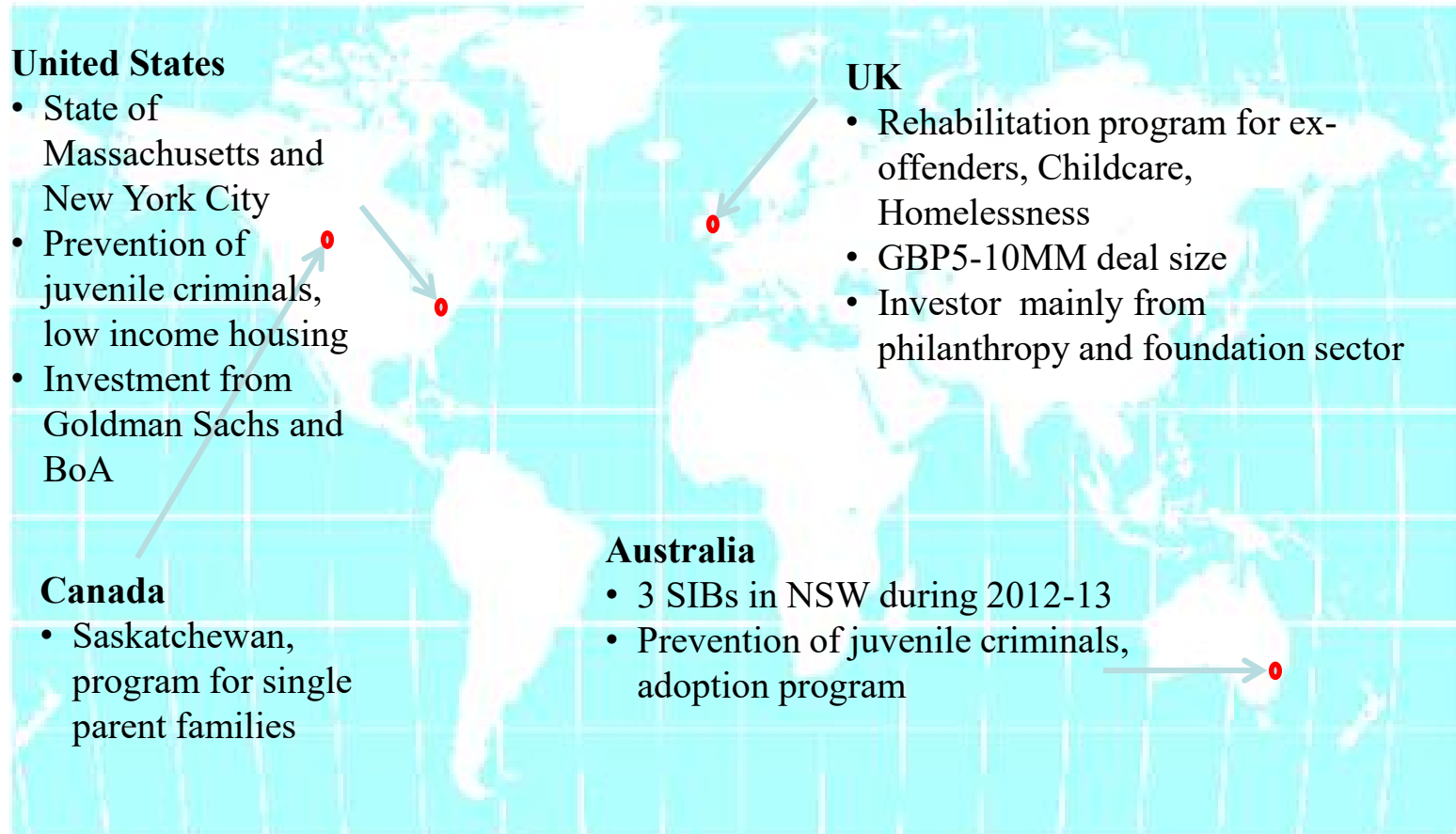
- SIB performs outcome based commissioning, in partnership among government, social investor, service provider and intermediaries to maximize social impact



- ① Identify the area of public service to maximize social impact by **utilizing funds from private investors**
- ② An intermediary and government agree a multi-year agreement for **outcome-based commissioning**
- ③ **Social investor provide funding** through intermediary organization with outcome based contract
- ④ **Intermediary organization conduct selection of service providers, management support and monitoring/reporting**
- ⑤ **Service provide perform high-quality service** to beneficiaries
- ⑥ **Evaluator conduct performance evaluation**
- ⑦ **Auditor conduct audit for KPIs which triggers repayment**

5-2. Global SIB Implementation

80+ implementation in different countries



- **Other countries includes multiple states of US, Germany, Belgium, Portugal, Israel, Korea and Japan are implementing SIBs**

5-3. Social Impact by Implementing Social Impact Bond

- **Increased productivity of public services** by incentivized commissioning out to high-performing non-profit in specific areas, which bring government cost savings
- **Development of a new source of funds provision to non-profit service providers** through philanthropic/social investors with high degree of flexibility
- **Acceleration of public service innovation** through outcome based contract (black-box approach)
- **Enhanced accountability and transparency** with evidence based service optimization through outcome based contract

5-4. SIB Development in Japan

- Following SIB programs are implemented in Japan in 2017

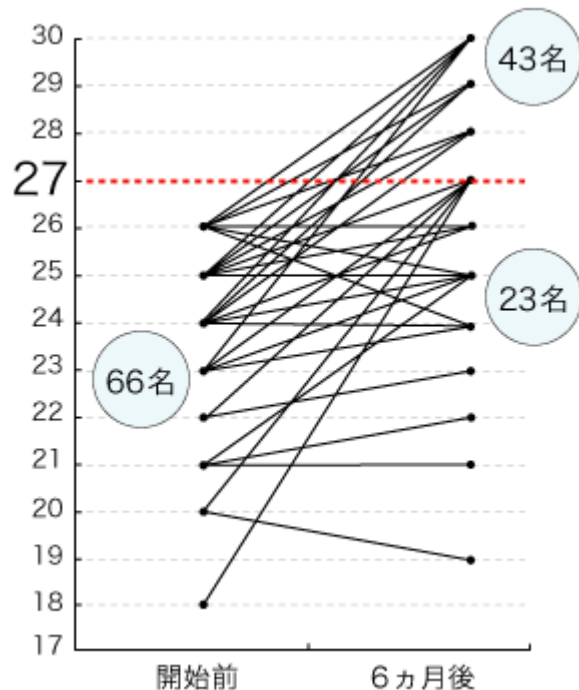
| Theme | Program | Expected Outcomes |
|---------------------|--------------------------|--|
| Diabetes Prevention | City of Kobe | <ul style="list-style-type: none">• Increased social participation of youth• Reduction of public benefit for low income household• Increased tax payment |
| Cancer Scanning | City of Hachioji (Tokyo) | <ul style="list-style-type: none">• Increased well-being of elderly• Reduction of medical cost and elderly care insurance |
| Dementia Prevention | Tenri City (Nara) | <ul style="list-style-type: none">• Rehabilitation of family with relationship issues• Reduction of cost for childcare facility |

5-5. Case : SIB Pilot on Dementia Prevention

- Implementation of “Leaning Therapy” Program provided by Kumon in more than 300 elderly-care facilities in Japan and US
 - Program aim to achieve reduction of elderly care cost as well as to deliver high quality care service
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- Kumon has developed the program as a joint research project with Tohoku University since 2001
 - Self-learning program of Japanese and Math for 30 min a day
 - 7 local governments joined in the pilot program to conduct research on the impact



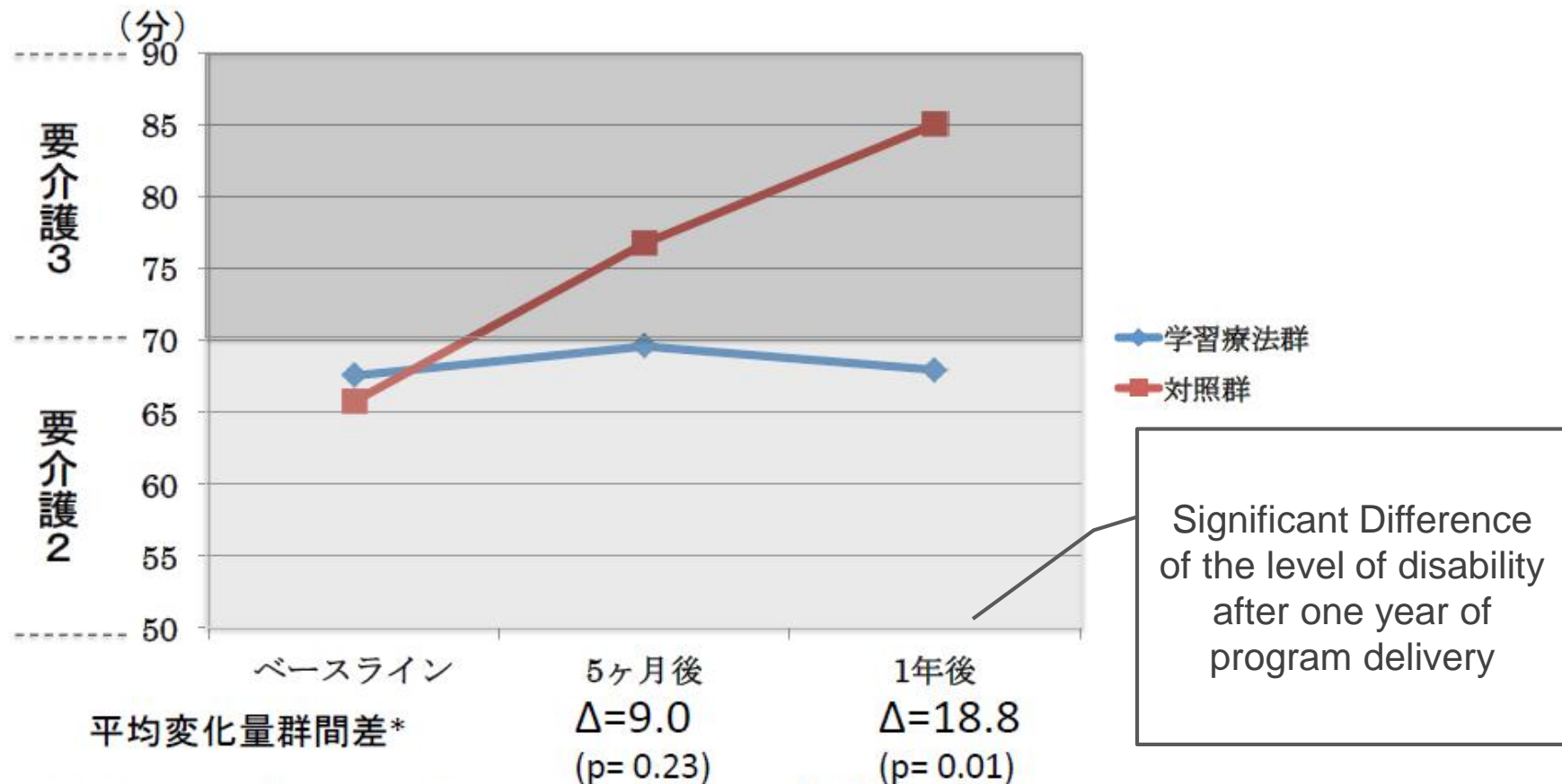
4.9. 学習療法による認知症の予防 5-5. Case : SIB Pilot on Dementia Prevention



Change of MMSE score in 6 month period [http://www.kumon-
lt.co.jp/kenkou/benefits/index.php?ki
d=23](http://www.kumon-
lt.co.jp/kenkou/benefits/index.php?ki
d=23)

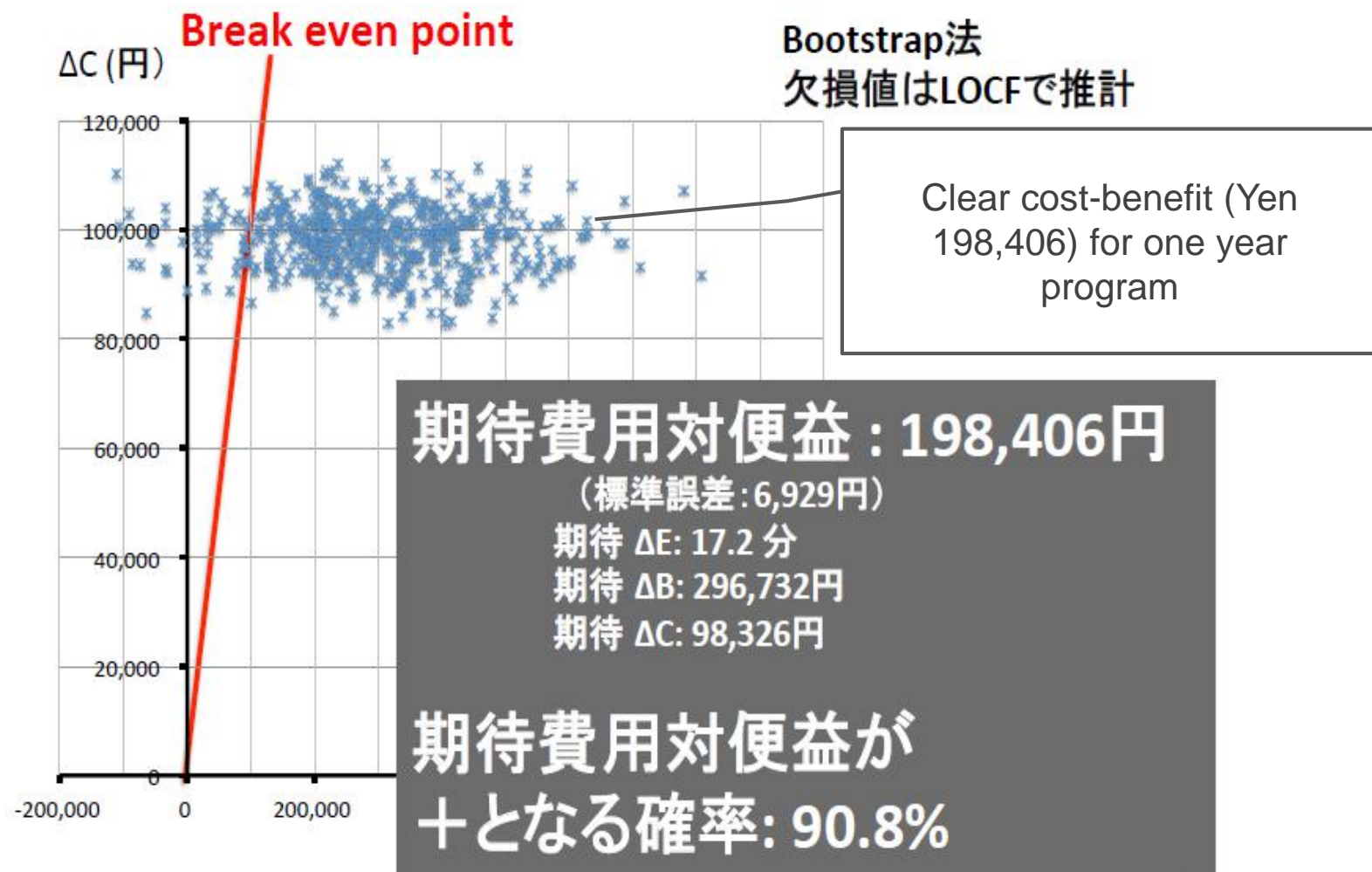
- Joint research between Kumon company and Tohoku university (2004-5) to understand the effect of Learning Therapy program
- 258 elderly people who are MCI participated in Learning Therapy program in Gifu prefecture
- Once a week study in group setting and 6 days a week homework and Mini-Mental State Examination was conducted to measure the function of brain
- 43 people out of 66 participants improved their MMSE Score above 27, which considered to be normal

5-5. Case : SIB Pilot on Dementia Prevention



* mixed-effects model for repeated measurement analysisで推計された
between-group difference in least squares mean treatment change scores from baseline to data point

5-5. Case : SIB Pilot on Dementia Prevention



5-5. Challenges for SIB Implementation (1)

- Multi-year budgeting and Outcome-based payment is perceived as a challenge for many of the local governments, however, there are existing similar practice

| Challenge | Details | Measures | Existing practice |
|------------------------------|--|--|--|
| Multi-year budgeting | <ul style="list-style-type: none"> • Government does single year budgeting and SIB require multi-year | <ul style="list-style-type: none"> • Multi-year operation is feasible although there are no legal commitment • To set up a government fund is a solution although need an approval from city council | <ul style="list-style-type: none"> • Infrastructure building |
| Outcome based payment | <ul style="list-style-type: none"> • PFS is not a common practice in Japan, although there are no legal restriction | <ul style="list-style-type: none"> • PFS has some examples in many of the local government • It could have upper limit | <ul style="list-style-type: none"> • Market test (Collection of overdue rent of public housing etc) |

5-6. Challenges for SIB Implementation (2)

- Evaluation of social impact and project management capability could be a minor challenge, however, there are number of organization could handle them

| Challenge | Details | Measures | Existing practice |
|---|---|---|---|
| Evaluation Practice | <ul style="list-style-type: none"> • Evaluation of social impact in monetized value is required | <ul style="list-style-type: none"> • Existing institutions has capability for impact evaluation • Various consulting firms also offers similar services | <ul style="list-style-type: none"> • SROI Network Japan, |
| Intermediary organization (SPC Operation/ Fund Management) | <ul style="list-style-type: none"> • Identification of high-performing non-profit • Need to achieve | <ul style="list-style-type: none"> • There might be some challenge on management capability of intermediary organization • Venture philanthropy organizations have good potential to play this role | <ul style="list-style-type: none"> • Social Investment Partners • Japan Venture Philanthropy Fund (Nippon Foundation) |

Thank you very much!

For further queries, please contact me at;
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