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Measuring Outcomes in Practice

Fostering an Enabling Environment for Measurement in Canada

BY LISA LALANDE & JOANNE CAVE

Enabling Environment

MowatNFP

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As the national umbrella organization for charities and nonprofits, Imagine Canada believes governments and charities must work together to solve today's complex social and environmental challenges. Mowat NFP's Enabling Environment series is a timely contribution to the wide-ranging discussion about the policies, issues, regulatory systems, and administrative relationships that form the basis of how the government and sector work together. Imagine Canada is pleased to contribute to the series. Our intention is to utilize the papers to support public policy discussion and development in the sector. Stay up to date with these activities by signing up for our Early Alert at imaginecanada.ca/earlyalert.

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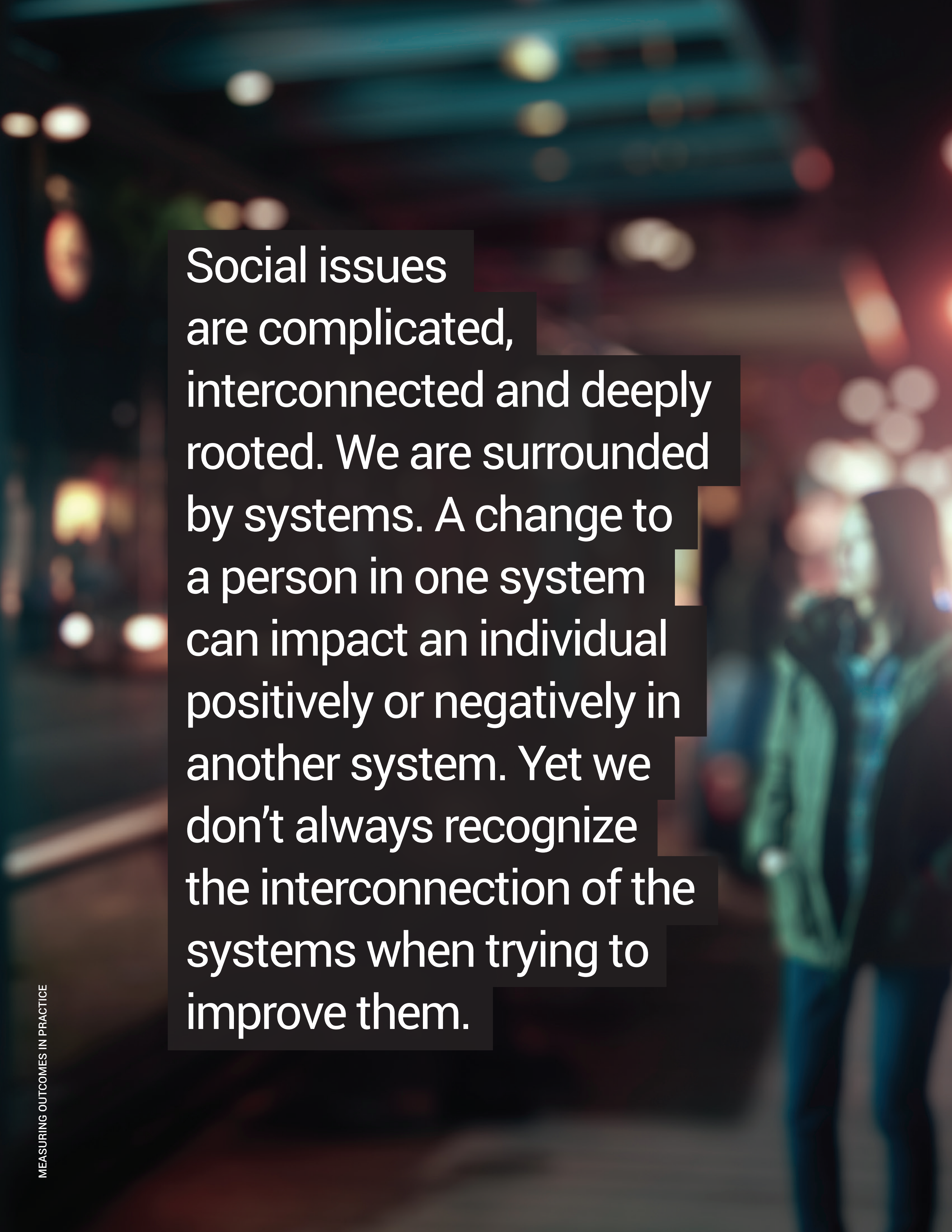


Social issues are complicated, interconnected and deeply rooted. We are surrounded by systems. A change to a person in one system can impact an individual positively or negatively in another system. Yet we don’t always recognize the interconnection of the systems when trying to improve them.

1 INTRODUCTION

Charitable and nonprofit organizations are increasingly applying a systems-lens[1] to the concept of impact, recognizing that the social and environmental issues they work to address are highly interconnected. There is greater recognition that, in the pursuit of long-term social change, one must address the root causes of social issues.[2] A systems-lens encourages organizations to reflect on their contribution as part of a collective effort.

Measuring to outcomes supports this shift by changing the frame: focusing on *how* a program or service contributes to a better quality of life for Canadians, rather than *what* the program or service delivers. Charities, nonprofits, philanthropic organizations and a growing number of social enterprises are invested in facilitating this transition, particularly as governments face greater scrutiny about how funds are spent, what outcomes are achieved with those funds and how evidence of "what works" can drive the policymaking process.

Yet, the shift from outputs to outcomes remains one of the most significant challenges in the sector. Why is measuring to outcomes so hard to do in practice? How can the sector, government, and other funders/investors work better together to make sure that our collective efforts are in fact making a difference to the quality of life for people at home and abroad? How can we ensure that, in today's tight budgetary environment, we are allocating resources effectively?

The time is ripe for change. Provincial governments, such as the Government of Ontario, are currently exploring common approaches to measurement.[3] Employment and Social Development Canada recently convened a Co-Creation Steering Group to develop a National Social Innovation and Social Finance Strategy.

Their objective is to identify approaches that address the most difficult problems in communities in order to improve the wellbeing of Canadians.[4] This strategy will offer the platform for charitable and nonprofit organizations to collaborate and align priorities on outcomes measurement in Canada.

1 Systems change is a process designed to change the pathways (programs and services) and structures (such as operating procedures, culture, funding and resources, policies, laws and regulations) that cause a system to act in a certain way.

2 Abercrombie, R., Harries, E., and Wharton, R. (2015). *Systems Change - A Guide To What It Is And How to Do It.* London, UK: New Philanthropy Capital.

3 Government of Ontario (2017). *Amplifying the Impact of Ontario's Social Enterprise Community: An Action Plan Towards a Common Approach to Impact Measurement.* Available at: https://carleton.ca/3ci/wp-content/uploads/IMTF_Final-Action-Plan_-April-13-2017_Accessible.pdf.

4 Government of Canada. https://www.canada.ca/en/employment-social-development/news/2017/06/government_of_canadabringstogetherleaderstoco-createasocialinnov.html.

This paper explores current barriers to measuring outcomes and what is needed to create an enabling environment[5] for Canada's charitable and nonprofit sector to participate more readily in outcomes measurement activities. Specifically, this paper will:

» Describe the current state of outcomes measurement in Canada;

» Outline the barriers to building outcomes measurement capacity in the charitable sector;

» Explore emerging trends in outcomes measurement; and

» Identify recommendations for governments, funders and the social sector to create a more enabling environment for outcomes measurement.

Research Approach

This paper draws on academic literature, non-academic literature and key informant interviews. This paper is part of Mowat NFP's Enabling Environment series, which intends to help the federal and provincial government, and the nonprofit and charitable sector develop a modern policy framework that strengthens the sector and enables it to improve the quality of life for people in Canada and around the world. It is not meant to be an exhaustive review, but rather a context setting paper to help guide discussions and priority-setting between governments and the sector.

5 We define an enabling environment as one where the government safeguards the public interest, supports the sustainability of charities and nonprofits and optimizes the policy landscape for innovation and experimentation. Lalande, L. and Cave, J. (2017). "Charting A Path Forward: Strengthening and Enabling the Charitable Sector in Canada." Toronto: Mowat Centre. https://mowatcentre.ca/charting-a-path-forward/.

In the practice of measuring a program or intervention, there is a tendency to equate outcomes with outputs or impact. As a result, many organizations' measurement tools and approaches are fragmented and program-specific. This can create significant barriers to achieving systems-level outcomes measurement that is aligned across the sector.

2 CONTEXT

One of the challenges when it comes to measurement is that there is no common language or shared definition of outcomes and impact among funders, investors, charitable and nonprofit organizations, academics, provincial and national associations or umbrella groups. There are also varying interpretations and definitions of "measurement." The definition of outcomes, impact and measurement largely depends on the actor.[6]

While the impact investment field and the evaluation community have a shared purpose of addressing social and environmental problems, they track and report on outcomes and impact differently. The two fields have mostly operated independently with very little crossover. As a result, there is no agreement on best practices in either field. A number of social impact measurement frameworks and proprietary and customized rating systems have emerged in the last two decades, but they do not identify a common approach for "what to measure, why or for whom to measure it, and how to measure it."[7] In addition, the level of rigour required to assess what is actually working to improve outcomes varies depending on the actors and the social or environmental issue being addressed. Not surprisingly, measurement approaches in the sector are fragmented. In the practice of measuring a program or intervention, there is a tendency to equate outcomes with impact, and in some cases outputs.

6 Lalande, L., Cave, J., and Sankat, R. (2016). *Unpacking Impact – Exploring Impact Measurement for Social Enterprises in Ontario*. Mowat Centre. Toronto. Available at: https://mowatcentre.ca/unpacking-impact/.
7 Maas, K. (2014). *Classifying Social Impact Measurement Frameworks.* The Conference Board Initiative on Corporate Philanthropy.

Unpacking the definitions[8]

Evaluation is a broad field of inquiry and includes many schools of practice. It is a systematic assessment of an ongoing or completed program, its design, implementation and results.[9]

Outcomes measurement is a type of evaluation that focuses on the results of an intervention. It is used to measure the intervention's goal and how well that goal was achieved.[10] Outcomes can be thought of as short-term, medium-term and long-term (also called impact).[11]

Outcomes measurement seeks to take a rigorous approach to understanding "what works," but the

8 Please refer to Appendix B for a table that summarizes the key characteristics of evaluation, outcomes measurement and impact measurement.
9 Canadian Evaluation Society (2015). *What is Evaluation?* Available at: https://www.evaluationcanada.ca/sites/default/files/ces_def_of_evaluation_201510.pdf.
10 National Resource Center (2010). *Measuring Outcomes.* Available at: http://strengtheningnonprofits.org/resources/guidebooks/MeasuringOutcomes.pdf.
11 Outcome is a level of measurement in a logic model in evaluation. Logic models are essential as they are used to provide a picture of how a program is supposed to work. Evaluation also focuses on a theory of change which defines the building blocks or roadmap required to bring about a long-term goal. Please refer to the glossary in Appendix A for more information.

definition of what constitutes rigorous or strong evidence differs based on the actors involved.[12 13] Some place greater value on certain types of evidence such as experimental evaluations (such as randomized controlled trials) while others focus on the process and application of evidence.[14]

Impact measurement on the other hand is a term associated with the field of impact investing.[15] It is often referred to as the "positive and negative social and environmental results accruing to target beneficiaries (people and environment) associated with investments or business activities."[16] In impact measurement, terms like "social return" and "social value creation" are synonymous with impact.[17]

Impact Measurement prioritizes more nimble and responsive approaches to measuring "impact" than traditional evaluation approaches, which were seen as not keeping pace with the real-time decision-making preferred in the field of impact investing.[18] Impact measurement has favored standardization - proprietary and customized frameworks and rating systems - as it allows for more timely comparability of investments. Some examples include Social Return on Investment (SROI), Best Available Charitable Options (BACO), Social Cost-Benefit Analysis (SCBA), the Global Impact Investment Rating System (GIIRS), and the IRIS inventory of metrics.

12 Actors referred to here could be philanthropic organizations, academic institutions, governments and/or investors.
13 Schorr, L. (2009). *Innovative Reforms Require Innovative Scorekeeping*. Education Week.
14 Cave, J., Aitken, K., and Lalande, L. (2017). *Bridging the Gap: Designing a Canadian What Works Centre*. Available at: https://mowatcentre.ca/bridging-the-gap.
15 Financial investments made with the intention of making a financial return and social and/or environmental impact.
16 Global Impact Investing Network (2016). *The Business Value of Impact Measurement.*
17 Maas, K. (2014). *Classifying Social Impact Measurement Frameworks*. Conference Board of Canada. Available at: http://tcbblogs.org/public_html/wp-content/uploads/TCB_GT-V1N2-14.pdf?width=100.
18 Global Impact Investing Network (2016).

A key challenge is that, with some exceptions, many of the standards are largely outputs-based.[19] There is a scarcity of evidence on outcomes and impact, making it challenging to understand which programs and services are having the most significant impact for individual beneficiaries and the communities they live in. There is greater recognition in the field that a move beyond output data is needed to understand which interventions are actually leading to lasting change.[20]

The state of evaluation in the charitable and nonprofit sector

There is limited information on the state of evaluation and, specifically, outcomes measurement in the charitable and nonprofit sector in Canada. What is available suggests that it is largely underdeveloped and under-resourced.[21]

The movement towards evaluation has largely been funder-driven. Charitable and nonprofit organizations often have to adapt their measurement practices according to the goals and requirements of funders.[22] Funders, investors and donors frequently reward organizations for demonstrating outputs-based successes (e.g. the number of participants, workshops or media impressions achieved in one year). As a result, an outputs-based approach to evaluation is deeply entrenched in the sector.

19 Global Impact Investing Network (2016).
20 Reisman, J. and Olazabal, V.(2016). "Situation the Next Generation of Impact Measurement and Evaluation for Impact Investing." The Rockefeller Foundation.
21 Lalande, L., Cave, J. and Sankat, R. (2016). *Unpacking Impact: Exploring Impact Measurement for Social Enterprises in Ontario*. Toronto: Mowat Centre. Available at: https://mowatcentre.ca/wp-content/uploads/publications/130_unpacking_impact.pdf.
22 Thomson, D. (2010). *Exploring the Role of Funders' Performance Reporting Mandates in Nonprofit Performance Measurement.* Nonprofit and Voluntary Sector Quarterly, 39(4): 611-629.

Many organizations report that they have difficulty using measurement resources in a strategic way to meet their objectives, share their successes with key partners and stakeholders and assess if their work is making a meaningful difference. Charities, nonprofits and funders report that their existing measurement activities often do not meet their needs.

The sector has identified the need for measurement to promote learning and to be embedded in programming, and that approaches be appropriate for the purposes (the "why") of measurement.[23] Measuring outputs can be the first stage in a process for nonprofits and charities to become more outcomes-focused over time. But there is a need for a new measurement approach that can inform real-time decision-making and measure outcomes in a meaningful, rigorous and thoughtful way.

Bridging the two worlds

As social, economic and environmental problems become increasingly complex, neither impact measurement nor the traditional evaluation approach to measurement alone are fully equipped to assess outcomes and impact at the organizational, community or systems-level.

There is a significant opportunity to bridge the gap between impact investing and evaluation and identify measurement practices that move beyond an outputs-based approach, while building on the strengths of each field. These practices would focus instead on measuring outcomes, therefore presenting meaningful opportunities to support organizational learning, facilitate cross-sector partnerships and shift towards a systems-level perspective.[24]

24 Reisman, J. and Olazabal, V. (2016).

23 Ontario Nonprofit Network (2017). *Making Evaluation Work in the Nonprofit Sector: A Call for Systemic Change*. Available at: http://theonn.ca/wp-content/uploads/2017/07/ONN-Making-Evaluation-Work-in-the-Nonprofit-Sector.pdf.

Ultimately, outcomes measurement should be a *practice*, not just a concept. Organizations can apply it to:

» Create a culture of learning[25] and improve organizational effectiveness to maximize outcomes (directing human capital and financial resources to activities that drive positive results).

» Communicate the value of their programs and services.

» Secure funding or participate in outcomes funding arrangements.

» Demonstrate success to donors, stakeholders and partners.

» Contribute to meaningful policy dialogue.

Measuring outcomes can be a tremendous asset to most organizations. As technology advances and organizations work in increasingly digitized, cloud-based environments, there is greater potential to utilize data to track outcomes more quickly. Despite this, outcomes measurement can be difficult to do in practice.

25 Ontario Nonprofit Network (2017). *Making Evaluation Work in the Nonprofit Sector: A Call for Systemic Change*. Available at: http://theonn.ca/wp-content/uploads/2017/07/ONN-Making-Evaluation-Work-in-the-Nonprofit-Sector.pdf.

Measurement is challenging for organizations because of a series of interconnected issues that affect organizations' ability to manage their activities effectively towards achieving outcomes.

3 CHALLENGES

There are many reasons why organizations have difficulty adopting measurement practices. Measurement is challenging for organizations because of a series of interconnected issues that affect organizations' ability to manage their activities effectively towards achieving outcomes. These include increasing demand for services, increased reliance on volunteer labour and a changing labour force, a shift to more project-based funding in the sector (and consequently reduced core funding), and limitations on their ability to generate revenue.[25] As a result, many charitable organizations struggle with under-investment in measurement, a lack of coordination between project partners and limited organizational capacity.[26]

The research highlighted the following challenges to measuring to outcomes across the sector:

» **Difficulty selecting outcomes, targets and measurement tools**

Measuring to outcomes clarifies the extent to which the intervention or program affected the lives of users/beneficiaries. Service providers often lack the expertise or capacity to select outcomes and set targets as part of an evaluation plan at the outset of a project. This work often requires a social science skillset with experience in conducting both qualitative and quantitative research, understanding attribution and building robust logic models.

» **A focus on "isolated impact" rather than "collaborative impact"**

While there are many examples in Canada of successful collaborations, there are many charities and nonprofit organizations that, for a variety of reasons (e.g. capacity issues, funding challenges, etc.), focus on what Kania and Kramer (2011) describe as "isolated impact." Isolated impact occurs when organizations identify independent solutions to a shared social problem, evaluate the impact of their programs and services (isolating external variables) and use data to secure future funding and sustain their organization. By contrast, in collaborative models different sectors or actors come together on a common agenda to solve complex problems. Isolated impact may risk redundant efforts, mismanaged resources and duplicated programs and services.
In an isolated impact model, funders and governments may not maximize their giving or

26 Emmett, B. (2016). *Charities, Sustainable Funding and Smart Growth.* Imagine Canada. Available at: http://www.imaginecanada.ca/sites/default/files/imaginecanada_charities_sustainability_smart_growth_2016_10_18.pdf.
27 Gold, J. and Mendelsohn, M. (2014). *Better Outcomes for Public Services: Achieving Social Impact through Outcomes-Based Funding*. Mowat Centre. Available at: https://mowatcentre.ca/wp-content/uploads/publications/91_better_outcomes_for_public_services.pdf.

investment (as they may award grants to similar organizations independently), thereby limiting opportunity to engage in research, strategy, advocacy or evaluation at the issue or sector-wide level.

» **A focus on compliance and risk management rather than organizational learning**

There is tension between using measurement as a tool for organizational learning (an internal orientation) and using measurement for accountability and risk management (an external orientation). While governments and funders are often concerned with managing risk in their contracting arrangements, it is important for them to support a culture of learning within charitable and nonprofit organizations.[28] The Ontario Nonprofit Network (ONN) and Ontario Ministry of Citizenship & Immigration explored this tension through their joint leadership of the Transfer Payment Administration Modernization (TPAM) project. Their work emphasized the need for evaluation requirements to be proportional to the value of the funding and risk profile of the organization's activities.[29] Measurement that focuses on learning can help organizations manage their activities more effectively over time and better position them towards achieving long-term outcomes.

"At its best, evaluation can help a nonprofit make sense of what they do and how they do it. It can provide an opportunity to engage with all stakeholders, acknowledge failures and successes, and learn from them. Ultimately, good evaluation work can help a nonprofit advance its mission."

Cathy Taylor
Ontario Nonprofit Network

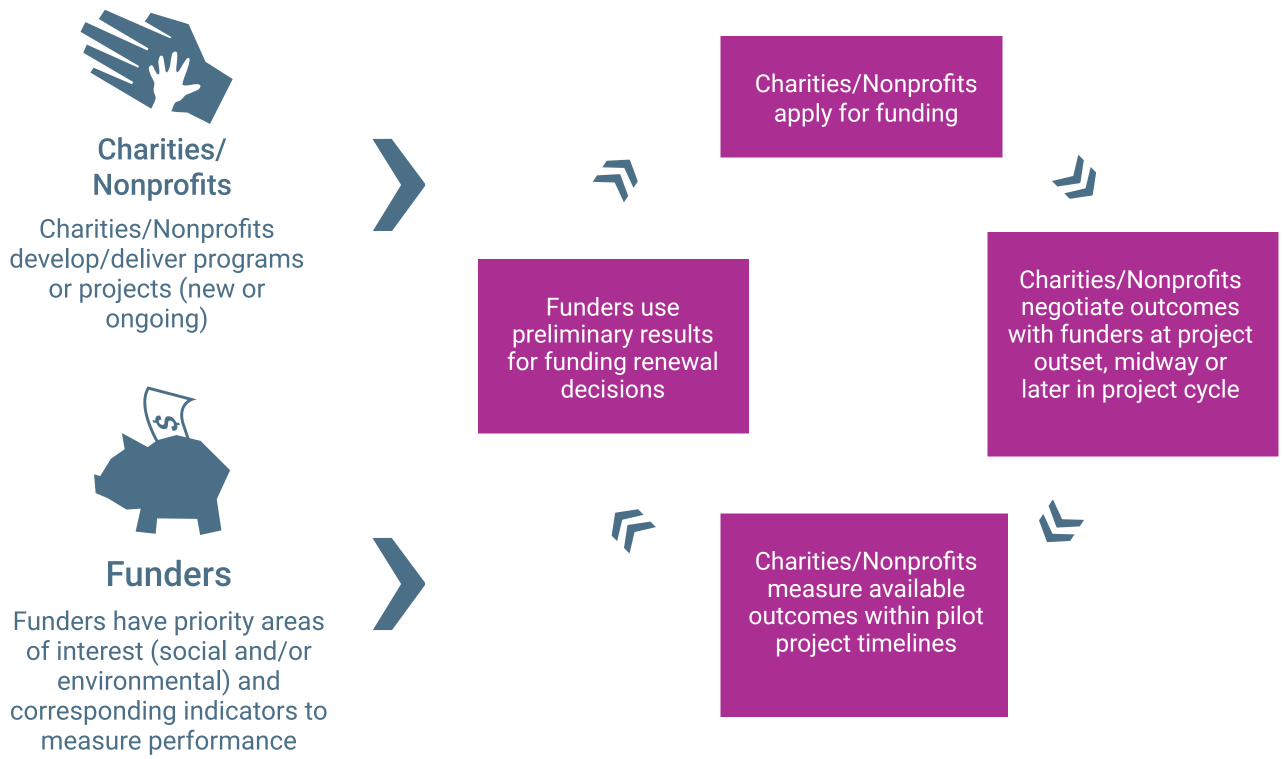
» **Conventional funding cycles are often out of step with the time needed to measure outcomes**

Outcomes can take time to observe and measure, which is why many organizations have difficulty identifying the appropriate outcomes and time parameters for their program when developing an outcomes framework. Conventional funding cycles do not always provide the necessary timeframe to measure outcomes in a meaningful way. Charitable organizations often have to report on their outputs and outcomes in alignment with the fiscal year for funding renewal and are expected to demonstrate success early in the implementation of a pilot project. These funding pressures constrain the sector's ability to measure long-term outcomes, refine their approach to measurement and evaluation and apply the rigour that is required to draw conclusions about impact. Figure 1 demonstrates how this cycle can compromise organizations' ability to invest resources in longer-term measurement and evaluation.

28 Ontario Nonprofit Network (2017). *Making Evaluation Work in the Nonprofit Sector: A Call for Systemic Change*. Available at: http://theonn.ca/wp-content/uploads/2017/07/ONN-Making-Evaluation-Work-in-the-Nonprofit-Sector.pdf.
29 MaRS Solutions Lab (2016). *Principles for Transfer Payment Administrative Modernization*. Available at: http://theonn.ca/wp-content/uploads/2016/06/TPAM-Summary_Principles.pdf.

FIGURE 1

The Measurement Cycle for Funders



» **Lack of common or coordinated measurement approaches (not methodologies)**

Since the sector often delivers programs in a collaborative way to address complex social issues, it can be difficult to isolate interventions and, as a result, long-term outcomes (or impacts). Common approaches to outcomes measurement remain elusive, as the programs and services organizations deliver are highly complex and individualized.[30] Common approaches are intended to provide a shared direction for measurement activities, rather than prescribe specific tools, methodologies or rating systems (e.g. SROI) to measure outcomes across programs. There are few backbone organizations that are well-positioned to support the research and consultation that is required to arrive at common measurement approaches.

30 Lalande, L., Cave, J. and Sankat, R. (2016).

» **Limited coordination among funders and within governments and ministries**

Funders, multiple levels of government, ministries and sometimes divisions within ministries provide funding for outcome areas (such as homelessness or employment services). They often ask for different data on the same program. This results in a significant amount of duplication and in the overlapping of systems, measurement expectations and administrative practices. It is an administrative burden for charities and nonprofits to collect, analyze and report on competing indicators within varying timelines.

Information is also not always collected in a way that can be shared. This makes it difficult to track what is being spent, where and by whom. Baseline data is needed to make measuring outcomes possible. It is a pre-condition of outcomes funding arrangements.

Without it, systems-level outcomes are almost impossible to identify.[31] In addition, as some funders shift towards an outcomes measurement approach, they often still require regular reports on program outputs, further contributing to the administrative burden (see Figure 2).[32]

» **Difficulty accessing baseline data**

Service providers often lack access to baseline data against which to evaluate their efforts, as governments sometimes hold that data without sharing it publicly. While Canada has created institutions to share health data (such as the Canadian Institute for Health Information),[33] social data remains much more difficult to access. Data infrastructure could include shared databases, online platforms, measurement and evaluation resources or backbone organizations that collect data, validate results and establish best practices.[34] The UK's What Works Centres have emerged as one promising model to consolidate evidence and identify best practices in a specific issue area, such as crime or ageing.[35]

» **Inconsistent data quality**

Outcomes measurement is only as useful as the quality of the data that is used. Many organizations lack the capacity to develop data collection standards and protocols and to conduct regular quality assurance and data cleaning. Data quality should be accounted for at all stages of outcomes measurement activities, including data collection, management and analysis (e.g. standardizing data collection tools, providing sufficient training for volunteers/staff responsible for

FIGURE 2
Example of a Government Funder Ecosystem

The main departments and agencies at the federal, provincial, and city level directly funding employment support services in Toronto.

Federal
- » Immigration, Refugees and Citizenship Canada
- » Employment and Social Development Canada
- » Service Canada

Provincial
- » Ministry of Community and Social Services
- » Ministry of Advanced Education and Skills Development
- » Ministry of Children and Youth Services
- » Ministry of Economic Development and Growth
- » Workplace Safety and Insurance Board
- » Ministry of Community Safety and Correctional Services

City
- » Toronto Employment and Social Services
- » Social Development, Finance & Administration
- » Economic Development and Culture

Providers
Nonprofit organizations, hospitals, colleges and universities, private companies

31 Gold, J. and Mendelsohn, M. (2014).
32 This figure was adapted from Gold, J. and Mendelsohn, M. (2014), p. 25.
33 Canadian Institute for Health Information. (2017). *Access Data and Reports*. Available at: https://www.cihi.ca/en/access-data-and-reports.
34 For examples and suggestions, see Lalande, L., Cave, J. and Sankat, R. (2016).
35 UK Cabinet Office (2013). *What Works Network*. Available at: https://www.gov.uk/guidance/what-works-network.

"Organizations need to be able to access data from governments, share their data with partners and contribute their data to shared platforms and databases for outcomes measurement to be successful."

Michael Lenczner
Powered by Data

collecting data and checking for errors and duplicates). Data quality is particularly important when nonprofits and charities are contributing to a shared data platform or participating in shared measurement activities.[36]

» **Limited data literacy and organizational capacity**

Data literacy remains a significant gap in the sector. To foster an enabling environment for outcomes measurement, organizations need staff with evaluation expertise, training and professional development opportunities, sector-specific tools and resources and access to data experts/networks. Data literacy requires competencies in understanding the type of data, the openness of data and the complexity of data that is required to measure outcomes effectively.[37] Technical skillsets are also required to manage technology and data infrastructure and to handle privacy concerns appropriately.[38]

» **Opposing views on what qualifies as rigorous, credible evidence in the quest for "what works"**

Policy makers and funders want to support programs that have been proven to work, but determining proof of an outcome in complex efforts can be challenging. There are opposing views on what qualifies as rigorous and credible evidence. Experimental methods such as randomized controlled trials are frequently seen as the "gold standard" of evidence.[39] Others reject this notion, emphasizing that randomized controlled trials alone are not enough to assess impact in complex interventions, they can be costly to implement and perhaps not responsive enough to inform real-world contexts; rather, the methodology selected should be appropriate to the research question.[40]

Contribution analysis is an example of an alternative approach to help organizations explore the cause and effect of complex issues outside of experimental methods. Contribution analysis looks at **what helped to cause** the observed outcomes rather than assess **what caused** them as a means to understand progress towards outcomes.[41]

Despite these challenges, several Canadian organizations are leading the way in outcomes measurement practices. The following section explores some emerging trends in outcomes measurement and provides examples of promising practices.

36 Grieve, M. (2014). *Shared Measurement: Advancing Evaluation of Community Development Outcomes*. Available at: http://www.whatcountsforamerica.org/wp-content/uploads/2014/11/Grieve.pdf.
37 Pardy, A. and Fritsch, B. (2017). *Demystifying Data for the Charitable Sector.* Imagine Canada. Available at: http://www.imaginecanada.ca/blog/%E2%80%8Bdemystifying-data-charitable-sector.
38 Ontario Nonprofit Network (2015). T*owards a Data Strategy for the Ontario Nonprofit Network*. Available at: http://theonn.ca/wp-content/uploads/2015/07/Towards-a-Data-Strategy-for-Ontario-Nonprofit-Sector_ONN_Final_2015-07-13.pdf.
39 Puttick, R. and Ludlow, J. (2013). *Standards of Evidence: An Approach That Balances the Need for Evidence with Innovation.* London: Nesta. Available at: http://www.nesta.org.uk/sites/default/files/standards_of_evidence.pdf.
40 Schnorr, L. (2012). *Broader Evidence for Bigger Impact.*
41 Mayne, J. (2008). *Contribution Analysis: An Approach to Exploring Cause and Effect.* Institutional Learning and Change Initiative. Available at: http://www.betterevaluation.org/sites/default/files/ILAC_Brief16_Contribution_Analysis.pdf.

"It is not enough to conduct the best research studies, produce the best reports, and document the best practices in any field — knowledge must influence social policy, make it to front lines of practice, and ultimately, guide us towards a better alignment of our collective investments in community, safety and well-being."

Dale McFee

Chair, Community Safety Knowledge Alliance

4 EMERGING TRENDS

The following trends in Canada have the potential to create a more enabling environment for outcomes measurement:

Accounting for interrelated factors - taking a systems approach

A systems-level perspective has a wider scope than the intervention itself: it focuses on how the intervention contributes to, or is influenced by, other interrelated factors. Programs are designed to create long-term outcomes by accounting for other programs or systems that the beneficiary is affected by or operates in. While a systems-level analysis adds significant complexity to outcomes measurement activities, it provides a more accurate representation of interventions that are actually working in real-world context. This can be done by prototyping solutions to determine which interventions could lead to long-term outcomes.

An Example of Taking a Systems Approach and Prototyping Solutions - The Winnipeg Boldness Project

The Winnipeg Boldness Project is an early childhood development social lab in the Point Douglas neighbourhood of Winnipeg. The project supports local community members, many of whom are Indigenous. Its goal is to prototype possible solutions with families, neighbours and community organizations to improve early childhood development outcomes. They do so by accounting for multiple confounding factors and interrelated systems (e.g. health care, homelessness, income support, early childhood education) in their work. They take a holistic, participatory approach in setting indicators with the community to measure wellbeing from a strengths-based perspective in all aspects of self, including physical, mental, emotional and spiritual. They have designed a measurement tool with the community called the North End Wellbeing Measure to evaluate wellbeing.[42]

"We see children in our community who are not reaching their full potential due to roadblocks systems create through policy that doesn't work for families. By documenting and testing a way of working with families in a person-centred way, we're creating a tool that systems can learn from, and then scale up and embed in their work to create large-scale social change."

Diane Roussin
The Winnipeg Boldness Project

42 For more information, see www.winnipegboldness.ca.

Common approaches to evaluation (standards of evidence)

There is a general shift away from seeking a common methodology (e.g. SROI) to seeking a common approach. Common methodologies often have limited utility – they can be too prescriptive and narrow for the range of programs and services that organizations offer.[43]

Defining common approaches to evaluation is an opportunity to draw upon best practices in both conventional program evaluation and impact measurement. The use of common approaches to evaluation across organizations is essential for shifting outcomes measurement towards a community or systems-level approach. A common approach could include shared principles or frameworks (e.g. allocating proportional resources to outcomes measurement based on the organization's size).

Standards of evidence are one example of a common approach to evaluation. Standards of evidence do not typically prescribe the research methodology or type of evidence; instead, they assess the rigour, usability and connection of evidence to outcomes and impact.[44] They create a common language for talking about impacts where the evidence that is required is realistic and appropriate to generate useful information. Nesta, a UK-based innovation foundation, uses a standard of evidence that is frequently cited as an example of how organizations and funders can assess their level of confidence in their evaluation findings. They focus on academically recognized levels of evidence, but at a pace and with an approach that is proportionate to their level of development. This standard is used by both impact investors and traditional funders. Several other examples of standards of evidence are illustrated in Appendix B.

43 Lalande, L., Cave, J. and Sankat, R. (2016).
44 Puttick, R. and Ludlow, J. (2013).

Provincial governments, such as the Government of Ontario, are currently exploring common approaches to impact measurement,[45] and this will lay an important foundation for future national policies and directives on charity and nonprofit sector evaluation.

An Example of a Common Approach in Practice - YouthREX Open Measures Inventory

YouthREX was launched in 2014 as part of Ontario's Youth Action Plan as an initiative to build evaluation capacity and mobilize knowledge in the youth-serving sector. YouthREX developed a Youth Measures Inventory for youth-serving organizations to explore when planning their evaluation activities. It includes process evaluation measures (e.g. quality and fidelity instruments), outcomes evaluation measures (e.g. resilience and self-esteem scales), qualitative tools, interview guides and how-to guides.[46] These resources support a common approach to evaluation and alignment across organizations without prescribing one particular tool or methodology.

46 YouthREX (2017). *Youth Measures Inventory.* Available at: http://youthrex.com/measures/.

45 Government of Ontario (2017). *Amplifying the Impact of Ontario's Social Enterprise Community: An Action Plan Towards a Common Approach to Impact Measurement.* Available at: https://carleton.ca/3ci/wp-content/uploads/IMTF_Final-Action-Plan_-April-13-2017_Accessible.pdf.

Engaging end users in research and evaluation — What Works Centres

What Works Centres (WWC) are types of evidence institutions, popularized in the UK, that emphasize linking research to practice. They place the end user of the evidence at the centre of their work, rather than the funder or researcher. Users can include policymakers, practitioners, nonprofit organizations, academic researchers and the general public.[47] WWCs are unique as they consider populations impacted by the policies and programs as their key stakeholders. Some WWCs include the needs and views of impacted populations in their governance models, mandates and research agendas. They are connected directly to policymakers, ensuring that the research and insights are actually used to inform policy. WWCs can provide the capacity, expertise and shared data infrastructure for outcomes measurement across a subsector or issue area (e.g. crime reduction, early childhood development).[48] While Canada does not yet have a standalone WWC in alignment with the international What Works Network,[49] the Canadian Observatory on Homelessness emulates many of their qualities.

An Example of Applying Evidence Informed By End Users – Canadian Observatory on Homelessness

The Canadian Observatory on Homelessness is an excellent example of an evidence institution specific to a subsector/issue area in the nonprofit sector. The Observatory acts as a repository of homelessness research and promotes evidence-based policy and practice on homelessness-related issues. The Observatory frequently engages with individuals with a lived experience of homelessness and frontline practitioners as part of their research and program development activities. The Observatory also developed a Canadian definition and typology of homelessness that is used by communities nationwide. The Observatory recently launched a new project, *Making the Shift Youth Homelessness Social Innovation Lab*. *Making the Shift* is similar to a What Works Centre in that it conducts demonstration projects, mobilizes evidence and builds capacity with policymakers and practitioners.

47 UK Government (2015). *What Works Network.* Available at: https://www.gov.uk/guidance/what-works-network.
48 Cave, J., Aitken, K., Lalande, L. (2017). *Bridging the Gap: Designing a Canadian What Works Centre*. Available at: https://mowatcentre.ca/bridging-the-gap.
49 https://www.gov.uk/guidance/what-works-network.

Collaborative data infrastructure models

Data infrastructure is essential for effective measurement and there are several promising examples of collaborative data infrastructure initiatives that provide the tools and capacity to centralize sector or systems-level data. Building data infrastructure is a resource-intensive process and requires coordination, capacity and a culture of transparency and information sharing.

An Example of Using Shared Infrastructure - PolicyWise Child and Youth Data Laboratory

The Alberta-based Child and Youth Data Laboratory managed by the nonprofit organization PolicyWise is one example of an effective partnership between the government and nonprofit sector to centralize data using shared infrastructure.[50] The Data Laboratory was identified in the Government of Alberta's *2013 Children's First Act* as the lead data partner and it receives anonymized administrative data to analyze, conduct research and publish online for policymakers, practitioners and the general public. The Data Laboratory also consolidates youth-specific data from other sources to produce a comprehensive database for the sector with downloadable tables and data visualization tools. This type of data infrastructure would be highly beneficial for outcomes measurement initiatives across the sector.

50 PolicyWise (2017). *Child and Youth Data Laboratory*. Available at: https://policywise.com/initiatives/cydl/.

Networks for outcomes measurement

Networks, learning circles and communities of practice are emerging as a key trend in outcomes measurement to build capacity among organizations, share best practices and align evaluation practices and approaches.

An Example of Networks for Outcomes Measurement - Vibrant Communities Canada

Vibrant Communities Canada was launched in 2002 by the Tamarack Institute, J.W. McConnell Family Foundation and Caledon Institute of Social Policy as a network of 13 Canadian cities committed to reducing poverty. Vibrant Communities is now a network of 100 cities that work to align their poverty reduction strategies and, where possible, contribute to a shared set of outcomes and indicators. In 2014, Vibrant Communities developed a common evaluation framework with domains (e.g. participation, performance, progress, population and policy/systems change) that each community can measure.[51] The use of a common evaluation framework is just one example of how a network of organizations can collaborate and transition towards systems-level outcomes measurement.

51 Vibrant Communities Canada (2013). *Cities Reducing Poverty – Change Indicators*. Available at: http://vibrantcanada.ca/files/cities_reducing_poverty_change_indicators_draft_1.pdf.

Outcomes funding arrangements

Outcomes funding arrangements have emerged as a tool to support a shift in focus from activities (or inputs) to outcomes. In outcome funding arrangements, service delivery organizations are financially rewarded for the long-term impact they have on service users.[52] Evaluation is built right into the funding agreement between a government and a service provider. Outcome funding arrangements come in many shapes and sizes. Some examples of outcomes-based funding models include:

» Performance-Incentive Funding (providing a bonus for the achievement of an outcome target);

» Outcomes-Based Contracting (redirecting resources to high-performing organizations);

» Social Impact Bonds (dividends paid to private investors based on pre-determined outcomes); and

» Pay-for-Performance Contracting (sometimes called pay-for-success, which conditions core funding based on outcome targets).[53]

The Government of Canada's forthcoming National Social Innovation and Social Finance Strategy[54] will likely increase the profile of outcomes-based funding agreements in Canada.

52 Attempts to categorize outcome funding agreements have led to organizations developing their own definitions for these agreements. For example, to some, an outcomes funding agreement is an agreement in which government ties at least some funding to a program's outcomes. To others, however, it is an agreement in which the government holds the service provider accountable for outcomes but does not tie funding to those outcomes. For the purposes of this paper, outcomes funding is defined as a contracting arrangement where service providers are financially rewarded for having a sustained positive impact in the lives of service users.
53 Gold, J. and Mendelsohn, M. (2014).
54 Government of Canada (2017). *Backgrounder: About the Social Innovation and Social Finance Strategy.* Available at: https://www.canada.ca/en/employment-social-development/news/2017/06/backgrounder_aboutthesocialinnovationandsocialfinancestrategy.html.

The Government of Saskatchewan's Second Social Impact Bond

This social impact bond (SIB) is a partnership between the Mosaic Company Foundation, Mother Teresa Middle School and the Ministry of Education in Regina, Saskatchewan. The initiative was launched in September 2016 to improve school performance and graduation rates for 88 children in grades 6-8 at risk of not graduating. The Mosaic Company Foundation is investing $1 million over five years to the school, which will be used to provide support for these children in middle school through to high school. About 70 per cent of the students involved are First Nations or Métis.[55] The Government of Saskatchewan will repay Mosaic the principal and interest equal to 1.3 per cent annually if 82 per cent of the students graduate grade 12. If only 75 per cent of the students graduate three-quarters of the principal is repaid, without interest. If the graduation rates are below 75 per cent, no repayment will be made. This SIB has the potential of saving taxpayers up to $1.7 million.[56]

55 http://www.mosaicco.com/Who_We_Are/3986.htm.
56 The figure is based on five-year projections of reduced costs relating to social services, health and economic services. It includes increased earning potential over the students' lifetimes. For more information, visit: https://www.saskatchewan.ca/government/news-and-media/2016/september/15/social-impact-bond-for-mtms.

"Organizations need sufficient time, energy and resources to ensure they can produce robust measurements. They also need to operate in cultures and with processes that ensure that decision-makers can identify which measures they want, can make sense of measurement data, and are apt to use them to inform their decisions."

Mark Cabaj

From Here to There and Tamarack Institute

5 KEY CONSIDERATIONS

All actors (impact investors, funders, governments, intermediaries, associations, umbrella organizations, and charitable organizations) should keep in mind the following points to adopt measurement in a consistent and thoughtful way:

A shift to measuring to outcomes will allow organizations to contribute to community and systems-level change

While outcomes measurement can have a significant impact on an organization's performance, its primary goal is to demonstrate how individuals and communities are changing, as well as the systems they operate in. Capacity building for measurement requires economies of scale to be successful, and it is a lost opportunity if organizations build their individual capacity for measurement without sharing their approaches, learnings and key findings with other service providers and partners. Backbone organizations are one example of how governments and funders are taking advantage of economies of scale and creating shared tools, resources and infrastructure.[57] While focusing on outcomes at the community and systems-level adds significant complexity, it also promotes efficiency, coordination and transparency between partners.

New mindsets and approaches are needed

With some exceptions, traditional evaluation approaches and impact measurement standards and rating systems have tended to generate output information. New measurement practices are emerging globally that borrow from the strengths of both traditional sector evaluations and impact measurement.[58] Rather than view this merger as a conflict, it could be seen as an opportunity to improve efforts to solve social and environmental problems. This work would need to reflect the different incentives and drivers of market-oriented actors. It would also require moving towards a common language and clarifying definitions of impact. Finally, it would require evaluation practices to be more nimble and responsive.[59] Networks that include both impact investors and charitable and nonprofit sector actors could strengthen the field of measurement in Canada.

57 Turner, S., Merchant, K., Kania, J. and Martin, E. (2012). *Understanding the Value of Backbone Organizations in Collective Impact*. Stanford Social Innovation Review. Available at: https://ssir.org/articles/entry/understanding_the_value_of_backbone_organizations_in_collective_impact_1.
58 Reisman, J. and Olazabal, V. (2016). *Situation the Next Generation of Impact Measurement and Evaluation for Impact Investing*. The Rockefeller Foundation.
59 Reisman, J. and Olazabal, V. (2016).

Governments and funders must be attentive to the potential unintended consequences of an outcomes measurement approach

Outcomes measurement has the potential to create unintended consequences. For example, organizations could:

» Choose targets that are easiest to measure and ignore others.

» Misreport their results.

» Prioritize outputs because outcomes may be too difficult to measure.

» Focus on short-term targets rather than, or at the expense of, long-term targets.

» Attempt to "game" the system by under-achieving to obtain a low target.[60]

While this can occur in traditional granting, it is particularly salient when funding is contingent on an organization achieving pre-determined outcomes and targets (e.g. pay-for-performance funding contracts) and perverse incentives are created.

These risks can be mitigated by focusing on positive incentives (such as reducing the potential for organizations to be penalized if their outcomes do not meet the desired targets), differentiating payment structures based on the demographics of the population served to avoid "cream-skimming" and staggering the disbursement of funding to prevent organizations from focusing on short-term outcomes or maximizing their profit margin.[61]

Charities and nonprofits can also mitigate risks by being aware that they can occur, continually monitoring their work so that they can be identified and taking action when appropriate.[62]

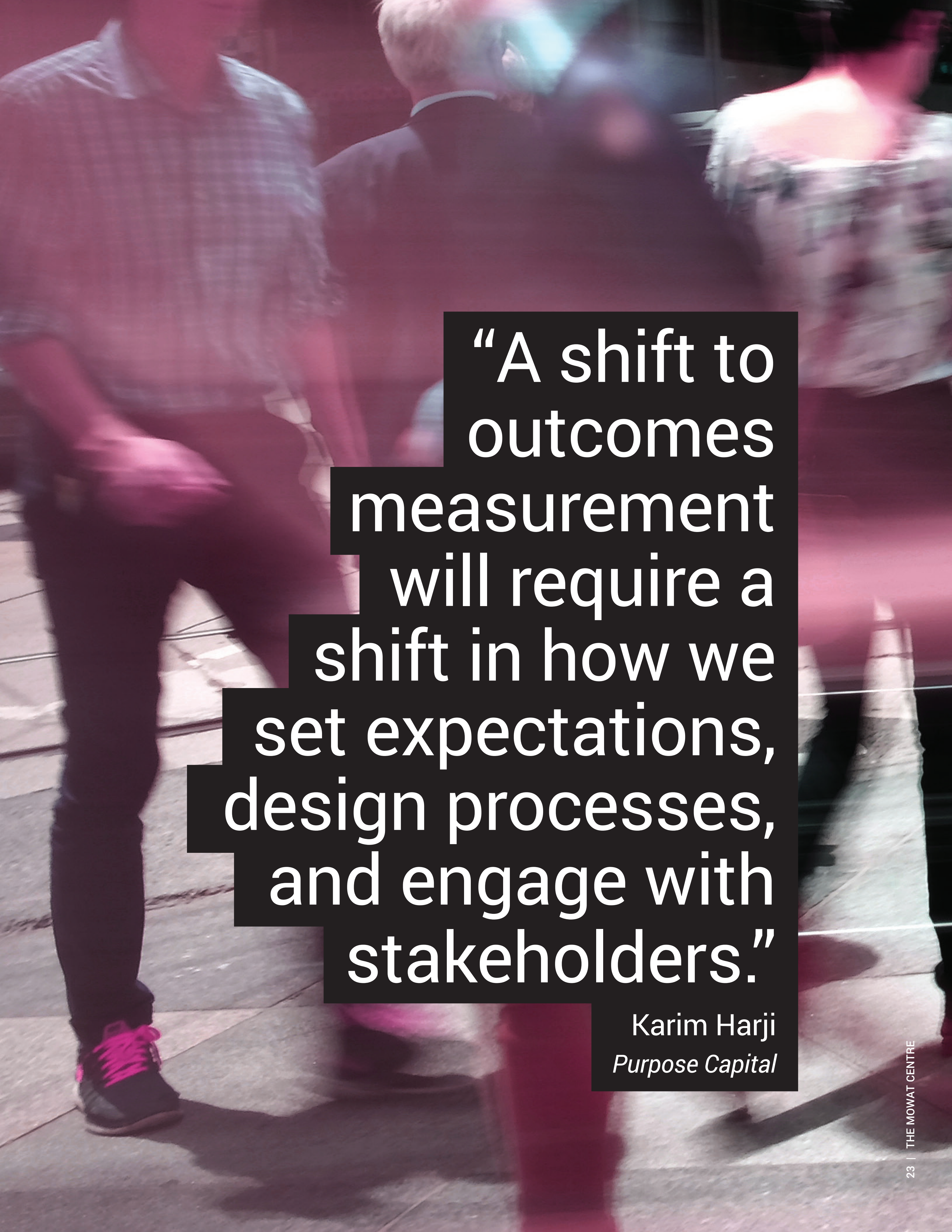
Measuring to outcomes costs money – enabling this shift will require funding

Measurement costs need to be included in program budgets and funding applications, similar to how other professional services costs (e.g. accountants and auditors) are incorporated as an expectation for program implementation. In order to develop this culture of allocating resources to outcomes measurement, governments and philanthropic funders need to explore tools and incentives to dedicate or earmark funding specifically for measurement and evaluation. Governments and other funders could put forward a proposal for an outcomes measurement readiness funding model as part of Employment and Social Development Canada's National Social Finance and Social Innovation Strategy.

60 Cabaj, M. (2017). *Shared Measurement – The Why is Clear, The How Continues to Develop.* Tamarack Institute. Available at: http://www.tamarackcommunity.ca/library/shared-measurement-paper.

61 National Audit Office (2015). *Outcomes-Based Payment Schemes: Government's Use of Payment-by-Results.* Available at: https://www.nao.org.uk/wp-content/uploads/2015/06/Outcome-based-payment-schemes-governments-use-of-payment-by-results.pdf.

62 Cabaj, M. (2017).



"A shift to outcomes measurement will require a shift in how we set expectations, design processes, and engage with stakeholders."

Karim Harji
Purpose Capital

6 RECOMMENDATIONS

To promote a shift towards measuring to outcomes, Canadian governments and other funders should consider the following strategic recommendations in partnership with the nonprofit and charitable sector:

Ensure that measurement practices reflect the scale and nature of the work

Measuring to outcomes has the potential to transform the social sector, particularly organizations that are aligned on a social issue or common purpose. But measuring medium- to long-term outcomes may not be suitable for all organizations, particularly those that are outputs-driven (e.g. crisis response organizations, intermediary organizations or early stage start-ups). Measurement that prioritizes operational performance and outputs may be more suitable for some organizations depending on their mission and lifecycle.

As funders and sector umbrella organizations move forward with a focus on outcomes, they should be conscious of applicability and proportionality (to ensure that measurement practices reflect the scale and nature of the organization's work[63]). Pilot projects offer one possible approach for working through this issue by exploring the applications, and possible limitations, of measuring to outcomes in a specific context.

Develop a collaborative process to design outcome targets and measurement approaches

Nonprofit organizations and charities often worry that funders will impose outcomes that do not acknowledge all indicators of a program's success or represent the voice of the client. A transparent, collaborative process would reassure the sector that the government and other funders will work hand-in-hand with service providers and clients to determine outcomes and evaluation methods.

63 Wood, C. and Leighton, D. (2010). "Measuring Social Value: The Gap Between Policy and Practice." London, UK: Demos. https://www.demos.co.uk/files/Measuring_social_value_-_web.pdf.

Establish a backbone organization to help charities and nonprofit organizations measure their outcomes

Canada's charitable and nonprofit sector, already stretched thin by heavy demand for their services, cannot commit to outcomes measurement alone. A backbone organization could explore common approaches to measurement – bridging the fields of evaluation and impact measurement and enabling a broader shift to measuring to outcomes. A backbone organization could also:

» Build evaluation capacity.

» Improve organizations' readiness for measurement (skills development, data capacity and literacy).

» Validate results.

» Develop data infrastructure.

» Allow for increased rigour and comparability.

» Be a vehicle to share best practices.

This could include the creation of an Impact Readiness Fund that models aspects of a program that was launched in 2014 by the UK Cabinet Office. The fund provided grants to charities and social enterprises to help them develop their impact measurement practices and enable them to access investments or secure contracts. More than 100 organizations in England were supported through the fund. The program offered average grants of £39k.[64] These activities could be particularly useful to the Government of Canada as it scales up its use of social finance tools.

64 Hornsby, A. (2017). "That's my hat! A Review of the Impact Readiness Fund (IRF)". https://access-socialinvestment.org.uk/wp-content/uploads/2017/07/irf_review_2017-Final.pdf.

The backbone organization can be a standalone organization or a unit within an existing umbrella or philanthropic organization. What Works Centres are a prominent example of such a backbone organization. It could supply the support and insight service providers need. A What Works Centre tied to a specific social question might partner with governments, funders (and investors), nonprofits and charities to both publicize evidence and develop a plan to produce new evidence that addresses current gaps.

Introduce a national outcomes fund to mobilize capital for measurable social outcomes that align with emergent policy priorities

A national outcomes fund is an example of a funding model that has been proposed to mobilize capital specifically for outcomes-based funding arrangements based on emergent policy priorities.[65] A national outcomes fund would:

» Pay service providers for outcomes.

» Connect organizations to intermediary support for capacity building in areas such as defining target outcomes, financial modelling, agreement negotiation, investor engagement and legal advice.

» Capture and share lessons learned.[66]

A national outcomes fund could draw upon international examples such as the Life Chances Fund in the UK, which subsidizes local government commitments to pay for outcomes on complex social issues.[67]

65 Doyle, S. and McFee, D. (2017). *Building the case for a National Outcomes Fund*. Journal of Community Safety & Well-Being 2(1). Available at: https://journalcswb.ca/index.php/cswb/article/view/35/77.
66 Doyle, S. and McFee, D. (2017).
67 Doyle, S. and McFee, D. (2017).

The Bank of Canada estimates that it has around $678 million in unclaimed assets that the government could potentially draw on for the fund.[68] There is precedent in Canada for this. In British Columbia, the B.C. Unclaimed Property Society, a nonprofit that administers unclaimed assets, provides a portion of unclaimed funds for philanthropic purposes to the Vancouver Foundation.[69]

In these types of outcomes funding models, capacity support is typically limited to promising applicants in the specific outcome area. It is not generally used for broad measurement capacity building in the charitable and nonprofit sector.

Pilot the adoption of a standard of evidence and systems-level outcomes measurement approach for a specific issue area

Standards of evidence and systems-level approaches have demonstrated significant potential in other jurisdictions and could be piloted to test their applicability in the Canadian context. Governments and funders can work together to identify a potential issue area, consult key stakeholders and build the data infrastructure that will be needed to aggregate data across multiple organizations.[70] Canada can draw on innovative models such as Germany's Social Reporting Standard to align practices across the sector.[71]

68 Bank of Canada. Available at: http://www.bankofcanada.ca/unclaimed-balances/.
69 British Columbia Unclaimed Property Society. Available at: https://unclaimedpropertybc.ca/about-bcups/faqs/.
70 Cave, J., Aitken, K., and Lalande, L. (2017). *Bridging the Gap: Designing a Canadian What Works Centre*. Available at: https://mowatcentre.ca/bridging-the-gap.
71 Social Reporting Initiative (2017). *Social Reporting Standard: Guide to Results-Based Reporting*. Available at: http://www.social-reporting-standard.de/fileadmin/redaktion/downloads/SRS_guidelines_2014_EN.pdf.

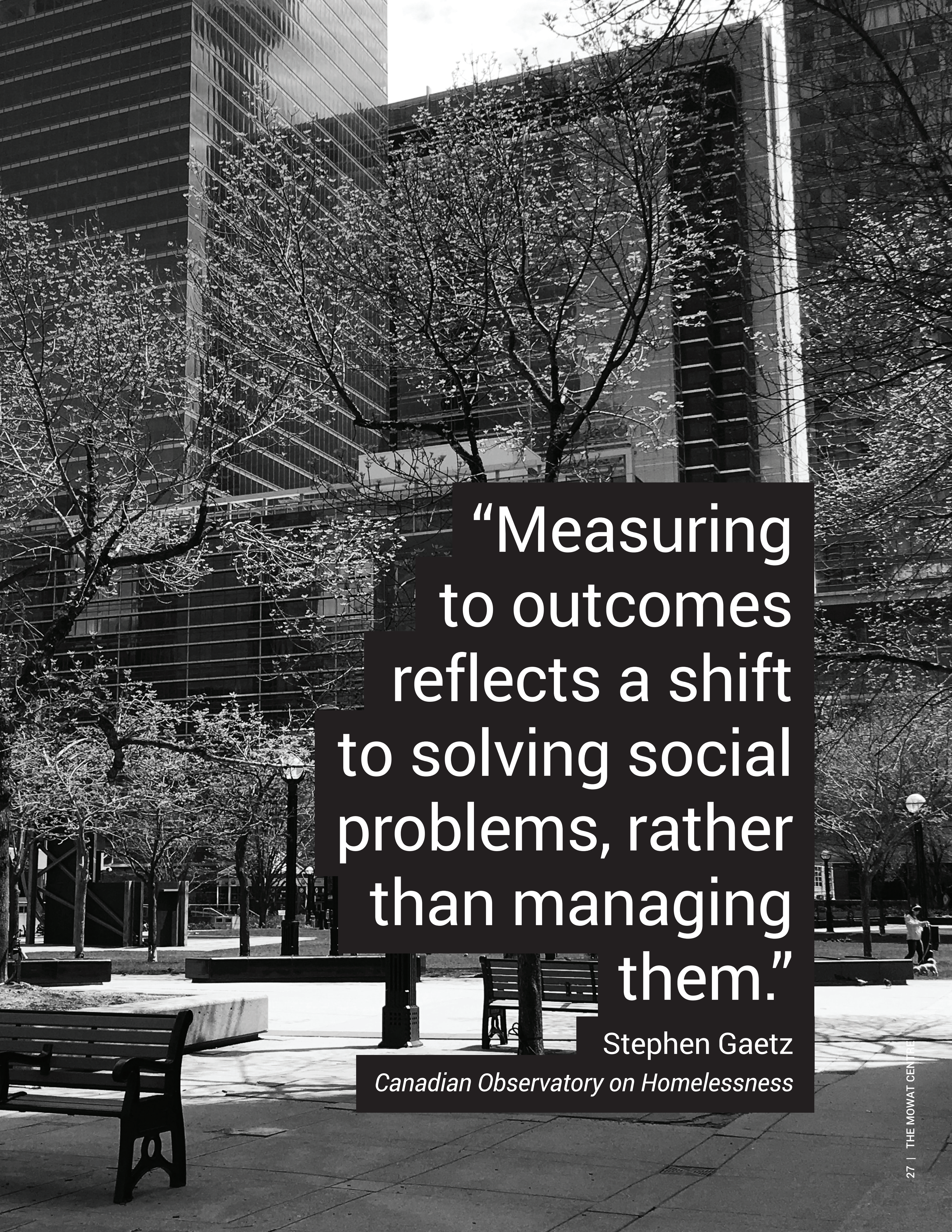
Map the charitable sector data ecosystem

Charitable organizations continue to collect and analyze data in isolation, rather than realizing the potential of data sharing across the sector and with funders and governments. Outcomes measurement is more effective when charitable organizations can share their data with partners and contribute their data to shared platforms and databases for a systems-level perspective. Before governments and funders move forward, mapping the data ecosystem would be very beneficial for understanding the sector's current data assets, opportunities and gaps. The UK Evidence Map is one example of where this process has proven to be particularly effective.[72]

Invest in data infrastructure and ease access to data that can inform progress on social problems

After governments and funders have mapped the data ecosystem, they can move forward on building data infrastructure where it is most needed (or repurposing/expanding existing data infrastructure). Investments in data infrastructure to build evaluation capacity will pay dividends in more frequent and higher quality evaluations of the programs that governments spend billions of dollars on. The infrastructure, such as shared data platforms or evidence clearinghouses, could form part of the backbone organization described above. Shared infrastructure would allow for two-way data sharing between organizations and governments (resources, tools, and frameworks) and provide an online space for collaborating by geography/issue area.

72 The Evidence Map can be found here: http://www.alliance4usefulevidence.org/infographic/.



"Measuring to outcomes reflects a shift to solving social problems, rather than managing them."

Stephen Gaetz
Canadian Observatory on Homelessness

7 CONCLUSION

Canada's charitable sector is at the forefront of our most pressing and complex social issues. A systems-level perspective, through measurement, is essential for understanding how these issues are interconnected and interdependent.

Measurement is not just a tool for securing funding or demonstrating success: it presents a significant opportunity for organizations to improve their operations, communicate their value and contribute towards achieving a higher quality of life for the people they serve.

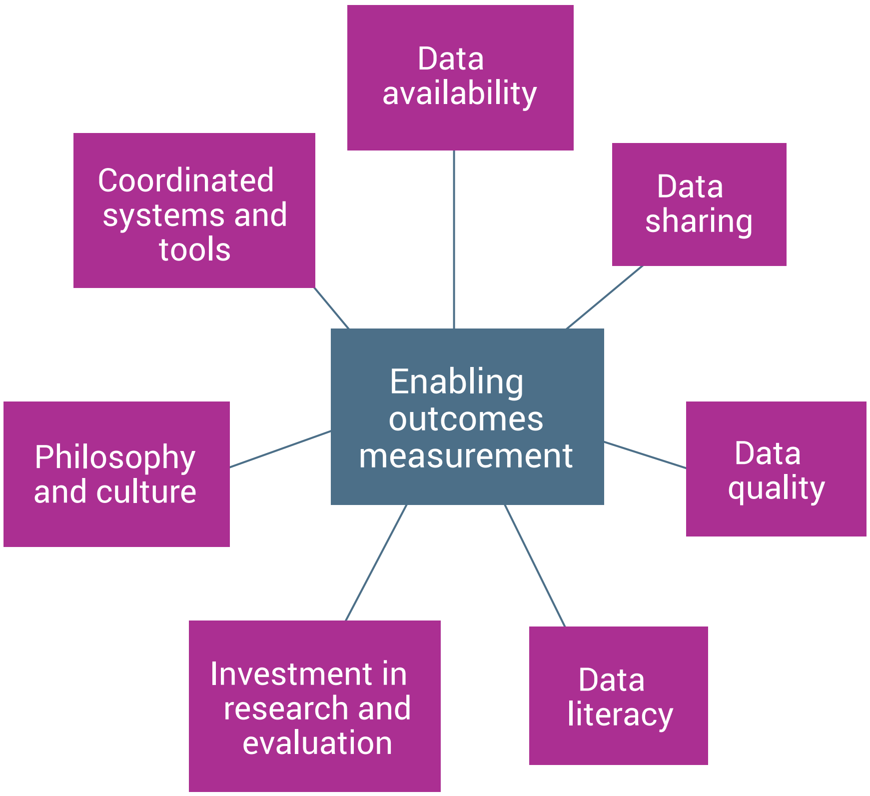
Outcomes measurement is an important tool in a broader shift towards evidence-based policymaking. Building evidence, especially on programs tackling complex social issues, takes time, energy and commitment from both governments and charitable and nonprofit organizations. To date, those ingredients have not been combined often enough, leaving policymakers and service providers with only a vague idea of "what works." As demand grows and budgets continue to strain, we need to know with greater precision where to allocate resources and how to improve programs that will have positive, long-term impacts on the lives of Canadians.

Governments and funders have an essential role to play in building an enabling environment for measurement that includes selecting outcomes carefully for outcomes-based funding arrangements, building data infrastructure, building capacity for evaluation and using evidence to inform policy and practice (see Figure 3).

Our recommendations identify key elements of an enabling environment for charitable and nonprofit organizations to engage more effectively in measurement activities with funders and governments.

Measuring to outcomes is a culture shift that requires all actors – public, private and charitable sector – to work together in a more collaborative and flexible way. Some organizations are pioneering new methods, but funders can help by laying the path for systems-level evaluation. By developing data infrastructure, more cooperative relationships and new accountability mechanisms, we can collectively reap the shared rewards of measurement. This involves understanding the environments in which interventions are applied, and recognizing what is required to improve Canadians' quality of life.

FIGURE 3
Key Elements of an Enabling Environment for Measurement



"Outcomes measurement is, at its core, about understanding someone's story and how it is changing as a result of the work you do. When we focus on how measurement tells the story of the people we serve, it is much easier to justify the time, resources, and skill development that is required to do the job well and the importance of using that story to make changes to our program for the better."

Alexandra Snelgrove
LIFT Philanthropy Partners

APPENDICES

Appendix A: Glossary

Evaluation: A broad field of inquiry and includes many schools of practice. It is described as the systematic assessment of the design, implementation or results of an initiative for the purposes of learning or decision-making.[73] Evaluation is based on empirical evidence and typically on social research methods.[74] The perspective of the end user-beneficiary is a critical aspect of evaluation.[75] The objective of evaluation is to determine the relevance and completion of objectives (including efficiency, effectiveness and impact).[76]

Evidence Institution: An organization that works to mobilize evidence and apply evidence to practice. Research institutions, academic institutions and What Works Centres[77] are broadly classified as evidence institutions.

Impact:

» In the field of evaluation, long-term outcomes can become impacts when there is a demonstrable link between a program/intervention and the resulting effect, **established through a process of attribution**. The most sophisticated types of measurement assess whether long-term outcomes would have occurred if the program or intervention had not happened (through methodologies such as randomized controlled trials, population baselines, etc.).

» In the field of impact investing, the term impact often refers to "the broader concept of the positive and negative social and environmental results accruing to target beneficiaries (including people and the environment) associated with investments or business activities."[78]

Impact Investing: Financial investments made with the intention of making a financial return and social and/or environmental impact.

Impact Measurement: A characteristic of impact investing. It aims to assess the business value and the social and/or environmental results produced by the activities or operations of any for-profit or nonprofit organization receiving impact investments. Traditionally, it has been more outputs-focused with an emphasis on proprietary measurement methods or approaches (i.e. Social Return on Investment, Impact Reporting and Investment Standards, BCorp, etc.).

73 Canadian Evaluation Society (2015). *What is Evaluation?* Available at: https://www.evaluationcanada.ca/sites/default/files/ces_def_of_evaluation_201510.pdf.
74 Rossi, P., Freeman, H., Lipsey, M. (2004). *Evaluation - A Systematic Approach*. Sage Publications.
75 Reisman, J. and Olazabal, V. (2016). *Situation the Next Generation of Impact Measurement and Evaluation for Impact Investing.* The Rockefeller Foundation.
76 The Organisation for Economic Co-operation and Development (OECD). Available at: http://www.oecd.org/dac/dac-glossary.htm#Evaluation.
77 https://www.gov.uk/guidance/what-works-network.
78 Global Impact Investing Network (2016).

Logic Model: Provides a picture of how a program is intended to work. It identifies a program's main components and how they relate to one another. Figure 4 below illustrates the basic components of a program logic model. Each of these elements represents a different level of measurement. The figure demonstrates how measuring inputs, activities and outputs differ from measuring outcomes and impact. Activities and outputs refer to the specific program, while outcomes and impacts refer to the beneficiary.

FIGURE 4
Levels of Measurement

Planning Elements (Program Focus)	
Example of Program	A program that attempts to reduce the number of heart attacks by educating individuals on preventative lifestyle changes
Input	The funding and resources required to deliver education sessions in the community
Activity	The number of education sessions delivered by the program
Output	The number of program participants who attended the education sessions
Intended Effects (Beneficiary Focus)	
Outcome	The number of program participants who suffer a heart attack over the next 3 years
Impact	The reduction in heart attacks among program participants that can be attributed due to preventative lifestyle changes as a result of the program

Outcomes: The observed effect of outputs. Ideally, outcomes are directional (positive/negative), measurable and time-dependent.[79]

Outcomes Funding: Contracting arrangements where governments financially reward service providers or private investors for having a positive and sustained impact on the lives of service users.[80]

Outcomes Measurement: A systematic way to assess the extent to which a program has achieved its intended results. It is a term often used in the nonprofit sector. It is one approach to exploring the results of a program or intervention. It is used to distinguish it from other, more elaborate or complex types of evaluation.[81]

Output: How the activities touch the intended beneficiaries; also used to describe products or deliverables as part of an intervention.

Pay-For-Performance: Also described as pay-per-success or payment-by-results, pay-for-performance contracts are an outcomes-based funding tool that pays social programs by their results, rather than their activities or budgets. A social impact bond is a type of pay-for-performance contract.[82]

79 Bhatt, B. and Hebb, T. (2013). *Measuring Social Value - A Social Metrics Primer.* Carlton Centre for Community Innovation.
80 Gold, J. and Mendelsohn, M. (2014).
81 National Resource Center (2010). *Measuring Outcomes.* Available at: http://strengtheningnonprofits.org/resources/guidebooks/MeasuringOutcomes.pdf.
82 Farthing-Nichol, D. and Jagelewski, A. (2016). *Pioneering Pay-per-Success in Canada: A New Way to Pay for Social Progress.* MaRS Centre for Impact Investing. Available at: https://www.marsdd.com/wp-content/uploads/2016/10/MaRS-Pioneering-Pay-For-Success-In-Canada-Oct2016.pdf.

Performance Measurement (also referred to as performance monitoring): A term often used by business and government actors for collecting data on key indicators (e.g. financial, output, operational data, etc.) to assess the social or environmental performance of companies, portfolios, investments, etc. While it can focus on accountability, it can also support organizational learning.[83]

Systems Change: A process to tackle the root causes of complex social problems, which are often embedded in series of networks of cause and effect. It is a process designed to change the pathways (programs and services) and structures (such as policies, laws, regulations, funding and resources, operating procedures and culture) that cause a system to act in a certain way.[84] [85]

Theory of Change: "Defines the building blocks required to bring about a long-term goal. This set of connected building blocks is depicted in a graphic representation known as a pathway or change framework. It provides a roadmap to achieve long-term goals. A Theory of Change can be created from a logic model to do a gap analysis and informs strategic planning, on-going decision-making and evaluation. It helps organizations formulate actions to achieve goals."[86]

83 Reisman, J. and Olazabal, V. (2016). *Situation the Next Generation of Impact Measurement and Evaluation for Impact Investing.* The Rockefeller Foundation.
84 Abercrombie, R., Harries, E., and Wharton, R. (2015). *Systems Change – A Guide to What It Is and How to Do It.* New Philanthropy Capital.
85 Latham, N. (2014). *A Practical Guide to Evaluating Systems Change in a Human Services System Context.* Learning for Action. Available at: http://stepup.ucsf.edu/sites/stepup.ucsf.edu/files/Systems-Change-Evaluation-Toolkit_FINAL_10-12-14_0.pdf.
86 https://www.theoryofchange.org/what-is-theory-of-change/.

Appendix B: Characteristics of Evaluation, Outcomes and Impact Measurement

Evaluation	Outcomes Measurement	Impact Measurement
Evaluation is a broad field of inquiry and includes many schools of practice.	It is a term often used by governments and in the charitable and nonprofit sector.	A term associated with the field of impact investing.[87]
It is the systematic assessment of the design, implementation or results of an initiative for the purposes of learning or decision-making.[88]	It is a systematic way to assess the extent to which a program has achieved its intended results.[89]	It is often referred to as the "positive and negative social and environmental results accruing to target beneficiaries (people and environment) associated with investments or business activities."[90] In impact measurement, terms like "social return" and "social value creation" are synonymous with impact.[91]
Logic models are essential for evaluation as they are used to provide a picture of how a program is supposed to work. Evaluation also focuses on a theory of change which defines the building blocks or roadmap required to bring about a long-term goal.	It focuses on one aspect of the logic model in evaluation – outcomes – which can be thought of as short-term, medium-term and long-term. Long-term outcomes are often described as impacts when there can be a link drawn between the intervention and the resulting effect (usually determined through a process of attribution).	It prioritizes more nimble and responsive approaches to measuring "impact" than traditional evaluation approaches, which were seen as not keeping pace with the real-time decision-making preferred in the field of impact investing.[92]
Evaluation is based on empirical evidence and typically on social research methods such as randomized controlled trials (RCTs), propensity score matching, etc.[93] Most countries have evaluation standards and guidelines that outline codes of conduct that are to be maintained by accredited evaluators.	Outcomes measurement seeks to take a rigorous approach to understanding "what works," but the definition of what constitutes rigorous or strong evidence differs based on the actors involved.[94] [95] Some place greater value on certain types of evidence such as experimental evaluations (such as RCTs) while others focus on the process and application of evidence.[96]	Impact measurement has favored standardization - proprietary and customized frameworks and rating systems - as it allows for more timely comparability of investments. Some examples include Social Return on Investment (SROI), Best Available Charitable Options (BACO), Social Cost-Benefit Analysis (SCBA), the Global Impact Investment Rating System (GIIRS), and the IRIS inventory of metrics. With some exceptions, many of the standards are largely outputs-based.[97]

87 Financial investments made with the intention of making a financial return and social and/or environmental impact.
88 Canadian Evaluation Society (2015). *What is Evaluation?* Available at: https://www.evaluationcanada.ca/sites/default/files/ces_def_of_evaluation_201510.pdf.
89 National Resource Center (2010). *Measuring Outcomes.* Available at: http://strengtheningnonprofits.org/resources/guidebooks/MeasuringOutcomes.pdf.
90 Global Impact Investing Network (2016).
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Appendix C: Examples of Standards of Evidence

Nesta Standards of Evidence

Source: Puttick, R. and Ludlow, J. (2012) 'Standards of Evidence for Impact Investing.' London: Nesta.

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