1 A Brief Introduction of SIA and SROI

1.1 Social Impact Assessment (SIA)

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

The process of SIA typically begins with identifying the social outcomes of a project. In this stage, researchers often rely on the logic model to map out how the service potentially creates some social outcomes. Once identified, it moves to the data collection design and subsequent implementation. There is no typical “standard” for data collection, and in many cases, it is context-dependent. Data used for SIA can take multiple forms, such as archival data, individual interviews, focus-group interviews, surveys, and observational data, and among others. The final step of the SIA involves data analysis and reporting.\(^3\)

1.2 Social Return on Investment (SROI)

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


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

While SROI is an emergent method for analyzing the social impacts of a project, it is however not without its limitations. Previous studies have illustrated that the selection of different methods in monetizing the social impact would directly affect the SROI result. Generally, there are three approaches in social impact monetization. The first is the market equivalent approach\(^5\), the second is stated-preference approach\(^6\), and the third is the subjective wellbeing valuation approach\(^7\). Internationally, there is little consensus on what are the best ways for monetizing social values, and the general recommendation is to make explicit the method for the monetization in SROI reporting.

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

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

2.1 Data collection

Data used for the study was mainly collected via two channels. One was from retrieving

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archival records from the SIE Fund. In addition, the HKU consultancy team also contacted the project implementers for first-hand data collection. Data retrieved from this channel involves fieldwork observational data directly made by members of the HKU consultancy team and survey data.

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

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

**Conceptualization of social impacts**

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

**2.1.1 Direct social impact for target beneficiaries**

There are two specific aspects of direct social impacts for target beneficiaries. The first is the increase in earnings for the target beneficiaries (e.g., by employment). The second aspect is the living cost reduction (cost-saving). The typical manifestation is the delivery of products or...
services to the target beneficiaries at a discounted value that are normally not available in the market. These two social impacts are both anti-poverty measures, which are directly corresponded to the objective of the SIE Fund.

2.1.2 Indirect social impact for target beneficiaries

There are also two types of indirect social impact for the target beneficiaries. The first is related to raising public awareness upon particular social issues. To explicate, previous research has repeatedly illustrated the positive influences of media campaign on tackling social and health issues. Particularly, studies have shown that media campaign can raise public awareness on specific social topics and serve as an instrument to disseminate knowledge related to the social issues and subsequently facilitate attitude and behavioral changes. With such change, those who are struggling with the issues could have been indirectly benefited. In this light, effort in raising public awareness towards some social issues can be conceptualized as having indirect impact towards the target beneficiaries. In this context, a substantial number of the social innovative projects has created their media campaigns to promote their respective social issues. Hence, the team hypothesized there could have social impacts indirectly for the target beneficiaries via the effort in public awareness raising.

The second type of indirect social impact for the target beneficiaries is related to promotion of social inclusion. Highlighted by previous research, volunteerism can facilitate interactions between public (volunteers) and the target beneficiaries and that is likely to strengthen empathy and develop greater inclusiveness. In this context, it is aware that a number of the social innovative projects purposively involved volunteers in the social value creation process. For this, the team conceptualized this effort could have help building a more socially inclusive society and thus there could indirectly create positive social impacts for the target beneficiaries.

In this study, the HKU consultancy team made informal exchanges with various stakeholders, including target beneficiaries, to verify the existence of different types of social impacts. From the exchange, many concurred with the team’s hypotheses. However, due to resource constraints, the team could not conduct examinations with every single project for verification.
It is to admit that there includes some degree of generalization.

2.2 Monetization of social impacts

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

<table>
<thead>
<tr>
<th>Types of social returns</th>
<th>Items</th>
<th>Monetization methods</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Direct social impact towards the target beneficiaries</strong></td>
<td>Increase in earnings</td>
<td>Increase in earnings is directly monetized by the income generated by the target beneficiaries during the project funding project.</td>
</tr>
<tr>
<td></td>
<td>Living cost reduction</td>
<td>Living cost reduction is monetized by the amount of reduction in costs for purchasing products/services for target beneficiaries within the project period.</td>
</tr>
<tr>
<td><strong>Indirect social impacts</strong></td>
<td>Raising public awareness</td>
<td>On the indirect social impact of raising public awareness on particular social issues, it is monetized by equivalent advertising value (EAV) created from the media pieces within the project funding period.</td>
</tr>
<tr>
<td></td>
<td>Enhancing social inclusiveness</td>
<td>On the indirect social impact of building social inclusiveness, volunteering is used as a proxy. The social return of volunteering is monetized by estimating opportunity cost of doing volunteer work. Their opportunity cost is set assuming volunteers would work for income without doing volunteer work. It is assumed all volunteers receive minimum hourly wages to avoid overestimation.</td>
</tr>
</tbody>
</table>

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10 Income generation and cost-saving are included for monetization of social returns because they contribute to poverty alleviation of the community. Media press is included because it raises public awareness of social issues. Volunteering is included because it fosters social inclusion in the community.
2.3 Calculation of Social Return on Investment (SROI)

In this study, the team conducted cost-benefit analysis of the projects using a SROI framework, reflecting whether social benefits generated by a project for its target beneficiaries outweigh its cost. The general form of the SROI calculation is as below:

$$\text{SROI}_{\text{SII}} = \frac{S_t \times (1 - dw) \times (1 - at)}{I_t}$$

where:

1. $S_t$: Monetized social return of a social innovative project generated within evaluation period (t)
2. $dw$: Deadweight (calculated as a percentage) is a measure of outcome that would have happened even if the activity had not taken place
3. $at$: Attribution (calculated as a percentage) is an assessment of how much of the outcome was caused by the contribution of other organizations or people
4. $I_t$: Total investment/capital/equity of a social innovative project within evaluation period (t)

2.3.1 Interpreting the SROI

In this study, the SROI can be interpreted as the social return of a project created for the target beneficiaries with respect to the cost spent within the project funding period.\(^{13}\)\(^{14}\)

As the SROI only reflects the social return of the project created within the funding period, it in other words indicates that the social returns created beyond the project funding period were not included and reported. However, the team recognized that a delayed social return is possible. From interviews, some project holders revealed there was a setup phase in the

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\(^{11}\) The social return was collected by the Team directly from SIIs between mid-October and late-December 2016.

\(^{12}\) Data are extracted from the SIIs’ financial reports provided by SIE Fund under the item “total project sum”.

\(^{13}\) Cost here refers as government spending provided to the project grantees in respect to that particular project

\(^{14}\) Funding period, used interchangeably with “project period”, refers to the period that the project received fund from the SIE Fund, which varies from project to project.
project, and the project’s social impact has only emerged towards the end of the project period (and potentially) after the project period. However, given the HKU consultancy team only has data up to the project completion, the (potential) social returns of the project created beyond the project funding period thus could not be captured in the reported SROI. Readers should aware of this.

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

Further, it is noteworthy that the reported SROI is specifically related to the SIE Fund’s objective (i.e., poverty relief and enhancing social inclusion), in other words, should the project has other social impacts that are not related to the fund’s objectives (e.g., art appreciation), it was not the focus on this study and thus is not reflected in the reported SROI.

3 How to read an SIA report

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


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The figure below shows an example of SIA reports in this study. As seen, it contains five parts (Part A - E). Part A documents the basic information of the project. Part B provides details of the project (e.g., description of the social missions, their social innovation ideas, and types of activities implemented during the project period). Part C documents the major social outputs created by the projects within the project funding period, such as the number of employment created for the target beneficiaries, discounted products delivered to target beneficiaries, number of prototypes created based on innovative ideas, etc.\(^{17}\)

Part D shows some details of the financial performance of the ventures during the project funding period. In particular, the report summarized two aspects of the information. The first aspect is related to whether the ventures have derived income from product sales within the project funding period; the second aspect is related to whether the ventures receive additional funding from investors other than the SIE Fund.\(^{18}\) Should the venture has derived income from any of these aspects within the project period (regardless of the actual amount created), it will be marked with a positive response (✓) on the SIA report. Part E reports the types of target beneficiaries of the project and the social return created for them with respect to the costs of the project (i.e., SROI). Both the direct and indirect social returns and its combined form are reported.

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\(^{17}\) This information is also available from the SIE Fund website

\(^{18}\) In this study, funding refers to multiple forms on income, including grants, impact investment, sponsorship and donation etc.
Figure 1: An example of SIA

Social Impact Assessment

Part A

Project Name
Using IT platform to help empower the underprivileged to provide escort services for the elderly and persons with disabilities. A new initiative was added in 2015. It recruits the underprivileged like the low-income group, CSSA recipients and retirees who will be given formal training and assessment to be able to help the underprivileged elderly and persons with disabilities.

With support from the SIE Fund, the service was scaled up with the development of an information technology support system to streamline the administrative work and enhance efficiency and cost-effectiveness, with a view to providing continual support in the escort service industry or to other care service units.

Part B

Project Details
- Recruited 89 part-time care workers for escort service.
- Recruited 44 to serve people in need.
- Provided about 100 times of free escort service and over 15000 hours of paid escort service to the elderly and PWDs.
- Developed and launched different IT systems or mobile app to support the ordering, communication, work scheduling and payment of the escort service.

Part C

Project Outputs
- SROI:
  - Direct Impact (Income generation and cost saving): 1.15
  - Indirect Impact (Raising social awareness and promoting social inclusion): 2.43
  - Direct + Indirect Impact: 3.58

Part D

Additional Revenue
- Product Sales - Funding - Donations
  - Check

Part E

Social Impact for targets
(Elderly)

Project Period: Jan 2016 - Dec 2017

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