IMPACT MANAGEMENT REPORTING GUIDELINE

NATION BUILDER

BEST PRACTICE IN IMPACT MANAGEMENT

A Guideline to assist social investors and implementing organisations in managing and reporting on social impact

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FOREWORD

The social development sector is an integral part of our country's economic and social growth plan. We rely heavily on this sector to reduce the number of people who fall through the cracks of our social fabric. The needs in our country, however, outweigh the available support and we therefore require well-thought-through and strategic interventions that achieve the greatest possible long-term impact.

Peter Drucker rightly said, "If you can't measure it, you can't improve it." Many not-for-profits and social investment entities have therefore taken steps to start measuring and quantifying their social impact. The objective is to gain better insights into how the greatest impact can be achieved and to adjust the approach accordingly. This will help to ensure maximum impact and long-term sustainability for the people being served.

The indicators, as well as the manner in which these measurements are currently performed, are so varied that it makes it almost impossible to compare and determine which approaches accomplish the best results. This limits progress and the development of effective strategies based on quantifiable data, while also hindering a national view on where support is still needed.

It was with this in mind that the Nation Builder community embarked on a journey that sought to define a best practice guideline around reporting on social impact. This project saw the coming together of non-profit organisations (implementing organisations) and social investors from across the country, to collaborate on a shared solution that meets both parties' requirements. This type of cross-sector collaboration, which took over 18 months of input and hard work from the community, is a first-of-its-kind project where all parties were on a level footing and contributed extensively to the development of the final Guideline.

This sort of deep collaboration, which requires many robust discussions and an increased understanding of what all parties are looking to achieve, is indicative of a maturing within the social development sector. As this sector increasingly professionalises, I anticipate many more effective collaborations, not only between implementors and social investors, but between government and a multitude of other stakeholders who have realised that the social development sector is a prerequisite to our nation's success.

In the collaborative sessions, it was clear that both social investors and implementing organisations were ultimately aiming at the same end goal. Once they understood each other's environments better, they could identify clear synergies in terms of the requirements and expectations on how to achieve the desired social impact.

This Impact Management Reporting Guideline represents the first step in a much bigger task of aligning an entire sector's impact management. This mammoth task will not be possible without the support and inputs from all stakeholders within the social development landscape.

I, therefore, urge you to engage in the conversation, utilise the Guideline and work together with this incredible community of implementing organisations and social investors. We have the potential to achieve a united approach on how we recognise the efficiencies, and also best deal with the inefficiencies, which we have within our beloved country's social fabric.

Keri-Leigh Paschal
Executive Trustee
Nation Builder

COLLABORATION PARTNERS

This Guideline has been made possible through collaboration and input from the following social investors and implementing organisations:

NATION BUILDER

Nation Builder inspires and equips the business community to lead in sustainable social change. This Mergon initiative, established in 2008, facilitates cross-sector collaboration between social investors and implementing organisations to effectively co-create solutions that ensure greatest social impact. Nation Builder chose to fund and drive this project because our community recognised the need for best practice guidelines in this area and we see Impact Reporting as a critical tool that can assist organisations to deliver greatest impact.

Join the Nation Builder conversation on **LinkedIn**, **Facebook**, **Twitter**, and **Instagram**.
www.proudnationbuilder.co.za

RELATIV

Relativ is an impact research and advisory firm that supports purpose-driven organisations on their journeys to achieve significant impact. Relativ is a Nation Builder Collab Community partner and Director, Gabrielle Habberton, was appointed as the lead researcher on this collaborative project.

www.relativimpact.com

NATIONAL STEERING COMMITTEE ON IMPACT REPORTING

The National Steering Committee on Impact Reporting was composed of various implementing organisations and social investors, each represented in the Nation Builder Community in South Africa. These stakeholders and partners met frequently to provide input, support and guidance, towards the creation of this Guideline document.

COLLABORATION PARTNERS

COLLABS

Nation Builder Collabs are gatherings of leading social investment and implementation practitioners operating in the Western Cape, Gauteng and KZN. These Collabs offer a safe space where our community can meet to discuss their challenges, explore possible solutions and collaborate for effective social impact. In the context of this research, implementing organisations and social investors engaged on and debated the various topics that were identified by the steering committee and assisted in providing context from practical, on-the-ground experiences. Our Collab partners shaped this Impact Management Reporting Guideline, and this publication is a true reflection of the collective views, expertise and insights gleaned from the Nation Builder community.

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01 INTRODUCTION

1.1 ABOUT THIS *GUIDELINE*

This Guideline is the culmination of a collaborative learning and co-creation journey alongside social investor and implementing organisation peers in regional communities (Western Cape, Gauteng and KwaZulu-Natal) of South Africa. The Nation Builder community embarked on this journey as part of a collective effort to relieve increasing frustration and burdens on both sides of the social investment relationship. Stakeholders want more efficiency, consistency, value and quality in terms of the social impact insights that are available to them. There is a collective need for well-informed decision-making, to ensure that we can achieve more effective and longer-lasting social impact.

SETTING THE SCENE

The outcome of the initial Collab consultations across the implementing organisation and business sectors served as a preliminary brief as we set out on this learning journey.

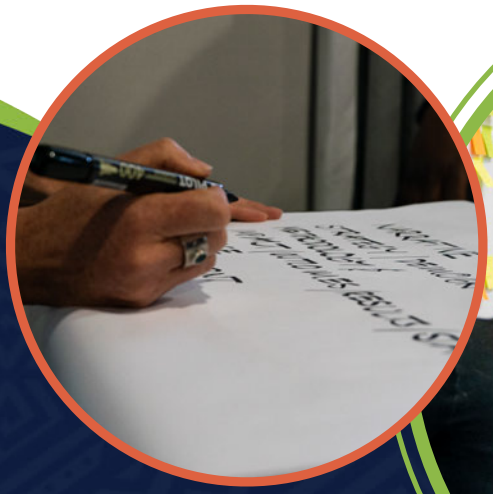
Below is a summary of the crucial needs that were voiced and catalysed this process:

A greater understanding of each other's environment: There is a need for a better understanding of our partners in social impact (i.e.: implementers versus social investors). How can role players learn to relate to each other better and become more aware of each other's contexts, challenges, constraints, priorities and mandates?

Relationship building and communication: There is a need for a more consistent and common understanding of terminology and language (i.e.: What is impact? What is sustainability? What does success look like?). There is also a need to manage and communicate expectations, in order to ensure realistic expectations and achievable outcomes.

A more standardised approach to impact reporting: There is a need to develop a flexible form of standardised reporting, and to help develop guidelines and templates showing how to incorporate the metrics required by both social investors and implementing organisations. These would need to be based on best practices.

Collaboration for capacity building and knowledge sharing: It is necessary to acknowledge that each partner, or sector, brings something of value to the table: be it practical expertise, intellectual capital, relational capital, credibility or financial resources. There is a need to learn from each other and work together towards greater, collective impact.



THE DEVELOPMENT OF THIS GUIDELINE

The iterative process of developing this Guideline has unfolded over 18 months, from November of 2018. We have collated inputs from our National Steering Committee, thematic Nation Builder Collab sessions, a national, two-day, cross-sector workshop as well as from individual interviews and global good practices desk research. This guideline outlines the points of consensus reached in relation to recommendations for impact reporting. These recommendations include an outline of the partnership context within which social change takes place, underlying principles for reporting on results achieved, as well as standardised reporting elements to be included in impact and/or progress reports. This Guideline also includes practical case stories from contributors and links to additional resources and tools that will be useful to both social investors and implementing organisations.

THE CALL TO ACTION

We recommend and encourage the adoption, implementation and sharing of this Guideline in order to streamline reporting requirements and enhance the quality, consistency and comparability of impact results across programmes and organisations. Adoption of this Guideline should aid in creating an environment within which collaboration can be encouraged and more easily navigated, for the benefit of all stakeholders.

To assist you in reporting effectively on your impact, we have developed a mock social impact report and social impact reporting template, as well as a mock financial report and financial reporting template**.** See Appendix A.

1.2 WHAT IS *IMPACT REPORTING?*

Impact reporting provides the overall impact performance story of an organisation or programme, by communicating the difference that has been made towards helping people or the planet. It involves a series of engagements and reports to stakeholders (in this context, to social investors) that provide a detailed account of the social "return on investment" achieved with the resources invested for the period under review.

It should enable stakeholders to:

- assess the performance of the organisation or programme against its planned objectives;
- leverage impact insights in order to identify learning opportunities and improve results and services;
- make informed decisions for the future of the initiative and relationship.

Impact reporting is part of an ongoing process that unfolds over the lifespan of an organisation's programmes and its partnerships. It will likely involve a number of reporting opportunities against key milestones, at different stages during that life cycle. As such, the information should reflect consistency and provide relevant stakeholders with:

a forward-looking view at planning, inception and application stages;

a view on current progress, adaptation and enhancement opportunities, and risks and mitigation strategies required at intervals during implementation; and

a clear view on what has been achieved (and to what degree), relative to planned objectives and lessons learnt and recommendations for future programming and practice, at the close of a programme or partnership exit.

1.3 OBJECTIVES OF *IMPACT REPORTING*

The overarching objective of impact reporting is to foster trust, credibility and transparency through clear, consistent and accurate communication of the impact reporting information at key intervals over the life of the partnership. It is critical that impact insights and lessons learnt involve and be shared with stakeholders to improve future work and decision making.

Impact reporting is also a means of responding to the information requirements of investors for their own stakeholders. These may include social and ethics committees, investment committees and boards of trustees, that investment teams/representatives may report to.

02 IMPACT REPORTING IN CONTEXT

Impact reporting occurs within the context of funding partnerships, operating as a key communication vehicle within partnership life cycles. As such, impact reporting is both a function of and an enabler of the other interconnected steps within funding partnership processes.

To assist you in reporting effectively on your impact, we have developed a mock social impact report and social impact reporting template, as well as a mock financial report and financial reporting template. See Appendix A.

Figure 1 below provides an overview of the partnership process, followed by a more detailed description, tips and guidelines of good practice in each phase:

FIGURE 1: PARTNERSHIP PROCESS

1. INTERNAL STRATEGIC *PLANNING PHASE*

Define your purpose, requirements and impact objectives

- Conduct research and develop a responsive strategy (at organisational and/or programme level) to guide partnership decisions and actions.
- Develop clear policies and criteria to guide partner eligibility, sourcing and selection.
- Policy and strategy considerations:

  - **Problem statement –** clear understanding of the problem one is seeking to address and the requisite steps and partners needed to address this problem (e.g. the decision to partner with mature organisations implementing at scale, versus community-based or grassroots organisations that may require additional capacity strengthening).
  - **Vision of success –** a defined vision of what the solution looks like and the strategies, outcomes, outputs, activities and enabling factors that will help to realise this vision.
  - **Budget allocations and 'ticket' size –** e.g. size of total budget available, specific funding programme budgets, as well as guidelines on the minimum and maximum donation thresholds per recipient (including limitations such as a certain % of a recipient organisation's total budget) to manage dependency and risk.
  - **Criteria for partnership extensions and/or continuations –** e.g. continuation and/or extension based on positive performance versus placing limitations on the duration of a funding partnership. Certain partner relationships may also be initiated as a pilot project, with the option to extend, based on certain results and criteria having been met.

2. DEFINE & DESIGN *PHASE*

Define and design the partnership opportunity – establish the purpose and mandate of the opportunity(s) available to external parties.

- This will typically involve applying a similar planning approach to Phase 1, where the purpose, mandate and criteria for multiple funding or implementation programmes are defined for external parties and potential partners.
- Understand prospective partners and their needs to appropriately target and position the opportunity.
- A clear purpose and mandate set the stage for more efficient and targeted sourcing, screening and assessment for both social investors and implementing organisations.
- For implementing organisations, this can provide a strong foundation against which to assess funding opportunities against their own purpose and strategy.

CASE STORY

LEARN TO EARN GIVES INSIGHTS INTO WHEN IT MAY BE BEST TO WALK AWAY FROM POTENTIAL SOCIAL INVESTORS

OVERVIEW

An organisation's principles should never be compromised when entering into a funding relationship. There have been a few occasions where a lack of alignment has caused potential social investor relationships at Learn to Earn (LtE) to dissolve early on, rather than move forward into formalised partnerships.

Reasons for this have been varied, including:

- Limited alignment in terms of vision, mission and values;
- Lack of cohesion in terms of LtE's philosophy of development versus that of the funder;
- Potential funders seemingly wanting to dominate activities and implementation;
- LtE not wanting to compromise in terms of neutrality e.g. where we would have had to be seen to favour a particular political party.

We've included a few tangible examples of situations we have found ourselves in and explanations of why we made the decision that we did, below:

EXAMPLE 1

Some years ago, we had a potential social investor who wanted us to take over the management of a feeding scheme for them. Our core focus at LtE is on Holistic Human Development with a "hand up not hand out" philosophy, so the obvious conflict between holistic job creation and running a nutritional scheme, would not allow for us to take on this particular project. (In a situation where emergency relief was required, as with the COVID-19 pandemic, we may well have made a different decision).

We also gathered that the feeding scheme was not operating particularly well at the time and we felt that the funder might be looking to shift the blame for this onto a new partner. Taking on this project may have been tempting at the time, but it would certainly have led to "mission drift" for our organisation and added to that, the fact that the project was experiencing issues may well have resulted in a negative social investor relationship.

EXAMPLE 2

More recently, we were contacted by potential social investors who were needing to allocate funding prior to their financial year end, to ensure their tax deductions and allocation of their B-BBEE points for the year. They told us that they would be happy to fund one of our projects as long as we could backdate their donation and reflect the dates on all the documentation as being in the previous month.

The integrity of our organisation was at stake here as we would have had to manipulate our records, and we had no choice but to walk away from the relationship.

EXAMPLE 3

We also had a potential social investor from Gauteng who was keen to fund training for unemployed people in Khayelitsha. We had 10 courses on offer at LtE Khayelitsha, but the social investor was determined that we should offer a hospitality-related course which we only offered at our LtE Hermanus campus.

We knew that there had to be a contextual fit for any training intervention offered in the community and that the project had to be meaningfully connected to job opportunities. Our market-related approach to training, highlighted that this course would not be suited to the needs of the community and it was clear that the social investor did not fully understand the context in Khayelitsha. Pivoting our activities in order to offer this particular course in Khayelitsha, would have had a significant impact on our organisation. We would have needed additional manpower, more office space and there would have been an infrastructure requirement – this all needed to be taken into account.

It eventually became clear that the funder wanted us to implement the specific course because they were mandated to find training that was related to their industry. They also wanted a project that suited them geographically i.e. they did not want to have to drive all the way to Hermanus once they had flown into Cape Town. These disclosures led us to a decision not to take the relationship further.

WHAT WE HAVE LEARNT

It is much easier to stay on track when your organisation has a firm vision, mission and values in place. These need to be stated, applied and shared, so that you can refer to them when making decisions. The more specific they are, the better! They will remind you of your purpose and also give you the courage to turn down certain projects. We have ultimately benefited from not pursuing certain social investor relationships because they would have led to us having to compromise on some level.

We knew from experience that if we took on any of these opportunities, everyone would lose in the end. It is important to clarify social investor expectations early on in the process. Ensure that the potential social investor has realistic expectations in terms of what needs to be accomplished and that there are no “strings attached” to the funding opportunity.

Money is necessary for us to achieve our objectives, but it should never be prioritised over principles. Funding can sometimes take you further into a corner, rather than getting you out of the corner and it is critical that you take a long-term view when making funding decisions. And finally, when you say “no” – a better “yes” may well come along.

Learn to Earn has a ‘hand up not a hand out’ approach and is dedicated to eradicating unemployment and other legacies of injustice in South Africa through their market-related skill development and job creation projects. The goal is for graduates to leave empowered and changed – socially, economically, emotionally and spiritually.

www.learntoearn.org.za

3. SOURCING, SCREENING & *ASSESSMENT*

Implement a partner sourcing strategy – this may be through referrals, existing relationships, public disclosure or invitations to apply.

- During this phase, it is important that the parameters and criteria of the particular opportunity are communicated clearly and transparently. This will enable prospective partners to assess their eligibility and chances of success. Depending on the sourcing strategy, this information could be made available on platforms such as a website, along with application documentation and guidelines. Clear and public communication can save both parties much time.

- It is also important to identify a designated contact person for screening and assessment.

- Screening and assessment phases broadly involve assessing prospects against criteria, values and objectives defined in phases 1 and 2. This allows you to determine which prospective partners are a good fit and should be moved on to negotiation and perhaps formalisation stage.

- Screening and assessment phases may include multiple stages. A filtering process, designed to narrow the number of potential partners progressively, can be applied. As the number of potential partners is reduced, the level of due diligence and associated investment of time can incrementally increase. For example, Step 1 of this phase may involve invitations to submit Expressions of Interest (or similar) to source and initially screen potential partners. Prospective partners who are found to meet the general criteria at Step 1 may be invited to submit a more detailed application and undergo more rigorous and demanding due diligence.

CASE STORY

INVESTEC'S APPROACH TO SOURCING, SCREENING AND ASSESSMENT OF POTENTIAL PARTNERS

OUR PROCESS

- Investec will receive a proposal of partnership via referral, directly to the consultant, CSI email inbox or website. The Investec consultant will review the proposal and if the prospective non-profit organisation (implementing organisation) partner provides an offering that will heighten the impact of our current programme, the consultant discusses this with a colleague specialising in the particular area.
- The consultant specialising in that sector will invite the prospective partner in for a meeting to engage and clarify further, whilst keeping the Head of Department (HOD) updated.
  If the consultant and/or HOD feel strongly that the potential partner should be considered, then the partner will be provided with a date and time to present to the CSI team.
- The potential partner will present to the team, and if the majority of the team agree that we should consider the partnership, then the consultant is tasked to further engage with the partner. The consultant will then critically review the financial request and operational capabilities of the implementing organisation as well as the probable impact of the programme on beneficiaries.
- The consultant will keep the HOD updated on discussions with the potential partner and if both agree to pilot the partnership, then the consultant will engage with the potential partner to discuss a pilot phase and deliverables.
- The consultant manages the relationship and budgets during the pilot phase and provides feedback to the team at regular intervals.

CHALLENGES EXPERIENCED

- The screening process takes time and can be frustrating for all parties concerned, but it is imperative that the process is thorough, as we prefer long-term partnerships.
- The screening process requires that the consultant manage the expectations of the potential implementing organisation partner from the outset, because each step i.e. meetings at Investec, presenting to the team and meeting the HOD, raises hope (and in most instances false hope) that Investec is interested and will ultimately fund the programme.
- The pilot phase also raises expectations that Investec will ultimately adopt the programme as a flagship, however, we only take proposals through this process if there is a high probability of them becoming a flagship programme. This helps mitigate disappointment.

KEY BENEFITS OF OUR APPROACH

- It gives us time to get to know not only the product offering of the partner, but also the people running the initiative. It is important that we partner with credible people who we can engage with openly and honestly.
- The process enables the team to participate in deciding on the partnership and they ultimately have a strong sense of ownership once we onboard a programme as a pilot project or flagship programme.
- The pilot phase enables us to monitor and evaluate the partnership and feasibility for the programme to be one of our flagships.

Investec's CSI process is rigorous and lengthy. This process is intended to allow us to understand the organisation we are considering partnering with, but at the same time allows for the potential partner to understand Investec CSI's core values and ways of working. It is important that the potential partner feel comfortable about working with us, prior to piloting the partnership.

Investec's Corporate Social Investments (CSI) are central to the group's philosophy of making an unselfish contribution to society. Our approach to CSI focuses on education and entrepreneurship. We believe initiatives in these two areas are the most effective way to create employment, wealth and socio-economic growth in South Africa.

www.investec.com

CASE STORY

THE MERGON FOUNDATION'S APPROACH TO SOURCING, SCREENING AND ASSESSMENT

OUR PROCESS

The Mergon Foundation (Mergon) has a very strong relational and region-specific approach to social investment partnerships. Although organisations can apply for funding via the website, we often become aware of them via existing partners or networks. We also headhunt organisations that fit our regional strategies, where capacity allows. Even though organisations may appear on our radar via existing partners or networks, there would be an initial 'courting phase' before the official process starts. This is also true for those organisations that apply via the website.

OUR FORMAL APPLICATION PROCESS

1. **Pre-screening phase** – this is the 'courting phase' where the emphasis is more on organisational DNA and values. This phase helps us to determine if we are aligned in terms of values and focus, and interactions include Skype or Zoom sessions and/or on-site visits.
2. **Letter of Introduction** – once we are convinced of alignment and have confirmed available funding capacity, organisations are invited to complete our online Letter of Introduction (LOI). This includes a series of questions, focussed on our primary criteria, that further help to filter applications.
3. **Application phase** - organisations with successful LOI's (aligning with all primary criteria) are sent a more detailed online application form. Here, the emphasis is on Background and History, Vision, Strategy, Finance, Governance and Kingdom expansion approach, as well as Theory of Change. References are also requested at this stage.
4. **Due diligence phase** – once the application has been received, on-site due diligence visit/s follow. Here the emphasis is on Leadership, Culture, Values and a wider understanding of what was recorded in the Application Form. Our aim is to have at least two Mergon team members conduct the due diligence visit. References are also tracked during this phase.
5. **Negotiation phase** - once we are satisfied with the due diligence visits, a meeting takes place to determine goals and measurables (purpose) for the partnership. These eventually form part of the Partnership Memorandum of Understanding (MOU).
6. **Motivation phase** - the successful application is motivated at an Allocation Board meeting via a One Page summary.
7. **Approval phase** - on Board approval, successful applicants are notified, applicable documents requested, and payment processed.

It is important to note that Mergon or the applicant can withdraw from the application process at any time, if there is lack of alignment or there are differing expectations of the partnership.

DRAWBACKS TO OUR APPROACH

- It is time consuming and could sometimes be frustrating for both parties.
- Deep relationships complicate the exit process.
- Monitoring and Evaluation and accountability may be compromised by close relationships that are developed through our partnership approach.

BENEFITS FOR MERGON

- We do not feel pressured. The focus is on deeper relationships and alignment of values, rather than a bigger portfolio.
- It is a transparent and open process with room to share past failures and vulnerabilities.
- It allows time to foster a relationship and extensive understanding of the organisation.
- It allows room to identify areas of need and/or development within the organisation that will be confirmed later on via the Organisational Self-perception Scan (OSP). (We usually apply the OSP Scan once the partnership is in place, as it assists us in identifying areas for development, but this tool can also be used in the due diligence phase, if there are any concerns in this area.)
- The focus is not only on impact, but also on the development of the leader of the organisation and the broader organisation.

BENEFITS FOR NON-PROFIT PARTNERS

- Real relationship with the funding partner, where the power gap is closed
- Transparency and freedom to share areas of need/development.
- Relationship equity is established, rather than just being transactional.
- Freedom to withdraw at any stage of the process.

For Mergon, the funding relationship is all about partnership. The foundation of a solid partnership is deep and authentic relationship and it is for this reason that we implemented a lengthier, relational approach to choosing our partners. It is a longer and more intense process, but lays the foundation for long-term, sustainable partnerships, where both partners will be able to learn from one another and support one another on the journey towards greater impact.

The Mergon Foundation is a not-for-profit trust fund, that strategically deploys its entrusted resources through well-chosen partnership, for the maximum expansion of God's Kingdom.

www.mergon.co.za/foundation

4. NEGOTIATION & *FORMALISATION PHASE*

Provide an opportunity for both parties to ensure that they fully understand and agree to all elements of the partnership, the implications of all terms and conditions and how they will be realised in practice.

- There are many different elements to consider and it is important that both parties are comfortable with all aspects of the arrangement in order to manage expectations and lay the foundation for a successful partnership. It is important that the scope and terms and conditions of the partnership are accurately reflected in the documentation and agreements that serve to govern the partnership.
- The nature of formalisation may vary according to the purpose and mandate established for the partnership opportunities. This may range from more informal governing documents such as an invoice or email, to more formal grant or service-level agreements and memorandums of agreement or understanding.
- There are many elements to consider, negotiate and clarify in this phase. A suggestion of key elements to collaboratively explore and agree – 'an expectations checklist' – has been included below. Having these courageous conversations supports the management of expectations on both sides of the relationship, and provides a firm foundation for the success of the relationship.

EXPECTATIONS CHECKLIST:

Partnership relationship management encompasses the management of both formal and informal expectations and should ensure alignment across these domains.

In the context of more informal partnerships, relationships may be based on more informal engagements i.e., personal status updates and general collaboration amongst partners. Regardless of the degree of formalisation, it is important to ensure that agreements are documented in writing, so that there is a full record of what was agreed.

All elements included in any agreements and documentation governing the relationship should be discussed in detail. Clauses, conditions and terminology should be understood to ensure that the terms and conditions of the partnership are clear and that expectations are aligned and reflected correctly.

PARTNERSHIP REPRESENTATIVES:

- ☑ Details of the designated representatives for each of the collaborating partners.
- ☑ In addition, it is important to consider the implications when there are multiple stakeholders involved in models and programmes that may have multiple delivery partners. What are the implications for the structure of the agreement in these cases? In some cases, it may also be relevant to include or refer to agreements with end users/clients/beneficiaries.

EXPECTATIONS CHECKLIST (CONT.):

PARTNERSHIP SCOPE, PURPOSE AND DURATION:

- What is the duration of the partnership and what are the conditions/considerations for exit and/or continuation beyond the current scope of work?
- What are the conditions for adaptations to the scope and/mandate?
- What is the purpose and scope of the partnership that should be accurately reflected in the agreement?
- What is the scope and designation of funds – clarity on what the funds may and may not be used for; confirmation on all line items and whether funds can be carried forward from one financial year to the next.

REPORTING PROCEDURE AND FORMAT:

- Reporting frameworks, frequency, format, level of detail and style. Timing or frequency is typically aligned to coincide with the release of grant instalments (for e.g. quarterly, or half-yearly). It can also be useful to consider the type of reports and information that the reporting organisation routinely prepares, and see if these might satisfy progress reporting needs.

- Knowledge management processes and systems – what capacity/expertise and technology is required or available to measure, demonstrate progress and report on the agreed deliverables in accordance with the strategy (programme theory typically expressed through a logic model, theory of change and/results chain)?

- Mechanism for communication and submitting reports. It is important to confirm capacity to deliver in accordance with the required knowledge management processes and systems. This may have human resource (time and expertise), information system (technology) and infrastructure requirements to support. If the reporting organisation does not currently have the necessary capacity to deliver reporting in this way, it could be beneficial for parties to explore ways that this capacity can be developed and how the partnership could support the development process.

EXPECTATIONS CHECKLIST (CONT.):

DELIVERABLES:

- Consider the type of impact information (and level of detail) that is required to demonstrate achievement of deliverables. When is this information needed and for what purpose? Discuss and reflect on this together to ensure that only necessary information that will be read and used, is included.
- The project plan, timing and milestones of implementation and associated reporting. In considering timing and the realisation of targets, it is important to consider appropriate time lag to factor into targets for reporting purposes. This considers and plans for the reasonable amount of time it may take for certain outcome results to be realised, after the catalytic activities have been implemented.
- Define win-win impact indicators (meaningful measures of progress and success) and targets that are realistic and provide valuable insight to and satisfy the reporting information needs of both parties. It is important to collaborate on this and clarify the level of indicators required to match the strategy, scope and purpose of the scope of work. For example, a scope of work that is based on an outcomes-based funding strategy, will focus on outcome-level reporting. Alternative strategies may lean towards a combination of output and outcome indicators.
- If there are additional metrics needed, outside of the implementing organisation's existing framework and capabilities, explore how capacity and resources could be added to incorporate these as efficiently as possible.

BUDGET MONITORING:

- Indirect costs (also known as administrative overheads, central or core support costs) policy – the specific allowances and exclusions on indirect costs, which may be based on certain types of costs or a percentage limit - based on the total grant.
- Budget line items – specific budget headings or account classifications that may be required.
- Budget transfer and variance policy – i.e. acceptable levels (or limits) and treatment of variances on actual budget expenditure; and permission to transfer surpluses in the budget from one budget heading to another, and the limits or conditions applied.
- Bank accounts and interest – requirements for bank accounts (some social investors require separate bank accounts) and treatment and conditions of interest earned, or sums invested.
- Depreciation policy – how to treat fixed assets purchased with a grant.
- External audit – some social investors require a separate external audit (and may include external audits or third-party expenditure verification on all budget monitoring reports) (Lewis, T. 2017).

ONGOING COMMUNICATION / RELATIONSHIP BUILDING:

- Will there be regular check-ins outside of reporting requirements?
- Is there an expressed need for communicating on challenges and successes of the project on a more frequent basis, allowing the relationship to grow - together with the project?
- Will communications be by e-mail, phone call, face-to-face encounters?

EXPECTATIONS CHECKLIST (CONT.):

BREACH OF CONTRACT AND CONTRACT AMENDMENTS:

- Consider terms and conditions outlining consequences and procedure in the event of: 1) a failure to meet deliverables, 2) breach of contract or 3) amendments and/or adaptations to the scope of work and associated deliverables, particularly when external factors may impact. This may include consideration of the permissible degree of variance on budgets or deliverables and the conditions under which budget and deliverable amendments may be required.

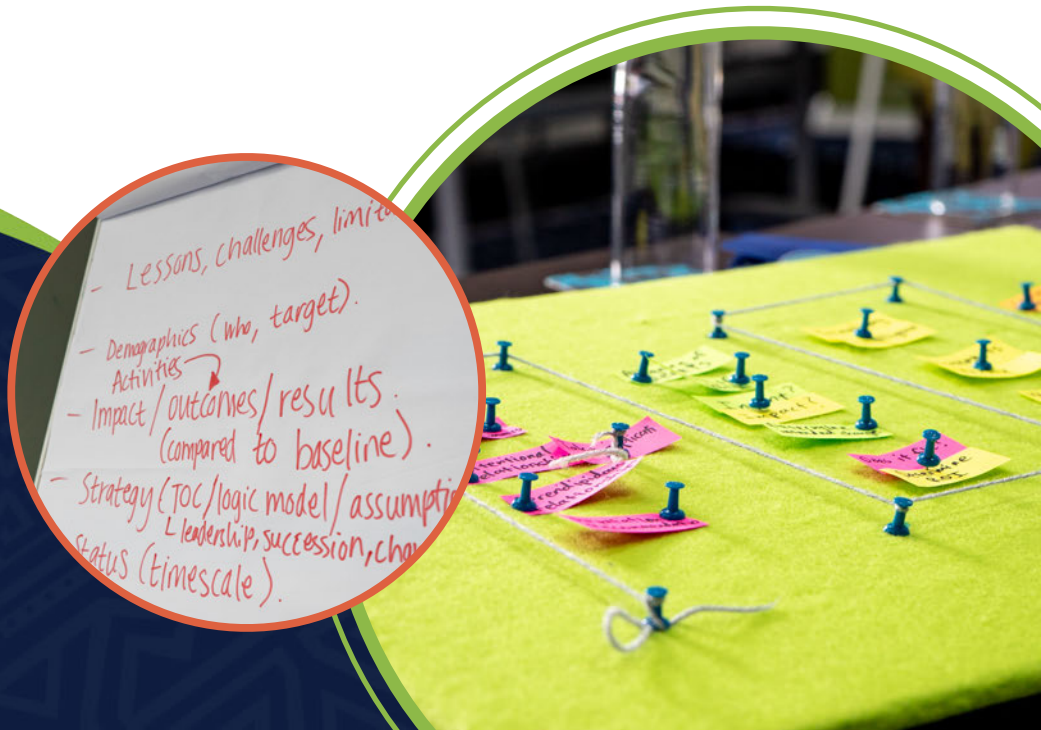
ADDITIONAL EXPECTATIONS:

- Additional expectations, such as additional activities, attendances and support outside of the formal scope of work. For example, is there an expectation for parties on either side of the partnership to attend certain events or meetings that partners should plan for?

5. IMPLEMENTATION, PROGRESS TRACKING & *REPORTING*

During this phase, funding allocations are confirmed and the agreed activities, within the scope of work, are operationalised and implemented.

- Ongoing monitoring and tracking of results (activities, outputs and outcomes) is implemented per the programme strategy (e.g. Theory of Change or Results Chain).
- This monitoring and tracking (data collection, analysis, insight development and reporting) is implemented on an ongoing basis throughout the implementation phase. This process informs both adaptive learning integration and programme or operational implementation enhancements.
- This phase will typically end with a close-out or summative assessment report to reflect the overall results achieved across the life of the partnership and its implementation. Some social investors may also require, budget and pay for external, third-party impact assessments - conducted at mid-term and end-line stages. The final Impact Report will play a critical part in informing decisions during the partnership review and evaluation phase.



6. PARTNERSHIP REVIEW & EVALUATION PHASE

This phase provides an opportunity for reflection on the experience and success of the partnership to date.

- This may be informal and relational or more formal, based on a scorecard and review process. Some guiding considerations for reviewing partnerships include:
  - Were the goals, objectives and targets met? If not, then why not?
  - What lessons can be incorporated into future decision-making, planning and practice to enhance outcomes and impact?
  - Is the need and context still the same? (Ideally, we should see needs changing as we 'solve' certain challenges.)
  - Are our respective future strategies and practices still aligned and mutually beneficial?
  - What is our policy and criteria for extending and continuing new partnerships?
- As the preceding considerations suggest, this phase is closely tied to a return to Phase 1. The partnership is reviewed, and a decision is made on whether it will continue or not. This review is carried out in the context of the social investor's strategic planning and budget reviews, and forward planning. Insights (positive and negative) from the partnership review phase can and should be incorporated into decision-making and planning, moving forward.
- If a mutual decision is taken to continue a partnership, the new partnership lifecycle may involve a return to Phase 1 and 2. This would ensure that internal and external planning, purpose and mandate are clear and account for the current context. Phase 3 (screening, sourcing and assessment) would be skipped and you would move straight into the negotiation and formalisation phase, to finalise the scope extension and new or extended scope of work.

7. RELATIONSHIP BUILDING & FEEDBACK

Relationship building is a critical enabler for effective partnerships. It underpins and operates as the 'beating heart' throughout the process. Relationship building may start at different points, depending on the nature of the parties and strategies at play.

- For example, in the case of larger institutional social investors, the initial phases may be conducted at arm's length to manage expectations and maintain objectivity, with more direct engagement commencing only at the formalisation stage. In other cases, a relational approach may be integrated throughout, even at the stage of considering prospects that may be based on existing interpersonal relationships or referrals. Whatever the departure point for relationship building, it is a key enabling factor for effective partnerships and should be prioritised accordingly.
- Feedback is an essential factor in relationship building. Continuous, constructive feedback and engagement in both directions (encompassing both formal and informal channels, formats and mechanisms) is the most effective tool for fostering trust and accountability. It also serves to improve the quality of practice, outcomes and reporting (when it is known that submissions are read, considered and valued), and enhances the potential for expectations and deliverables to be met. Certain social investors are recognising the value and importance of providing feedback as part of their contribution to strengthening capacity in the sector, and they are even providing feedback in different ways, from the application phase through to reporting on outcomes.

CASE STORY

VALCARE ON THE POWER OF UPSKILLING AND FEEDBACK

INTRODUCTION

Valcare enables businesses and individuals to invest in our member projects. At any one time, we have between 35 and 55 partner organisations. Our partner organisations are members that have moved into a partnership with us and receive grants. We proactively support our members, to allow them the best chance of becoming a partner, by hosting regular information sessions on how to write proposals and apply for funding. We have also provided training on fundraising and proposal writing in the past.

We have found that prospective partner organisations are generally not able to demonstrate sufficient capacity and quality in their organisations' monitoring, evaluation and reporting (MER) systems. This common challenge has prompted us to incorporate feedback mechanisms to foster learning - towards future success - and to enhance their MER capacity for effective reporting.

BENEFITS FOR VALCARE

At the application phase, our regret letters contain a summary of the reasons for not approving the application. Examples of reasons for unsuccessful applications may include:

- governance concerns (e.g. unable to submit a comprehensive budget),
- operational concerns (e.g. cannot clearly detail the project plan and activities to be followed),
- network concerns (e.g. require additional time to engage the organisation to better understand their focus) or
- funding type (e.g. Valcare may not choose to fund projects from a certain theme, if already supporting multiple projects active in that area).

An offer to contact the Valcare Committee for further clarification is extended in the letter. Member organisations that have responded to the offer of further clarification, have shown appreciation for the feedback provided, and have noted that this will inform the preparation of future applications. In terms of the quality issues with MER, we initially responded by providing a reporting template, to assist partner organisations with the reports that they needed to prepare for us. However, over time, we found that this was not sufficient and we needed to integrate a more pro-active approach in our partnership acquisition and implementation process.

We realised that if there was no understanding of the benefit of good MER by the partner organisations themselves, the resulting reporting to Valcare, would not be of an adequate quality. This would present a risk, as quality MER is vital in understanding an organisation's impact. In addition, good reporting allows organisations to attract additional funders and assists with sustainability and growth and we wanted our partners to benefit from this skill on all fronts.

We decided to embark on a process of up-skilling our partner organisations. We started with Theory of Change Training and a Strategic Management Mentorship Programme, in partnership with Ezrah. This was an intense 8 month programme that really helped organisations to rethink their Strategies, Goals, Theory of Change and Operations. Then, we conducted our own extensive MER Training for partner organisations' internal use and set up a MER Forum for partner organisations that wanted to take things to the next level.

We realised that organisations also need feedback on their progress reports – even when they are good reports! They want to know that their reports, which they have spent time and effort compiling, are being read and are useful to us as the funder. In light of this, and knowing that we want our partners to grow in confidence in terms of their reporting, we began providing feedback as often as possible. The feedback that we give is detailed but succinct, usually around a half page in length, and focusses on what has been done well, areas to improve and then also raises questions and provides suggestions.

KEY LESSONS & OUTCOMES

Culture Shift - Good MER requires a complete culture shift and takes time. We were patient with many organisations that demonstrated a willingness to improve. It required tough love with some - and with others, that demonstrated no intent to improve - we had to end our funding relationship.

Training - The Strategic Management Mentorship Programme has significantly impacted the organisations involved. We can definitely see the improvements in the way they present themselves through reports and proposals. They are more focussed and have more capacity. This has a knock on effect in how they write reports, because they understand better what the funder is looking for - but also the value of the MER process for the benefit of their own organisation. The MER Training has definitely helped the organisations to improve both their reporting to funders and their internal reporting. We have also seen improvements that have helped us to have a better understanding of the results of the organisations.

THE WAY FORWARD

We are still developing, along with our partner organisations, but many partner organisations have shown incredible growth and improvement already. Valcare has plans to further improve MER in our area of operation and these include the development of an online course and further expansion of the MER Forum.

Valcare is committed to the empowerment, development and upliftment of the people of the Paarl Valley, by taking hands with partners to activate and enable social change in our community.

www.valcare.org.za

CHAPTER 2
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03 IMPACT REPORTING PRINCIPLES

The following principles have been developed as part of a collaborative learning and co-creation journey, to streamline and enhance Impact Reporting within social investment partnerships. These principles of Impact Reporting are recommended for application in your Impact Reporting efforts and processes.

To assist you in reporting effectively on your impact, we have developed a mock social impact report and social impact reporting template, as well as a mock financial report and financial reporting template**.** See Appendix A.

FIGURE 1: IMPACT MANAGEMENT PRINCIPLES

Align Impact Reporting with strategic intent:

Show a clear correlation between the reported impact and the purpose of the initiative.

- Impact Reporting should clearly align with the defined purpose and strategy of the project outlined in formats such as a Theory of Change or Logic Model.
- Reporting should demonstrate the extent to which planned goals and objectives have been met.
- Reporting should clearly articulate lessons learnt and how this new information will be used to refine initiatives, in order to achieve agreed project objectives.

Disclose relevant information:

Include all relevant and meaningful information that may be required by stakeholders, to enable effective decision-making.

- Reporting should include all information that will provide stakeholders with a holistic and accurate picture of how a project is progressing.
- Any information that is likely to influence decisions, or if left out might result in different decisions being taken, should be included.
- Meaningful and relevant information that affects the implementing organisation's ability to implement the planned social and/or environmental change should also be added.

Provide transparent and timely communications:

Ensure open, honest, balanced and timely communication.

- Reports should provide a balanced account of both the positive and negative aspects of programme implementation.
- Include detail on the indicators, standards and reporting frameworks used to assess impact and be sure to cover leadership and financial components.
- Social investors and implementing organisations should communicate new requests - or any changes in terms of expectations - to each other well in advance, so that both parties have ample notice of any issues that may affect the funding partnership.

Work towards collaborative outcomes:

Include input from all relevant stakeholders.

- Input from relevant stakeholders, such as social investors, implementing organisations, implementing partners and beneficiaries, should inform impact management and reporting.
- Decisions around which outcomes are most important, which outcomes should be quantified and measured, and how and when they should be measured, should flow from these collective inputs.
- The reporting outcomes should also be shared with all stakeholders, so that they have access to information that has been disclosed and might affect them. Stakeholders should be afforded the opportunity to participate in the conversation and contribute possible solutions.

Create consistent and comparable reports:

Be consistent over time and enable a direct comparison of results.

- It should be a straightforward exercise for stakeholders to compare current results with results from previous periods and against a baseline.
- Reports should be written in a manner that allows the reader to understand how what is being reported on compares to industry norms, standards and benchmarks.
- Include explanations to support comparisons and differences in results.

Make data accessible:

High-quality data should be readily available to agreed stakeholders.

- Data should be relevant, trustworthy, verifiable, reliable and accurate.
- Data should be easy to locate and accessible to agreed stakeholders.
- Ideally, data should be accessible in "real-time", so that it can be used to instantly inform critical data-driven decisions.

Ensure that data is protected:

Clear guidelines should be in place to support the confidential use and safekeeping of data.

- Personal data and sensitive information should be safeguarded at all times and only used for clearly defined, specific and agreed purposes. All information used, should also comply with the Protection of Personal Information (POPI) Act.
- Confidentiality should always be maintained, and where data is shared with other parties, there should be a clear plan detailing what the information will be used for and how it will be utilised and protected.
- Formal procedures for data and information management should be established and communicated to all parties that have access to the data.

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04 IMPACT REPORTING ELEMENTS

The following reporting elements are recommended for inclusion in impact and/or progress reports to social investors. It is important for social investors and implementing organisations to carefully and collaboratively consider and select relevant reporting elements. This will ensure that only sections with a clear purpose and use are included.

To assist you in reporting effectively on your impact, we have developed a mock social impact report and social impact reporting template, as well as a mock financial report and financial reporting template. See Appendix A.

4.1 INTRODUCTION

Provide key information regarding your organisation and its representatives and key information about the report and the period which it covers.

You may wish to include an 'at-a-glance' visual summary or dashboard of the project status and key results for the reader, in the introductory section of your report.

WHY IS THIS INFORMATION RELEVANT TO COMMUNICATE?

An introduction provides the opportunity to highlight key information and results from the report, giving the reader context up front.

4.1.1 Information about the reporting organisation and its representatives

4.1.1.1 Name of reporting organisation
4.1.1.2 Key contact person and contact details
4.1.1.3 Person completing the report (if different from key contact person)
4.1.1.4 Project partners

4.1.2 Reporting period

Identify the period covered by the report.

4.1.3 Programme status

Indicate the status of the programme in relation to the approved project plan and the related timelines, such as:

- Planning and initiation
- Implementation
- Close-out

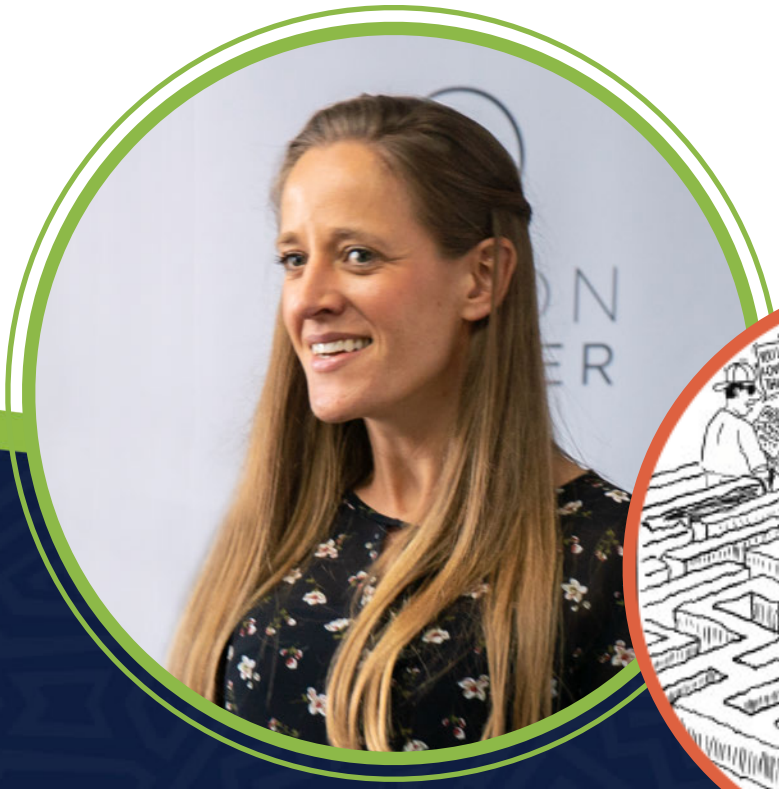
4.2 PROGRAMME *STRATEGY*

This section of your impact or progress report should outline your programme logic and strategy for **how** your programme is designed to achieve its social change objectives and **why** we can expect the intervention to achieve the desired results. There are many different approaches to programme strategy. Some of the more popular results-based methods include Theory of Change, Results Chains, Logical Frameworks and Result Matrices.

This strategy is likely to remain consistent throughout the partnership and Impact Reporting process. Any adaptations would be related to evidence-based insights, lessons learnt and responses to changes in context. Changes can be highlighted for the attention of the reader, with supporting explanations expanded in the reporting section – lessons learnt, challenges and opportunities.

WHY IS IT IMPORTANT TO COMMUNICATE THE PROGRAMME STRATEGY?

The Programme Strategy gives context to the results of the report and reminds the reader of the planned sequence of change. It also covers the "how" and "why" of the planned sequence of change. This section also keeps the reader updated in terms of strategy adaptations - that may be informed by or affect - the information that will be provided in the report.



CASE STORY
WE ARE DURBAN EMBRACES THEORY OF CHANGE

A Theory of Change may seem a difficult or academic task to work through but could be one of your most valuable documents - as an agent wanting to bring about change - in your particular sphere or community. It is a framework for understanding how the "why" of your organisation works with the "what" and "how". It is a simple means of communicating why your organisation exists, in a clear and concise form.

This fantastic tool serves many purposes. It assists those on the ground to see each of their actions in terms of the bigger picture, and to realise how each action affects change. It will also allow your organisation to communicate to external parties around why they are backing your organisation and it will allow board members to evaluate the merit of a new programme. When social investors or companies and organisations are looking to see if they want to partner, if both have a theory of change document, it will be clear whether there is a synergy between the two parties or not.

The framework we use is a mind map. Starting at either the left of the page and working across, or at the top of the page and working down, we map the following key information:

FRAMEWORK

1. **Long-term goal** - make sure it is written in the positive and that it is a goal - not an action! This is the ultimate "why" of your organisation.
2. **Specific change areas** – what are the specific things that need to change in order for your long-term goal to become a reality?
3. **Tangible steps required to reach the specific change areas** – what are the things your organisation or company is doing to impact on the specific change areas noted?
4. Draw lines linking those tangible steps to the relevant specific change areas.
5. Flesh out your tangible steps, so that you have a list of the base actions you would need to focus on. This may include multiple steps.
6. Write down the pre-existing conditions that will need to inform your actions.
7. Connect your actions and pre-existing conditions to each other (It may look like spaghetti!)
8. **Look at your own assumptions** – this is a hard step, but do not leave it out as you may realise that you are missing a piece of the puzzle. Assumptions by their very nature tend to be subconscious and it may take some digging to reach them.

FRAMEWORK (CONT.)

9. **Indicators** - what are the visual measures for your achievement? This is where you get to make commitments to change, including:

   a. Who is your target audience? Who are you changing? Who are your beneficiaries?
   b. How many "who's" will succeed, if they are in your system?
   c. How many "who's" changed, will be considered a success? What is the tipping point?
   d. By when should this change happen?

10. **Remember to look back on your diagram** – some of the actions need to be intentional, while some outcomes will happen organically. You can go back and colour code your lines to make sure you are focusing your energy in the correct areas.

A Theory of Change is an organic document - some things will be added over time and others will be removed. It is worth re-visiting the document a number of times each year. **This tool** can save you a lot of time and energy and keep you on track in terms of your purpose for existing.

We are Durban exists to aid charities in the eThekwini area to reach their potential. We aim for a developmental approach, rather than a "relief" type of approach.

www.wearedurban.com

USEFUL RESOURCES:

The following toolkits, resources and guides can be useful for developing and presenting strategies for social change, and importantly, the logic of how and why change is anticipated to happen:

- We Are Durban's Theory of Change
- Creating your Theory of Change: NPC's practical guide
- DCED Guidelines to the DCED Standard for Results Measurement: Articulating the Results Chain
- Innovations for Poverty Action: Guiding your programme to build a Theory of change
- New Zealand Aid Results Based Management Toolkit
- Results-Based Monitoring and Evaluation Toolkit, Local Livelihoods
- Results Chain & Results Chain Diagram
- Theory of change for funders: Planning to make a difference, NPC

4.3 METHODOLOGY

Provide a brief description of the methodology applied to monitoring and tracking of results (across outputs, outcomes, impact) that are reflected in the report. This section may include narrative descriptions and/or monitoring, evaluation and learning frameworks that reflect the details of your approach.

Answer the key questions:
1. How was the data and/or information reflected in this report collected or generated?
2. How was it analysed?

Key elements to consider include:
- details of any standardised approaches, methodologies and frameworks (including benchmarks and standardised indicators);
- more detailed information about indicators, data collection tools, systems and methods, as well as means of verification and levels of evidence;
- any limitations of the Impact Reporting information collected and included in this report.

This section may cover information that was disclosed during a screening and application phase and may only require updates on changes that have been applied since then.

WHY SHOULD YOU OUTLINE YOUR METHODOLOGY?

The Methodology or framework underpins your Impact Reporting and provides your reader with confidence in the validity, credibility and reliability of the results which will be provided. It helps to answer the question: "How do we know you are achieving the results being communicated?"

CASE STORY

PROPERTY POINT ON HOW DEVELOPING AN IMPACT REPORTING FRAMEWORK ENHANCES IMPACT REPORTING

What inspired you to start your work in developing impact management frameworks (and helping others to develop impact management frameworks)?

Impact measurement and management (IMM) frameworks have been the backbone of Property Point since inception. It was crucial for the organisation to develop and implement a rigorous framework to allow for the effective measurement and management of impact. Central to the development of the IMM framework has been the adoption of a results-based approach to impact management with procedures for setting objectives, monitoring progress and reporting performance. The notion of performance embraces both the achievement of objectives, and the efficiency and effectiveness with which those objectives are met.

Please give us a brief overview of what an impact management framework is and how it is developed.

As an organisation we align ourselves to the global definition of impact measurement and management (IMM). IMM is defined as the practice and methods used to generate and use data on impact to advance the intended social and environmental impact (GIIN, 2020). Impact management is a process of driving social change based on an evidence-based data gathering process, impact learning and iterative impact improvement process. Impact measurement refers to monitoring and evaluation of a specific programme or project.

As an organisation, our Theory of Change is central to the development and implementation of our IMM framework. Property Point utilises a customised in-house results chain framework benchmarked against the Donor Community for Enterprise Development (DCED) results-based measurement standards as best practice. The DCED standards for results measurement provide an important check on the quality of implementation of our programmes.

Our results chain framework illustrates how programme activities are expected to lead to outcomes and impact, and ensures sustainability and cost effectiveness of the programme. Some of the key indicators that we track include access to markets, job creation, turnover realised and profitability of the businesses that we work with.

What are the key benefits of developing and implementing an impact management framework?

- We have a constant birds-eye view of programme implementation and we are able to quickly address deviations in the programme to realign it to our objectives.
- The development and implementation of the IMM framework encourages stakeholder engagement and has allowed us to engage with various stakeholders - throughout programme design and implementation - which is essential to maximising impact.
- Auditing and evaluation are essential components of performance management and help tackle the difficulty of measurement between outputs and outcomes.
- We can demonstrate impact to our various stakeholders.

What have been the main challenges/stumbling blocks for your organisation, and those you work with, in developing and implementing impact management frameworks?

- Collecting quality data from the beneficiary. However, we are in the process of developing an internal automated system that we hope will assist us to simplify and speed up the process of data collection as well as the analysis of the data.
- Verification of data is also a major challenge. We ensure accurate and quality data, through the submission of relevant documentation.
- Closing the feedback loop with our beneficiaries, to ensure that they are utilising data to inform their own business decisions.

How has this shift towards impact management frameworks changed things for you as an organisation? What could others learn from what you have learnt along the way?

Through the utilisation of a rigorous impact measurement and management framework, Property Point has become a data-driven organisation. This has led to us having a continuous improvement mindset, thus increasing efficiency in programme implementation. We believe that efficiency is the key to running a successful and high-performance business development and market access support programme. Data assists Property Point to understand and improve programme performance, to maximise resources and to eliminate intervention activities that are not working.

Shifting towards an IMM framework has ensured that our strategy is reiterative, agile, and responsive to the needs of the market and our beneficiaries. Through an iterative process we are able to keep the beneficiary at the centre of the programme design and ensure that we are constantly addressing their needs. We have learnt that the development of an IMM framework cannot be an afterthought; organisations need to put a framework together before programme implementation.

Property Point is an Enterprise and Supplier Development (ESD) accelerator that aims to empower entrepreneurs and their enterprises to be sustainable, successful, and to make their own impact on the South African economy.

www.propertypoint.org.za

4.4 RESULTS

The results section of the impact or progress report forms the heart of the report. It should provide clear, transparent and reliable information to demonstrate the extent to which the planned results are being achieved. It should also highlight the difference that any interventions have made or are making to its stakeholders. The overall objective is to enable evidence-based decision-making.

This section should outline the results of the measurement and tracking of the strategy's performance against agreed targets and deliverables. This will enable both internal and external stakeholders to determine the extent to which planned objectives are being achieved and targets are being met. Stakeholders will then be able to agree on whether adjustments to the programme strategy may be required. This may include adjustments to goals, objectives, activities, outputs, outcomes and their indicators.

When dealing with Impact Reports at the close-out phase, the results section can form a critical input to build knowledge and inform decisions on 'what works' and the cost-effectiveness of particular approaches or models. It can also inform critical decisions for the future of the funding partnership.

WHY IS THE RESULTS SECTION CONSIDERED TO BE THE HEART OF THE IMPACT REPORT?

The results section forms the heart of the impact or progress report, providing social investors with evidence of progress, relative to planned objectives and targets for the reporting period. It fosters trust, accountability and confidence in the extent to which remaining results will be achieved, as well as providing an early warning system for any challenges that may require intervention. Ongoing reporting of results provides an overview of the results achieved to date and allows the opportunity to reflect on the results and consider any adaptations that may be required.

CASE STORY

THE KAMVALETHU FOUNDATION'S JOURNEY TOWARDS OUTCOME-BASED FUNDING

Kamvalethu is a small Foundation attached to several small to medium sized businesses. There were five main reasons that we embarked on the journey towards an outcome-based funding model:

- We determined early on that we wanted to keep our operations lean and flexible, and to distribute most of our funds to project partners.
- We had been providing funding on a project basis but were finding that as soon as a partner had received the funding, reporting was no longer a priority and it was a struggle to get information.
- We wanted to move towards unrestricted funding, to free our partners up to use funds where they were most needed.
- We fundamentally believe that the organisations with whom we partner must be the experts in terms of implementation. Our role is to draw alongside our partners, to assist them in achieving the required outcomes and to provide an external, strategic sounding board.
- We wanted to work towards more effective collaboration. Many people talk about partnership and collaboration, but we have heard of very few success stories.

Together with our project partners, we decided to trial an outcomes-based funding option, for one year. We were so happy with the results of this approach, that it has now become our primary mode of funding.

STEPS IN OUR FUNDING PROCESS

We have developed the following steps in our funding process, to support the move to an outcomes-based funding approach:

1. APPLICATION PROCESS

We have a phased application process, to ensure that we align with project partners in terms of selection criteria, vision, strategy, and potential funding gaps. This process is a two-way street and we encourage potential partners to question our approach, answering any questions on values and reporting.

2. MEMORANDUM OF UNDERSTADNING (MOU)

The most important step in the process is setting up the Memorandum of Understanding (MOU). We complete a comprehensive MOU with all our project partners and this document includes:

- Our funding agreement and timeline
- Our communication plan
- The project schedule
- A risk management plan
- The outcomes with related targets and evidence markers (only 2-3 outcomes)

This is a collaborative and time-consuming process which goes through many iterations and clarifications before it is signed off. It is critical that outcomes are refined until the focus is on the most important aspects that need to be achieved. For example:

OUTCOME	TARGET	HISTORICAL DATA	EVIDENCE
Children are developing age appropriate skills	95% of children eligible for grade 1 are assessed as school ready	2017 & 2018: All children graduating were school ready. 2019: 95% school readiness as 2 parents insisted on their children being pushed through to Gr. 1.	School readiness assessment ELOM

3. FUNDING AND REPORTING

Project partners complete two feedback reports in a 12-month cycle. Reporting is central to the funding process as the achievement of the outcomes is directly related to funding received. Our funding is done in three tranches:

- **Tranche 1** - Half of the financial commitment is transferred on signing of the MOU.
- **Tranche 2** - Upon analysis of the mid-year report, the second half of the funding is released.
- **Tranche 3** (Bonus) - If outcomes are exceeded, partners qualify for a bonus (roughly 10% of the grant) at the end of the year.

It is critical that the outcomes, targets and evidence markers are well-defined, as these will be used to determine whether an outcome has been achieved, or if it is on track to be achieved. It is not our intention to be punitive in our approach.

4. LEARNING AND REFLECTION

We want to be more intentional in using our data to make decisions and to provide our project partners with useful feedback. We hope to improve on our learning and reflection as we move forward.

CHALLENGES AND BENEFITS

The move towards outcomes-based funding has been immensely positive in terms of streamlining the grant management process. Many of the challenges that we have experienced, have turned out to be benefits as well!

With clarity on the level of expectation set up front, our relationships have been revolutionised. Positive relationships have been enhanced, and challenging relationships have improved, as everyone is on the same page.

The feedback from our partners is that funding was “easier” before we moved to outcomes-based funding because funding was released in its entirety upfront. However, one of the benefits of the new system is that it has encouraged our project partners to crystallise their outcomes, so they can be monitored and measured to show the return on the investment being made by funders, as well as to ensure that the people served by the projects are getting the best possible value. They have stepped up their data capturing, storing and reporting and are more confident that they are making better decisions.

PRINCIPLES TO KEEP IN MIND

- **Start with the end in mind:** choose only 2 – 3 measurable outcomes. Be realistic!
- **Clear communication is critical:** ensure common language is used and have an extremely comprehensive MOU.
- **Collaboration is key:** recognise what each of you brings to the table.
- **Develop data systems:** they must make sense and be easy to use.
- **Capacity building:** assist your partners to build their internal capacity wherever possible.
- **Programme leadership:** internal structures of the funding organisation need to be solid, with strong leadership.
- **Be flexible:** What a time for learning! With the global pandemic that hit, outcomes-based funding has had to be rethought. We are currently maintaining the unrestricted nature of the funding and trying to figure out, along with our partners, how best to innovate on their projects.

The Kamvalethu Foundation enables businesses to positively impact the lives of previously disadvantaged children in South Africa through education.

www.kamvalethu.org

4.4.1 RESULTS *BREAKDOWN*

Key elements to consider and cover when reflecting on results, drawing on the 5 dimensions of impact framework, (Impact Management Project, No date; Hedley, S. et al, 2010):

DIMENSION	CATEGORY	DESCRIPTION	GUIDING QUESTIONS
WHAT	**Activity(s) in period**	Activities implemented during the reporting period.	What activities have you conducted during the reporting period in accordance with your programme strategy and plans?
	Output(s) in period	The level of output achieved as a result of the associated activity.	What direct results (outputs) have been achieved in relation to these activities? Have all planned activities for the period been delivered and associated outputs achieved?
	Outcome(s) in period	The level of outcome experienced by the stakeholder, in relation to the intervention), during the reporting period.	What level of outcome(s) were experienced and recorded during the reporting period? To what extent have all of the target outcome levels for the reporting period been achieved? Are we on track or do we need to implement any changes in order to reach our overall objectives?
	Threshold for positive outcomes	The target threshold or point at which the change in outcome is considered positive.	What is the target threshold for a positive outcome? For example, a particular intervention may increase target beneficiary or end user income, but this change may only become *beneficial* (i.e. not neutral or perhaps even negative) once the income level passes a particular threshold, such as minimum wage.
	Baseline	The level of outcome experienced by the beneficiary, client or end user, prior to the intervention.	What level of outcome was experienced by the beneficiary, client or end user prior to the intervention? How underserved were the target end users prior to the intervention?
WHO	**Stakeholder type**	The type of stakeholder experiencing the outcome(s).	Who is the target beneficiary, client or end user(s) that will experience the outcome(s)?
	Stakeholder characteristics	Demographic and geographic boundary information and characteristics to describe the target stakeholders and provide the basis for disaggregated data.	What demographic and geographic boundaries characterize the type of stakeholder experiencing the outcome(s)?

DIMENSION	CATEGORY	DESCRIPTION	GUIDING QUESTIONS
HOW MUCH	Scale	Scale of the outcome.	What degree of change has occurred between the outcome level at baseline and the outcome level during the reporting period?
	Depth	The degree of change that occurred.	What is the average time period for which the outcome is sustained?
	Duration	The period of time for which the outcome is experienced.	What is the average time period for which the outcome is sustained?
CONTRIBUTION	Depth counterfactual	The estimated degree of change that would have happened anyway (in the absence of the intervention).	What contribution did the intervention make to changing the outcome? The counterfactual could be calculated using a variety of methods, depending on the context. These include market research, proxy statistics, stakeholder feedback and control groups.
RISK[1]	Type of risk	The type of risk that could undermine the realisation of the expected outcomes and impact.	Have any risks changed or have any new risks emerged that could undermine the realisation of the expected outcomes and impact?
	Level of risk	The likelihood of the risk occurring, and the severity of the consequences if the risk does occur.	Has this risk occurred during the reporting period? To what extent has the context and anticipated level of risk changed?

Source: The Impact Management Project

[1]May be relevant to discuss in the challenges and lessons learnt section of the report.

4.4.2 RESULTS *PRESENTATION*

There are many ways that results information can be presented and shared; options can be discussed and agreed with partners in advance. Format options include:

- a table or dashboard representing the programme strategy or logic model. Progress of targets and actual results for each level, including activity, output and outcome, would be reflected in the table. (This could also reflect details such as data collection method and means of verification);
- a series of visual data representations and tables reflecting the progress of various results elements;
- a combination of narrative and data visualisations to outline each results element.

The table below provides an example of how outcome results could be presented in a table format:

TABLE 1: EXAMPLE SUMMARY RESULTS TABLE REFLECTING RESULTS IN RELATION TO ONE OUTCOME AREA

OUTCOME 1: INCREASED INCOME FOR TEACHERS IN THE ECD SECTOR	
WHAT (The specific outcome that the intervention is contributing to)	Average monthly income for teachers at participating ECD centres in the reporting period: **R2 600** Target milestone threshold for reporting period: R3 000 Target threshold for end of intervention (calculated using national minimum wage): R3 520 Average monthly income level of teachers at baseline: R 1 500
WHO (The stakeholders that are experiencing the outcome)	Women from low income areas in South African Metro Centres that work as teachers in participating ECD centres.
HOW MUCH (How many stakeholders experienced the outcome and what was the degree of change)	**50 teachers** (90% of our cohort) benefited from receiving an average monthly income of R2 600 or more in the reporting period. Although, this income level is 13% below the target threshold for the period, it represents a significant **increase of 73%** since the start of the intervention (average current income level compared to baseline).
CONTRIBUTION (Indication of whether the efforts resulted in better outcomes than would have otherwise occurred)	In the absence of comparative industry data and benchmarks on income levels for early learning teachers, we have used the average teacher income in our current intake as a counterfactual measure of what would have happened in the absence of our intervention. The average monthly income level for our current intake is R1 400. This decreased average income level is attributed to the recent economic downturn and the impact that it is having on payment of school fees in early learning centres. The current outcome level of R2 600 is 86% above the assumed counterfactual (R1 400), reflecting a significant contribution over the status quo in the absence of our intervention.
RISK (The probability that impact would be different than expected)	External risk: Medium – the assumed counterfactual, in combination with the outcome level being below the target threshold for the period, suggest that external factors may be affecting this outcome. In order to mitigate this risk and ensure that we are able to achieve our overall target threshold, we plan to increase the level of mentorship and financial management support provided to the participating ECD centres over the remainder of the programme.

Regardless of the chosen format, it is important to ensure that the results information reflected is sufficient to enable the reader to understand the progress of the project against the baseline and planned objectives and targets. This would allow for any risks to be identified and any necessary interventions to be planned.

"...a data point without something to compare it to is like a rocket without fuel: you're ready for take-off yet find yourself firmly rooted to the ground."
(Harrison, K. et al. 2020. P 12)

USEFUL RESOURCES:

The 5 dimensions of Impact, Impact Management Project
IRIS+ free Impact Management and Measurement System by the GIIN

CASE STORY

MOSAIC'S JOURNEY TO DATA-DRIVEN DECISION-MAKING

BACKGROUND

Mosaic has developed an online monitoring and evaluation (M&E) system called OVCmeasure. This tool has made impact measurement accessible for us, by simplifying the process of data capture and addressing both our internal and external data management.

In 2016 we decided that we needed to develop an M&E system for our programmes, but at that stage it was for the wrong reason – to please our social investors. As the journey progressed, we discovered the right reason for us to do this work, and that is to improve our projects and deliver better services to our beneficiaries. We have found this to be a much healthier approach, which has completely changed the way we do business.

In order to be successful, we realised that the implementation and management of an M&E system needs to be driven by the non-profit organisation, with a view to capitalising on impact, and not just providing data to social investors. Everyone in the organisation needs to understand the value of the system and how it can help them to serve people more effectively, so that there is complete buy-in. Most people working in this sector genuinely want to change lives and now we have a tool that can assist them in achieving this goal.

OVERVIEW

Data is captured via a mobile phone app, which can operate both on and offline. This means that our facilitators can gather information as they work and input it directly into the app.

The system captures 3 data "groups":

1. The **basic profile** of each individual, including personal and family information
2. The **history** of the individual e.g. programmes they are involved in, their history of attendance, school performance and meals provided.
3. An **ongoing assessment,** which measures and quantifiably determines whether change has occurred and shows the results. This includes a general and emotional well-being assessment, health assessments, and school or educational performance assessments - conducted at regular intervals.

Data is gathered over time and the result is that a full "picture" of each individual is created within the system. The information within the system can then be represented by graphs which indicate growth and development over a period, and we have found that these visual interpretations even excite the least geeky among us! For users that require more information, the data can be pulled out of the system into a spreadsheet and viewed per individual or across the entire group. This allows for comparison and further informs decision-making within the organisation.

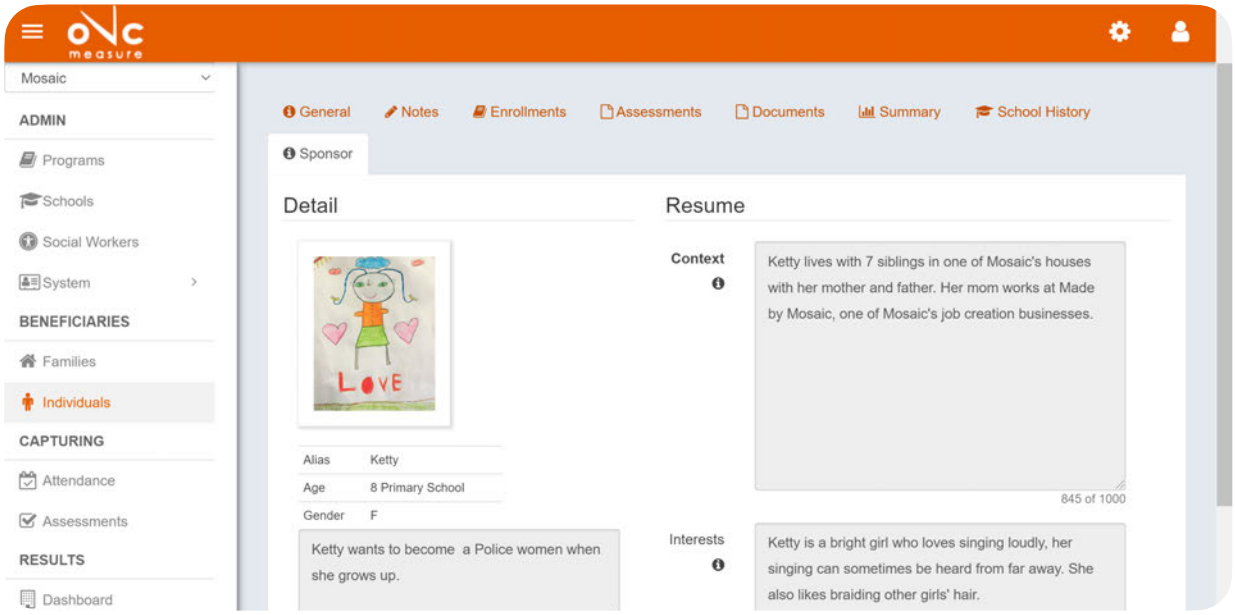
The system provides insights to 3 different users:

Staff or volunteers are able to see which beneficiaries are struggling and can then decide on relevant interventions. This means that they can focus their time and attention, where it is needed most.

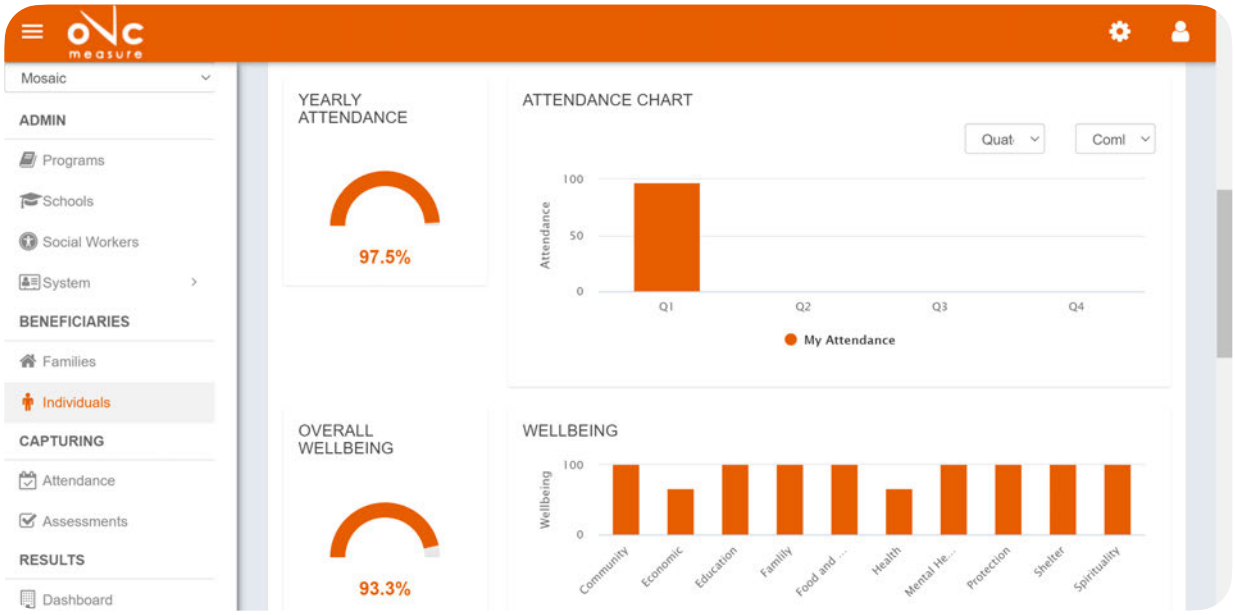
The **Management team** is able to see which areas, households or families may be struggling and make data-driven decisions - based on facts - rather than personal or emotional motivations. The allocation of time or other resources can then be managed accordingly.

Social investors are able to view data that shows them the quantifiable impact of their donation. The system can also be used to build a case for why social investors should invest in specific programmes. There is also a "sponsor a child" module which automates updates on specific children to social investors, in a safe and responsible manner. Both the identity of the social investors and children is protected and yet the social investor can feel connected to the child in a personal way.

SAMPLE SOCIAL INVESTOR VIEW OF INDIVIDUAL PROFILE



SAMPLE VIEW OF ATTENDANCE AND ASSESSMENT



CHALLENGES

First lesson: We hired the software development company first and then spent time doing the research, in order to develop a process and the right questions on paper. It would have saved us a lot of time and money to have done it the other way around!

Second lesson: If the non-profit staff or volunteers don't buy into the M&E process, then you are starting off with a dead project. So, you need to change people's view of M&E at the front end.

We know that **Behaviour = Motivation x Ability x Trigger.** When people experience how the system improves processes and increases impact, it motivates them. Making the system easy to use, easily accessible on their smartphones and as simple as possible, speaks to their ability to use it. And lastly, creating habits (triggers) within your organisation ensures that the M&E is sustainable. You need to address all three areas - motivation, ability and the triggers – in order to change behaviour.

BENEFITS

The benefits of this system are twofold:

1. **Timing**: Data is often kept in filing cabinets and is only accessed when there is a crisis, rather than being used to identify vulnerable youth in advance. With OVCmeasure, the data is immediately accessible and can be viewed not just for an individual case, but across broader groupings. This improves our potential for providing early stage interventions and support.

   This system also helps us to keep tabs on a large number of people and families and to pick up on "warning signs" and trends among beneficiaries very quickly. We can monitor how people are doing, filter data and focus on what is important and then decide where and when to take action.

2. **Decision-making:** The impact of decisions is measurable now, and our staff are able to see the results and celebrate successes. It is very encouraging for everyone when they start to see the tangible impact of the system and how it is helping us better serve our beneficiaries. This definitely motivates the team.

   At Mosaic we have changed some of our programmes significantly, based on the data that we have accumulated using OVCmeasure. Our decisions are no longer based on emotions, but on facts and numbers.

Mosaic delivers a holistic model of intervention to contribute towards a South Africa where every orphan and vulnerable child is loved and cared for within a family setup, with enough resources and opportunities to thrive.

www.mosaicsa.org

NARRATIVE AND STORYTELLING – HIGHLIGHTING STORIES OF CHANGE AND CASE STUDIES

Include narrative descriptions and analysis of results, as well as stories and case studies, to bring life to your impact results and tell the human story. The narrative section and stories of change can be a significant opportunity to showcase the work of the organisation and heroes on the ground. This will also provide useful collateral for your partners to share in their marketing and communications and may contribute to your visibility, so make the most of the opportunity!

Always consider the protection of personal information - for the person featured - as well as ethical and end-user protection considerations related to revealing identities in stories, footage and photographs.

IMPORTANT NOTE:

When sharing videos and photographs, it is important to make sure you:

- get consent from individuals being photographed (when dealing with children and youth, it is critical to get consent from the parent or guardian);
- include the name of the photographer;
- include the names of people, groups and organisations featured;
- include the location (e.g. town/province) where the photograph was taken.

4.5 BUDGET *MONITORING REPORT*

The financial component of reporting to social investors should communicate the financial status of the programme or partnership, reflecting the planned budget versus actual income and expenditure, variance and reasons for variance, budget notes and assumptions. This will help to clarify drivers or calculations influencing your cost allocations. Ultimately, this reporting element should reflect the financial story of the programme or partnership's progress, relative to its planned outcomes and indicators of success.

While the finer details of the budget monitoring report may vary in relation to the particular programme or organisation, it is important to ensure that this section of the Impact Report:

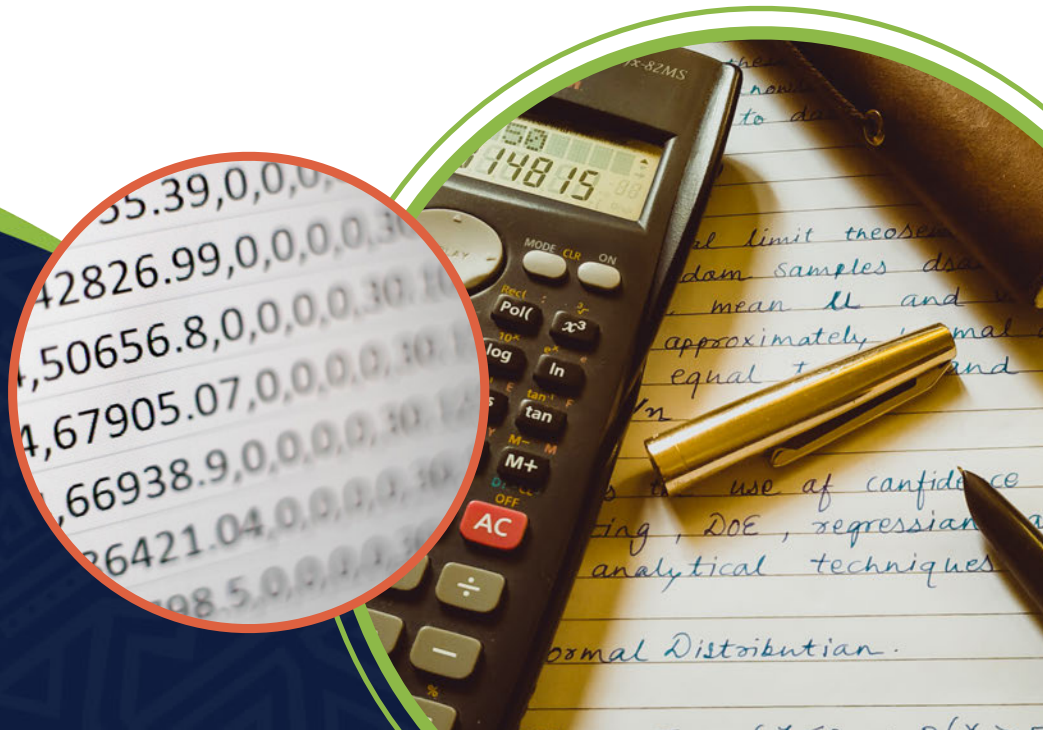
- provides social investors with the right level of detail to meet their information and reporting needs and requirements;
- reflects all relevant income and expenditure (matching the approved budget line items);
- is clear, transparent and accurate;
- reflects calculations and explains calculations as may be needed;
- accounts for variances in budget to actual income and expenditure.

WHY IS THE FINANCIAL REPORTING SECTION RELEVANT?

It provides an opportunity for reporting organisations to foster trust and credibility by clearly and transparently communicating how they have effectively used the resources allocated to achieve what was agreed with the investment partner. For internal team members, the budget monitoring report provides information that can support analysis of effectiveness and operational decision-making.

For social investors, it is an opportunity to keep up to date with the progress and use of resources allocated to the planned goals and objectives of the programme or partnership (Lewis, T. 2017). This enables social investors to fulfil their responsibility for the use of funds they have allocated.

The financial section of the impact or progress report provides an additional lens through which partners can explore and discuss progress and next steps.



CASE STORY

MOMENTUM METROPOLITAN FOUNDATION ON J-PAL COSTING GUIDELINES AS A ROUTE TO TRUE COST INTELLIGENCE

OVERVIEW

The Momentum Metropolitan Foundation (MMF) continuously explores ways in which we can manage our impact measurement, as part of a seamless process. We have limited resources with which to achieve our social impact objectives and our approach must be carefully managed, with the clear understanding that "every cent matters".

We always found that prospective non-profit implementation partners were eager to align with and meet our reporting requirements upfront. However, further into the relationship, challenges often arose. The first and biggest challenge was for data to be captured correctly and the second was for it to be reported on as required. In both cases, the human element came into play and these issues were compounded in prospective partner organisations, as their resources were often stretched.

The value of being able to collect data that is correct and also standardised across all of our social investment programmes, was a key driver in our consideration of the **J-Pal Costing Guidelines** and **Template**.

ABOUT J-PAL COSTING GUIDELINES

"Collecting detailed cost data is crucial to conducting cost-effectiveness analysis and providing advice to stakeholders on how they might best allocate limited budget resources.

When J-PAL collects information on program costs, our goal is to illustrate how much a program would cost if it were replicated, and to facilitate more general comparisons among related projects. In our experience, it is much easier and more accurate to collect this cost information during the implementation of the programme, instead of trying to piece together the data after the evaluation is completed.

COLLECTING DETAILED COST DATA

Since the goal of collecting costs data is to determine how much it would cost an organisation to replicate the program, we must gather detailed information on the cost and quantity of all ingredients required to implement the program. The level of detail in cost data has implications not only for generating an accurate cost-effectiveness estimate but also for identifying the drivers of cost-effectiveness or the potential cost-effectiveness of the program in another context or scale."

www.povertyactionlab.org/sites/default/files/resources/costing-guidelines.pdf

We are on a journey with our partners and we are constantly weighing up what does and does not work and which of our processes and programmes are most effective and efficient. Taking into account where we are in the lifecycle of our strategy, the key element is getting the reporting right, with specific attention being paid to costing.

We wanted to understand the true cost of results per program and, in accordance with our strategy and objectives, get a view of what it actually costs to successfully place a young person into employment. The J-PAL Costing Guidelines offered a solution to support data collection that would enable us to fully understand the cost of delivering the impact for each of the programmes we partner with, as well as how the programmes compare with each other. We realised that if we adopted the J-PAL Costing Guidelines, we would be able to make better-informed decisions, with costs being taken into consideration.

THE PROCESS

Using the J-PAL approach, we gather the information associated with the project during the due diligence phase and then also on a quarterly basis, during the implementation phase. The nature of J-PAL's approach is to gather detailed data during implementation, with the focus being on identifying the true cost per unit.

The programme budget, which is prepared prior to implementation, usually differs significantly from where money is actually spent during implementation. In using the J-Pal format, we can pick up on what the actual costs are timelessly and we can then make informed decisions, based on the information gathered.

BENEFITS

The adoption of this approach to costing and budget reporting has realised tangible benefits for MMF and our non-profit delivery partners over just a few months, as detailed below:

- Our Management and Board are able to make well-informed decisions because we are getting timeous, adequate, comparable and accurate information to base the decision-making on.
- We no longer have to wait for the evaluation of the programme to provide us with data in order for us to correct or amend our strategy, because we are able to correct and amend things as we go along. The Costing Guideline template allows us to be flexible in our approach. And, we now have a clear understanding of what it actually costs to place a young person into employment through our programmes, as well as what it would take for us to scale up. Having a clear breakdown of all the costs involved in achieving our objectives, helps us to:
    - understand how to best move forward in allocating limited resources
    - know when cost saving measures are necessary
    - recognise when it may be necessary to scale up a project
- We have found that our partners have more accurate insight into the full costs of their service delivery and results, which also supports their planning, decision-making and efforts to explore alternative cost-effectiveness measures.
- We are able to be more efficient with our resources and drive implementation more effectively and can therefore maximise our outputs.
- We can use limited resources to replicate and scale up what we know works efficiently.
- We understand exactly what it takes to achieve our objectives, because we now know exactly what happens during implementation.
- With all of the data we have available, we are in a better position to move into a new partnership with any implementing organisation.
- We are able to tell our stories better because we have adequate information.
- We can achieve our ultimate goal, which is to put more young people into employment.

THE WAY FORWARD

We are now looking to complement the integration of the J-PAL costing approach with a portfolio management system called Amp Impact. We will build J-PAL Costing Guidelines into this system, which will make this an even smoother process.

The Momentum Metropolitan Foundation was set up as an independent Non-profit Company (NPC) that integrates the corporate social investment initiatives of Momentum Metropolitan Holdings. The Foundation channels Corporate Social Investment (CSI) funds to non-profit organisations and institutions working towards the development and empowerment of the broader community.

www.momentummetropolitan.co.za/en/social-investment/foundation

4.5.1 COMMON BUDGET MONITORING REPORTING ELEMENTS AND CATEGORIES

Depending on the implementing organisation or programme, the specific sources of income and expense line items may vary. However, budgets and budget monitoring tables will typically feature the common primary categories of **Revenue** and **Expenses**, with sub-categories under Expenses as below:

- Personnel salaries and benefits (may cover salaries and benefits of staff directly and indirectly involved);
- Programme expenses (direct programme expenses) and
- Administration costs (often indirect, shared or central support costs).

The Budget Monitoring Table (**see Appendix D**) provides an example of such a common structure with categories and line items that can be used for reporting on budget vs. actual and variances to tell the story of the organisation's or programme's progress against the planned budget. This example could be used to reflect costs across a particular programme being funded or it could be adjusted and used for a whole organisation, to reflect revenue and expenses across multiple programmes or cost centres.

If the budget monitoring report covers unrestricted funding across an organisation, additional columns can be added to reflect each programme or cost centre. Budget monitoring reports may also be broken into phased, shorter time periods, for example by month or quarter, depending on the duration and agreement. Where certain funds are assigned for specific use or within specific periods, they should be allocated accordingly i.e. for the designated use and/or time period (Lewis, T. 2017).

A NOTE ON DIRECT AND INDIRECT COSTS

Direct costs are the costs that can be specifically attributed to a programme and its activities. (Propel Nonprofits. No date; Lewis, T. 2017) Indirect costs are those costs that are incurred by the organisation for its administration and operations across all programmes, but are not specifically linked to a programme and its activities (Propel Nonprofits. No date). They are also sometimes known as overhead, core or central support costs.

Investment in indirect costs (such as quality senior leadership, finance, technology, resource mobilisation and governance) add significant value and standards of excellence to all programmes delivered by an organisation. They are also critical enablers of programme delivery (Propel Nonprofits. No date). Consequently, there is growing recognition of the need for:

- central support that is provided to be 'charged' to programmes in a reasonable, fair and consistent manner (Lewis, T. 2017)
- social investors to recognise and support true costs, including indirect costs, in order to ensure the effective and professional operations of the organisations which they support (Garcia Abadia, M; Lin, J. 2009)

Organisations can encourage the positive consideration of indirect costs by clearly and transparently reflecting cost drivers, calculations and explanations/rationales in budgets and budget monitoring reports. Different approaches can be used to inform indirect cost allocation decisions, but these should be consistently and transparently applied (Lewis, T. 2017). Some common approaches include the apportionment of staff time, square meterage (floor space utilised), percentage of total direct costs, or number of staff members (Propel Nonprofits. No date).

4.5.2 BUDGET MONITORING REPORT NARRATIVE

The Budget Monitoring Table (**see Appendix D**) displays common categories and elements disclosed for accurate and transparent financial reporting against budgets. It can be useful to include a narrative description to explain any details, calculations, assumptions, variances or approaches that may be required for the reader to fully understand the progress and any response actions required.

4.5.2.1 HOW TO DEAL WITH VARIANCES

In reality, there is often a variance between budgeted amounts and actual amounts paid or received. Three common factors that could cause a variance include changes in the time period in which the activity takes place, the actual price paid, and the actual amount of goods or services delivered. Generally, a positive or negative variance of up to 10% is considered an acceptable range (Lewis, T. 2017).

Accounting for and disclosing variances can be accomplished through narrative description or in a table format (see the example variance table below). Either approach can serve the interests of transparency and effective communication.

Key information to provide in an account of variances would include the line item (from your budget monitoring report), the % variance, the reason for the variance, the expected impact of this variance and proposed responses or actions that could be implemented to remedy and/or resolve the variance. Many social investors allow transfers between budget item categories, as long as the variance for the category does not exceed the 10% range. In these cases, formal approval for budget transfers is only required if the 10% range is exceeded (Lewis, T. 2017).

VARIANCE TABLE EXAMPLE				
Budget Line Item	Variance	Reason for Variance	Impact of Variance	Response Options

It is important that variances are monitored and disclosed to social investors timeously, in accordance with the agreement terms and conditions and reporting requirements. Proactively including proposed and/or possible response actions can open the pathway to collaboratively explore and agree on the best action.

In terms of presenting and proposing response options, if a positive variance (within the agreed acceptable range) between the budgeted expenses and actual expenses occurs, funds could potentially be reallocated to other expense categories or projects, or the project could be expanded (if possible, within the scope of the agreement).

A negative variance between the budgeted expenses and actual expenses could be adjusted in a similar way. Funds could be reallocated from other line items in the budget. Again, it is important to discuss this with the social investor.

4.5.2.2 BUDGET MODIFICATIONS

As stated above, it is important to always communicate and discuss with social investors timeously when any adjustments need to be made to the budget. It is possible for project plans to change significantly for a range of reasons, such as political unrest or the onset of a pandemic. In such circumstances, social investors and organisations should work together to reconsider the project plan and associated budget to see if an alternative strategy could achieve the same results within the same total budget (Lewis, T. 2017).

4.5.2.3 SURPLUS FUNDS

A significant surplus on the financial statements or a specific project, could result in a misleading impression of the organisation's financial position. Existing or prospective social investors might be reluctant to provide more funding, as they might assume that these funds are not required. It is important that the reasons for the accumulated funds (e.g. equipment that needs to be replaced) should be communicated to existing or prospective social investors, in order to ensure that they realise that their support is still crucial (Lewis, T. 2017). It should also be stated whether surplus funds are related to restricted or unrestricted funds, as restricted funds would always link to specific future expenses and unrestricted funds could be allocated at the discretion of the organisation.

4.5.2.4 HOW TO DEAL WITH IN-KIND DONATIONS

It is important for organisations to record the many possible types of in-kind donations they receive in accordance with GAAP (Generally Accepted Accounting Principles). In-kind contributions that are essential to delivering a programme and have a tangible value that can be applied, can be measured at fair value and recorded as revenue on receipt or during the period that the contribution is received or pledged. The correlating expense should be recognised during the period in which it is used (BPM, 2016; Guzman, K, 2017; Lewis, T. 2017).

In the case that certain in-kind donations are not received anymore, it could have a material effect on the cost of operations, depending on the relative value of and dependency on the in-kind donation. For example, a senior management volunteer can be core to delivering your programme strategy and you would have serious financial and non-financial implications if that resource were no longer available. It is important to distinguish between in-kind donations that are critical to delivering your programme strategy versus in-kind donations that are not critical to delivering the programme and its outcomes. It is necessary to include your core in-kind donations in the budget to reflect full costs and manage risk associated with replacing the value of in-kind donations.

CASE STORY

ZIYO ON WHAT NON-PROFIT ORGANISATIONS WISH THEIR FUNDING PARTNERS KNEW ABOUT THEIR FINANCIAL MANAGEMENT

It is a myth that non-profit financial management and accounting is exactly like that of a profit-making business. While there are many similarities, it can often seem like a parallel universe. After many years of working with non-profits, here are some of the peculiarities of financial management within a non-profit entity that we have learned.

OVERVIEW

Imagine a project that operates solely with perfectly-skilled volunteers, operates from a coffee-shop but does not purchase coffee, has no bank account and possibly no money, has pro-bono auditors, accountants, and lawyers and donated equipment that is maintenance-free and stored in someone's garage. This sounds pie-in-the-sky, and it certainly is! Sometimes, non-profit organisations are treated as if only funding that is channelled directly to a beneficiary is worthwhile funding. Taken to the extreme, it is sometimes believed that salaries are not worth funding. Many non-profits require a large number of people with skills to serve their constituencies – such as counsellors, social workers, activists, or teachers – with a high proportion of their expenditure being paid as remuneration. These costs must always be included in budgets, and should be supported by funders.

SEPARATE BANK ACCOUNTS FOR DIFFERENT POTS OF FUNDING

Some funders believe that a separate bank account guarantees transparent accounting for their funds paid to an organisation. However, for many non-profit entities, there may be numerous employees and suppliers to be paid and it is likely that most outgoing amounts from the bank account would simply be transfers to the organisation's operating bank account, from which most payments to employees and suppliers will be made.

Additional bank accounts create extra administration and bank charges for the entity and, in our view, are unnecessary where the organisation operates an accounting system that is able to track income and expenditure per funder or grant separately.

RESERVES AND SAVINGS

There is no doubt that non-profits need a cash-flow buffer to help them through delayed funding and short-term lean times. Last year, an organisation we know endured a few months where a whole batch of funding agreements were ending, before new ones were starting. If that organisation was without any saving in reserve, they would have had to close their much-needed operations. Fortunately, due to a modest reserve fund, this was a mere blip that didn't sink them. Those supporting non-profits need to recognise the need for this type of savings and reserve funds, and even actively support it – imagine a world in which each funding contract contributes a small amount to the reserve as a budget line item!

Some non-profits may be perceived to be sitting on vast amounts of reserves or savings that do not ever get to the intended beneficiaries. In some cases this may well be true, however, in other cases, this may be a misinterpretation of financial statements. For example, where a non-profit discloses "accumulated funds" on its statement of financial position, those funds may not necessarily be made up of cash, but possibly of fixed assets, say, buildings used to house the organisation's operations. Sometimes, this could also just be poor financial statement presentation or ignorance of the image it projects. In our opinion, it is important to dig a bit deeper.

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USEFUL RESOURCES:

In the context of efforts to break the "starvation cycle", certain social investors and stakeholders have developed useful budgeting and financial management and reporting tools and guidelines to support applicants and partners to develop full cost budgeting. Some of these include:

- **Propel nonprofits:** True Program Costs: Program Budgets and Allocations Guideline and template
- **Wallace Foundation:** Program-based Budget Builder Template and Demo
- **Mango:** Financial Management Essentials – A Handbook for NGOs
- **The Bridgespan Group:** Nonprofit Cost Analysis Toolkit: Six Steps to Finding the True Costs of Programs

4.6 LESSONS LEARNT, *CHALLENGES AND OPPORTUNITIES*

This section should provide information to assist stakeholders in answering three key questions:

- What key lessons have you learnt from your experience, the impact insights and analysis of results?
- How will you incorporate these learnings into the programme more broadly, for the next period and in future, to further enhance and scale the results which were achieved?
- What challenges or changes were encountered, and what strategies have been put in place to mitigate the risk of these challenges or changes impacting current and future results?

WHY IS IT IMPORTANT TO MONITOR AND REPORT ON YOUR BUDGETS?

This is a great opportunity to educate your partner on your context and demonstrate learning. You can highlight improvements and show how the positive effects of your partnership will contribute to greater impact in the future. It also provides a foundation from which to explore future partnership opportunities and contributes to a depth of knowledge within the sector.

If the programme or partnership is still in progress, proactively communicating adaptations or changes - based on impact insights and evidence - can further contribute to confidence in the best results for the remainder of the programme or partnership. This kind of analysis and planning can demonstrate that you have tight operational controls and plans in place to ensure that you meet the overall objectives, and are focussed on practical solutions to overcome any challenges timeously.

4.7 CONCLUSION

Always include a conclusion in your report for the period, providing:

- a summary of the report and the key information communicated and how this contributes to overall goals and objectives for the partnership;
- an indication of what the social investor can expect to be achieved in the next period;
- a call-to-action for the reader, in terms of next steps in the partnership – should we stop, continue, or grow?

Overall, your Impact Reporting provides an opportunity to engage and communicate with stakeholders at key intervals to foster trust, transparency and decision-making. It is a platform to provide your stakeholders with the information they need to understand your progress and results against your planned objectives, identify any additional support or intervention measures that may be required, and plan for the future.

To make it easier for you to complete your own Impact Reports, we have developed a complimentary mock social impact report and social impact reporting template and a mock financial report and financial reporting template, which you can share with your stakeholders and customise and populate with your information. **See Appendix A.**

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APPENDIX A

MOCK REPORTS AND TEMPLATES

ITEM	DESCRIPTION
Mock Social Impact Report	This mock social impact report provides you with an example of how a finalised social impact report could look.
Social Impact Reporting Template	**This reporting template can be used to create or add to you own social impact reports.**
Mock Financial Report	This mock financial report provides you with an example of how a finalised financial report could look.
Financial Reporting Template	**This financial reporting template can be used to create or add to your own financial report.**

APPENDIX B

GLOSSARY

TERM	DEFINITION	SOURCE
Activity Baseline	A specific action or process implemented over a specific period of time to convert resources to products or services to achieve results.	Planning and Performance Management Unit, Office of the Director of U.S. Foreign Assistance, 2009.
Baseline	Information collected before or at the start of an intervention that describes the population at that point. It provides a basis for planning and/ or comparing conditions over time.	Planning and Performance Management Unit, Office of the Director of U.S. Foreign Assistance, 2009; The Impact Management Project, no date.
Beneficiaries	The individuals, groups or organisations that benefit (directly or indirectly) from an intervention. These may also be referred to as clients or end-users.	Planning and Performance Management Unit, Office of the Director of U.S. Foreign Assistance, 2009; OECD DAC WP AE, 2002.
Cost driver	Measurable factors that influence the amount of each cost item that is allocated to the various programmes and/or cost centres.	Propel Nonprofits, No date; Garcia Abadia, M; Lin, J. 2009
Counterfactual	The situation or condition which hypothetically may prevail for individuals, organisations, or groups were there no intervention.	The Impact Management Project
Direct costs	Costs that can be specifically attributed to a programme and its activities.	Propel Nonprofits, No date;
Social investor	Used to refer broadly to funders and corporate social investors giving financial support to implementing organisations for the purposes of social change.	Working definition.
Evaluation	A systematic and objective assessment of an intervention based on qualitative and quantitative information. Evaluations are undertaken to (a) improve the performance of existing interventions or policies, (b) assess their effects and impacts, and (c) inform decisions about future programming.	Planning and Performance Management Unit, Office of the Director of U.S. Foreign Assistance, 2009.
Impact Management	The ongoing practice of measuring and improving our impacts, so that we can reduce the negative and increase the positive.	The Impact Management Project
Implementation	The phase of an intervention where the plan is put into action or executed.	Harvard Business Review staff. 2016.
Indicator	A standardised, quantitative metric that provides information to signal or show the state or presence of a situation or condition. Typically used to monitor performance, compare and track changes over time.	Hales, D, No date. UNAIDS

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TERM	DEFINITION	SOURCE
Indirect costs	Costs that are incurred by the organisation for its administration and operations across all programmes but are not specifically linked to a programme and its activities.	Propel Nonprofits, No date.
In-kind donations	A donation in the form of goods or services.	Lewis, T. 2017
Intervention	An action or entity that is introduced into a system to achieve a result. In this context, an intervention refers to an activity, project or program that is introduced or changed.	Planning and Performance Management Unit, Office of the Director of U.S. Foreign Assistance, 2009.
Logic model	A graphic depiction (road map) that presents the shared relationships among the resources, activities, outputs, outcomes, and impact for your program. It depicts the relationship between your program's activities and its intended effects.	CDC, 2018
Memorandum of Understanding	A memorandum of understanding (MOU) is an agreement between two parties that is not legally binding. It outlines the terms of the agreement and responsibilities of each of the parties to the agreement.	Legal Dictionary
Methodologies	The specific procedures or techniques used to identify, select, process, and analyse information about a topic. In this context, it applies to the information covered in the impact or progress report. The methodology allows the reader to critically evaluate the overall validity and reliability of the information.	University of the Witwatersrand, 2020.
Monitoring	A continuing function that uses routine collection of data on specified indicators to detect changes - the extent of progress and achievement of objectives and progress in the use of allocated funds. It informs management and the main stakeholders about the progress of an ongoing intervention and about problems that may arise and require corrective actions.	Planning and Performance Management Unit, Office of the Director of U.S. Foreign Assistance, 2009; OECD DAC WP AE, 2002.
Objective	A statement of the condition one expects or plans to achieve.	Planning and Performance Management Unit, Office of the Director of U.S. Foreign Assistance, 2009.
Output	The immediate products, goods, and services which result from an intervention.	Planning and Performance Management Unit, Office of the Director of U.S. Foreign Assistance, 2009.
Outcome	A result or effect that is caused by or attributable to the intervention. Outcome is often used to refer to the short and medium-term effects of an intervention's outputs.	Planning and Performance Management Unit, Office of the Director of U.S. Foreign Assistance, 2009; OECD DAC WP AE, 2002.

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TERM	DEFINITION	SOURCE
Reporting Elements	The sections of the report.	Working definition.
Reporting frameworks	Provide a standardised process for impact reporting - to identify, measure and value impacts. They may be flexible in the methodologies used to analyse and value impact data and results.	Greenstone+. 2018.
Result	The output, outcome or impact intended (or unintended).	OECD DAC WP AE, 2002.
Result Matrix	A tool created during project design which develops and presents the correlation between project objectives and indicators. It provides a logical model to achieve project results and is an important key in the beginning (kick-off) stage of project implementation which provides input for the planning process and also serves as a monitoring tool during project implementation.	Project Management for Results, 2016
Results Chains	A tool that shows how a project team believes a particular action will lead to a desired result. It outlines the logic of the project at each stage of intervention, from activities to output and outcomes to impacts.	Foundation of Success, 2007
Stakeholders	Entities (such as agencies, organisations, communities, groups or individuals) who have a direct or indirect interest in the intervention or its evaluation.	Planning and Performance Management Unit, Office of the Director of U.S. Foreign Assistance, 2009; OECD DAC WP AE, 2002.
Summative assessment	A study or evaluation conducted at the end of an intervention (or a phase of the intervention) to determine the extent to which expected outcomes were produced.	Planning and Performance Management Unit, Office of the Director of U.S. Foreign Assistance, 2009.
Surplus	The bottom line of an income statement (organisational, project or programme) that reflects either a surplus (positive figure) or deficit (negative figure). A surplus shows that more money came in than was spent for the relevant time period.	King, S. 2018.
Theory of Change	A tool to help you describe the need you are trying to address, the changes you want to make (your outcomes), and what you plan to do (your activities).	NPC, 2014
True cost	The true, full costs of delivering various programmes and interventions for social change.	Propel Nonprofits. No Date.

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TERM	DEFINITION	SOURCE
Target	The specified result(s), often expressed by a value of an indicator(s), that a project, program, or policy is intended to achieve.	Planning and Performance Management Unit, Office of the Director of U.S. Foreign Assistance, 2009.
Variance	The difference between the budget and the actual amount of income or expenditure.	Lewis, T. 2017

APPENDIX C

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APPENDIX D

BUDGET MONITORING TABLE

BUDGET					ACTUAL	
	DEFINITION	**COST DRIVER / RATIONALE**	**PROGRAMME (ZAR)**	**PROGRAMME (ZAR)**	**BUDGET UTILISATION TO DATE**	**VARIANCE**
REVENUE	Definitions of revenue and expense items	Measurable factors that influence the amount of each cost item allocated to the various programmes	Rand amount of budget allocation for the period	Rand amount of actual revenue or expenditure for the period	% Of the total budget utilised to date	Difference between budgeted amount & actual (amt. or %)
Contributions and support	Financial donations or grants received					
In-kind donations (E.g. clothing / food / medicine)	A donation in the form of goods or services that is used to carry out the mission of the organisation					
Programme revenue	Income generated by the programme					
Bank interest	Interest received on money in bank account					
Investment income	Income received from an investment					
Other	Any other revenue sources					
Total Revenue						
Expenses						
Personnel salaries and benefits	Remuneration and non-financial benefits of employees					

E.g. Executive Director	Executive Director of the organisation	E.g. Proportion of time allocated to programme, based on relative direct programme costs as a proxy of demand on ED's time.				
E.g. CFO	Chief Financial Officer of the organisation	E.g. Proportion of time allocated to programme, based on relative direct programme costs as a proxy of demand on CFO's time.				
E.g. Programme Manager	Programme manager	E.g. Proportion of staff member's time spent on programme				
E.g. Curriculum designer	Programme curriculum designer	E.g. Proportion of staff member's time spent on programme				
E.g. Facilitator	Programme facilitator	E.g. Proportion of staff member's time spent on programme				
E.g. M&E - data collector	Data collector – M&E	E.g. Proportion of staff member's time spent on programme				
Programme expenses	Direct expenses					
E.g. In-kind donations (e.g. clothing, food, medicine)	Fair value cost of the in-kind donation(s) reflected in revenue	E.g. Fair value cost of the contribution at the time of receipt				
E.g. Rent and utilities - training facility	Costs incurred to rent programme training facility	E.g. Rental of programme training facility				
E.g. Programme staff training	Costs incurred to train staff involved in delivering the programme	E.g. Direct training costs for programme delivery team (incl. no. of team members being trained)				

E.g. Printing - curriculum materials	Printing costs incurred to print participant curriculum materials	E.g. Direct printing costs incurred for printing participant curriculum materials (incl. no. of participants)				
E.g. Transportation - facilitator travel)	Travel costs (flights, accom, per diems, and car hire for facilitators traveling to multiple training sites)	E.g. Direct travel costs associated with programme facilitators to deliver facilitation (incl. number of locations, no. of facilitators traveling)				
E.g. M&E software	Subscription fees for M&E software system	E.g. Share of subscription costs based on number of users related to the programme's delivery and reporting				
Administration	Central / core costs					
E.g. Audit fees	Remuneration for organisation's auditors	E.g. Proportional auditing costs as allocation relative to programme budget share of organisation budget				
E.g. Equipment	Equipment purchased for use in the organisation (e.g. IT hardware)	E.g. Amount of equipment ordered / total equipment				
E.g. Supplies	Pens, paper, envelopes and other office material	E.g. Supplies ordered by programme / total supplies				
E.g. Marketing and Publicity	Costs incurred for promotional or advertising purposes	E.g. Proportional Marketing and Publicity costs as allocation relative to programme budget share of total organisation budget				

E.g. Rent and Utilities	Payment for the occupation of a building and utilities such as water, electricity, garbage removal, etc.	E.g. Number of programme staff / total staff				
E.g. Telephone	Costs incurred on landlines and cell phones	E.g. Proportional telephone costs as allocation relative to programme budget share of total organisation budget				
Total Expenses						
SURPLUS/ SHORTFALL						
	Indirect expenses					
	Direct expenses					