

SOCIAL ENTREPRENEURSHIP IN LEBANON

A GUIDE TO SOCIAL IMPACT MEASUREMENT

August 2020

Important: This manual has been prepared by Beyond Group, as part of BADAEL project, based on the Social Entrepreneurship Qualification Model briefly presented in this document, pending the elaboration and approval of the related law. Several details and elements related to legal aspects and governance require review and validation upon the finalization of the draft law.

This publication was developed by Beyond Group and funded by the European Union, through the EU Regional Trust Fund in response to the Syrian crisis, the EU MADAD Fund. Its contents are the sole responsibility of BADAEL consortium and do not necessarily reflect the views of the European Union.

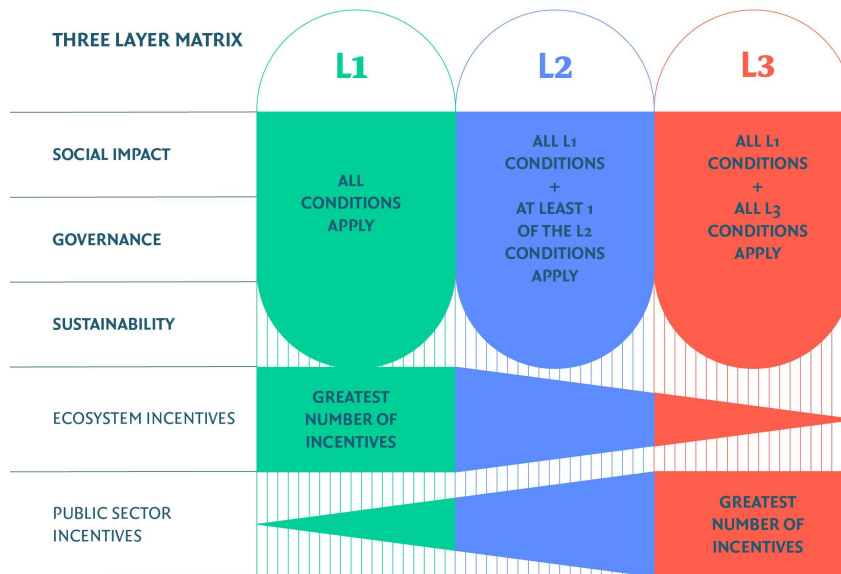
TABLE OF CONTENTS

SCOPE OVERVIEW	4
CHAPTER ONE: INTRODUCTION	5
What is Social Entrepreneurship	5
What is Social Impact	5
What is Social Impact Measurement.....	6
Why is it Important	7
Social Impact Measurement Complexity	7
CHAPTER TWO: SOCIAL IMPACT MEASUREMENT, A GLOBAL PERSPECTIVE.....	8
Best Practices	8
Three Country Cases.....	12
CHAPTER THREE: SOCIAL IMPACT MEASUREMENT IN LEBANON.....	15
Social Enterprises Growth Levels.....	15
Guiding Principles	17
Useful Resources and Tools.....	22
Suggested Role of the Governing Entity	23

SCOPE OVERVIEW

Following the consultative process that was facilitated by Beyond Group with social entrepreneurship (SE) stakeholders and ecosystem actors in Lebanon, a policy framework for economic inclusion and social solidarity was proposed upon a detailed legal review and analysis of policy options for social entrepreneurship in Lebanon. The conversation has led to a consensus around a contextualized definition of social entrepreneurship in Lebanon, as well as a policy/legal option.

The Qualification Model was found to be the best legal option suited to social entrepreneurs in Lebanon, with a three-layered matrix that takes into account nascent and aspiring social enterprises, as well as already-existing social enterprises that could perform better if they had more incentives to do so.



The three-layered matrix defines social enterprises based on criteria set as per the agreed definition: social impact, governance, and sustainability. It sets basic requirements for social enterprises at level 1 (SEs L1). If the social enterprise fulfills additional conditions, it then moves into the higher qualification levels: the improved social enterprises (SEs L2) or a more impactful social enterprise (SEs L3). Accordingly, the three-layered matrix outlines incentives to each of the three levels of qualifications, and therefore incentivizes social enterprises at these different levels, especially the more advanced one, to aim for higher levels of incentives, social impact, and sustainability.

Each of these components (social impact, governance, and sustainability) includes a set of criteria that an SE needs to meet in order to earn a certain level of qualification. The 'Social Impact' dimension in particular considers three criteria: social mission, social impact measurement, and employment of disadvantaged people.

As the qualification manual serves as a practical guide for the governing entity to assess and qualify the social enterprises, this social impact measurement toolkit is a document dedicated to further elaborate on the proposed social impact measurement framework for Lebanon. It starts with a general introduction on key concepts such as social entrepreneurship, social impact, and social impact measurement in Chapter 1. It continues with showcasing international best practices and guidelines adopted for impact management in Chapter 2, and presents the social impact measurement framework proposed for the Lebanese ecosystem in Chapter 3.

CHAPTER ONE: INTRODUCTION

What is Social Entrepreneurship

Social entrepreneurship is defined as any phenomenon through which a collective group of citizens strive to solve their community's social and/or environmental problems innovatively and sustainably by using local resources to create products or services that generate revenue, with profit reinvested to scale up the social impact.¹

Three core dimensions can be associated with the definition:

1. The social outcome of the social enterprises: as it looks at the social innovation and impact of a social enterprise within the social, economic, environmental, and cultural contexts of the country;
2. The governance structure of the social enterprise: as it looks at the inclusiveness, transparency and participation mechanism within the social enterprise.
3. The sustainability of the social enterprise: as it looks at the business model of a social enterprise to ensure its financial sustainability as well as how it makes use of natural and environmental resources.

SOCIAL ENTERPRISE DIMENSIONS



As it navigates through both profit and nonprofit spheres, SE proposes new organizational structures and operating procedures taking the shape of social enterprises.² Social enterprises (SEs), as a hybrid model of businesses with a purpose, “play an important role in driving sustainable and inclusive development, tackling inequality, and helping to address some of the biggest challenges.”³ Social enterprises are considerably a recently recognized type of organization around the world, and more specifically in Lebanon. At the core of their existence lies the promise of addressing the most pressing social and environmental challenges of a community through entrepreneurial activities and while delivering positive and sustainable social change. Social enterprises can complement different private and public efforts offering services in response to the needs of multiple segments of society.

What is Social Impact

The concept of social impact is primarily and directly related to the social value produced by organizations (Bassi, 2012). “Although any business can have a social impact, non-profit organizations and social enterprises are explicitly designed to create social value while addressing social challenges and are therefore expected to produce social impact” (OECD, 2015, p.3).

According to Clifford (2014), social impact is defined based on four elements:

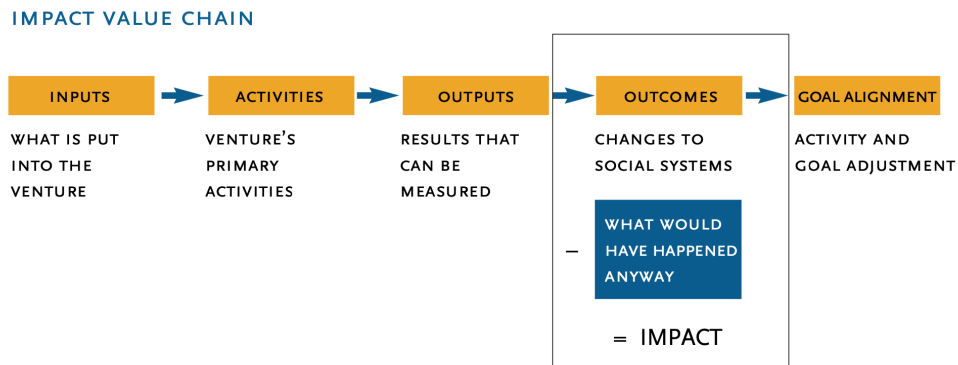
- the value created as a consequence of someone's activity;
- the value experienced by beneficiaries and other affected people;
- an impact that includes positive and negative effects;
- an impact that is assessed against a benchmark of what the situation would have been without the proposed activity.

¹ Beyond Group and OXFAM, 2019. Social Entrepreneurship in Lebanon. A Proposed Policy Framework for Economic Inclusion & Social Solidarity. Beirut: Beyond Group and OXFAM.

² Jamali, D. and Lanteri, A. eds., 2016. Social entrepreneurship in the Middle East (Vol. 1). Springer.

³ British Council, 2015. Think Global Trade Social: How Business with a Social Purpose Can Deliver More Sustainable Development. London: British Council.

Clark et al. (2004, p.7)⁴ define impact as “the portion of the total outcome that happened as a result of the activity of the venture, above and beyond what would have happened anyway.” To minimize the confusion and inconsistency in using the terminologies of this field, they showcase their understanding of impact through the illustration of the impact value chain:



The key takeaway of this illustration is to clarify and differentiate between outputs and outcomes. “Outputs are results that a company, nonprofit or project manager can measure or assess directly. Outputs for an after-school program, for example, could include the number of children participating in the program, the percentage that drop out, and the percentage that re-enroll the following year. Outcomes are the ultimate changes that one is trying to make in the world. For the after-school program, desired outcomes could include higher self-esteem for participants or higher educational achievement for participants. Commonly the organization running the program may not have the expertise or resources to evaluate whether an outcome has been achieved, but it is just as important for that organization to define the desired outcomes and figure out which internal output measures are most likely to be correlated with desired outcomes.”⁵

Similarly, the European Commission⁶ articulates impact as “the reflection of social outcomes as measurements, both long-term and short-term, adjusted for the effects achieved by others (alternative attribution), for effects that would have happened anyway (deadweight), for negative consequences (displacement), and for effects declining over time (drop-off).

What is Social Impact Measurement

Social impact measurement and reporting is an organization’s practice of publicly communicating its economic, social, and environmental impacts.

As social enterprises mostly operate in a market economy, the earned income of organizations reflects the value perceived and generated by offered products and services. Usually, the associated social and environmental values are overlooked and difficult to observe, quantify, or measure. To that, social impact measurement came in as a way to understand how social businesses contribute to the economy, society, and environment.

Social entrepreneurs, employees, beneficiaries, volunteers, users, investors, public authorities, communities and other stakeholders need to understand whether a social initiative is realizing its promise and concretely achieving its desired change. To that, social impact measurement is the process through which a social entity is able to set, track, monitor, evaluate, and report on its activities’ effect on society. It helps with the understanding of how much social change occurred and can be associated with the organization’s activities.⁷ It also serves as an instrument of information shared with external stakeholders keeping everyone well-informed, aligning key actors in goals and objectives, and reducing information asymmetries.⁸

⁴ Clark, C., Rosenzweig, W., Long, D. and Olsen, S., 2004. Double Bottom Line Project Report: Assessing Social Impact in Double Line Ventures, Methods Catalog. Columbia Business School, Rise-Project.

⁵ Ibid (p.6)

⁶ <https://ec.europa.eu/social/main.jsp?catId=738&langId=en&pubId=7735>

⁷ <https://www.sopact.com/social-impact-measurement>

⁸ Achleitner, A.K., Bassen, A., Roder, B. and Spiess-Knafl, W., 2009. *Reporting in Social Entrepreneurship*. SSRN [online] Available at https://www.researchgate.net/publication/228315520_Reporting_in_Social_Entrepreneurship [Accessed on 26 March 2020].

Why is it Important

Social impact measurement allows social enterprises to demonstrate impact, improve organizational performance, and strengthen and secure strategic investments, hence it ensures the organization's future sustainability.

Given the critical role that social enterprises play in societies, all stakeholders prioritize understanding and measuring the impact of these organizations (beneficiaries or users, impact investors, public authorities...). These different types of stakeholders require proof of impact to validate their contribution to the existence of any social enterprise; whether through validating their purchasing behavior in the case of users or their investment in the case of impact investors.

Social impact measurement is not only used by social enterprises to gain legitimacy and credibility from their users and investors (public or private), but should also be utilized in guiding, setting and monitoring organizational goals and targets, and making better decisions for improved performance.

The key matter in this activity is being able to evaluate the progress made towards the realization of the social mission. It is thus important for social enterprises to set a clear social mission statement that would allow proper monitoring of an organization's effectiveness and consequently smoother social impact auditing practice. Austin et al. (2016, p.244)⁹ explain: "Outcomes, defined as observable measures of changes in the direct beneficiaries that provide evidence of mission attainment, should be what really counts."

Hence, this practice holds social enterprises accountable to themselves and their multiple stakeholders. It also allows increased transparency leading to better decision making, which helps building and maintaining trust in businesses and governments.¹⁰ Social impact measurement has been consequently translated into a key requirement in the proposed qualification manual under the Social Impact dimension as a binding practice for Lebanese social enterprises aiming for qualification.

Social Impact Measurement Complexity

Measuring social impact is a complex and not so straightforward task, and that is a widely recognized challenge. In practice, this often refers to measuring an abstract notion such as 'alleviating poverty' or 'ending violence,' which are hard to quantify and may require a long term to manifest themselves. This also creates an attribution challenge when a social enterprise is trying to understand and link its activities to the actual outcomes and limit the many factors that might have led to these same outcomes. In addition, social enterprises hold the responsibility of living up to the performance and accountability demands of multiple groups of stakeholders in the community, generally coming with diverse interests. Consequently, the rising need for establishing a social impact measurement framework has gained traction globally and is still to date forming a key research question and actual debate across the impact industry.

Thus far, it is clear that identifying and quantifying key measures of the creation of impact is among the most complex challenges faced by social enterprises. Chapter two presents an overview of global social impact measurements practices along with a focus on three countries' governing process for the social entrepreneurship sector.

⁹ Austin, J.E., Gutierrez, R., Ogliastris, E., Reficco, E. and Fischer, R.M., 2006. Effective management of social enterprises: lessons from businesses and civil society organizations in Iberoamerica; a collaborative research project of the Social Enterprise Knowledge Network.

¹⁰ <https://www.globalreporting.org/information/sustainability-reporting/Pages/default.aspx>

CHAPTER TWO: SOCIAL IMPACT MEASUREMENT, A GLOBAL PERSPECTIVE

The complexity of measuring social impact has been challenging organizations and public authorities for years now. Social enterprises, SE support organizations, impact investors, governments and other players in the global ecosystem of social entrepreneurship have attempted the creation of unified definitions, approaches, frameworks and tools for impact measurement. This chapter outlines practices adopted by large support organizations, in addition to a look at three countries and their approach to SE governance and social impact evaluation.

Best Practices

EUROPEAN COMMISSION

The European Commission (EC) has launched the Social Business Initiative in 2011 as an action plan to support the development of SEs and key stakeholders in the social economy.¹¹ It covered 11 priority measures and actions revolving around 3 themes which are:

1. Making it easier for social enterprises to obtain funding
2. Increasing the visibility of social entrepreneurship
3. Making the legal environment friendlier for social enterprises

In 2014, the Proposed Approaches to Social Impact Measurement report was published as it set out methodologies for assessment and follow-up that could be applied across the European social economy sector.¹² The overall proposed approach is based on 4 key elements for social impact measurement systems:

- Process → a series of steps by which a social enterprise understands, analyzes, and presents how its activities achieve change and impact in the lives of people
- Framework → matrix development including outcomes and sub-outcomes for each major area of a social enterprise's interventions
- Indicators → metrics set within each sub-outcome as a particular way of attaching value to outcomes and impact
- Characteristics (of good measurement practice) → features of the reported measures of outcomes and impacts should be recognized and relied upon while maintaining clarity and transparency.

It suggests a 5-stage common process in particular and argues that all social impact measurement frameworks should arise as per the following:

1. Identify objectives
2. Identify stakeholders: who gains and who gives what and how
3. Set relevant measurement: SE intervention and theory of change
4. Measure, validate and value
5. Report, learn and improve



¹¹ The Social Business Initiative https://ec.europa.eu/growth/sectors/social-economy/enterprises_en

¹² European Commission, 2014. Proposed Approaches to Social Impact Measurement. *European Commission legislation and in practice relating to: EuSEFs and the EaSI: Luxembourg*. [online] Available at: <https://ec.europa.eu/social/main.jsp?catId=738&langId=en&pubId=7735> [Accessed on 29 April 2020].

This report also proposes an insightful follow-up mechanism for auditing bodies to be able to continually assess social enterprises' progress and impact. Some of the recommendations proposed are:

- Producing a series of guidance papers or briefs to assist all SE stakeholders in complying with set standards
- Creating a knowledge center, it encompasses direct access to web-based facilities and knowledge base, and an advice line (phone or email) for support
- Developing and consolidating measurement frameworks and mechanisms
- Setting reporting formats and templates that align with the developed measurements frameworks
- Developing and maintaining a knowledge network gatherings experts and various SE stakeholders to generate further knowledge, disseminate policies, etc.

OECD AND EC POLICY BRIEF

The Organization for Economic Cooperation and Development (OECD) along with the European Commission (EC) have released a policy brief on social impact measurements answering key questions on this matter.¹³ It puts emphasis on the stakeholder-based approach as an effective way for SEs operating in different sectors to report their achievements to a wide range of stakeholders with diverse needs and expectations for accountability. The stakeholder-based approach suggests selecting metrics linked to the scope of measurement depending on stakeholders' needs. In other words, the stakeholder need would imply the impact evaluation methodology to be used, for example:

- Public investor → Cost-benefit analysis: the public investor needs to acquire knowledge about the net cost or net benefit of subsidizing these, hence the proposed methodology answers the information gap.
- Private investor → Rating (evaluation on Return on Investment or ROI): here the private investor needs to understand the social performance of an SE in order to assess the investment's social and financial impact.
- Community → Social Accounting and Auditing (SAA): in this case, both the community and the SE information needs revolve around understanding how the activities undertaken are improving people's lives.

GLOBAL IMPACT INVESTING NETWORK

The Global Impact Investing Network (GIIN), known as the global champion of impact investing, is a non-profit organization founded in 2009 and dedicated to increasing the scale and effectiveness of impact investing.¹⁴ The GIIN comprises more than 280 member organizations and practitioners across over 40 countries. GIIN seeks to accelerate the impact investing industry's development through collective action and focused leadership, while gathering impact investors to exchange knowledge, highlight innovative approaches to investment, build the industry's evidence base, and produce valuable tools and resources.

For over a decade and with thousands of stakeholders and experts' input, the GIIN developed a comprehensive system for impact measurement and management, the IRIS+, to define, measure, manage, and report social and environmental performance.¹⁵ This system allows enhanced data clarity and comparability, provides practical, streamlined, how-to guidance, and promotes transparency, accountability, and credibility of impact data.

Key features of the IRIS+ system:

- It is based on a thematic taxonomy of diverse Impact Categories and Impact Themes;
- Each theme includes a representative, illustrative, but non-exhaustive list of impact Delivery Models, which are either the commercial or project-based means by which impact can be delivered to people and places;
- Core Metric Sets are key impact performance indicators underlying each Strategic Goal and Impact Theme, these are based on best practices and are standardized to allow data comparability;
- It is in alignment with the UN Sustainable Development Goals (SDGs) and targets.

¹³ OECD, 2015. Policy Brief on Social Impact Measurement for Social Enterprises. *EU/OECD*. [online] Available at: https://www.oecd.org/social/PB-SIM-Web_FINAL.pdf [Accessed on 29 April 2020].

¹⁴ <https://thegiin.org/about/>

¹⁵ <https://iris.thegiin.org/about/>

The illustration showcases an example of the classification hierarchy applied on the category of 'financial services.' Impact Categories include areas such as agriculture, climate, education, energy and water. Impact Themes encompass respectively food security and sustainable agriculture, climate mitigation and climate resilience, access to quality education, clean energy and energy efficiency, and sustainable water resources management. As outlined, each theme has delivery models and strategic goals associated with it, with specific core metrics as key impact performance indicators.

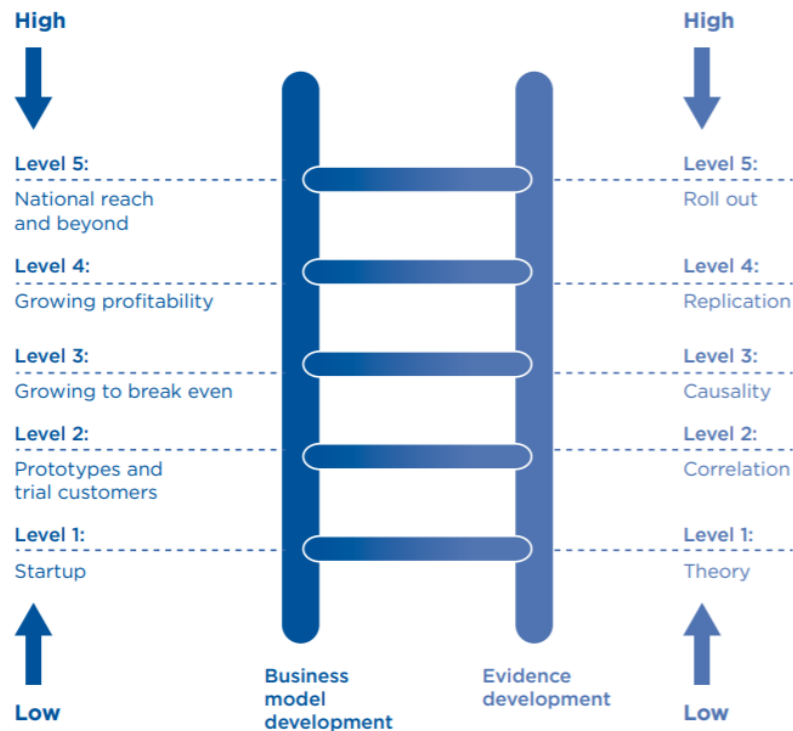


NESTA

Nesta is an innovation foundation based in the UK and focuses on social innovation and impact investing. When screening ventures, Nesta looks for key features in the initial assessment of impact and plans the progress of the organization to make effect, show impact evidence, scale and attain financial sustainability.¹⁶ This process is essentially applied on ventures showing five main characteristics: outcomes-focused, innovative, evidence-based, inclusive, and scalable.

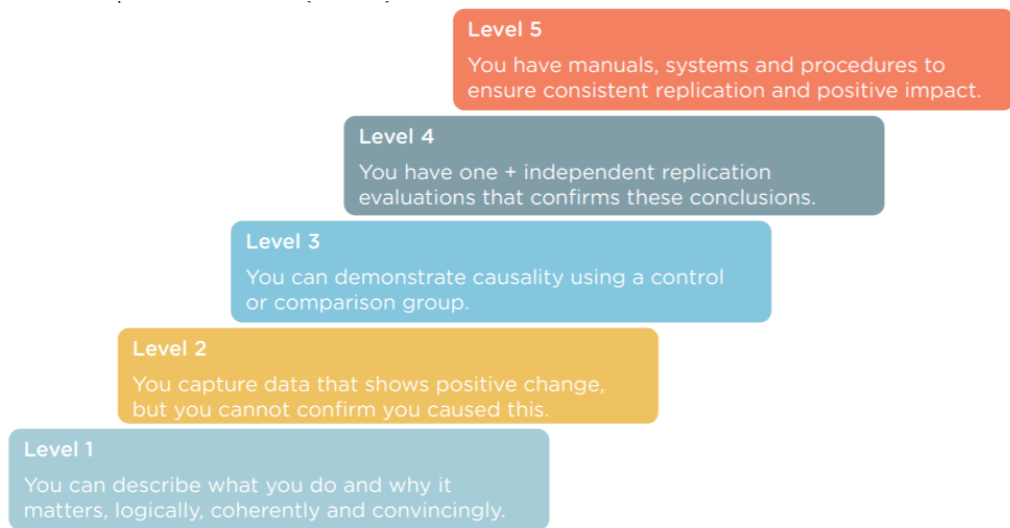
Nesta's approach to impact measurement is one that considers the level of an organization's development and its stage of impact development.¹⁷ This model recognizes the ability of an SE to generate impact and evaluate it based on its organizational growth level. Hence, from an investor or auditor perspective, it advises on what impact measurement methodologies to adopt and impact factors to audit depending on the venture's position in its lifecycle.

To further build on the notion of 'evidence development,' a 'ladder' diagram has been developed to reflect Nesta's Standards of Evidence which seeks to provide social enterprises with an impact track record sought by impact investors when assessing the financial risk of their investments.



¹⁶ Ógáin, E.N., 2015. Impact measurement in impact investing. NESTA: London. [online] Available at: https://media.nesta.org.uk/documents/impact_measurement_in_impact_investing.pdf [Accessed on 30 April 2020].

¹⁷ NESTA, 2015. Investing In Innovative Social Ventures. NESTA: London. [online] Available at: https://media.nesta.org.uk/documents/investing_in_innovative_social_ventures_-_a_practice_guide-final.pdf [Accessed on 30 April 2020].



This ladder comprises of five levels implying the following:

- Level 1: initial stage of evidence that is based on evidence from other interventions to frame the intended impact. An organization can describe what it can do and why it matters in a logical, coherent, and convincing manner.
- Level 2: a show of correlation between the organization’s activities and a positive effect on an outcome for a person. At this level, the venture captures these data but can’t confirm it caused this positive effect.
- Level 3: at this stage, the social venture is capable of showing that its activities have caused the effect. It can demonstrate causality using different techniques such as a control group.
- Level 4: impact at level 4 is proven to be replicated in similar environments.
- Level 5: the replication can be rolled out; systems and procedures have been set in place to ensure consistency and sustainability in replication and positive impact.

As levels increase, social enterprises are able to prove their effects and outcomes, and stakeholders gain greater certainty about the organization’s current and foreseeable performance.

SOCIAL IMPACT INVESTMENT TASKFORCE

The Social Impact Investment Taskforce (SIIT) is an independent taskforce launched in 2013 under the UK’s presidency at the G8 Social Impact Investment Forum.¹⁸ It brought together key industry and government figures in the worlds of business and philanthropy from different G8 countries. The task force’s aim is to catalyze the social impact investment market development.

Following extensive review of the impact sector, its activities and emerging best practices, SIIT’s working group identified four phases underlying the impact measurement process. Through these four phases, seven main guidelines are outlined for building a strong impact evaluation framework from an investor’s perspective. This proposed methodology or approach can be similarly adopted by an auditing body or a social enterprise that wishes to create an impact measurement framework.

¹⁸ <https://www.gov.uk/government/groups/social-impact-investment-taskforce>

1. **Plan**
 - a. Set goals: articulate the desired impact
 - b. Develop framework and select metrics: determine performance metrics for assessment
2. **Do**
 - a. Collect and store data: capture and store data in a timely and organized manner
 - b. Validate data: verify impact data to ensure sufficient quality
3. **Assess**
 - a. Analyze data: review and analyze the data collected
4. **Review**
 - a. Report data: effectively inform and share progress with key stakeholders
 - b. Make data-driven management decisions: identify and implement mechanisms to strengthen processes and outcomes.



THE IMPACT MANAGEMENT PROJECT

The Impact Management Project (IMP) is a global forum gathering organizations to build general agreement on how to measure and report social and environmental impacts.¹⁹ This practitioner community includes parties like the GIIN, the UN Global Compact, OECD, UNDP and the GRI. Collectively, stakeholders in the industry reached a consensus that for understanding impact performance, data should be collected across five dimensions of impact:

- **What:** is about understanding the outcomes the enterprise is contributing to and how integral these outcomes are to stakeholders.
- **Who:** provides data on which stakeholders are experiencing the effect and how underserved they were prior to the enterprise's impact.
- **How much:** gives insights on how many stakeholders experienced the outcome, to what degree, and for how long.
- **Contribution:** showcases whether the enterprise's efforts and work activities resulted in outcomes that are better than what could have occurred otherwise
- **Risk:** assesses the likelihood that desired impact will be different than expected.

This section has looked at diverse methodologies and practices for social impact measurement proposed and adopted by global stakeholders. Each of these approaches considers different dimensions to designing social impact measurement systems such as sector thematic and organizational growth level. The following section explores three country-cases with emphasis on their adopted approaches to SE governance and regulation.

Three Country Cases

UNITED KINGDOM

In 2005, the United Kingdom (UK) established Community Interest Companies (CICs) to regulate the SE sector.²⁰ This introduced legal structure supports a wide range of activities, projects ranging from small to multi-million pound, and covering all sectors and areas across the UK. CICs are limited companies whose primary focus is community benefit rather than private profit. They are required by law to have provisions in their articles of association to enshrine their social purpose, specifically an 'asset lock', which restricts the transfer of assets out of the CIC, ultimately to ensure that they continue to be used for the benefit of the community; and a cap on the maximum dividend and interest payments it can make. CIC structure provides a clear signal to investors that the enterprise operates for the benefit of the community, and that this social purpose is protected by proportionate regulation.

The Office of the Regulator of Community Interest Companies is the regulating entity overseeing the continuous

¹⁹ <https://impactmanagementproject.com>

²⁰ <https://www.gov.uk/government/publications/community-interest-companies-how-to-form-a-cic>

eligibility of CICs. It works with the ministerial Department for Business, Energy & Industrial Strategy and is supported by members of staff from the Department of Business Innovation and Skills.

CICs are required to report annually to the Registrar of Companies by submitting their accounts and a CIC report which will be delivered with their accounts with a £15 fee to Companies House. This report will be placed on public record. The Report must record the CICs activities and how it involved its stakeholders during the year. It must also contain additional financial information such as payments to directors and declaration of dividends.²¹ The purpose of this report is to also show that the CIC is still satisfying the 'community interest test' and that it is appropriately engaging with its stakeholders in carrying out its activities. As set by the Regulator, 'a company satisfies the community interest test if a reasonable person might consider that its activities (or proposed ones) are carried on for the benefit of the community.' Hence, CIC applicants need to deliver a community interest statement to enable the Regulator to decide whether they will satisfy the test or not.

ITALIAN REPUBLIC

Following the law on social cooperatives in 1991, Italy introduced the legislation on social enterprises in 2006.²² This law provides a legal definition of SE and specifies the criteria that an organization must comply with to be recognized as a social enterprise. This law does not introduce any new company form, instead it creates a new legal qualification that can be assumed by any organization that meets specific requirements, regardless of its legal form. These requirements include being a private entity, performing an entrepreneurial activity that produces social utility products and services, and acting for the community interest and not for private profit.²³ Also, it must make its public sheet public and comply with a non-distribution constraint. In 2017, the law was amended to redefine few SE features such as:

- Revisiting the non-distribution constraint: from having net profits and surpluses fully reinvested in the business to having a certain amount (less than 50%) allocated outside of the organization allowing distribution to shareholders;
- Introducing a new tax regime: entrepreneurs that invest in entities incorporated by no more than 36 months are eligible for an income tax deduction of 30% of the investment put in the corporate capital of the social enterprise. This only applies after the financed entity has acquired the social enterprise qualification by no more than 5 years;
- Establishing new ways of financing: this included the establishment of certain funds for the promotion and financing of social enterprises, the possibility of social enterprises to raise capital through crowdfunding, and the social enterprise's ability to apply for subsidized loans and non-returnable grants.

The amended law preserved already existent rules on SE internal structure and governance such as efficient management, open door policy, transparency, participation, and worker protection.

In relation to social impact disclosure, the Ministry for Employment and Social Policies prepared the national guidelines for social reporting which was later approved and published by the government in 2011. SEs and non-profit organizations are not legally obliged to abide by these guidelines, yet large social cooperatives made a wise use of social reporting.

The social report, or *bilancio sociale*, is a document which represents and testifies the work towards pursuing the goals of common interest by a social enterprise. The aim of this mechanism is to report to stakeholders on the attainment of the organization's social mission, to evaluate its strategies and objectives, and push towards a more efficient management of the venture. The scope of the social report is the identification of the organization's mission, its areas of activities, the related results at the economic, social and environmental levels, and stakeholders' involvement mechanisms. The social enterprise can choose to either self-certify the level of compliance with these national guidelines or get certified by an external auditor. When it comes to impact measurement, different measures are adopted by social ventures depending on their activities and the related sectors, such as the number of disadvantaged people employed or supported by an organization.

²¹https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/605421/13-712-community-interest-companies-guidance-chapter-9-corporate-governance.pdf

²² Chirico, S., Venturi, P., Randazzo, R., Taffari, G. and Wilkinson, C., 2014. A map of social enterprises and their eco-systems in Europe: country report Italy. Brussels: European Commission.

²³ Fici, A., 2006. The new Italian law on social enterprise. In seminar Emerging models of social entrepreneurship: possible paths for social enterprise development in central east and south east Europe. [online] Available at: <http://www.oecd.org/cfe/leed/37508649.pdf> [Accessed on 28 April 2020].

SOUTH KOREA

Similar to Italy's approach, South Korea has developed a legal definition for SEs to regulate the Social and Solidarity Economy (SSE) as referred to. In 2007, the Social Enterprise Promotion Act (SEPA) was published and provided the framework for developing policies and giving SEs official status, despite their legal form.²⁴ The Ministry of Employment and Labor is the governmental body in charge of overseeing these duties, and through the Korean Social Enterprise Promotion Agency (KoSEA), it certifies social enterprises and provides administrative and financial support.²⁵ Following SEPA, the Korean Ministry of Labor established the Social Enterprise Promotion Program (SEPP) as a way to promote non-profit organizations to attain official certification through training programs, financial grants and other opportunities.²⁶ Municipal governments were also incentivized to enact SE support ordinances and provide needed professional and financial assistance.

For a Korean SE to maintain its status, the total revenue from its business activities should be more than 50 percent of the cost of the total salary of its employees. It is also able to sustain its tax exemption for four years with a possibility of renewal. When it comes to social impact, SEs are not legally bound to measure it, however, they are required to submit a business report matching their social business purpose as well as their mechanisms for stakeholders' participation in decision making. Article 17.1 in SEPA states: "A social enterprise shall draw up a business report stating matters determined by the Ordinance of the Ministry of Labor including business performance, interested parties' participation in decision making, etc. and submit it to the Ministry of Labor until the end of February every fiscal year."

According to the UNRISD South Korea assessment (2018), stakeholders' large diversity, missions and activities in the SSE sector all renders it very hard to create schematic criteria that can be applied and utilized evenly across multiple contexts and subsectors to evaluate impact.²⁷ And since multiple types of economic, social, environmental and political impact had to be measured, a set of impact evaluation methodologies were developed and categorized under four main groups in Seoul (UNRISD, 2018, p.1):

- Expected return on investment: translates social value into "hard" economic indicators, but is not applicable if the (social) benefits are not quantifiable.
- Impact value chain: shows links between activities and outcomes, but has been criticized for its simplistic assumption of a linear cause-and-effect process (as previously explained in Chapter 1).
- Triple bottom line accounting: an integrated approach that measures the environmental, social and economic dimensions of sustainability, but can be highly technical and laborious.
- Statistical data collection: has the potential to provide a lot of information, but only covers the economic dimension and, at the macro-level of the economy, may not render SSE visible."

In conclusion, it is clear that each of the presented countries has approached regulating the social economy sector differently. From setting working and legal definitions of social entrepreneurship, to establishing governing entities and setting impact measurement mechanisms, different countries have tailored their policies to fit the local context and its conditions. This indicates and confirms the complexity of adopting a set national impact measurement framework as no one-size-fits-all approach applies. The following chapter examines the proposed social impact measurement framework in Lebanon while outlining the key guiding principles, social impact measurement matrix, and the related process.

²⁴ Social Enterprise Promotion Act <http://www.law.go.kr/eng/engLsSc.do?menuId=1&query=social+enterprise&x=0&y=0>

²⁵ Jai-Gu, K., 2014. Developing social enterprise: Lessons from Korea. *Excerpt from the Keynote Speech of Dr. Kim Jae-Gu, President of the Korea Social Enterprise Promotion Agency (KoSEA)*. [online] Available at: <https://www.rappler.com/thought-leaders/75576-social-enterprise-lessons-insights-korea> [Accessed on 29 April 2020].

²⁶ Jung, K., Jang, H.S. and Seo, I., 2016. Government-driven social enterprises in South Korea: Lessons from the social enterprise promotion program in the Seoul Metropolitan Government. *International Review of Administrative Sciences*, 82(3), pp.598-616.

²⁷ United Nations Research Institute for Social Development (UNRISD), 2018. *The Social Economy in Seoul: Assessing the Economic, Social, Environmental and Political Impacts*. UNRISD: Geneva. [online] Available at: <http://www.unrisd.org/rpb25> [Accessed on 29 April 2020].

CHAPTER THREE: SOCIAL IMPACT MEASUREMENT IN LEBANON

To ensure all impact dimensions of a social enterprise are being assessed, it is important to put a social impact framework in place allowing the inspection of an organization's practices, intended and unintended values generated and the redirection of overall impact into a more positive and desired economic, social and environmental contribution. As outlined in the previous chapter, there are different schools of thought when it comes to social impact measurement and practices. To that, this proposed framework gathers major learning around these best practices and provides process guidance with main principles and assessment criteria while allowing social enterprises to utilize diverse tools and approaches to impact measurement in relation to their stage of development.

Social enterprises at any level of development attempting the practice of social impact measurement face diverse challenges throughout the process. According to a primary data collection exercise with a sample of social enterprises and SE support organizations in Lebanon, some challenges have been identified when it comes to impact measurement across the stages of a venture's life cycle.²⁸ For instance, at the startup phase, SEs need support in framing their messages and communicating them while spreading public awareness around SE for communities to better support emerging SEs. This necessitates community-related data to be able to optimize their impact-driven efforts.²⁹ The more advanced an SE is in its lifecycle, the keener it becomes on measuring its social impact which entails challenges in finding the required means for evaluation, such as relevant software to gather and compute impact-related data, and skills to set up an impact measurement framework.

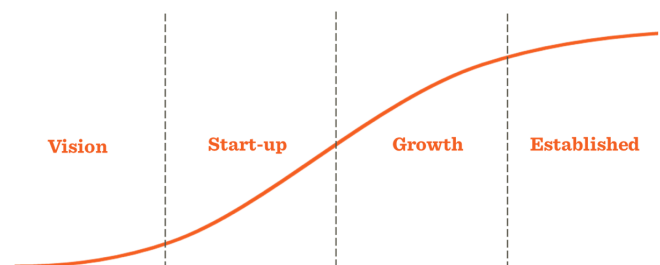
To start with, it is essential to present an overview of different social enterprises' growth levels. It provides a common understanding of the nature of SEs' work, organizational development, financial operation, leadership, and impact across their growth trajectory. The reason why this is precisely integral to learn more about, is to shape a clear picture on how a social enterprise is functioning and what impact it is producing in relation to its maturity, consequently, what kind of evidence is the governing body going to audit and in what shape. Hence, for an auditor to set the relevant impact evaluation mechanisms, it has to accommodate its practice to the various stages of a venture's development cycle.

Social Enterprises Growth Levels

The **Robert Enterprise Development Fund (REDF)**,³⁰ founded in 1997, is a venture philanthropy exclusively formed to launch, support, and grow social enterprises. REDF propose the following social enterprise life cycle:

"Social enterprises in the vision stage are focused on pre-launch planning and feasibility testing. Newly launched, start-up social enterprises are focused on refining their model and operations. Once operations are stable, social enterprises are considered to be in the growth stage since their focus is now primarily on growth. After significant growth and the model is proven, established social enterprises are ready to replicate and scale."

At the 'vision' stage, social enterprises define their social metrics and the means for collecting them, which are then regularly tracked against goals at the 'start-up' phase. During the 'growth' stage, regular internal evaluations take place to analyze and present data showcasing outputs and outcomes. And lastly, and while being at the 'established' phase, social enterprises conduct external impact evaluations to validate and prove the effectiveness of their interventions.³¹



²⁸ Beyond Reform & Development (BRD), 2018. The Lebanese Social Entrepreneurship Ecosystem – Mapping Report. Beirut – Lebanon. [unpublished work]

²⁹ Ibid

³⁰ <https://redf.org/about/our-story/>

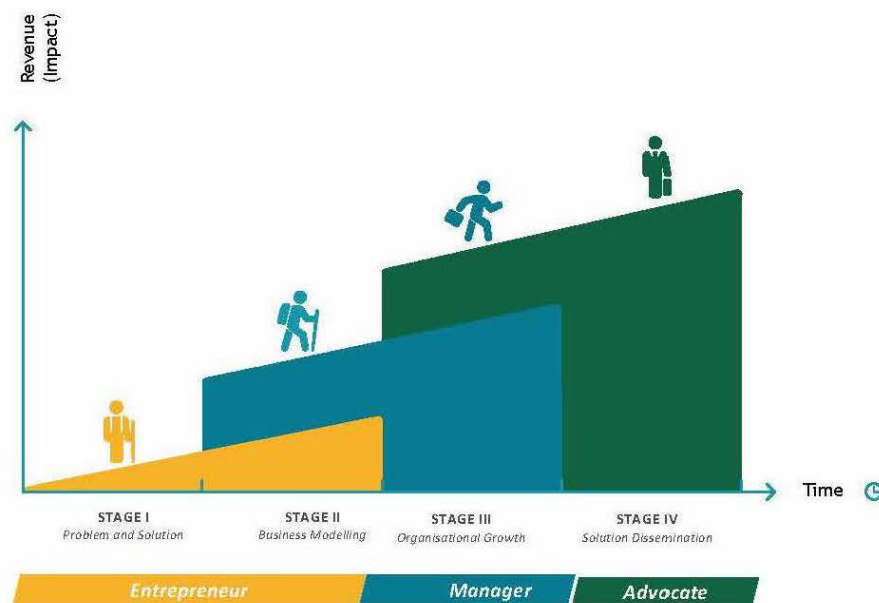
³¹ Ibid

Alternatively, a 2016 **McKinsey** report on scaling the impact of social enterprises proposed the following stages of growth before maturity for social ventures:³²

1. Seed phase: (0-2 years) The founding team develops the idea and translates it into a prototype product or service. Prototype funding comes from founders' resources and/or contributions from friends, families and crowdfunding.
2. Start-up phase: (1-3 years) The team develops the prototype and brings it to market. A customer base is established and KPIs are identified. The enterprise receives its first revenues and attracts additional resources in the form of investments or loans.
3. Early-stage growth: (2-5 years) The enterprise aims to increase its scale through new channels and markets. It hires talent, improves quality and implements standard management processes. Funding comes from revenues and growth capital.
4. Later-stage growth: (>3 years) Having established a reputation with stakeholders, the enterprise looks for additional growth beyond the initial products or services. Several capital options are available. Some founders and/or investors may make exits.

The **IES Social Business School** proposes that the entrepreneurial life cycle is composed of a sequence of stages and entrepreneurial phases that entrepreneurs and ventures go through over time.³³ While the two tracks are highly correlated, it is important to highlight that the stages of development of the venture and that of the entrepreneur are not linear. In fact, while the venture may be moving from one stage to another based on specific indicators, in that process, the entrepreneur might remain within the same stage. The below figure represents the main stages of development of the venture and the entrepreneur.

Phases of entrepreneurial life cycle



Source: IES social business school

1. **Problem and Solution:** This stage focuses on the deep understanding and analysis of the problem and the development of an innovative idea to solve the problem. Entrepreneurs need to acquire and apply skills which

³² Keizer, A., Stickers, A., Heijmans, H., Carsouw, R. and Van Aanholt, W., 2016. Scaling the impact of the social enterprise sector. McKinsey & Company Research Report.

<https://www.mckinsey.com/~/media/McKinsey/Industries/Social%20Sector/Our%20Insights/Scaling%20the%20impact%20of%20the%20social%20enterprise%20sector/Scaling-the-impact-of-the-social-enterprise-sector.pdf>

³³ Melro, A., Azevedo, C., Carlos, F., Rosa, I.G., Figueiredo, I., Bastos, J., Freitas Santos, J., Martins, M.A., Aquino, R., Picoto, S., and Bernardino, S., (2017). Research notes on impact economy. Social Business School. Retrieved from https://www.ies-sbs.org/media/filer_public/63/62/63620636-b246-48cb-8985-751b3b95e410/research_notes_on_impact_economy_ies-sbs.pdf

have a focus on innovation to tackle challenges related to solving the right problem, innovatively and creatively design a validated solution, and propose the venture's theory of change to envision the desired and intended impact.

- 2. Business Modelling:** This stage focuses on the validation of the solution with customer segments and the development of the business and operating model of the venture while acquiring and mobilizing talents and resources. The ultimate objective of this stage is reaching end beneficiaries and the market. This coincides with the entrepreneur's learning journey and the move from a nascent entrepreneur to becoming 'The Manager' and with it the needed skills and knowledge for this transition and to perform the above and develop the relevant impact measurement framework in relation to organizational activities while setting key impact indicators and metrics.
- 3. Organizational Growth:** This stage focuses on the development of the organization with the objective of scaling and growth. As the venture grows, the skill needs differ from what was required at earlier stages and these start taking an organizational focus to tackle challenges related to organizational development, systemization and partnership building. This is complemented by a further developed impact measurement system where impact data collection and analysis is taken to an advanced communal assessment level. For the entrepreneur, the organizational learning continues as they complement their manager skills, while preparing for the transition to bigger audiences and markets in the following stage.
- 4. Dissemination of the Solution:** This stage focuses on the dissemination of the solution to as many customers as possible, and reaching the desired impact either within the country of venture origin or scale it to new markets. When the venture is at a mass adoption stage and is scaling, a system's focus is required to tackle challenges related to standardization, retaining value created and quality control. This phase of the entrepreneur's growth explores established venture owners 'The Advocate'. Advocates tend to look at system-level impact such as influencing policy making, which in turn imposes challenges precisely when it comes to measuring this complex intended impact. Interestingly, at this same phase of transition between 'The Manager' to 'The Advocate,' not all of the established entrepreneurs might decide to assume the role of the advocate, but instead become serial entrepreneurs and start new ventures, because they have achieved the impact or the objective of their mission.

The observation around different proposed models for SEs development stages (RFID, McKinsey, and the IES Social Business School) showcases an attribution of diverse titles to stages. While these can vary, the designated stages overlap and reflect similar characteristics of a given SE growth stage. To that, there is a need to provide and adopt a common and contextualized repartition relevant to the Lebanese ecosystem.

Guiding Principles

The governing entity will collect a continuum of evidence to continuously monitor the impact produced by social enterprises. This practice will push towards constant thriving for increased impact and provide best practices to the field as it transforms generated data into learning for SE practitioners, champions, and other stakeholders. To that, this collection and auditing process requires a set of principles that paves the way towards having a social impact measurement system convenient and relevant to the Lebanese social entrepreneurship ecosystem.

These guiding principles of the social impact measurement framework are:

- Transparency and accountability
- Reliability and relevance (information provided should be gathered, analyzed and reported while maintaining quality and verifiability)
- Accuracy (accurate and detailed information) and clarity (understandable and accessible information)
- Comparability and consistency (it should allow the analysis of the organization's performance over time and relative to other social enterprises + clear assessment of tradeoffs and benefits generated through activities)
- Collaboration (both internal and external)
- Timeliness (reporting needs to occur periodically)

However, and at the level of guiding principles, a major challenge is often faced in relation to the attribution factor. It presents a degree of complexity when making sure that the generated impact is solely attributed to the social enterprise in consideration and not to other actors and/or circumstances. The European Venture Philanthropy Association (EVPA) proposed tackling this attribution challenge by having an ex-ante screening (collecting impact information prior to the start of operations to analyze and compare the situation before and after the intervention), counterfactual analysis, and in-depth benchmarking.³⁴

³⁴ <https://evpa.eu.com/knowledge-centre/publications/impact-measurement-in-practice-in-depth-case-studies>

The governing body needs to expect that as social enterprises develop in their growth phases, their impact objectives are going to evolve as their strategies evolve. To that, no one-size-fits-all system can be provided as each social enterprise is distinct in its purpose, goals, and objectives and a bottom-up and sector-inclusive approach is thus advisable. Hence, the approach needs to be simple and straightforward; it requires proportionality, flexibility, adaptability, precision in monitoring the goals set and the attained impact periodically, and continuous revision and evolution (e.g. yearly revision of indicators required to avoid wasting resources on collecting data that is no longer relevant or worthwhile).

WHAT NEEDS TO BE AUDITED

The social impact measurement framework's primary aim is to increase the impact of social ventures as they advance in their entrepreneurial growth journeys in terms of the difference they're making and the number of people they're targeting. It also pushes social enterprises to aim for scalability, financial sustainability, and replicability when applicable. This practice answers several stakeholders' interests and allows increased accountability and trust within the ecosystem. Hence, the auditing body should push social enterprises to set a coherent impact measurement framework which essentially keeps their goals and outcomes in focus, and assesses the attainment of their social missions.

In practice, and according to the qualification dimension of social impact, every Lebanese entity aiming at earning the social enterprise qualification needs to be operating for at least two years and reporting its intended and/or realized impact within two years of qualification. While social enterprises kick off and grow, they start by creating direct impact within the circle of their beneficiaries before moving into an expanded scope of impact influencing the community and later creating models for systemic change. To that, and depending on the social enterprise's growth stage, the auditing body requires impact-related information that answers specific questions and criteria in relation to impact scope on three main levels:

1. People: individuals, direct beneficiaries, workers
2. Community: larger groups of people sharing particular common characteristics
3. System: systemic change and transformation in governing systems through policymaking, shifts in culture, mindsets, and behaviors. *SEs are encouraged to attain that level of impact yet not binded to.*

The responses to these questions will help refine the target outcomes and associated indicators, creating a positive feedback loop in the impact measurement process and enabling effective impact management. The following impact matrix summarizes the suggested framework:

SOCIAL IMPACT MEASUREMENT FRAMEWORK

	People			Community			System		
	Expected	Indicator	Suggested Tool	Expected	Indicator	Suggested Tool	Expected	Indicator	Suggested Tool
Early Stage	What is the overarching social problem that the social enterprise is trying to solve and how?	Nature and magnitude of problem Population affected Proposed intervention	Theory of Change	Stakeholders' engagement	Stakeholders' needs addressed	Stakeholder Mapping Participation and engagement mechanisms <i>Refer to 'Decision Making' component under the 'Governance' dimension in the Qualification Matrix</i>	How will the proposed solution contribute to the SDGs?	Sustainable development goals and targets related to problem	
	What strategic objective(s) is the social enterprise trying to achieve and how will it do that?	Contribution to solution Strategies, activities and actions to be taken	Social Business Model Canvas Logic Model						

Startup Stage	What specific goals are going to enable the social enterprise to achieve its objectives?	Specific Measurable Attainable Relevant Timely	SMART tool	What are the expected outcomes and what is the logic behind these expectations?	Expected outcomes (short and long terms) + potential unintended consequences	Impact Value Chain			
	What are key impact indicators?	Aligned with mission Related to goals and objectives	IRIS+ Core Metric Sets GRI Standards	How is impact-related data going to be collected?	Developed impact measurement system and mechanisms	SE's SIM manual Standard Operating Procedures			
Growth Stage	What are the outputs generated?	Objectives translated into measurable outputs Realized change and its extent, to whom, in what	IRIS+ Global Value Exchange	What are the outcomes and impact generated?	Objectives translated into measurable outcomes Communal impact Contribution to community building	GRI Standards Cultural Change Impact Framework	What systemic change is the SE envisioning?	Expected systemic impact Contribution to ecosystem building	Total Impact Measurement and Management
	<p>At this stage, and across all impact levels, impact needs to be verified.</p> <p><u>Expected:</u> How is the impact verifiable? (verify if outcomes make sense, and if impact claimed is true)</p> <p><u>Indicators:</u> Do outcomes make sense? Is the claimed impact true?</p> <p><u>Suggested Tools:</u> Competitive analysis and qualitative and quantitative research methods (key informant interviews, focus groups, storytelling, surveys) + Randomized Control Trials</p>								

Dissemination Stage	What are the outputs generated?	Objectives translated into measurable outputs Realized change and its extent, to whom, in what	IRIS+ Global Value Exchange	What are the outcomes and impact generated?	Objectives translated into measurable outcomes Communal impact Contribution to community building	GRI Standards Cultural Change Impact Framework	What is the realized systemic change?	Legislation and policy making Actual contribution to SDGs	IRIS+ and the SDGs UN Business Call to Action
				How is the SE expanding its geographical and markets reach?	Geographical expansion (to other local regions/districts) Scalability + Potential replicability Access to new markets	Reports			

WHEN TO REPORT AND HOW

Organizations applying to the social enterprise qualification need to report on their social impact on a yearly basis to the governing entity. They have the freedom to utilize convenient approaches and tools that facilitate the process of gathering, analyzing and presenting the required information to the governing entity given they meet the set of criteria. This information is to be reported on in the report submitted to the governing entity, online and on an annual basis

Useful Resources and Tools

Social enterprises have access to a wide range of useful approaches and tools to measure their impact while addressing the social impact measurement requirements of the qualification. The following provides a sample of useful resources and tools a social enterprise can utilize to guide and report on its social impact throughout its development stages.

AT THE EARLY STAGE

THEORY OF CHANGE

EVPA argues that it is hard for early-stage social enterprises to define outcome indicators as they find it difficult to clearly identify the causal links between the activities, outputs, and relative outcomes.³⁵ To that, developing a full Theory of Change (TOC) is critical for any social enterprise as it constitutes the starting point of any impact measurement system. A TOC answers the following:³⁶

1. What impact do you hope to achieve?
2. What is the mechanism by which you achieve that impact?
3. How will you know when you've achieved it?

Proposed tool: [NESTA Theory of Change](#)

LOGIC MODEL

A logic model is a description that presents the chain of causes and effects and the relationships among the resources, activities, outputs, outcomes and impact of a social enterprise.

Proposed tools:

- [W.K. Kellogg Foundation Logic Model Development Guide](#)
- Social Impact Navigator: [The Logic Model and its Components](#)

SOCIAL BUSINESS MODEL CANVAS

The Social Business Model Canvas is a tool that helps social entrepreneurs build strong business models around their enterprises. Key elements are identified across this tool starting from resources to segments, channels, partners and stakeholders, while setting a clear value proposition.

Proposed tool: [Social Business Model Canvas](#)

AT THE START-UP STAGE

KEY IMPACT INDICATORS

Impact indicators measure the attainment and accomplishment of a social enterprise's goals and outcomes. They are metric sets that can be both quantitative and qualitative. The choice of key impact indicators can depend on the audience receiving the information, the critical outputs and outcomes to be measured, or the sector and industry that the enterprise is operating in.

Proposed tools:

- [Impact Management Project](#)
- The Global Impact Investing Network (GIIN) [IRIS+ Thematic Taxonomy](#)
- GIIN [IRIS+ Core Metric Sets](#)
- [Global Reporting Initiative \(GRI\) Standards](#)

SUSTAINABILITY THROUGH THE SDGS

³⁵ <https://evpa.eu.com/knowledge-centre/publications/social-proofing-impact-measurement-and-investeu>

³⁶ https://ssir.org/articles/entry/a_playbook_for_designing_social_impact_measurement

Social enterprises can aim for reporting their impact in relation to the realization of the UN Sustainable Development Goals (SDGs).

Proposed tools:

- The United Nations Development Program (UNDP) [Business Call to Action Impact Lab](#) (a leading platform for inclusive businesses to better measure and manage their impact on the SDGs)
- The Global Impact Investing Network [IRIS+ and the SDGs](#)

AT THE GROWTH STAGE

TOTAL IMPACT MEASUREMENT & MANAGEMENT

Established social enterprises require more holistic measurement systems that allow decision making on a broader set of metrics and data. Similar tools put values for the social, environmental, fiscal and economic activities of an organization allowing the depiction of the impact its making along with the trade-offs between the strategies.

Proposed tool: pwc [Total Impact Measurement & Management](#)

CULTURAL CHANGE IMPACT FRAMEWORK

As impact expands, the work and influence of social enterprises crosses individuals level to groups, organizations and ecosystems. The impact extends and creates change at the level of attitudes, abilities, relationships, environments, etc. Hence, the cultural change happening as a result of their activities can be captured and reported.

Proposed tool: [NESTA Cultural Change Impact Framework](#)

RANDOMIZED CONTROL TRIALS

This is inspired by the [Randomized Control Trials](#), the suggestion is to have the governing body taking this as its own responsibility: auditing existing mature SEs wanting to move from QL1 to QL2 or QL3. This can entail activities ranging from a desk review on the SE's impact depicted by its users, social media channels and reviews, media outlets, to actually conducting some community research where first-hand data is gathered. For example, the South Korean Ministry of Employment and Labor surveys the actual state of activities of social enterprises every five years (Article 6 of SEPA).

GLOBAL VALUE EXCHANGE

The [Global Value Exchange](#) (GVE) is a free and open resource aimed at giving the knowledge and tools social enterprises need to measure, manage and maximize their social impact. There are three main parts to GVE:

- browseGVE: a database with thousands of outcomes, indicators and valuations;
- myGVE: an interactive project layer where an organization can enter and collect social value data for its own activity or project;
- myGVEportfolio: allows the management of the social value of multiple projects by creating a portfolio with a shared outcome framework.

Suggested Role of the Governing Entity

The role of the governing entity will be to essentially guide social enterprises through the process of social impact measurement as they get acquainted with it, develop their impact management systems, and start measuring their social impact. The role will expand to additionally ensure the consistency and alignment of the set systems with the criteria and indicators they are asked to report on. Governing entities and auditing bodies can set follow-up mechanisms to continually support and assess the progress and impact of social enterprises as they advance through this process. These mechanisms can vary from producing a series of guidance briefs assisting SE stakeholders in complying with the qualification model, to creating a knowledge base with access to information and support line, and a knowledge network that can further connect different SE key ecosystem players (e.g. SE experts, support organizations) to social enterprises.