

Position Paper

UniCredit Social Impact Banking measurement model

Index

Aknowledgements

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1. Introduction



Is a more sustainable and impactful approach to business possible?

Is “Doing well by doing good” feasible and valuable for a private bank? And how do we know that the Bank’s financial activities are actually good for stakeholders and at the same time pay off? Is the Bank accountable for its shareholders as well as stakeholders, such as the clients and the communities reached by the clients? How do we know if the Bank operations create intentional, positive and additional impact for people and communities? In other words, is a more sustainable and impactful approach to business possible?

In line with its mission SIB has committed to measuring and managing impact, in order to seize all the opportunities to maximise its direct and indirect social outcomes. For this purpose, SIB has established a collaboration with Human Foundation, a Think Tank that promotes innovative solutions to societal issues¹, to develop a M&E system that allows SIB to monitor and evaluate the activities undertaken to pursue two main goals: i) generating a positive impact on the local systems where the bank operates, and ii) spreading the culture of social impact both internally and externally through employee commitment and partnerships.

1. A more extensive description of HF.

The M&E system of SIB has been developed through the following phases:



- **Definition of a social impact strategy:** development of a theoretical framework based on a Theory of Change (ToC) to guide SIB's strategic decisions, results and activities, in order to maximise SIB's social impact;



- **Development of evaluation methods and measurement tools:** the evaluation design was defined and measurement tools were developed based on SIB's ToC. Measurement tools are tailored to each area of intervention and to key stakeholder groups, in line with stakeholder measurement aims and capacities;



- **Design of banking and measurement processes:** evaluation and measurement processes have been attuned to the bank's financial and administrative processes in order to ensure adequate integration between the two.

Following the M&E system development, the implementation phase has begun, by carrying out the following tasks:



- **Implementation of the monitoring activities:** ex ante, in itinere, and ex post collection of data has been carried out, by using the specific measurement tools for each area of activity in the local areas where SIB operates;



- **Capacity-building of UniCredit managers:** UniCredit invested significant time and resources to train Italian and International UniCredit managers in order to acquire knowledge on Social Finance and know-how on M&E implementation;



- **Analysis and aggregation of collected data:** methods of data aggregation and analysis have been defined for each area of intervention. Impact data analysis is regularly conducted to understand SIB's performance and impact, by comparing expected and actual results in relation to the characteristics of beneficiaries;



- **Reporting, learning and review:** reporting guidelines have been defined along with a communication strategy tailored to internal and external stakeholder groups. For external stakeholders, specific products have been defined, while for internal stakeholders particular attention has been placed on learning and strategic decision-making processes.

Social Impact Banking ("SIB") is UniCredit's commitment to building a fairer and more inclusive society by identifying, financing and promoting initiatives that can have a positive social impact.

The programme, which started in Italy at the end of 2017, has been extended to 10 other Group countries (Austria, Bosnia & Herzegovina, Bulgaria, Croatia, Germany, Czech Republic, Slovakia, Romania, Serbia, Hungary). **Social Impact Banking** allows UniCredit to **help people at risk of financial exclusion and companies committed to addressing social issues**. We want to give them confidence, we value their talent and merit, we support their financial awareness, we provide them with credit, skills and access to key networks, working in partnership with focus on both the economic returns of our investments and the generation of wider societal benefits.

"We want to be not only lenders but also active promoters of positive change in society. To do well, you have to do good"

2. Context

Impact finance represents a new generation of financing that aims - in addition to economic return - to achieve concrete and measurable benefits for the community, in social and/or environmental terms.



The term social finance is often used to describe funding that aims at achieving a social as well as a financial return. It is usually associated with “social investment” or “impact investment”, as they all share the characteristics of (EC, 2019):

Impact finance

- differs from Socially Responsible Investment in which the latter generally seeks to minimize the negative impact rather than create a positive environmental and social benefit;
- distinguishes itself from traditional finance by the investor's intention to generate a social and environmental impact and by the measurement of the impact, which is essential to ensure transparency and accountability.
- is associated with the expectation of a financial return, or at least a return on capital; therefore the expected rate of return varies from below the market level to the market level.

Looking at the financial instruments, social finance spans from equity to debt through guarantees and grants. Regardless of the capital nature (i.e. debt vs equity) or the market maturity (immature or mature), social finance should be provided at favourable conditions to vulnerable individuals and/or to profit and nonprofit organisations that intentionally pursue social ends (SIITF 2014; EC 2016).

As part of its Social protection & social inclusion policies, the European Union has committed to developing social finance through different instruments. For instance, the Commission established the **EaSI programme**, which articulates in three axes: the Progress Axis, the Eures Axis, and the Microfinance and Social Entrepreneurship axis².

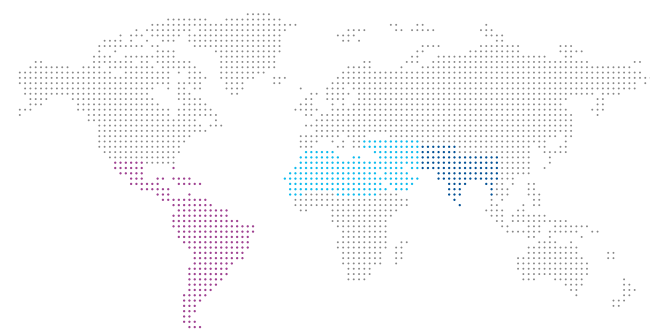
2. For further information about the EaSI programme and its axis, see: <https://ec.europa.eu/social/main.jsp?catId=1081>.

For the purposes of this paper, it is worth mentioning that the Progress Axis provides grants to test social and labour market policy innovations, the Microfinance and Social Entrepreneurship provides microcredit and capacity-building to vulnerable groups along with micro and social enterprises. In addition, the European Innovation Fund (EIF) has a credit scheme for inclusive finance among its various financial products³.

In this context social finance has significantly grown at global level. According to the **Global Impact Investing Network** (GIIN)⁴, the first and most renowned network of impact investors founded in 2008, the total impact investing market value is estimated at USD 502 billion as of the end of 2018 (GIIN, 2019 a).

Among GIIN's four-year repeat respondents the fastest growth is observed in:

- MENA (43% CAGR),
 - South Asia (24%),
 - LAC (21%),
 - ESE Asia (20%)
- (GIIN, 2019 b)



Overall, allocations of financial resources remain higher in U.S. & Canada and SSA (ivi).

The rapid growth and spread of social finance across geographies, industries and stakeholders has also implied the emergence of **impact washing behaviours**, as the OECD has warned (OECD, 2019).

Impact washing is the process implying any bank, firm or fund using the social/environmental impact narrative with reputational and market purposes, but actually not contributing to any positive impact (IDS 2019).

Hence, most players in impact investing and social finance feel the urgency of protecting the credibility of this nascent asset class, by adopting an agreed and shared definition. For the purposes of this paper, we adopt the latest GIIN's definition, which indicates those *"investments made with the intention to generate a positive, measurable social and environmental impact alongside a financial return"* (GIIN, 2019 c).

Four key features are underscored:

- **INTENTIONALITY**
insofar as Impact investments intentionally contribute to social and environmental solutions;
- **FINANCIAL RETURNS**
since Impact investments seek a financial return on capital that can range from below market rate to risk-adjusted market rate;
- **RANGE OF ASSET CLASSES**
as Impact investments can be made across asset classes;
- **IMPACT MEASUREMENT**,
because impact investors measure and use impact performance data in decision-making to manage investments towards the achievement of social and environmental objectives (GIIN, 2019 c).

Among these four key features, impact measurement has been widely considered as an imperative for this asset class. Indeed, the OECD indicated impact measurement as an antidote to impact washing, which tends to occur when definitions of impact investing proliferate, impact measurement practices are underdeveloped, and data comparability is insufficient (OECD, 2019).

Likewise, the European Commission has set some 'social impact requirements', such as the declaration of a social impact intentionality and the commitment by investees and by financial intermediaries to monitor and evaluate the expected impact, in order to access their funding and limit the impact washing risk.

According to the GIIN survey 2019, most impact investors carry out impact measurement for their investments. However, approaches and methods vary greatly. In fact,

- 66% of the 266 respondents declared to use qualitative information,
- 63% employed proprietary metrics that are not aligned to any external frameworks or methodologies,
- 49% referred to metrics that are aligned with IRIS,
- 37% used standard frameworks and assessments such as GIIRS, GRI, SASB, IMP,
- and 6% indicated other, which includes using logic model frameworks or ToC. (GIIN, 2019 b).

According to the latest Tiresia's Outlook (Tiresia, 2019) on the Italian impact investing, if, on the one hand, 76% of 38 impact investors think that intentionality, measurability and additionality are all fundamental criteria to define impact investment, on the other one, only 23% state that they are actually applying these criteria to their financial operations.

Out of 38 respondents, 24 investors had in place a measurement system, which accounts for

- outputs (100%),
- outputs and outcomes (56.5%),
- outputs, outcomes along with impact (13%).

Finally, most players in social finance state that

- they verify results ex-post (83.3%),
- monitor results in itinere (68.8%),
- estimate them ex-ante (42.9%).

SIB supports businesses and non-profits that generate clear, real and measurable social outcomes for the community.

Through microcredit we support the birth and growth of small businesses not only with the traditional offer of credit but also by providing skills and relationships that are fundamental for business development. Our new microcredit model goes beyond the mere commercial relationship between a bank and the client company: through the creation of an "ecosystem" of actors (bank, partners, volunteers), we are able to support our clients also with highly tailored offerings.

With Impact Financing initiatives, it offers financial support to social innovation, recognized as a positive driver of change, through advantageous loans and financial training, sharing its "success stories" and promoting new partnerships and networking activities. In addition, through a pay for success mechanism, additional economic benefits are recognized based on the achievement of shared social impact objectives.

It also promotes financial education initiatives with the aim of supporting micro-entrepreneurs and the world of social entrepreneurship. We invest in the development and support of vulnerable sections of the population, in particular young people and individuals at risk of exclusion. Our aim is to help develop a financial culture that enables beneficiaries to pursue virtuous paths of active citizenship. For example, we invest in national programmes of financial education, entrepreneurship and help to enter the world of work.

3. For further information about EIF's financial instruments, see: https://www.eif.org/what_we_do/microfinance/easi/.

4 For further information about the Network, see: <https://thegiin.org/>.

3. SIB Social Impact Strategy

SIB's mission is to contribute to building a fairer and more inclusive society by identifying, financing and promoting persons and initiatives that can have a positive social impact in the communities where UniCredit operates.



Firstly, SIB embarked on defining a social impact strategy that has provided a framework guiding decisions, activities and results of the organisation in order to respond effectively to the needs of society.




The strategy helps SIB to understand what is relevant for its mission and to improve the allocation of financial and human resources, and ultimately to identify ways in which it can create more value for stakeholders.

The Strategic planning process included two phases: a first one that clearly identified the problem theory SIB is tackling, and a second phase that developed a theory of change that encompasses all SIB activities.

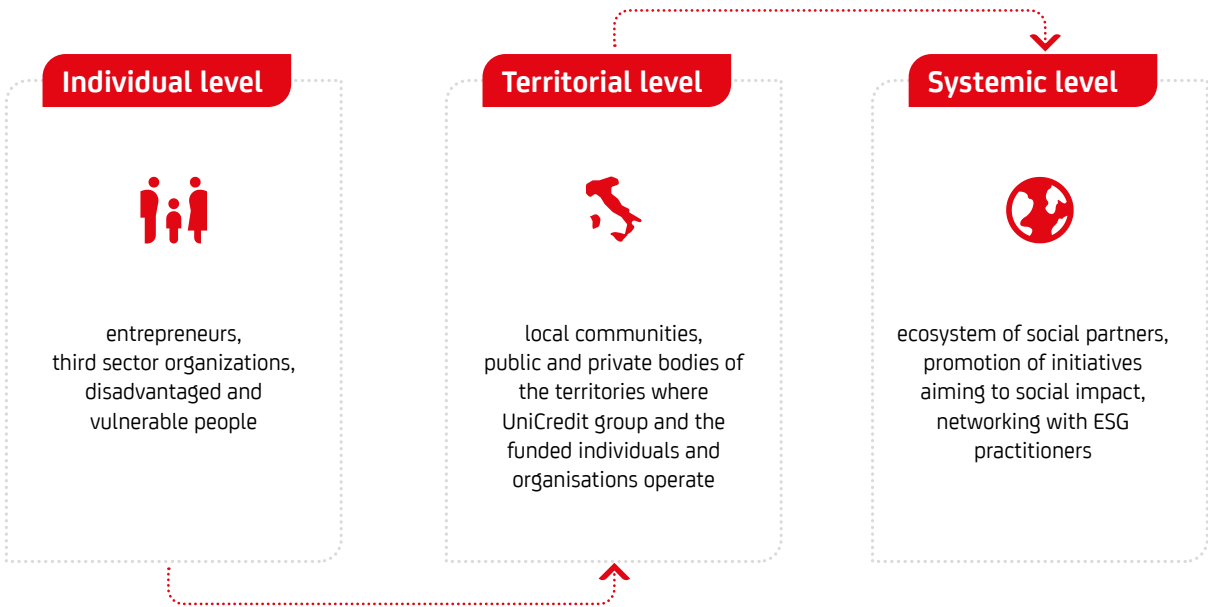
3.1 The problem theory

Among the many hindrances to an inclusive society, SIB's action focuses on the social and economic exclusion of a growing number of individuals and organisations. The term social exclusion describes how people are excluded or hindered from participating in the processes of growth, development and well-being.

At the basis of social exclusion, literature highlights:

-  **Gap between the socio-economic needs and the offer of financial services**, (e.g. limited access to credit)
-  **Lack of skills** and financial know-how in the community
-  **Insufficient level of public services** to respond to social needs, high waiting time for services from Public Welfare, lack of accessible services from Private Welfare

Social exclusion can affect different stakeholders, which SIB involves in its intervention model, at various levels:



3.2 The theory of change

The Theory of Change (ToC) is a description of the sequence of events necessary to achieve the desired change (CFTOC, 2017). The ToC is a framework, stemming from the theory-based evaluation approach (Weiss, 2010), developed between 1970s and 1990s to understand the theory of social change that a programme or initiative seeks to generate. A ToC can help to understand when and how an intervention works. In the ToC, resources (inputs), results (outputs) and short-term, intermediate and long-term changes (outcomes) are united in a chain of causal connections, supported by specific hypotheses.

As shown in the table below, the Theory of Change is a very versatile tool, which can be used for different purposes, also in relation to social finance initiatives. As for SIB, the ToC was chosen as the fundamental theoretical framework because it facilitates the identification of relevant objectives for SIB's mission and provides an effective tool for monitoring and evaluating the progress against them. In addition, the ToC is a well-recognized methodology in the social finance industry, adopted by most impact investors, venture philanthropists and social enterprises (So et Staskevicius, 2015).

Common applications

- To understand path to intended impact as part of due diligence
- To provide a framework for goal setting
- To track and monitor progress of investment
- To provide targets for incentive schemes
- To provide a framework for illustrating impact logic in reporting

Advantages

- It provides an easy-to-understand framework that is familiar in the social sector
- It is a versatile tool that can serve multiple purposes
- It allows investors to overlay dimensions that are important to mission
- It allows investors to identify underlying impact assumptions for further review as necessary

Disadvantages

- Identifying indicators to assess outcomes can be challenging
- The model lends itself to risk of reducing a social change, and its complexity, to a simple linear process

In philanthropy as well as social finance, the ToC is often developed as a methodology for planning, managing or evaluating the organization's activities. Therefore, as mentioned earlier, the ToC was at first developed for crafting a social impact strategy through a series of workshops that engaged SIB top managers. Outcomes, outputs and activities were defined "backwards" from the general goals.

The premise underlying SIB's TOC is that contributing to the development of the communities in which the Bank operates, increasing social cohesion, employment levels, general welfare and reducing inequalities, is the leverage for the growth of society as a whole and consequently the economic and business system.

Furthermore, it stresses the importance of addressing social and economic exclusion not only by financial means but also by exploiting financial education to improve the efficient and effective use of financial resources for vulnerable individuals. Hence, SIB's **model of intervention** implies that the bank allocates its financial, human and social **resources** (i.e. credit, present and former employees' skills and time, national network and local proximity) to SIB, which harnesses them for social and economic purposes, investing patient capital at lower costs and providing skills for the impact ecosystem. This process allows SIB to implement the activities of its three lines of intervention, which all can benefit from the support of UniGens, UniCredit's volunteering programme:

- Finance disbursement and capacity building to social impact initiatives/organisations (Impact Finance);
- Microcredit disbursement and capacity building to individuals and businesses at risk of financial exclusion (Microcredit);
- Development of financial skills to young and fragile people (Financial Education).

SIB's ToC shows the logical connections between the key outputs and outcomes, which SIB directly or indirectly contributes to, through its three main areas of intervention. Finally, the path of change described by the ToC leads to two goals SIB aims at: i) generating a positive impact on the local systems where SIB operates, and ii) spreading the culture of social impact both internally and externally through employee commitment and partnerships.

The ToC has been aligned with the SDG framework to assess contribution and progress against agreed international standards, by linking outcome indicators with SDG targets. Such an alignment can provide information about the distribution of financial inputs as well as the contribution of outcomes to SDGs.

Social Impact Banking

INPUT

- € financing capital
- Unicredit employees and former employees skills and personal time
- UniCredit Network

OUTPUT

- Impact Financing deals (One by One; EIF)
- Microcredits
- Training and tutoring activities for financed organisations and micro-entrepreneurs
- Financial Education programmes and courses

OUTCOME

INDIRECT OUTCOME:

- A1. Improvement of physical health
- A2. Improvement of mental health
- A3. Increased social cohesion
- A4. Increase and maintenance of occupation
- A5. Improved material living conditions of vulnerable individuals and families
- A6. Strengthening of Human Capital
- A7. Higher economic and cultural value of the territory

DIRECT OUTCOME:

- A6. Strengthening of Human Capital
- A8. Increased financial inclusion
- A9. Improved economic and financial sustainability of organizations
- B1. Development of partnership relationships between subjects (profit/nonprofit) engaged in creating social impact
- B2. Strengthening trusting relationships with the client and the territory
- B3. Increased knowledge and commitment of employees who play an active role to spread the social impact culture

OBJECTIVES

- A. Social and economic well-being generation for individuals and territories
- B. Spreading the culture of social impact both internally and externally through employee commitment and partnerships

4. The monitoring and evaluation system



The M&E system attempts to understand the efficacy of SIB activities, by measuring positive outcomes and monitoring risk of negative unexpected outcomes for direct and indirect beneficiaries.

The aims of SIB's M&E system are firstly to evaluate the strategy implementation against the set milestones and expected outcomes, to monitor the performance of companies and supported initiatives, and to measure and manage the impact generated on the Bank's stakeholders.

Hence, the underlying principles of the M&E system are:

- Be comparable, results can be compared and aggregated cum grano salis
- Be aligned with international standards to preserve impact integrity
- Be focused on change and on how it is created or inhibited for SIB projects
- Be relevant for UniCredit group and its stakeholders in the long term
- Be encompassing of all UniCredit SIB projects, stakeholders and their specificities
- Be verifiable based on verifiable indicators, sources and means of verification

The M&E system attempts to understand the efficacy of SIB activities, by measuring positive outcomes and monitoring the risk of negative unexpected outcomes for direct and indirect beneficiaries. As mentioned earlier, ToC can be used not only for planning but also for management and evaluation. Therefore, the M&E system has adopted a theory-based approach, which develops a general Theory of Change that encompasses all SIB activities, including the three key areas of intervention and the cross-cutting volunteering programme UniGens. The general theory of change includes a set of key performance indicators and sources of verification, which track information at input, output and outcome levels. This helps SIB measure the **efficacy** and efficiency in reaching expected and unexpected outcomes, allowing possible revisions of the intervention model (e.g. the allocation of resources or the implementation of the activities, etc.).

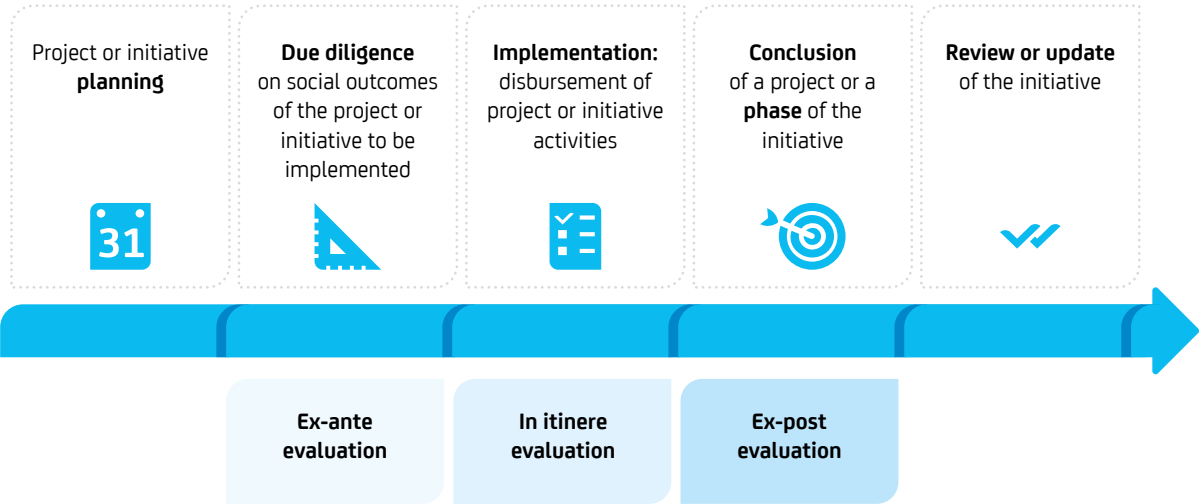
4.1 Evaluation design

For all SIB areas the evaluation design is non-experimental based on PRE-POST measurement. Due to the pan European scope, diverse nature and large number of funded initiatives, a quasi-experimental or experimental design was considered unfeasible.

Following the programming cycle of a project or initiative (e.g. a social service, or microenterprise or an education project), the evaluation is carried out in phase:

- A. BASELINE** – Data collection begins, and targets are set according to forecast projections and/or to theory of change targets.
- B. ITINERE** – Data collection is carried out each year to monitor the results of the project or initiative and their progress against targets.
- C. EX-POST** – Data collection is carried out until the end of the funding or of the project, focusing on the outcomes.

For Impact Finance and Microcredit deals, the evaluation design has been matched with the funding process, whereas for Financial Education programmes it has been inserted as part of the courses evaluation mechanisms, in order to make the M&E an integral part of SIB's processes.



Source: elaborated by Human Foundation

4.2 From Theory of change to Area Logframes

The general theory of change is then nested by 3 specific logframes, which articulate specific inputs, outputs and outcomes for Impact Finance, Microcredit and Financial Education. Logframes allow a more granular measurement of outcomes, along with inputs and outputs, for a diverse array of stakeholders, from SPOs to Public institutions through indirect beneficiaries.

For all our areas of intervention we defined a framework describing the strategic output and outcome indicators to evaluate the impact. Providing a general blueprint that allows to collect and manage different levels of information connected each other, and to bring back all our activities to one or more social dimensions.

This allows data aggregation at project and portfolio levels as well as a better understanding of stocks (i.e. scale of intervention) and flows (i.e. increase or decrease in reach) throughout time.

The M&E system was embedded with indicators, which can be differentiated in quali-quantitative indicators at both output and outcome levels. Such indicators are enough general to be adjusted to the wide variety of SIB's activities and contexts and at the same time enough accurate to provide information about the number of people experiencing change. In Impact finance, indicators are also complemented by targets, which are defined together with investees or clients.

The following table summarises the possible combinations of Areas of intervention, Stakeholder groups and subgroups, Outcomes. Given the different features of SIB's 3 strands of work, logframes are attuned to these specificities by defining output and outcome indicators. The key logframe indicators are connected to, and feed, indicators at the Theory of Change level, underscoring the contribution of each area to the achievement of SIB strategic outcomes and to the alignment of SIB mission.



STAKEHOLDER GROUP

Overall stakeholders:

- UniCredit Employees
- Partners
- Volunteers of UniGens

Impact Finance

Direct stakeholders:

- ESG oriented companies and organizations

Indirect stakeholders:

- Caregivers
- People at risk of violence/poverty
- People with disability/invalidity
- People in fragile conditions
- Persons at risk of exclusion
- Community

Microcredit

Direct stakeholders:

- Microenterprises
- Entrepreneurs

Indirect stakeholders:

- Microenterprise's Employees
- UniCredit and UniGens volunteers

Financial education

Direct stakeholders:

- Students
- Fragile people

Indirect stakeholders:

- Schools
- Teachers

OUTCOMES

INDIRECT
DIRECT

A1 Improvement of physical health

A2 Improvement of mental health

A3 Increased social-cohesion

A4 Increase and maintenance of occupation

A5 Improved material living conditions of vulnerable individuals and families

A6 Strengthening of Human Capital

A7 Increased economic and cultural value of the territory

A8 Increased financial inclusion

A9 Improved economic and financial sustainability of organizations

B1 Development of partnership relationships between subjects engaged in creating social impact

B2 Strengthen trusting relationship with client and the territory

B3 Increased knowledge and commitment of employees who take an active role to spread the social impact culture

Here follows a description of SIB logframes for each area of intervention.

Impact Finance

The performance of this area is monitored and evaluated through a set of standardised output and outcome indicators, whose information is collected over time by the social ventures. These indicators are accompanied by specific metrics, developed by the social enterprises, in order to collect specific data in relation to the depth and duration of change. At the due diligence phase, social enterprises commit to identifying and measuring a minimum set of outputs and outcomes, based on the indicators provided by the logframe. Each enterprise agrees with SIB the metrics, which will feed the selected indicators, along with the baseline and target values (see examples in table X). During the monitoring phase, actual values are periodically compared to target values, estimating the enterprise's social performance.

This allows the introduction of a Pay for Success (P4S) mechanism in the funding structure of impact finance operations. The P4S mechanism links the social performance of a project in terms of outcome or output achievements to pre-agreed extra financial benefits for the enterprise, for instance discounted interest rates or donations. Those additional funds, sometimes doubled by the client firm, are then re-invested to generate additional impact that increase positive change for the firm's beneficiaries.

Microcredit

Microcredit can also benefit from a specific logframe, which provides outputs and outcome indicators. However, these indicators are collected by SIB through direct questionnaire

survey. For each new request of financing, SIB sends a PRE-questionnaire to the applicant; moreover, a POST-questionnaire is sent to who already answered the PRE-questionnaire.

Financial Education





Like for Microcredit, a logframe specifies output and outcome indicators. These indicators are collected directly by SIB through tailored surveys. In the case of school programmes, the M&E data collected through the evaluation tools are integrated with the results coming from the knowledge tests students have to pass in order to advance in their educational path.

Finally, it is worth mentioning that, for all the three areas of intervention, the measurement tools collect also specific demographic and social information of direct and indirect SIB's beneficiaries. These data allow to develop a more detailed analysis on the direct and indirect impact of SIB's intervention and on the main trends and progress of SIB's and of its beneficiaries' performance.

The following table provides some examples of output indicators at the logframe level, for each stream of SIB activity. For Impact Finance, outputs can relate both to SIB's direct activities, such as financial disbursements, and to the results of the funded enterprises' activities:

OUTPUT INDICATORS		
Impact Finance	Microcredit	Financial Education
<div>SIB's direct outputs</div> <div><ul style="list-style-type: none">Number of Impact Finance deals disbursed</div> <div>Funded enterprises' outputs</div> <div><ul style="list-style-type: none">Number of hours of training delivered, by sector of interventionNumber of beds provided, for sector of intervention</div>	<div><ul style="list-style-type: none">Number of microcredits disbursedNumber of micro entrepreneurs which benefits from UniGens technical supportNumber of micro entrepreneurs which follow financial training</div>	<div><ul style="list-style-type: none">Number of agreements signed with schools for Financial Education programmesNumber of vulnerable people trained in extra-school programmesNumber of UniCredit's employees involved in training activities</div>

The following table shows some examples of the concatenation of ToC outcomes, Logframe outcomes and specific metrics:

OUTCOMES, AT THE TOC	OUTCOMES, AT THE LOGFRAME LEVEL	MEASUREMENT METRICS
<div> A1 Improvement of physical health</div>	1.1 Improvement and protection of physical well-being (Impact Finance)	<ul style="list-style-type: none">Glycemic IndexIndex of the patient's physical function and autonomy in daily activities (e.g. Barthel Index)
<div> A2 Improvement of mental health</div>	2.4 Improvement of Self-Esteem (Impact Finance)	<ul style="list-style-type: none">No. of beneficiaries who declare that they perceive an improvement in their self-esteemRosenberg Self-Esteem Scale
<div> A4 Increase and maintenance of occupation</div>	4.1 Work inclusion of disadvantaged categories (Impact Finance)	<ul style="list-style-type: none">No. of full-time and/or part-time fixed-term jobs based on registered contractsNo. of temporary jobs declared by the social enterprise in the non-financial report
	Increase and maintenance of occupation, thanks to the provision of microcredits (Microcredit)	<ul style="list-style-type: none">No. of companies in which the number of employees has remained stable thanks to the provision of MicrocreditNo. of companies that hired new people after accessing microcredit (by type: men / women / unemployed / young people on first job / migrants)
<div> A6 Strengthening of Human Capital</div>	Increased business management skills of micro entrepreneurs (Microcredit)	<ul style="list-style-type: none">No. of entrepreneurs who declare that they perceive an improvement in their company's management capacity thanks to the technical support of UniGensNo. of entrepreneurs who declare that they perceive an improvement in their company's management capacity thanks to post-disbursement financial training
	Improved knowledge of Financial and Business Management by students (Financial Education)	<ul style="list-style-type: none">Number of students who obtain a certificate of skills

4.3 Measurement tools

This M&E system requires measurement tools in order to collect data. Therefore, specific questionnaires have been elaborated, consisting in a mix of close and open questions that gather information about goals, outcomes, outputs, inputs along with processes. Questionnaires have been tailored not only to stakeholder groups but also to specific activities. Data collection through questionnaires takes place ex ante and ex post with respect to the activity being monitored.

Questionnaires collect data at the investee or recipient level, allowing an assessment at individual and portfolio levels. Therefore, the M&E system can measure and monitor outputs (e.g. number of deals, number of beneficiaries reached) as well as outcomes (e.g. number of jobs, changes in wellbeing) in absolute and relative terms.

Data collection is led by UniCredit staff at local level with the help of specific digital tools and is coordinated at the central level by the SIB team. The set of information collected through the M&E system of Social Impact Banking allows a periodical monitoring of how much each area's activities have contributed to implementing the Theory of Change, providing also evidence to take decisions over possible corrections or modifications to the intervention model.

Once data are analysed, then SIB is going to report and communicate impact information with its stakeholders, tailoring communication to their specific needs and interests.



5. Alignment with International standards

M&E system has both strengths and weaknesses, which create opportunities for improvement and impact maximisation



As a flagship initiative, SIB has attempted to align the M&E system with international standards from the very beginning of its journey into impact management. Given the technical complexity of impact management, we are aware that SIB's M&E system has both strengths and weaknesses, which create opportunities for improvement and impact maximisation.

As the Impact Management Project (IMP) is undoubtedly the international forum where more consensus about impact measurement has coalesced, SIB's M&E system is benchmarked against its norms. IMP provides companies and investors with coherent guidelines on how to measure, report, compare and improve impacts on environmental and social issues.

By taking IMP 15 impact data categories, it is possible to appreciate a good alignment of SIB M&E system with several norms as well as room for improvement, which will be better accounted for in paragraph 5.2.

Impact dimension	Impact data category	How SIB M&E system aligns with IMP norms	Alignment
WHAT	Outcome level in period	SIB's approach to measurement goes beyond input-output levels and includes positive intended outcomes. The level of outcome experienced by the stakeholder is captured either directly by SIB through questionnaires or indirectly by funded initiatives. As far as unintended and/or negative outcomes are concerned, questionnaires for Impact finance activities include questions on possible negative risks.	
	Outcome threshold	At present, the M&E system does not set specific thresholds of relevance for the stakeholders with respect to the targets of the impact indicators, because the projects and initiatives that are supported are numerous and very different from each other by context, sector, stakeholder. However, some results are measured by scales, which can provide a reference to the minimum stakeholder satisfaction. On the other hand, the result thresholds are actually set in relation to the number of beneficiaries expected to undergo changes, establishing a minimum threshold for achieving the impact.	
	Importance of outcome to stakeholder	The importance of outcomes is currently not drawn from direct beneficiaries but has been considered when logframes were developed through third party research.	
	SDGs or other global goals	Outcomes are directly linked to SDGs and their targets. This also allows to estimate SIB's alignment with SDGs as well as the relative importance in terms of funding.	
WHO	Stakeholder	The M&E system identifies several stakeholder groups and subgroups, who are expected to experience changes in outputs and outcomes.	
	Geographical boundary	For Impact Finance deals in Europe, the measurement tools allow the identification of disadvantaged areas, helping SIB to ensure an effective targeting of stakeholders that are not adequately served by markets and welfare services. For the Italian Impact Finance deals, Microcredit loans and Financial Education projects, the geographical location of stakeholders is traced and is qualitatively taken into consideration for targeting potential beneficiaries.	
	Outcome level at baseline	The M&E system collects data about stakeholder outcomes at baseline. This is pivotal to measuring change throughout the funding cycle.	
	Stakeholder characteristics	The M&E system identifies several stakeholder groups and subgroups, who are expected to experience changes in outputs and outcomes.	

Impact dimension	Impact data category	How SIB M&E system aligns with IMP norms	Alignment
HOW MUCH	Scale	Logframes define both outcome indicators and targets, based on investee estimations. Indicators and targets refer to the number of people who experience change.	
	Depth	For each loan or grant information about the depth of outcomes is collected through specific metrics, which in the case of Impact Financing are defined by the recipient of funds. In order to tailor measurement to peculiar specificities, metrics are not standardised. This allows data aggregation only as for the number of people who live change.	
	Duration	Thanks to a periodic monitoring, it is possible to have information about the duration of outcomes within the funding cycle.	
CONTRIBUTION	Depth counterfactual	Since the evaluation project is not experimental, the contribution of SIB to the results is estimated by asking the judgment of the interested parties (for example the importance of the banking intervention for financial competence or economic and financial sustainability) or drawing from secondary sources. As the role of a banking institution is to provide credit and non-financial support, secondary sources of information related to subsidized finance, financial inclusion and long-term credit offering, client competences development and networking offer are adequate impact dimensions to understand the bank's direct contribution to the achievement of the beneficiaries results.	
	Duration counterfactual	At present, duration counterfactual can be controlled only within the investment period. Beyond this period some specific survey and benchmarking activities could be carried out.	
RISK	Risk type	For Impact Finance operations, beyond the financial risk assessment, a due diligence on the project proposal as well as its proponent is also required. In particular, information on possible environmental and social risks is needed.	
	Risk level	There is not a systematic account of risk yet, but a qualitative approach to risk assessment is required for Impact Finance operations.	

6. Discussion of the M&E Systems



A real case study for impact investors, funders and practitioners with pragmatic solutions

The strengths of UniCredit's approach to impact measurement could be relevant food for thought for the social impact industry in Italy as well as in Europe. On the other hand, an assessment of the system's weaknesses provides opportunities to strengthen UniCredit's impact management, by improving data collection, analysis and decision-making processes. Having described in detail the features of SIB M&E system, key strengths, weaknesses and opportunities are here introduced.



Strengths

- The M&E system is aligned with international standards and norms (SDG targets, IMP's impact data categories) to preserve impact integrity against the risk of impact washing.
- Thanks to a theory-based approach to impact measurement, the M&E system clearly identifies the social problem and provides a framework that helps SIB to make decisions to identify opportunities for creating more value for stakeholders through its activities.
- The measurement model encompasses different levels of intervention defining the connections between these levels. Such a modular design makes data collection and aggregation sufficiently flexible to include all SIB's activities and enough granular to grasp the specificities of different areas of intervention and stakeholders
- The pre-post evaluation design makes possible to review the intervention model.

Weaknesses

- The wide scope of analysis implies a diverse array of measurement tools and data sources, which limits comparability across areas of intervention but provides more granular information for enhanced impact management.
- Impact measurement practices are new to the Bank, and this requires further development in order to improve data quality. Measurement tools were tested, and useful information was collected to improve the efficiency and efficacy of direct surveying.
- The M&E system does not apply weighting or monetisation to outcomes.
- Impact attribution is limited to a PRE-POST evaluation design without control groups. Measurement tools ask stakeholders the role of SIB in generating measured outcomes, which provide qualitative evidence. The depth and the duration of this contribution are so far assessed qualitatively and via secondary sources, only for the period of the investment.

Opportunities

- Improvement of the decision making and learning processes based on the M&E system results compared to targets.
- Strengthening the ex-post evaluation processes by developing specific guidelines and procedures in order to facilitate strategic reviews, based on the evidence collected through impact measurement.
- Accounting for unintended changes, including negative ones by defining risk categories and requiring stakeholder to provide relevant information both ex-ante and ex-post.
- Impact measurement practices could be further consolidated into the bank processes, thus maximising the overall social impact.

This paper showed an innovative approach to impact measurement in the Italian and European context, which provides a real case study for impact investors, funders and practitioners with pragmatic solutions. UniCredit, by designing a feasible and rigorous model of impact measurement, is contributing to ensure impact integrity in its financial products, which is a key factor for the transparency and competitiveness of the social finance industry. Such a case study demonstrates that rigour can go hand in hand with practical impact management for a wide range of business activities.

An open disclosure of UniCredit's system of M&E is intended to help the entire national industry to shift the current focus from output to outcome measurement and provide relevant insights on understanding additionality of social finance.

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