Guiding Framework for integrating Theory of Change in projects to be listed in Social Stock Exchange

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1. Background

Annexure II of SEBI Circular SEBI/HO/CFD/PoD-1/P/CIR/2022/120 dated 19.09.2022 provides 'Guidance Notes for all Social Enterprises (SEs) on AIR', wherein, under 'Strategic intent and planning' at point 4 it is stated as under:

'Point 4. What will be the outcomes of the solution/program? Coverage should include positive and potential unintended negative outcomes.'

Describe the Theory of change / logic model framework (defining input, output(s), outcome(s)) for the solution proposed. While identifying the targeted impact segment, both positive and potential unintended negative impacts need to be identified.

So far no standard framework has been suggested for Social Enterprises that can describe the Theory of change vis-à-vis Logic model for the solutions proposed. In practical terms, this implies integration of Theory of Change/Logic Model to the actual planning and implementation of the project that leads to the expected outcomes.

2. Why the need of a Guiding Framework to Logic Model?

The study of the 25 project proposals submitted by NPOs for listing at the SSE in the First Cohort Meeting held on 10.09.2023 organized by NABARD revealed that most of the projects needed clarity in terms of steps involved in the project process that are essential for contributing to the overall outcome. Wide differences were seen in the quality of the submitted projects.

The proposals scarcely adopted Theory of Change/Logic Model in true sense. In most of the project proposals, the impact was committed although projects actually could commit only the overall outcome. Most importantly, due to not having a standard framework to work upon, the cost implications of implementing the project using Logic model had also not been factored in and calculated in a proper manner by the NPOs.

Along with the NPOs, the need was also felt in the Cohort meeting that the primary stakeholder organisations like BSE, NSE, SROs and intermediary organisations needed to have hands on understanding of how Logic model practically works and how it could be integrated in practical terms in the project planning document that would be relatable to the vetting and due diligence exercise of the project/ program.

This was followed by using this Guiding Framework to prepare the offer document for the projects being listed in the exchanges.

3. Understanding the Guiding Framework and how it works for different project stakeholders

This Guiding Framework **is essentially a bi-directional traceability matrix** that would enable the Project Management/Social Enterprise and the key stakeholders to understand forward and backward traceability of the project/program flow for meeting the stated objective (s).

The process of tracing resources through this Guiding Framework constructs a necessary link so that ultimately inputs can be identified / designed and traced back to the overall outcome (in the impact value chain) through activities, outputs and different levels of intermediate outcome metrices (1st level, 2nd level, 3rd Level etc...) across the timeline of the project. This Framework is a simple two-page document to be adhered to while preparing the project for listing.

With the clarity that will be established through this Guiding Framework, every stakeholder involved in the impact value chain will benefit. This will help Social Enterprises to bring proficiency to prepare, implement and track the project progress in a logical manner which in turn will help them to move forward with a clear impact communication and reporting. Further, this framework will enable all other stakeholders (outcome funders, risk investors, third party evaluators along with intermediaries and regulators) to understand and comprehend key reporting requirements based on traceability. It will also provide guidance with regard to the nature of communication/discussions these Entities need to establish contextually with the Project Management. The clarity on the above issues at the time of pre-listing and listing of projects, will help reduce immensely the processing time and cost of the Social Enterprises and key stakeholders during pre-listing and listing stage while ensuring the quality of the listed projects. This would also ensure Social Impact Assessors to have a clear basis for project assessment across the project timeline that would adhere to Theory of Change/ logic Model.

4. Logic Model: How it needs to be designed and used for Projects. Some dos and don'ts.

Firstly, The flow of activities in a project designed based on the Logic Model emanates from impact and not from input. This mistake is seen in design of most of the projects. There is the danger of missing wood for the trees... if one designs the project starting with inputs which the initial vetting of the project must address.

Secondly, Logic Model should not be used in a straight jacketed manner for achieving the target of the project and for evaluating a project in a straight jacketed manner but this should be used as an enabling framework to understand the intricacies involved in the project process dealing with social, environmental and cultural challenges in an open, transparent and comprehendible manner for achieving a meaningful impact.

Thirdly, the candid planning and implementation instruments enabled by Logic Model need to be used pragmatically with reasonable flexibility for needful revisions of project's/ program's predetermined targets, if warranted, during the project period, especially during the mid-term project evaluation to meaningfully achieve the desired impact.

Lastly, Logic Model needs to be creatively used as a vibrant framework to plan, implement, monitor and evaluate the project and most importantly, to set a healthy dialogue amongst primary stakeholders in co-creating impact with the Social Enterprises.

5. Designing the Projects (Social/ Environmental/ Cultural) under Logic Model

This covers the flow of project/program design under Logic Model keeping in mind the attributes of reach, depth and inclusion considerations of impact within the overall project objectives at **point 5.1**; how learning loop operates in Logic Model at **point 5.2** ; the principles for designing of Key Performance Indicators (KPIs) under Logic Model at **point 5.3** ; and assigning true costs for inputs under Logic Model for project sustainability at **point 5.4** .

This is followed by a Guiding Framework to design project under Logic Model in **ANNEX-1 (Ref: page 7-8 below)** and Suggestive attributes of reach, depth and inclusion considerations for SSE listed Projects in **ANNEX-2 (Ref: page 9-11 below)**
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### 5.1 The flow of Project/ Program design under Logic Model

Based on the vision of the project/ program, the impact statement is drawn. To achieve this impact statement, the mission statement is drawn as the **overall objective** of the project. This is expected to get fulfilled as the **overall outcome** in the project . The Logic Model flow is explained as under:

i. **Impact:** Impact are long term intended and unintended consequences of all the inputs and activities. Impact is seen over many years after the completion of project or immediately after the completion on project/program. This depends upon the gestation period of the project/program to create an impact. Hence, the overall outcome of a Project, which normally which is expected towards/at the end of a project, should not be misconstrued as the impact of the project as often observed as perceived. Project need to have a clear withdrawal protocol envisioned at the planning stage on what needs to be done to sustain the project initiative. This will help convert project outcome into impact.

ii. **Outcome:** Outcomes are one step beyond achieving the targeted outputs and measures various intended/unintended consequences of the programme or project. Outcomes can be achieved at different levels across the timeline of the project. These intermediate outcomes are - 1st level/ 2nd level/ 3rd level. All these will feed to the overall outcome. The components and sub-components of the project and the related activities under each component and sub-component and their key performance indicators (KPIs) need to distinctively designed to address each of the intermediate outcomes for traceability and accountability.

iii. **Output:** Outputs are the first level direct products from the project activities. The output can come from a single activity or combination of activities.

iv. **Activities:** Actions or logical sequence of actions intended to achieve desired results.

v. **Input:** Inputs are the resources invested / deployed for achieving any intended action. Resources can be categorised into two parts: Financial and Non-Financial. Financial resources are those resources which directly or indirectly involve money but Non-financial resources involve all resources other than money i.e. human, community, organisational, intellectual etc.

vi. An important part of input is **Pre-project implementation** to be considered in the 0 year of the listed project explained as under:

     o **Pre-project implementation:** Logic model demands a time gap to be kept invariably between project listing and initiation of implementation to enable Project Management/SE to prepare for grounding of the listed project. This period is counted as **0 year of the project**. This is the time when activities on grounding of project such as - actual beneficiary entity selection on the ground;

manpower planning, deployment & capacity building; participatory planning with the beneficiary community; baseline survey; setting project logistics and infrastructure arrangements etc will be done. The duration of 0 year and the cost implications of 0 year needs to be documented, discussed and included in the project design at pre-listing and listing stage. This is also the time to fine tune **project design.**

5.2 How the learning loop is built in Logic Model?

Following diagram shows how the feedback loop works under Logic Model:*
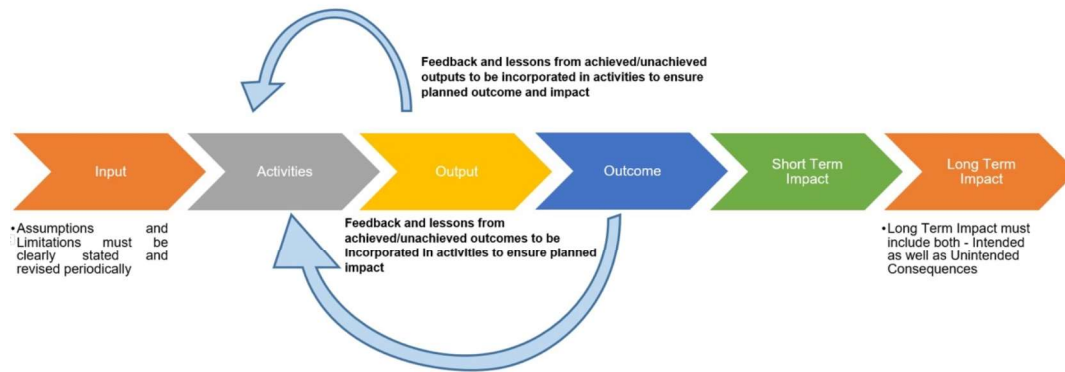
Ref: 'Social Impact Measurement and Investment' by Bibhu Mishra, Transcience (2018) Vol. 9, Issue 1

5.3 Setting Key Performance Indicators (KPIs) under Logic Model – Some core issues

It is to be kept in mind that the performance trend on impact, overall outcome, intermediate outcomes and outputs shall be assessed through the analysis and trend of interactive data retrieved from KPI metrices established by the Social Enterprise in the project design keeping in mind the parameters drawn from relevant attributes of **reach, depth and inclusion** considerations in social/ environmental/cultural project in measurable terms. The suggestive attributes worked out for reach, depth and inclusion for **social, environmental and cultural projects is included in ANNEX -2 (page 9-11 continued below).**

It needs to be clarified here that, of all the performance indicators and KPIs set in the project design, **only few pertinent KPIs** will be used by the outcome funders, risk investors and exchange for third party assessment **(external KPIs).** Other KPIs will have to be designed and used for internal monitoring and control of the project by the Project Management/SEs. This will be termed as **Internal KPIs.** Internal KPIs support/feed to the authentication of external KPIs. The relevance and usage of internal KPIs and external KPIs needs to be discussed; and the two types of KPIs need to be clearly delineated by the key project stakeholders with the Project Management/SEs at the **listing stage.** All the KPIs need to be objectively verifiable and means of verification also needs to be worked out at the **project design stage.**

i. It will be important to weigh the positive and negative unintended impact of the project during the pre-listing stage and **take decision either to screen out or take measures to design the project intervention to negate/minimise the unintended negative impact** as much as possible. It needs to be kept in mind that all the projects need to be environment compliant. It will be important to have an open discussion during

the **listing stage** between Social Enterprises, Funders, Risk investors and Exchange about the assumptions/limitations/ risks, if any, which are not in the control of Social Enterprise but may negatively affect the outcome and impact of the project. Such assumptions/limitations/ risks need to be clearly stated at the listing stage and revised periodically through a consultative process. The provision of such assumptions/ limitations/ risks have been kept in the **last row** of the table on **Guiding Framework** given at **ANNEX-1** .

ii. All the Key Performance Indicators (KPI) have to be **objectively verifiable.** It is equally important to work out the **measurable and non-measurable means of verification of KPIs** by the Funders, Risk investors and Exchange with the Project Management/Social Enterprises while preparing the detailed project design. The provision for this has been kept in the **second last row** and **third last row** of the table on **Guiding Framework** given at **ANNEX-1** (**Ref: page 7-8 below).**

5.4 Assigning true costs for inputs under Logic Model for Sustainability

Apart from being clear on the overall outcome and impact timeline and committing to what Social Enterprise can deliver within the project timeline, it is important for the Social Enterprises and the stakeholders (Funders, Risk investors and Exchange) to be clear on the activities that facilitate sustainability of the project from the inception stage. In this context, the costs for following activities are instrumental for sustainability of the project:

i. **Listing Cost having bearing on Project Fund–** It is important for the SE and the stakeholders to understand the cost break up for Registration and Listing of projects in SSE. What part of listing cost is to be borne by Social Enterprises and what part by the Funder/ Investor needs to be clearly known. This will bring about the much needed transparency and will ease out Registration and Listing transactions.

ii. **Pre-project implementation Fund** – This would provide conducting activities mentioned at **point 5.1** above. This would lay a robust foundation for the project for effective implementation.

iii. **Knowledge Management Fund to be provisioned in Monitoring & Evaluation (M&E) Fund–** Social space is all about cross learning and building on each other's strength. Hence, the fund on M&E need to have a clear mandate of cross learning among the stakeholders of the project. For this, along with M&E cost, the provision of the cost for knowledge management should be kept. This will help the social enterprises to develop the capacity to cross learn, co-build and build proper narrative on impact (social/ environmental/ cultural) bottom up from the ground.

iv. **Exit/ Takeover exercise fund**: Based on withdrawal protocol **(Ref: point 5.1(i))** adopted by the project, the project period after mid-term towards the end-term entails doing meaningful planning exercise in concrete terms with the stakeholders/beneficiary community and /or individuals for the use of assets, capacities, partnerships, networks, and influence built during the project with the aim to sustain the project initiative for creating an impact. This entails doing meaningful planning exercise with the concerned stakeholders towards the end of the project for institutionalising processes and systems in the form of a concrete Exit/Takeover Plan that will formalise all the co-commitment instruments to work further to give desired impact beyond the timeline of the project. Some amount of fund needs to be kept in the project to conduct this exercise.

Guiding Framework for Project preparation for Social Stock Exchange

1. **Name of Social Enterprise**
2. **Project Title:**
3. **Project timeline in years:____**
4. **Expected mid-term evaluation:____month____year**
5. **Expected end-term evaluation:____month _____year**

(NOTE: Consider project pre-implementation stage starts in 0 year. The design has to start from impact and not from inputs).

⬅---------……-----<-End term<----------------- Mid-term---------<------------------------Project start------<Preparation

Goal /Impact	Objective/ **Overall outcome**	**Intermediate outcomes** that leads to Overall outcome	**Outputs** for each intermediary outcome	**Activities** for each outputs (what)	**Inputs** for each activities	**Pre project implementation**
1	2	3	4	5	6	7
Long term impact	Outcome that is expected at the end of the project	Outcome 1 (To be continued for Outcome 2,3,4…)	Output 1 (To be continued for Output 2,3,4… under each Outcome mentioned at Col.3	Activity 1	Input 1	Activities such as… 1. Targeting through participatory approach 2.Orientation of staff 3. Baseline study …can be taken
					Input 2	
					Input 3	
				Activity 2	Input 1	
					Input 2	
					Input 3	
				Activity 3	Input 1	
					Input 2	
					Input 3	

Goal /Impact	Objective/ **Overall outcome**	**Intermediate outcomes** that leads to Overall outcome	**Outputs** for each intermediary outcome	**Activities** for each outputs (what)	**Inputs** for each activities	**Pre project implementation**
1	2	3	4	5	6	7
KPI: overall impact statement with data as far as possible	KPI: overall outcome statement with objectively verifiable indicators	KPI: with objectively verifiable outcome indicators	KPI: with objectively verifiable output indicators	KPI: objectively verifiable activity indicators	KPI: objectively verifiable input indicators	(KPI): Identified activities needs to be completed and mentioned
Measurable and non-measurable means of verification of KPIs	Measurable and non-measurable means of verification of KPIs	Measurable and non-measurable means of verification of KPIs	Measurable and non-measurable means of verification of KPIs	Measurable and non-measurable means of verification of KPIs	Measurable and non-measurable means of verification of KPIs	Measurable and non-measurable means of verification of KPIs
Assumptions/ limitations/ risks for sustainability	Assumptions/ limitations/ risks in creating impact	Assumptions/limitations/risks in creating overall outcome	Assumptions/limitations/ risks in creating intermediate outcomes	Assumptions/ limitations/ risks if any (if any)	Assumptions/ limitations (if any)	Assumptions/ limitations (if any)

Suggestive attributes of reach, depth and inclusion considerations in Social/ Environmental/Cultural Projects

The following are suggestive attributes worked out for **reach, depth and inclusion considerations** to be kept in mind by Social Enterprises while designing the Project**.** Once such attributes are included in the Project design, the key performance indicators (KPIs) on outputs and outcomes of the Project need to measure the fulfilment of these attributes. Apart from these suggestive attributes, Social Enterprises can consider any other attributes that are contextually relevant for considering the impact of the Project under these three considerations in consultation with the Funding Agency/ Exchange.

1. Social Project

The Social Enterprise may need to consider for itself how its approach in the given **social project** intends to improve **one or more of the** following attributes explained under each of the Reach, Depth and Inclusion considerations**:**

a) **Reach**
   i. Proportion of target segment(s) reached in the reporting period.
   ii. Geographical coverage
   iii. Cumulative no. of beneficiaries reached (members of the target segment served since inception)

b) **Depth**
   i. Increase in knowledge or skills among beneficiaries
   ii. Behavior changes among beneficiaries
   iii. Change in attitude, beliefs of perception of beneficiaries
   iv. Change in the quality of life

c) **Inclusion**
   i. Net increase in Income levels among target segment(s) in project outcome and impact.
   ii. Prioritizing the inclusion of disadvantaged groups or communities (either as owners, partners, or customers) in the project design and empower them in their relationship with the SE over time.
   iii. How the disadvantaged group or community can experience increased social equity.

2. Environmental Project

The Social Enterprise may need to consider for itself how its approach in the given **Environmental Project** intends to improve **one or more of the** following attributes explained under each of the Reach, Depth and Inclusion considerations**:**

a) **Reach**

    i. Reaching targeted natural ecosystem and/or pollution threat and/or climate change threat and/or sustainable lifestyle and/or forest & wildlife.

    ii. Reaching the aimed geographical area or segment population or ecosystem/environmental/ Forest/wildlife entities on targeted components.

    iii. its application to a wide range of situations/circumstances.

b) **Depth**

    i. Improvement in targeted components and sub components under sub-thematic area such as natural ecosystem and/or pollution and/or climate change and/or sustainable lifestyle and/or forest & wildlife.

    ii. Behavioral changes (including sense of Improved custodianship of natural and/ or environmental resources and/ or sustainable lifestyle and/or increased climate change resilience and/pollution control among the stakeholder population/entities. ***

c) **Inclusion**

    i. <u>Mutuality:</u> contribution to one element does not have a significant negative impact on the other

    ii. <u>Access:</u> Net decrease in overall negative environmental parameter levels and improved natural/environmental resources are accessed equally by the relevant stakeholders.

    iii. <u>Participation:</u> ensure effective participation of all relevant stakeholders on decisions relating to natural/ environmental resources and their use.

    iv. <u>Equity:</u> Ensure that adequate attention is given where required to ensure equity to the environmentally threated/marginalized and vulnerable segments/ population in terms of the outcomes.

3.Cultural Project

The Social Enterprise may need to consider for itself how its approach in the given **Cultural Project** intends to improve **one or more of** the following attributes explained under each of the Reach, Depth and Inclusion considerations**:**

a) **Reach**

    i. Effective geographical coverage of preservation/ promotion of tangible cultural heritage

    ii. Well-conceived inventory of preservation/ documentation of Intangible cultural heritage/ oral traditions

    iii. Reaching targeted people/ stakeholder entities in promoting art, culture and

heritage (*this also includes education related to art, culture and heritage in various education and community institutions)*

    iv.   Capacity building and support to artists/ artisans/cultural professionals for sustainable living

    v.   Increase in awareness and stake of stakeholder population to save targeted art, culture and heritage after mapping their stakes.

b) Depth

    i.   Improving commitment towards promotion, protection and preservation of cultural heritage

    ii.   Enhancing talent and competence in promoting art, culture and heritage

    iii.   Network and collaborate for new capacity building avenues/ job creation in all sectors due to art, culture and heritage conservation

    iv.   Promotion/support marketing of cultural goods and creative industry

    v.   Safeguarding living heritage

c) Inclusion

    i.   Increase in job creation for disadvantaged and for difficult geographies in the field of art and cultural heritage.

    ii.   Enhancement of talent and competence of culturally marginalized. Culturally endangered and/or minorities and their inclusion in the management of art, culture and heritage through improved access to opportunity,networks, resources, and/or support mechanisms.

    iii.   Increase in cross-culture engagement.