DRIVING IMPACT:

IMPACT STRATEGY (THEORY OF CHANGE) AND SOCIAL IMPACT METRICS

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About

Partners for the Common Good – national CDFI with over $300 million in assets under management. We work with our CDFI partners to provide financing for affordable housing, education, healthcare, and community service projects.

Community Development Bankers Association – the trade association for CDFI and MDI banks. Our member banks have over $141 billion in assets held.

IMPACT STRATEGY (THEORY OF CHANGE) | AGENDA

Day 1

TOPICS

- Impact Strategy (Theory of Change)
- Measuring Social Impact

Day 2

TOPICS

- Putting it all together
- Putting Survey Together with Theory of Change Feedback Loop

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IMPACT STRATEGY (THEORY OF CHANGE)

What is a Impact Strategy and Theory of Change?

Banking institutions develop Impact Strategies, and non-profit Institutions develop a Theory of Change (ToC). Both are the same, which, is a comprehensive description and illustration of how and why a desired change is expected to happen.

Importance of Impact Strategies

Strategic Planning

- Impact Strategy is the blueprint for the strategic plan

- Aligning activities with long-term goals

- Inform decision-making

Communication Tool

- Articulating the pathway to impact for stakeholders

- Accountability and transparency
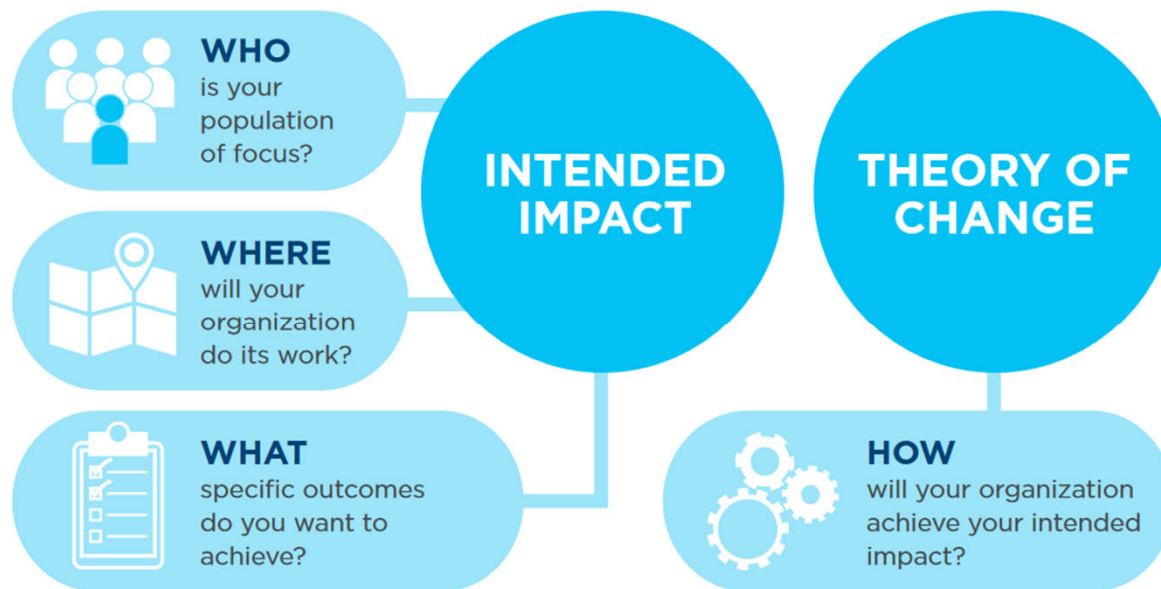
Developing an Impact Strategy

Steps Involved:

1) Identify goals

2) Backward mapping and connecting outcomes

3) Identifying assumptions

4) Developing indicators
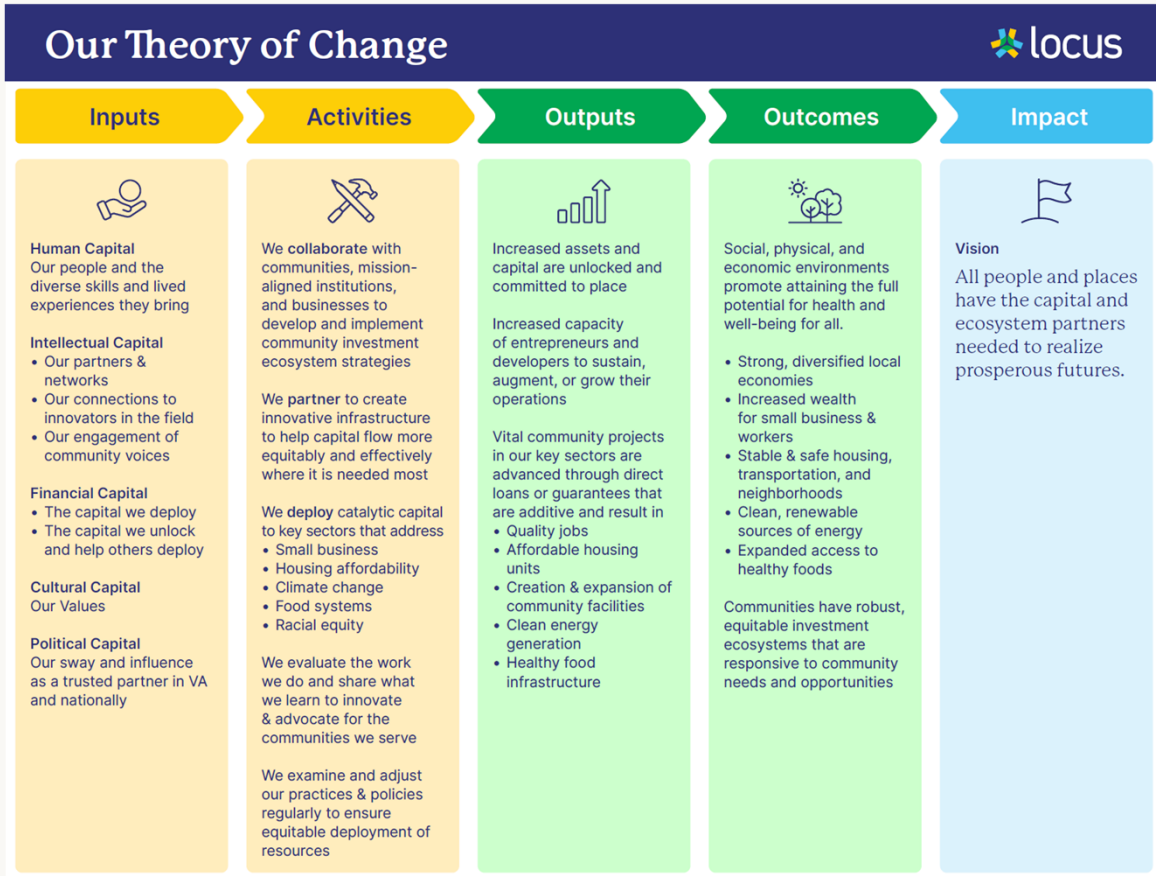
Communicating Intended Impact

WHO is your population of focus?

WHERE will your organization do its work?

WHAT specific outcomes do you want to achieve?

INTENDED IMPACT

THEORY OF CHANGE

HOW will your organization achieve your intended impact?

Source: The Bridgespan Group

Key Components:

- o Inputs
- o Activities
- o Outputs
- o Outcomes
- o Impact

Impact Strategy: Examples

INPUTS/ACTIVITIES	OUTPUTS	SHORT TERM OUTCOMES/IMPACTS	LONG TERM OUTCOMES/IMPACTS
LENDING o Loan Participations o New Loan Products o NMTC	o # of Partners o States Served o Women/BIPOC Served o Lending Opportunities o New Partners o **Content in alignment with DEI metrics** o Yearly reporting of Impact and Outcomes	o Increase money leveraged: BIPOC/women ownership/leadership and CDFIs o Increase affordable housing o Maintain and create quality construction and FTE jobs o **Hiring, promotions, performance projections uses DEI principals**	o Build, resilient, and economically secure strong communities o Expand opportunities to underserved developers o Drive economic growth o **Race, gender, and other differences are equitably addressed**

MEASURING
SOCIAL IMPACT

Impact Measurement and Management (IMM)|Definition

In the lending world, Impact Measurement serves as a crucial tool to assess whether an organization's loan products and services effectively target the intended populations and create a positive impact.

Steps Involved for IMM

1 Set goals & expectations

2 Define strategies

3 Select metrics & set targets

4 Measure, track, use the data, and report

Why Measure Social Impact?

o Measure progress

o Inform decision-making

o Build trust with donors, investors, and the community

o Accountability and transparency

o Prove effectiveness and efficiency of activities

o Continuous improvement

o Raise awareness of CDFI sector

o Reporting and grant writing

o Importance in various fields (CDFI Fund, non-profits, education, think tanks, etc.)

Qualitative and Quantitative Metrics

Quantitative and qualitative data is collected to assess the effectiveness of activities and progress toward outcomes:

Quantitative Metrics:

Numerical data

(e.g., percentage of participants achieving a specific outcome)

Qualitative Metrics:

Descriptive data

(e.g., participant feedback)

Key Social Impact Metrics

Within the Community Development Financial Institution (CDFI) field, there are several key metrics used:

Number of beneficiaries reached | Income (Area Median Income)

Beneficiary Type	Income Range
Above Moderate Income	Above 120% of Area Median Income (AMI)
Moderate Income	Above 80% up to and including 120% of AMI
Low-Income	Above 50% up to and including 80% of AMI
Very Low-Income	Above 30% up to and including 50% of AMI
Extremely Low-Income	Up to and including 30% of AMI

www.huduser.gov/portal/dataset/fmr-api.html

Visual representation of these metrics includes graphs, charts, and icons

Key Social Impact Metrics

Race and ethnicity data
- o Beneficiary
- o Originations controlled or owned by BIPOC individuals, or an ethnic background

Gender
- o Beneficiary
- o Originations owned or controlled by women or identify in another category

Other Key Social Impact Metrics

1 Geography and geography based indicators

2 Jobs data (quality jobs)

3 Environmental impact (emerging metric)

Visual representation of these metrics includes graphs, charts, and icons

Indicators of deeper distress include:

o Very Low-Income populations (defined as above 30% up to and including 50% of Area Median Income or AMI)

o Extremely Low-Income populations (defined as up to and including 30% of AMI)

o High Poverty Areas (census tracts with poverty rates of at least 20%)

o Persistent Poverty Counties

o Other Targeted Populations

o Native Communities (as defined in the NOFA)

o U.S. Territories

Challenges and How to Overcome Measuring Social Impact

Challenges

- o Lack of standardization

- o Difficulty in quantifying certain types of impact

- o Limited resources for data collection and analysis

- o Obtaining timely and accurate data

- o Resistance of stakeholders providing information

How to Overcome Measuring Social Impact

- o Devote resources to overcome challenges

- o Collaborate with stakeholders

- o Invest in robust monitoring and evaluation systems

- o Continuous learning and adaptation

Best Practices for Measuring Social Impact

Set clear goals and objectives

Engage stakeholders throughout the process

Use a combination of qualitative and quantitative data

Regularly review and update measurement frameworks

Best Practices and Potential Issues

Tips:
- Regularly update Impact Strategies
- Use mixed methods for a richer data set
- Engage stakeholders in the evaluation process

⚠ Potential Issues:
- Bias in data gathered
- Data reliability and validity

End of the day – join us tomorrow

- Putting It All Together -

- Connecting Impact Strategies, Metrics, and Surveys

END OF DAY 1

DAY 2

Putting It All Together -

Connecting Impact Strategies, Metrics, and Surveys

Recap of Day 1

1 Components of an Impact Strategy

o Components: Includes inputs, activities, outputs, outcomes, and impact.

2 Integrating Impact Strategy with Metrics

o Enhanced accountability
o Improve decision making

3 Defined Impact Measurement and Management

o In the lending world, impact measurement serves as a crucial tool to assess whether an organization's loan products and services effectively target the intended populations and create a positive impact.

Recap of Day 1 - Continued

4 Key Social Impact Metrics

- o They can include indicators like number of beneficiaries served, changes in behavior or attitudes, improvement in living conditions, etc.

6 Qualitative and quantitative metrics

- o Descriptive and numerical data – both used together to provide a comprehensive understanding of impact.

5 Indicators of deeper distress

- o Metrics used to identify and measure the severity or extent of social or economic challenges faced by individuals or communities.

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Understanding the Need of the People and Communities Served

o Listen to our customers and beneficiaries

o Ask leaders and experts, such as our peers, think tanks, etc.

o Conduct surveys or research the topic

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Collecting Data

Primary Data

o Primary data is **collected from firsthand experience** (in person, via loan documents, borrower surveys) about the borrower or project.

Secondary Data

o Secondary data is **data about the community the borrower/project is located**. Typically this is the census tract, although geographically it can range up to a state or Metropolitan Statistical Area (MSA). This data is typically collected and reported by a **third party, such as government, proprietary, or academic sources.**

Collecting Data During Underwriting

Primary Data

o Loan Officer and Underwriter can collect data from the borrower during the underwriting − in application and due diligence process.

Secondary Data

o Loan Officer and Underwriter can collect secondary data during preliminary sourcing process or when writing the credit memo.

Primary Sources of Data During and After Underwriting

To collect primary data about our projects, Partners currently sends two different types of impact surveys to its CDFI partners for collection of data from the borrowers:

1 **Baseline Surveys**

- o Collected during underwriting and are used to underwrite the loan

2 **Annual Social Impact Surveys**

- o Collected annually to compare the life cycle of the loan

Supplemental Sources of Secondary Data

Healthcare – Federally Qualified Health Centers (FQHC)

o Each year HRSA-funded Health Center Grantees are required to report core set of information, including data on patient demographics, services provided, clinical indicators, utilization rates, costs, and revenues. These reports are known as "UDS" reports (Uniform Data System reports)

Source: http://bphc.hrsa.gov/uds/datacenter.aspx?q=d

For more information about reporting requirements for health center data, see HRSA's Reporting Instructions for Health Centers manual

UDS reports are preferred in place of borrower surveys that ask respondents to report the patient demographics and health conditions.

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Supplemental Sources of Secondary Data

Education – Public Charter Schools

Locate metrics from the following sources: school's website, Department of Education (DOE) for each state, greatschools.org and/or Public Charter School Board (PCSB).

This information may publish enrollment information for each academic year. This information is typically released in the fall after Student Count Day.

The key types of data to look for:

- **Enrollment data** – Data and number of students that are contained within the project financed
- **Demographic data** – Racial and gender breakdown of the students enrolled
- **Income data** – as a proxy for low income status, use Free and Reduced Price Lunch data. Students who are eligible for free and reduced price lunch are considered low-income.
- **Language data** – percentage of students who are learning English as a Second Language (ESL) or are English Language Learners (ELL).
- **Special needs** – what percentage of students are special needs, as typically indicated by an Individualized Education Plan (IEP).

Supplemental Sources of Secondary Data

Supplemental Sources of Secondary Data

Commercial Real Estate

o The annual commercial real estate surveys, among other data points, track information about the assessed property value and property taxes paid in the most recent fiscal year. This information can often be accessible from the website of the county the project is located in.

Housing – Rental Savings

o PolicyMap has an indicator that measures the Fair Market Rent for different sized units in a given county subdivision. This can be used as alternative to asking multi-family rental housing borrowers for an estimate of what the fair market rent of their units would be on a baseline survey.

o This metric can be found on PolicyMap by looking at the following path: Housing → Rents and Rental Units → Fair Market Rents

Supplemental Sources - POLICYMAP

To analyze its social impact performance, PolicyMap can be used and it is an analytical tool for secondary data assessment (www.policymap.com).

PolicyMap combines easy-to-use online mapping with data on demographics, real estate, health, jobs and more in communities across the US.

See their data list here:
www.policymap.com/data/our-data/

What is a Survey?

Survey | Definition

A survey is a tool that asks consistent questions or gathers data to inform the to surveyor for the purpose of making a judgment or decision.

Types of Surveys

1 Online

2 Paper

3 Phone

4 In-Person

Why Create a Survey?

1 Gather data and insights

2 Understand opinions and behaviors

3 Inform decision-making

4 Measure satisfaction and performance

5 Track changes over time

Using Surveys to Inform Social Impact Metrics

o Identifying needs and expectations

o Assessing satisfaction and experiences

o Evaluating program or product effectiveness

o Conducting market research

o Monitoring trends and changes

Designing Survey Metrics

Steps Involved:

1) Define what you need to measure

2) Choose the right type of survey (e.g., baseline, annual)

3) Develop survey questions

4) Pilot test the survey

Snapshot of our survey — send to CDFI partner to send to borrower

Let's Get Specific! Partners Use of Theory of Change, Impact Metrics, and Surveys

Qualitative

Baseline Survey Sent via Formsite	→	Completed Survey Returned to Partners	→	Report Downloaded to Salesforce	→	Completed Survey and Credit Memo Analyzed
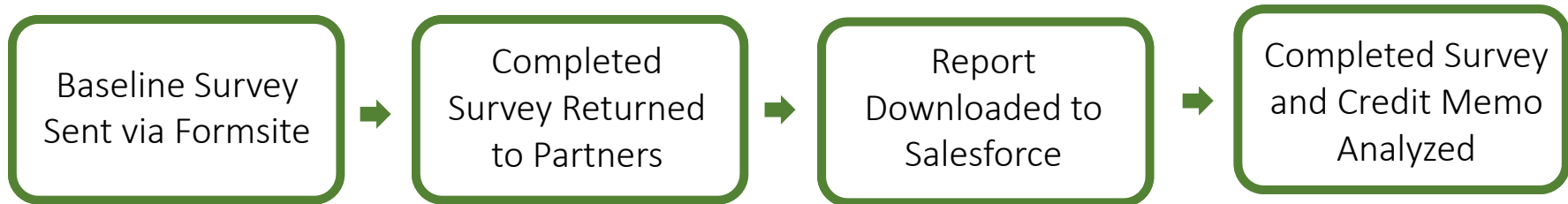
o Each year thereafter, Annual Social Impact Surveys for every fiscal year that the borrower's loan is outstanding is required and analyzed

o Limited analysis is preformed on a quarterly basis

o Complete analysis is preformed on an annual basis

Reporting Findings

Components:

Summary of key findings

Visuals
(graphs, charts, icons)

Interpretation of results

Snapshot of 2023 Collected Data

11,814
Beneficiaries upon closing

92%
Earn at or below 80% AMI

2,633
Housing Units

35,514
People empowered upon project completions

NOW WHAT?

Putting Survey Together with
Impact Strategies Feedback Loop

Social Impact Feedback
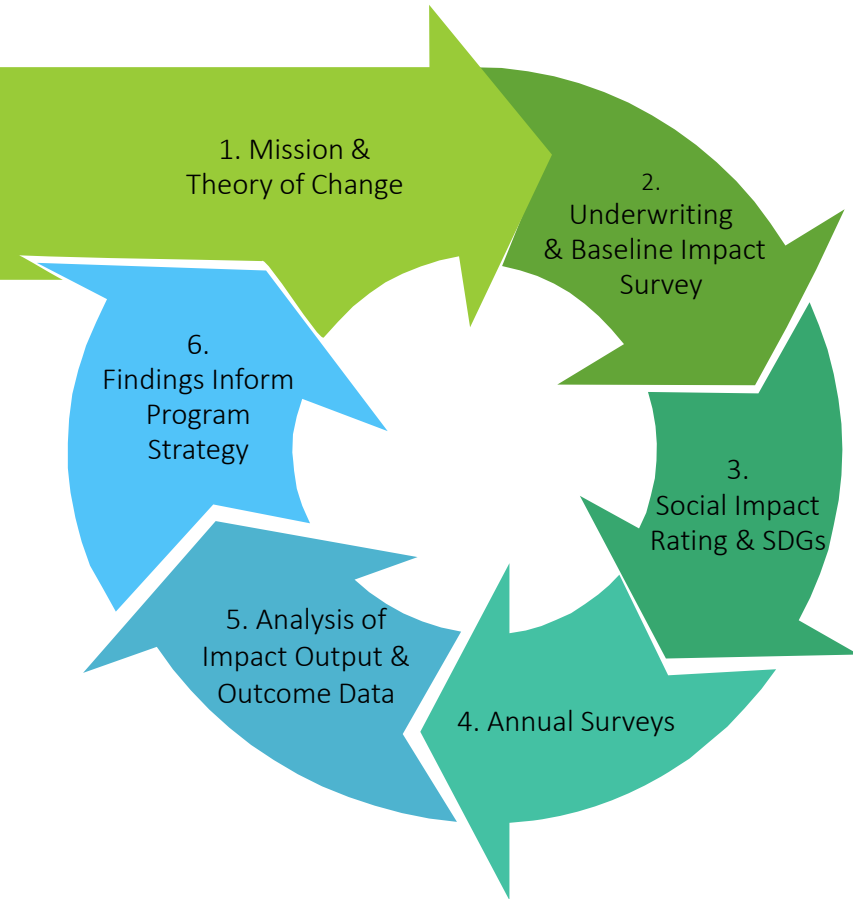
1. Theory of Change: Planning and consensus building process to determine desired impact goals, objectives, strategies, and outcomes.

2. Underwriting & Baseline Survey: As part of underwriting, we screen for alignment with impact objectives. We also begin impact data collection via baseline impact survey. Surveys are tailored by project type.

3. Impact Rating & SDGs: As part of underwriting, we develop an impact "rating" on the proposed benefits to be created and ensure the activity aligns with the UN Sustainable Development Goals (SDGs).

4. Annual Surveys: Every year a borrower is in our portfolio, we collect updated data on progress toward impact outcomes.

5. Analysis: Every year we analyze data collected to determine whether we are getting the desired results.

6. Findings: We use findings of analysis, to assess whether we are achieving desired outcomes and/or need change our products, program delivery strategies, data collection methodologies, goals, or theory of change.

Social Impact Feedback Loop Example

➔ Analysis

➔ Lending Products & Services

➔ Partners

➔ External Stakeholders

➔ Advance Mission

o Surveys were collected for 2019 loan originations.

o Through the feedback loop process, the data showed that 19% of BIPOC-led and 22% of women-led organizations were served. We wanted to improve these outcomes.

o This led to updating our mission statement and the creation of lending products specifically designed for these populations.

o New surveys were collected for 2023 loan originations. New data shows improvement with 35% of BIPOC-led and 30% of women-led organizations served.

o Information communicated with our external stakeholders.

o Our mission is advanced through our participation lending.

How Partners Uses Social Impact Data

➜ **Analysis**

Analysis & evaluation of data to ensure that we are meeting our impact objectives & mission

➜ **Lending Products & Services**

Inform development & evolution of offerings

➜ **Partners**

Inform lending partner selection

➜ **External Stakeholders**

Support ongoing capitalization efforts (i.e. Annual Impact Storybook Report, CDFI Fund, Investors)

➜ **Advance Mission**

Promote economic justice and social change

PCG Impact Measurements Are Aligned With United Nations SDGs

Communication of Social Impact Outcomes

1 Creation and distribution of borrower/project profiles, which include stories, pictures, and loan information of the projects.

2 Creation of media content for the Partners Website.

3 Compilation of quantitative information on annual dashboards and reports to current and potential investors and members.

4 Other hard or soft copy materials to distribute at conferences, meetings, and panels.

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Thank You

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bit.ly/3t5vzQr

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