

White Paper

ROCKEFELLER  
Philanthropy  
Advisor

# Strategic philanthropy: Guide to evaluation

**White Paper**  
Guide to evaluation

**Authors**  
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**Credit Suisse AG**  
Paradeplatz 8  
8070 Zurich  
Switzerland  
[www.credit-suisse.com](http://www.credit-suisse.com)

At Credit Suisse, we are committed to providing our clients with timely and interesting topics, including new ways and ideas to help you to achieve your philanthropic goals.

This guide offers a comprehensive review of the terminology, approaches and applications of evaluation for the grantmaking community.

Evaluation remains critical to assess the difference you are making in the world. Like most learning endeavours, evaluation of your philanthropic impact remains a lifelong process, with valuable perspectives gained and strategy adjustments made along the way. The challenge involves obtaining the optimal amount of information with a wise allocation of time and other resources.

To be an effective donor, therefore, is to embrace evaluation, but to do so in a way that respects the needs of your partners — the non-profits you fund — while getting information that helps you both move forward. This guide offers a comprehensive review of the terminology, approaches, and applications of evaluation for the grantmaking community. The objective is to provide greater context and clarity around evaluation.

This paper is an introduction to the topic of evaluation. Drawing from a review of best practices, interviews conducted by Rockefeller Philanthropy Advisors and examples from a variety of case studies, it addresses why philanthropists think about evaluation, gives an overview of the major trends and practices in evaluation, and provides suggestions on how philanthropists can make evaluation effective for their work.

In addition to specific evaluation methodologies, this paper covers the challenges to assessing a grant program and using evaluation as a tool for learning. It includes four issue briefs that illustrate how evaluation has been used for different program areas, as well as case studies of how different philanthropists have chosen to incorporate evaluation in their work.

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## What do we mean by “evaluation”?

Evaluation is an important activity for philanthropists who want to understand the impact of their giving.

But what do we mean by evaluating? For philanthropists, we speak of evaluation as a thoughtful means of understanding what has changed based on our work. In many cases, the core focus of evaluation remains a goal of learning and advancement for both the donor and non-profit. Ideally, this learning may help make the grantee’s services more efficient and the donor’s grants program more effective.

This paper does not address the grant selection process. While there is certainly consistency in how metrics can be applied to both selection and the evaluation procedures, this paper focuses on the latter.

The data utilized in an evaluation can be qualitative, quantitative, or a combination of the two. Although many assume that valid metrics for evaluation may only be quantitative in nature, qualitative observations — assessed through interviews, site visits, focus groups, and the like — can be equally informative when used appropriately.

For example, knowing that 100 people used a service, the quantity, tells only part of the story and is too limited to explain how the service may have changed lives, the quality.

Ultimately, the objective with any evaluation is to help you make decisions on how to allocate your resources for the greatest impact, and for both funders and grant recipients to improve on their operations and programming through an increased understanding of how well they are achieving their objectives.

### Why evaluate?

There are many reasons you may be interested in conducting evaluations. Within microfinance, the World Bank notes that appropriate evaluations are akin to market research, helping you design better “products and services,” i.e. grants. You may assume that the purpose of an evaluation is to prove the impact of your work — to show how your donation has been spent and to what effect. While there is a role for this kind of proof and decision-making through evaluation, it is also useful to use evaluation as a learning tool, helping you to improve upon the effectiveness of your programming.

Tracking performance is an important motivation — assessing whether a non-profit performed to the expectations of the grant and achieved the outcomes it anticipated. These studies can help you demonstrate your return on investment and hold yourself accountable to your goals around poverty alleviation, environmental protection, access to healthcare, and other interests. A well-designed evaluation, coupled with a culture that embraces learning, can help you to determine the impact of your work and assess whether your grantmaking strategy helped to contribute to long-term change.

In addition to more effective management, evaluation results can help create important communications messages. All of this information adds to credibility among funders; concrete evidence of impact can help to communicate effectiveness to foundations’ governing boards, family members, and partner agencies in the government or from within the independent sector.

Evaluation serves an important function for grantees. Non-profits receive accountability pressure from stakeholders across their organization’s foundations, government partners, donors, staff, and program beneficiaries.<sup>1</sup> This process can allow grantees to benchmark against their peers, contribute best practices and expertise to their sector, and improve their own management practices. “Understanding and recognizing the value of partnerships is how to achieve success” through evaluation, says Peter McDermott, trustee and managing director of the London-based Children’s Investment Fund Foundation (CIFF).

<sup>1</sup> Morris, R. 2011. High-Impact Entrepreneurship Global Report. Global Entrepreneurship Monitor and Endeavor Center for High-Impact Entrepreneurship.

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## Key Takeaways for Funders

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Strategist and evaluation expert **Fay Twersky**, who has worked with **The Bill & Melinda Gates Foundation** and the **William and Flora Hewlett Foundation**, among others, suggests some principles for evaluation that are applicable to individual donors as well as larger institutions.

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### Measurement should match strategy and ambition

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Strategy tells you where you are going. Measurement tells you whether you are getting there or where you are off course. Make sure that the measurement is aligned with realistic ambitions of your grant. Otherwise, your results will always seem to fall short. This means sometimes using shorter term or proximate measures.

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### Be selective about what to measure

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Make the measurement actionable. Think about how data will inform and shape decisions before investing in a lot of data collection. Begin with a small data set and add information as needed. It may be that a grantee is already measuring what is most important and you can use that information or supplement it with modest additional data collection.

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### Collaborate with other funders to create and/or take advantage of greater leverage

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Pooled giving with other funders — large and small — allows alignment around measures and is a way to leverage dollars and create consistent reporting measure that will not overburden grantees.

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### If measurement evaluation is important to you, fund it

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Measurement is not cost neutral. Many non-profit organizations do not have sophisticated measurement systems. If funders make a grant with a special data reporting request, that typically creates new time and technological capacity burden. Put a line item in every budget for evaluation and measurement.

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### Use and share the results

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Set aside time to reflect on the data and interpret the findings and their applicability to program or funding decisions. Share the results with others, so the field can benefit from the learning and can benchmark their results against yours.

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# Evaluations can be planned and executed at many point in a funder-grantee partnership.

New York City-based F.B. Heron Foundation, for example, embraces evaluation as an opportunity to empower grantees to communicate the extent of their impact. For example, one grantee, the National Community Reinvestment Coalition (NCRC), relied on data to monitor achievements, refine strategies, and educate policymakers. As a result, in just ten years the NCRC saw exponential growth and national support for its work to preserve and strengthen the Community Reinvestment Act.

### When should you evaluate?

Evaluations can be planned and executed at many points in a funder-grantee partnership. Some programs start with a robust evaluation framework already in place, while others wait to amass a critical investment or establish a longer-term partnership prior to setting evaluation goals. Regardless of when evaluation programs are launched, most significant is that the various stakeholders — grantmakers, foundation or non-profit board members, practitioners, beneficiaries — establish common objectives around proposed outcomes and a shared vision of how to reach those goals.

Funders can lay the groundwork for successful evaluation processes even before entering into a relationship with a grantee. Planning begins with a strong mission, clear theory of change, and logic models on how to realize the desired outcomes and impact. (A theory of change is your set of beliefs and assumptions on how to accomplish a societal goal, and the logic models are the steps required to achieve that overarching objective.) In doing so, a donor can select partners who match their vision.

Whether during the grant negotiations and early in the relationship, or once the program has begun, both partners must resolve questions about who will provide the resources — financial support and intellectual capital — to conduct the evaluation. To be most successful, all parties should agree to shared expectations in terms of what aspects of the program are to be measured and why, the methodology and the process for achieving those evaluation goals. It is important to ensure that both the philanthropist and the grantee are clear on what is being evaluated and why. Grantees and funders might align expectations on data collection, analysis, and reporting prior to the final grant agreement.

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## Good Practices in Measurement<sup>1</sup>

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The Bill & Melinda Gates Foundation dedicates resources and expertise to understanding the results of their grants. Through experience with evaluation, they have developed a series of sound practices that help them and their grantees to get information to enable them to understand what is working and what needs improvement.

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### Frame expected results with clarity and logic

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### Acknowledge our biases

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### Be pragmatic about using existing data sources

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### Reduce reporting burdens on our grantees

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### Support feasibility

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### Support methodological appropriateness

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### Assure propriety

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### Compare results to a baseline

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### Seek information on unintended consequences — positive and negative

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### Reach out and listen to dissenting voices

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### Share our results

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<sup>1</sup> The Bill & Melinda Gates Foundation. (2010) A Guide to Actionable Measurement.

# A Conversation with Dr. Jodi Nelson

Director of Impact Planning & Improvement,  
The Bill & Melinda Gates Foundation

## Why is evaluation important to individual donors?

What's often missing from evaluation discussion is the purpose. Evaluation or measurement should feed into decision-making. What is the decision to be made? Often you just need to know if you wish to give again. So a donor should decide what is important.

For example, a donor should know if they are providing general, unrestricted support versus support of a particular program, and importantly be clear as to the purpose driving that donor's decision-making.

All donors should not feel like they have to have an evaluation strategy. Many non-profits can already report on successful outcomes.

The reality of the work is the more concrete it is, the easier assessment can be. So match design to decision. If dollars go to vaccinations, equipment, or personnel, a typical process evaluation can gather what's needed using the organization's own monitoring process.

## What advice do you have for thinking about the costs of evaluation?

Understand what the organization already does. Big donors all want different information and that can create chaos and hinder a program. The work is not just about what the individual donor wants. It's important to understand the overall context and how your money fits in.

If you believe that a certain educational model should be replicated, that would be the time to think about expensive and rigorous evaluation to prove that the model would work elsewhere.

## Are there lessons from the Gates' approach that donors should incorporate?

Measuring results at a high level is a challenge, and the more programs that you support adds to the complexity and the difficulty of evaluation at the strategy level. It's easier to have a logic model that is based on one program and understand if it makes sense.

You do want to know that an organization uses evaluation and method according to purpose. Yet you don't want them evaluating small gifts. It's great that donors are being more scientific, but sometimes working with the non-profit to determine appropriate outcomes and measures is the best approach.

## How should donors think about approaching evaluation?

The most important thing is not evaluation but planning. The truism for most evaluators is that the first several months are often spent trying to figure out what a grant is trying to do in the first place. If you don't get very concrete and specific about what change you want, it will be difficult to conduct a formal evaluation. All parties should share a common understanding about the work, which will make it easier to see what happens.

# Evaluation: trends and developments

Interest in evaluation — both quantitative and qualitative — is growing, as funders and non-profits alike have increased their capacity to effectively monitor activities and to identify and work towards better-defined outcomes.

Best practices have moved from evaluations that are strictly top-down and funder driven to a more collaborative process as funders and grantees together define the terms of the evaluation and aim to achieve a shared vision.

Researchers have described the recent convergence of the philanthropic sector with capitalism, and the attention now being paid to ideas including double bottom lines (reflecting financial, social, and/or environmental returns) and social returns on investment (SROI).<sup>2</sup> A new wave of philanthropists, like Bill and Melinda Gates, are extremely dedicated to measuring the performance of their foundations and grantees.<sup>3</sup> Venture philanthropy treats the donor-grantee relationship more like an investor-entrepreneur relationship. The venture philanthropist engages directly with the management team of the non-profit organization, and provides operating support to help that agency reach ambitious growth targets. In this scenario, the funder seeks to understand the health and potential success of the non-profit organization.<sup>4</sup>

As a result of this interest, there is a growing field of organizations offering evaluation services to grantmakers. But a common terminology for metrics related to social value does not yet exist.

Each funder likely has its own theory of change, as well as specific motivations and objectives for each grant, thereby demanding unique reporting requirements. This can place donors' expectations at odds with one another, and put a heavy burden on grantees, as they must report the same or similar data in different formats and contexts to each donor.

On a more hopeful note, many grantmakers today approach measurement as a collaborative effort, working with grantees and end-beneficiaries as partners. A cooperative approach allows for program-wide support for the metrics and richer learning opportunities across stakeholders.

<sup>2</sup> Bishop, M. and M. Green. (2008): *Philanthrocapitalism: How the Rich Can Save the World*. Bloomsbury Press.

<sup>3</sup> McGarvey, C. (2006): *Making Measures Work for You: Outcomes and Evaluation*. GrantCraft.org.

<sup>4</sup> Letts, C., W. Ryan and A. Grossman. (1997): *Virtuous Capital: What Foundations Can Learn from Venture Capitalists*. Harvard Business Review.

### Helpful tools for evaluation: theory of change and logic models

For both foundations and non-profit organizations, developing a theory of change (a model of how grants will make long-term change happen) is an important first step in building a successful partnership. There are several reasons to embark on this process, including helping collaborators establish common values and vocabulary, making implicit assumptions explicit, clarifying responsibility, and designing an achievable plan of action.<sup>5</sup> A theory of change allows program designers to lay out a series of assumptions and test the logic behind how and why specific actions can create desired outcomes. For example, a donor may believe that education leads to a pathway from poverty and thereby support scholarships and tutoring for low-income students.

Ultimately, your theory of change offers a basis for evaluation, highlighting what needs to be measured and by whom. In addition, it can help organizations to continually question their programming, keeping a friendly, but skeptical eye on the hypotheses to be tested and allowing for risk-taking to occur in service of a greater objective.

To develop a comprehensive theory of change, you first must identify a target population and the specific impact you hope to achieve. The partners (you and the grantee) then consider various pathways to reach measurable outcomes, understand what can and cannot be clearly measured, and what services would be required to reach those goals. You must also consider the process of data collection and analysis, as well as the timeline required to monitor success on an ongoing basis.

<sup>5</sup> Mackinnon A., N. Amott and C. McGarvey. (2006): Mapping Change: Using a Theory of Change to Guide Planning and Evaluation. GrantCraft.org.

# Issue brief Education: how evaluation can test a funder's theory and logic

### Evaluation in this issue area

Like other issue areas, you will have an easier time collecting outputs in the education space — metrics like attendance, graduation rates, college acceptance rates, college persistence rates, even test scores — rather than outcomes. It is quite difficult to track whether an education initiative is truly successful, particularly if you consider the objective to be learning the necessary skills to thrive later in life. An evaluation would require long-term follow up to test which interventions are most fruitful. Instead, in the education sector, grantmakers often use proxies based on earlier studies — hence the focus on attendance, graduation rates, and high-quality teachers.

### Theory of change example

Judy Avery, founder of The BayTree Fund, wanted to sponsor a program in honor of her mother, who spent her career as a dedicated public school teacher. The objective was to create an initiative that would have an impact on education for low income communities. After conducting research with Stanford University, Rockefeller Philanthropy Advisors learned that the School of Education had trouble attracting the students interested in teaching in low-income areas to its master's program, due to the heavy expense of the graduate degree.

The BayTree Fund adopted the following theory of change: If we remove the financial burden associated with a quality masters program in teaching, more people will be able to pursue the degree and teach in low-income schools following graduation.

As a result, the foundation endowed a loan forgiveness program that would repay 50% of student loans if a teacher taught in a low-income school for two years following the master's program, and 100% if he or she stayed with the school for four years.

The endowment led to two important changes at Stanford's School of Education. First, the applicant pool was much more diverse, a win for education as research shows that students thrive when the teachers in their classrooms reflect their own backgrounds. Secondly, Stanford was so pleased with the program that it matched the donor's funds, doubling the endowment.

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### Examples of specific metric applied to this giving area

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#### Inputs

Loan program funds (endowment — matched by Stanford); students; guarantee of payment of student loans if certain commitments are met (teaching for a number of years in a low-income school); marketing of the program.

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#### Activities

Number of applicants overall; number of students who matriculate; number of graduates; number of low-income school partners (for internships during the graduate program).

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#### Outputs

Number of graduates teaching in low-income schools; number of students who complete the years teaching in low-income schools so that their loans can be forgiven; number of students who cite the program as a reason they applied or were able to apply to the program.

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#### Outcomes

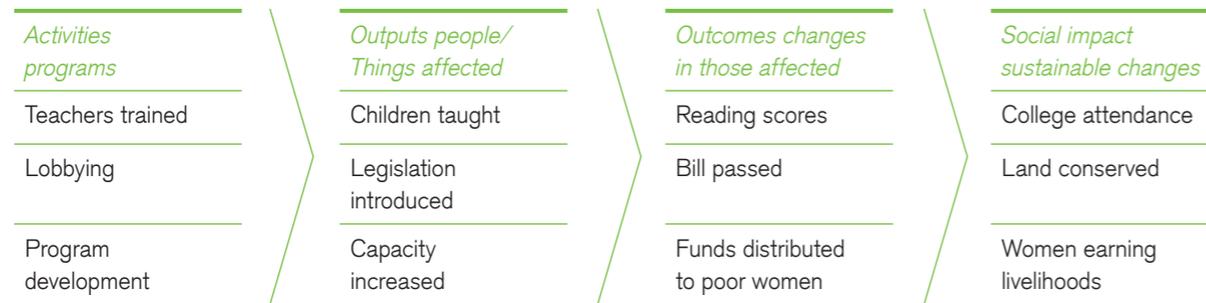
Number of students who stay in the teaching profession.

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#### Social impact

Improvement in student performance since low-income communities have better, more qualified teachers in their school districts; improvement in the lives of the students who are taught by teachers who were able to go through the master's program.

Figure 1. Evaluation Continuum<sup>2</sup>



A theory of change is only useful if you are clear about your goals and values. For funders evaluating their mission and theory of change, Rockefeller Philanthropy Advisors recommends a reflection on the specific approach of that grantmaker. You must answer questions about: tolerance for risk; ambitions to show leadership in a field; appetite for managing complexity in social and environmental issues; desired scope of impact; as well as objectives around communications visibility. These considerations help you craft theories of change and logic models that best suit your personality, mission, and mode of operation.

### Spectrum of Evaluation

Once you have a sense of your theory of change, you must consider what results you seek in the evaluation process, as exemplified in the education funding example above. To explore these categories, let us consider two social objectives:

- Lowering the incidence of teen smoking
- Reducing deaths due to lack of sanitation in a developing country

*Inputs* (not shown in the diagram) are the resources initially invested in an activity, ranging from grants to product donations to consulting services. Using the examples above, inputs could be (a) funding for anti-smoking marketing research or (b) the donation of materials to build latrines in India.

*Activities* are the specific programs designed to influence desired outcomes. Using our examples above, this could include (a) public advocacy campaigns to end smoking or (b) the building of water wells in rural areas of the developing world.

*Outputs* are the direct and tangible results from an activity, such as (a) the introduction of new legislation regarding marketing cigarettes to teenagers or (b) the number of wells installed.

*Outcomes* refer to the changes to end beneficiaries resulting from the given activities, and may be short-term or long-term in nature. Following the same two examples, outcomes include (a) the passing of the legislation or (b) the number of families with access to clean water.

Finally, *social impact* is both the intended and unintended changes occurring in a system, organization, or community. This could be measured as (a) the actual change in the rate of new teenagers smoking each year or (b) the number of deaths due to lack of sanitation.

In addition to personal beliefs and attributes, the types of relationships between grantmakers and their grantees can vary. In parallel to a theory of change, it is helpful for you to consider your optimal level of involvement in grantee activities. Three common relationships are described explicitly by Damon and Verducci, and mapped to the work of Teach for America (TFA).<sup>6</sup> The first they describe as a “parent” relationship, where a funder is responsive to grantee needs, consistently accessible to the non-profit partner and singularly devoted to the success of the organization. TFA engaged some parental funders early in the organization’s launch; these donors provided challenge grants when others were not yet ready to fund their work and developed quite personal relationships with TFA’s founder, Wendy Kopp.

<sup>2</sup> Rockefeller Philanthropy Advisors

<sup>6</sup> Damon, W. and S. Verducci. (2006): Taking Philanthropy Seriously, Beyond Noble Intentions to Responsible Giving. Indiana University Press.

# Issue brief

## Arts and culture: how evaluation can track and increase access to cultural resources

### Evaluation in this issue area

Evaluating the impact of arts institutions, such as museums or performing arts organizations, has been viewed as quite challenging. Quantifying the impact of an experience is an extraordinary challenge, despite our knowledge that access to the visual and performing arts provides benefits to people of all ages. Some organizations focus on the economic value of bringing the arts to a city or state, but this may not paint the full picture. There are some easily quantifiable metrics, such as tickets sold, which are often tied to income-generating activity. But the less tangible qualitative measures of what makes art programming effective have been difficult to identify and measure.

One prominent funder with long-standing interests in arts funding is The Rockefeller Foundation, which conducted a study in 2008 to examine the use of data in articulating the value of arts and culture. Findings suggest that, while many people intrinsically understand the value of art and culture in a community, when it comes to data, they believe that measurement of the economic impact of the arts is the only valid use of data. Any other use of metrics related to the valuation of the arts is received with skepticism. This is just one example and not every funder adopts this perspective.

### Theory of change example

Inspired by its deep personal connection to and love of the arts, a prominent family has taken on the arts as one of its core funding areas, with a goal of enriching the lives of young people and the public by increasing access to important works in theatre, literature, and music. The aspiration of their work in the arts is to expose young generations to the kinds of transformative experiences they themselves had and to create lifelong lovers of the arts. The family’s foundation focuses on arts education and the preservation/dissemination of master works, using technology in particular as a tool in making theatrical, musical, and literary works as widely available as possible (and catering to formats ubiquitous among young people).

The foundation supports programs and organizations that have shown the ability to create educational opportunities for students to experience and understand great works of art; opportunities for advanced young artists to refine their skills in visual art, theater, and music; and opportunities for new audiences to enjoy great works of art through publication, performance, recording, and archiving, with online access via podcast, streaming, or download.

Asked what they, as donors, view as their successes, instead of citing economic impact, they point to projects like the distribution of an audio recording of the Tom Stoppard play *Arcadia* to thousands of libraries and schools, where it is being used to teach young people about poetry and science.

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#### Examples of specific metrics applied to this giving area

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##### Inputs

Grants; technical assistance for professionals, non-profit staff and leadership.

##### Activities

Funding for the creation of new works; capacity building/technical assistance grants to arts institutions; supporting professional development and skill building programs for artists; peer collaboration programs; outreach to young people.

##### Outputs

Number of audience members; size of staff; growth of budgets; the consumer dollars spent on arts and culture; the time people spend doing arts and culture activities; number of training opportunities; number of new works each year; audience surveys.

##### Outcomes

New audience development; increase in performing arts groups and arts education in schools; audience growth at museums; great works of arts and culture more accessible across technology platforms; growth in artistic aspirations; production of new work; increased audience satisfaction.

##### Social impact

A thriving arts and cultural sector that adds to the liveability of our cities, respects cultural heritage, and creates an environment of robust social development.

Funders can take on the roles of parent, partner, or sponsor with their grantees. Understanding the role you are most comfortable with can help make your evaluation metrics easier to determine.

The second they call a “partner” relationship, akin to the venture philanthropy approach described earlier in this report. In this instance, the grantmaker remains highly engaged with its partner, focused on improving organizational capacity, applying strategies from the private sector, and supporting the non-profit or non-governmental organization (NGO) as it grows to scale. In the TFA example, partners provided 8.3 million dollars in funding to scale the work of the non-profit, doubling TFA’s reach.

The final category is the “sponsor,” a funder that applies a rigorous selection process to pick grantees, provides funding, and then steps back to allow the organizations the freedom and autonomy to conduct their business. Sponsors often view the non-profits as the changemakers, and the funders as the middlemen to help achieve their goals. Apart from periodic evaluations, TFA’s sponsor funders provided flexible funding and stepped back to allow the organization to reach its goals of connecting top-tier talent to the classrooms in underserved communities.

Depending upon your theory of change, brand character, and desired relationship with non-profit partners, the methodologies and objectives in evaluation strategies vary widely.

#### Looking at process and impact: evaluation methodologies

At its most fundamental level, evaluation can take the form of either process evaluation or impact evaluation. Process evaluation reviews the performance of the organization or program during the lifespan of the grant, typically to correct course along the way and to inform decisions around future payment. The specific objectives of the grant may be allowed to shift over time as new information reveals itself. This allows grantees and funders to understand how the grant is being carried out, whether the end beneficiaries experience the desired change, and what conditions are responsible for the ultimate outcomes of the project. A good example is refining an education curriculum as the grant progresses: Students study the materials, and test results are used to further revise the curriculum.

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#### Incorporating Assessment into a Giving Strategy

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Rockefeller Philanthropy Advisors suggests you ask yourself the following questions:

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What problem are you trying to solve?

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How do you think change will happen?

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How long will it take?

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How much money will it take?

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What will success look like?

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What will be the signs of progress on the way?

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How do the groups directly addressing these problems answer these questions?

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Who else is working on this, and what assessment tools are they using?

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How much time and money are you willing to invest in assessment?

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# Case study 1

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Robin Hood Foundation

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Using evaluation to count everything  
in the fight against poverty

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The New York City-based Robin Hood Foundation fights poverty in the city on all fronts — education, early childhood services, survival (health/housing/hunger), and economic security. Founded by hedge fund manager Paul Tudor Jones II, the foundation is governed by a sense of economics. It maintains an explicit focus on metrics and an ambition to constantly evaluate the grantee portfolio to ensure that the organization fully leverages each donation to have the greatest impact measurable. Robin Hood seeks to bring sound investment principles to philanthropy.

## The role of evaluation at the organization

With an array of programming, from short-term emergency interventions like services for individuals who are homeless, to longer-term strategies around legal services or job training, Robin Hood attempts to compare the impact of its grants through a benefit-cost analysis. The organization quantifies a dollar estimate of the benefit of the program, divided by the cost of the grant. While this is not the only metric used by the foundation to determine its grant portfolio, Robin Hood can assemble a good sense of its impact through the ranking of programs according to this ratio. The foundation's strong stance on metrics and supporting organizations with proven track records steers them towards established partners, as opposed to startups. Using benefit-cost analysis, Robin Hood calculates that 1'000 dollars granted for their work with non-profits translates into 16'000 dollars in poverty-fighting. By carefully counting the benefits received by people participating in programs they fund, for example, Robin Hood can determine the dollar amount of support for food purchases, credits for heating oil costs, or additional funds received from the US federal government. As a poverty-fighting strategy in New York State, Robin Hood has found that paying social services agencies to help their clients enroll for available government benefits can provide outsized results in keeping struggling families housed and fed.

## Evaluation in practice

As described by Susan Epstein, managing director, Jobs & Economic Security, in the example of a job training organization, Robin Hood and its grantee look at two primary objectives — the achievement of a robust earnings boost for the grantee's clients and the number of people trained by this program who maintained their employment for one year. But similar to other funders, Robin Hood also designs a contract with 15-25 specific goals, one third of which relate to the operations of the non-profit. The grant is paid in installments that are tied to the performance of the organization. The staff also assesses its grantees' strengths and weaknesses on governance matters, and the foundation works closely with the grantee to resolve issues from IT to human capital, budgeting to board training. Robin Hood's management assistance team provides a diagnostic evaluation of the grantee and in some cases, enlists external expertise from McKinsey pro bono teams and other consultants.

Similarly, since much of the funding for Robin Hood comes from the private sector, often from philanthropists who work in the financial sector, the foundation focuses on being responsive to their interests — specifically quantifiable results measured against the cost of particular interventions. Epstein notes that they are looking for the greatest return on investment, and support only best-in-class organizations. For these reasons, Robin Hood designed evaluation and operational strategies that match well to donors' interests.

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## Takeaways

A strict quantitative analysis, coupled with strong relationships, allows you to assess and compare the performance of grantees across your giving portfolio.

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## Measuring impact

Impact evaluation refers to the evaluation of a program at its conclusion, comparing a final set of metrics to data collected at an earlier stage of the engagement.

For example, a donor may evaluate the effectiveness of a curriculum at the end of the semester to determine whether other administrators should adopt it. Depending upon myriad factors — ranging from the time horizon of the grant to the overall budget, from the available expertise to the complexity of the mission — grantmakers and non-profits may choose from an array of tools to evaluate the success of an engagement.

The following paragraphs describe a number of these methodologies, each presented with the strengths and weakness of the data produced.

At a basic level, you will likely engage in monitoring activity. Once a grant is administered, the funder and grantee agree to scheduled site visits, as well as periodic grantee consultations. The funder would also have access to publicly-available information and reports from the grantees. Monitoring is an ongoing process throughout the lifecycle of the grant, and all parties must agree to the specific expectations on the frequency and rigor of these activities. It allows grantees to keep funders abreast of the successes and challenges of programming throughout the process, and help inform course corrections along the way.

**Goals versus outcomes** is an approach to evaluation that compares a set of defined goals with observable results. This is an inexpensive approach to measurement and, as long as the goals are precise and observable, can be simple to conduct. Referring to the Acumen Fund example on page 30, this organization regularly refers back to an investee's initial social and financial targets, and uses data collected periodically to determine whether or not the work is on track. Using its Pulse tracking tool, Acumen is able to take a quick snapshot of the ongoing success of its social entrepreneurs and track the relative success of various investments in its portfolio.

**Experimental design** is a methodology modeled after lab tests in the natural sciences or psychology, turning the program into a controlled experiment. A target population is measured against a comparable group (a control group) outside of the program. Research is often conducted over a long time horizon. The researcher must have a good amount of control over the experiment, requiring rigorous design foresight over issues like random assignment of subjects to the treatment conditions. This implies that most experiment-based evaluations must be planned in advance of resource allocation and are very expensive to conduct. Experimental design is typically reserved for very large grants spanning longer time horizons, and in which testing causality is fundamental to the growth of the program. This is one of the few methodologies that allow researchers to determine direct causality within the experiment, not just attribution. Research universities and institutions, and their labs, are often best equipped to undertake this type of experiment.

**Cluster evaluations**, used, for example, by the WK Kellogg Foundation since the 1980s, allow funders to review a series of grants across a single program area (e.g., primary school education) and compare the results. Kellogg conducted cluster evaluations by allowing grantees to develop independent strategies for attacking similar problems. By working across a variety of sites, a team of evaluators with a common objective could combine the results to determine the most effective activities. For example, a donor may support several different programs that provide tutoring to low-income children and seek to measure which of the programs was most effective. This process is successful only if a funder is willing to openly take the risk in allowing some grants to fail in the service of finding more innovative or high-impact solutions to a complex challenge.

Finally, **return on investment** or **social return on investment** (ROI/SROI) are at the center of venture philanthropy and impact investing. This measurement strategy analyzes the relationship between the dollars invested and quantifiable results. ROI/SROI are founded on the philosophy of a double or multiple bottom line, and identifying common standards to make social investment decisions more comparable to financial investment decisions. Brian Trelstad, chief investment officer of Acumen Fund, describes the organization's philosophy of making impact investing decisions based on comparisons to the "best available charitable option." For example, if a philanthropist could buy a certain number of bed nets for the amount of money planned for the investment, then the social enterprise receiving Acumen funds must outperform that standard for the same dollar investment. ROI/SROI typically focuses on the more immediate, quantifiable outcomes and therefore may be limited in time horizon. It is also difficult to quantify the results of more complex or less tangible activities, like public awareness or empowerment.

### Example of the ROI Method

The screenshot shows the PULSE software interface for 'Green Coffee - South America'. It displays a dashboard with various metrics and a table of data. The table has columns for 'Metric Name', 'Unit of Measure', and months from Jan to Dec. It is divided into sections: Financial, Investment, and Operational. The Financial section includes metrics like Revenue, Expenses, and Profit. The Investment section includes metrics like Total Investment and Return on Investment. The Operational section includes metrics like Total Production and Total Sales.

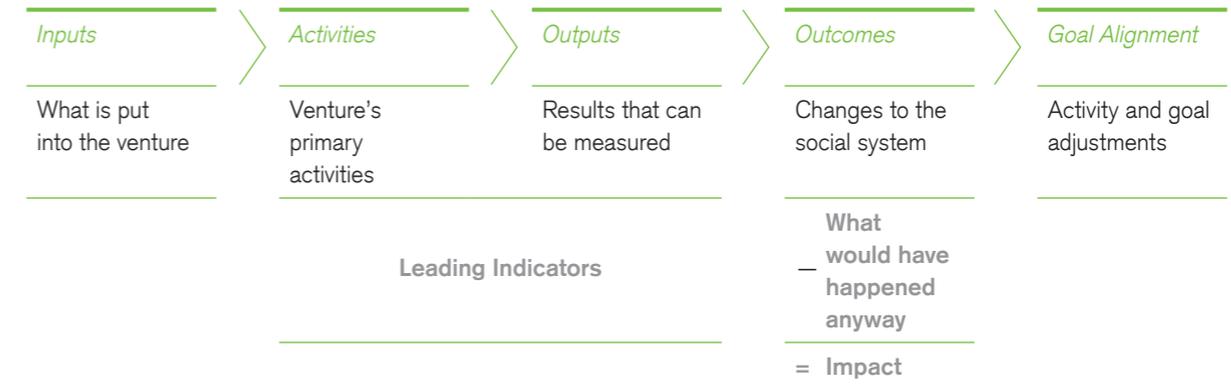
The PULSE software that Acumen uses includes measures of financial and social measures. On the screenshot above is data on Financial, Investment, and Operational activities. These are customized based on the kind of investment and the business model.

Funders approach the measurements differently, however. Many grantmakers focus on program outcomes as the best indicator of success. At this level of evaluation, a funder can gain a sense of change in individual participants, institutions, networks, or specific communities and even public viewpoints.

Indicators must include both the intended and unintended effects of an intervention. As you consider all possible scenarios, you may also take into account inadvertent side effects (positive and negative) to properly assess the full scope of outcomes relative to the initial investment (see Figure 2 on page 21). Donors should consider impact as the measurable change that can be attributed directly to the specific activity, and try to remove from the evaluation any evidence of social or environmental change that would have occurred with or without the intervention.<sup>7</sup> This definition creates a far more stringent, challenging scenario under which impact can be assessed. Randomized control trials (in which participants are carefully selected and assigned to treatment and control groups) and other experiments offer some options for the grantmakers who seek to identify the impact of their grants using these approaches. Healthcare interventions, such as medicines, often undergo these trials to determine effectiveness and safety.

<sup>7</sup> Olsen, S. and B. Galimidi. (2008): Catalog of Approaches to Impact Measurement. Social Venture Technology Group and The Rockefeller Foundation.

Figure 2. Impact value chain<sup>3</sup>



### Acumen Fund

Acumen Fund focuses on capturing social outputs in Pulse, its online database for performance metrics. Acumen Fund, a non-profit, invests in social entrepreneurs in developing countries who use sustainable and scalable business models to tackle issues related to poverty. The organization's portfolio includes enterprises focused on water, health, energy, housing, agriculture, and now education. As described by Brian Trelstad, Acumen's chief investment officer, in order to track the performance of each investment, Acumen (with the support of Google) developed a tool to capture quantitative data, supported by some qualitative context on each investment.

### Another means of assessing potential impact

#### The Global Impact Investing Ratings System

The Global Impact Investing Ratings System (GIIRS) is a powerful tool to mobilize financing from institutional and high net worth investors into the emerging field of impact investing. GIIRS is based largely on a standardized set of social performance metrics called IRIS (Impact Reporting and Investment Standards). GIIRS has evolved from B Lab's rigorous evaluation process to identify "B Corporations," those businesses that meet a transparent set of social and environmental standards. GIIRS is quickly gaining traction as a tool to rate the social and environmental impact of companies and investment funds. According to Andrew Kassoy, co-founder of B Lab, GIIRS creates value for entrepreneurs, investors, and fund managers. For entrepreneurs, the ratings system opens access to a much larger pool of capital and provides feedback mechanisms to evaluate their performance in the context of their peers. For investors, the ratings system provides the judgments and validation necessary to determine the viability of potential deals. And finally, GIIRS serves as an important means to evaluate the intermediary funds frequently used by individual and institutional investors when they allocate funds for impact investing.

<sup>3</sup> Based on the "Impact Value Chain" in "The Double Bottom Line Methods Catalog," Clark, Rosenzweig, Long and Olsen and The Rockefeller Foundation, 2003.

# Evaluation in practice

## Making it work for you

Evaluation points for grantmakers — with the tools described above, a funder must then decide which tool to use for the job. A variety of factors come into play in choosing the proper evaluation methodology and process.

The first question to address is to understand your own priorities. Depending upon the response, you may find one of the following evaluation points a logical starting place.

- a. Assessing applicants and applications
- b. Assessing grantees over time
- c. Assessing impact

Keep in mind that you have the opportunity to help innovative organizations pilot creative, untested solutions to social challenges. Therefore, inflexible or burdensome diligence procedures could prevent opportunities for ground-breaking partnerships — funders with some tolerance for risk should be careful not to screen out unproven interventions that, with their support, could be game-changing. For that reason, you as a funder should be careful, and even have a responsibility, not to demand more information than you need and use

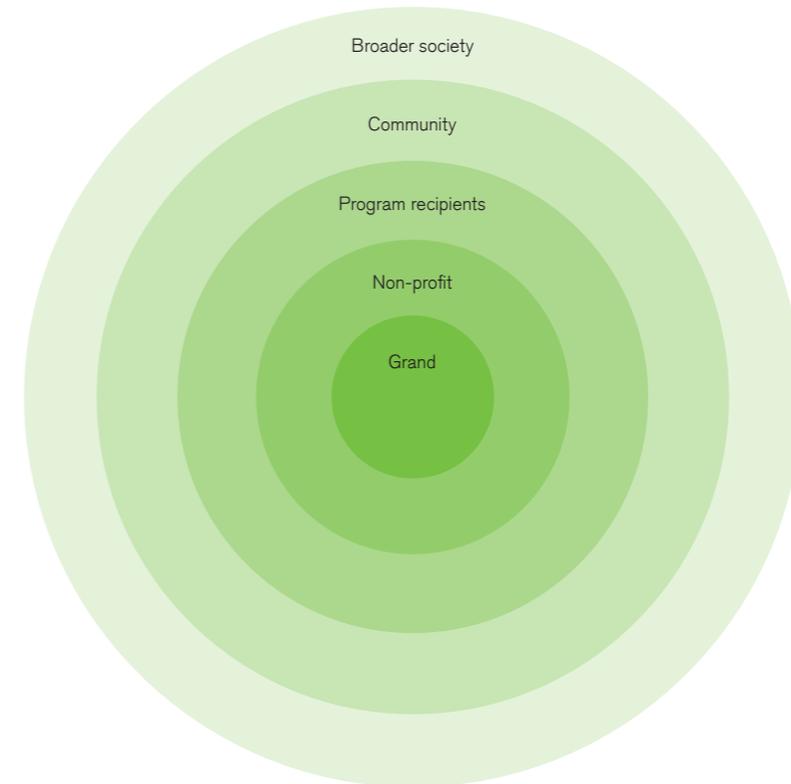
As with any process that numerous people all need to do — in the same manner, rigorously — collecting data is often more complicated than it appears and grantees may need help to cover the added expense and the additional workload.

The second opportunity to leverage evaluation data is for you to review how a grantee may be performing towards its mission over a period of time. If the grantee either surpasses its objectives or falls short repeatedly, this information should be taken into consideration for future grant cycles. For example, if the non-profit projects growth (in addition to serving a specific at-risk population) then you should be looking for evidence of expansion. Another important measure includes peer benchmarking, examining a non-profit's performance over time as compared to similar organizations. If you are seeking to have the greatest social and environmental impact through your grantmaking, then tracking real change over time will help you to achieve your objectives.

Finally, you may seek a more holistic evaluation of long-term impact — in terms of both the grantee's work and your overall portfolio of investments. By combining the results of individual evaluations, you can determine whether your grantmaking operations and programming meet impact objectives and work toward the overall mission of your charitable activity.

Another way to view this issue is for you to map your desired level of impact with regards to time frame and target community. As seen below in Figure 3, the evaluation of each grant could provide a range of information, depending upon the funder's objectives. For example, if a donor prioritizes specific immediate outcomes, the process for planning philanthropy programs would look different than if a donor aimed to produce social impact over a long period.

Figure 2. Levels of assessment for funders<sup>4</sup>



<i>Broader society</i>	<i>Social impact</i>	How community changes spread more broadly
<i>Community</i>	<i>Local impact</i>	How conditions in the community change
<i>Program recipients</i>	<i>Outcomes</i>	How funds are used
<i>Non-profit</i>	<i>Evaluation</i>	How programs are delivered
<i>Grant</i>	<i>Accountability</i>	How funds are used

<sup>4</sup> Rockefeller Philanthropy Advisors

# Issue brief

## Disaster response and recovery: how evaluation can help target short and long-term relief

### Evaluation in this issue area

For disaster grantmaking, you are confronted with unusual circumstances. The normal operations of society may have broken down — and many non-profits or even governments may not be fully functioning. Especially in the first days (and even weeks) after a large event, there nearly always is a lack of solid information on which to make decisions, and perhaps even misinformation as rumors tend to take hold. The gap between needs and resources will often be hard to pin down and rapidly shifts as the event unfolds and resources are brought to bear. And there will be little time to make decisions if immediate help is the aim. In such circumstances, it can be a luxury to collect metrics or conduct evaluations.

Charities in the area affected may have staff members who were themselves survivors of the disaster, so they may have great difficulty being responsive to a grantmaker. It may be difficult to get proposals, or for caregivers to collect certain information early on.

You should be very clear about what you consider success. Is it food and shelter, or delivering short-term counseling that they aim to do? As the relief phase of a disaster concludes, you can think more strategically about impact, in partnership with a provider.

There is a somewhat blurry, yet essential, distinction to be made between disaster response and recovery, which happens over a longer time horizon, and considerations about evaluation should reflect that.

### Theory of change example

A disaster may not provide ample time for establishing a sophisticated theory of change. You may, however, partner with an established disaster response agency to track the number of people served and how. During the recovery phase, they may assess whether programs are helping people become more resilient or deal with grief.

### Examples of specific metrics applied to this giving area

#### Inputs

Grants, technical assistance, donated goods/services, or other resources for community-based providers of care.

#### Activities

Providing food, shelter, housing, mental health counseling, and other longer-term care.

#### Outputs

Number of people provided shelter, food, counseling, case management.

#### Outcomes (recovery)

Percentage of people whose needs have been met; improvement in mental health services; access to jobs; open businesses; houses rebuilt.

#### Social impact

A stronger, more resilient community that is rebuilding itself (could take five – ten years).

## Case study 2

### Hand in Hand

#### Helping India's women help themselves

Dr. Percy Barnevik, chairman of Hand in Hand, brings his business expertise and fastidious attention to metrics to the operations and growth of this non-profit organization. Dr. Barnevik built his career in the industrials industry, serving as CEO for ABB and Swedish steel company Sandvik, as well as board chair to Sandvik, Skanska, Investor AB, AstraZeneca, and a board member for DuPont and General Motors. He spent decades running factories and power plants in developing countries, creating 100'000 jobs as part of his career. But at 60 years of age, he shifted his focus to self-help strategies in community development, empowering women entrepreneurs in order to raise the standard of living for vulnerable populations around the world, and providing supplemental services in the areas of education, healthcare, digital access and agriculture/environment.

Hand in Hand began working in India, a natural start for Dr. Barnevik who, in his professional career employed more than 40'000 workers in the country. The expansion in India was led by a local Indian woman, Dr. Kalpana Sankar. But the NGO's work has since spread to countries as disparate as Guatemala, Namibia, and Afghanistan — and continues to expand rapidly. Hand in Hand employs 3'000 individuals in the field, all from developing nations, and consultants from established regions are hired to spread the organization's practices to colleagues from other countries. The organization also relies on the support of a corps of 50'000 volunteers, which helps to keep overhead costs low.

#### The role of evaluation at the organization

The organization's goal is to create 10 million jobs to lift 50 million people out of poverty. In addition, this non profit aims to mobilize governments and other partners to create 240 million new jobs by unequivocally proving the success

of its approach. Hand in Hand has used constant monitoring and evaluation to expand its scope with speed and at a low cost, and has helped to launch more than 700'000 microenterprises on a budget of 25 million dollars per year. Expenses are kept to a minimum; the organization employs only local talent and relies on tens of thousands of volunteers. Plus, Dr. Barnevik states that running the organization like a business in which employees strive to meet productivity requirements, and are rewarded for their performance, keeps costs down while maximizing organizational efficiency.

From its earliest days, Hand in Hand sought to measure everything possible in its work — the number of women accessing training and business financing through Self Help Groups, the children per month who entered school, the number of malaria cases diagnosed through its health camps. Dr. Barnevik ensures that the organization remains on budget, and meets its projected targets and productivity requirements by reviewing comprehensive reporting materials each month.

#### Evaluation in practice

Corruption can sometimes be a concern when working in regions where it is common practice. Accordingly, the combination of reliable staff, the careful tracking of inputs and outputs, and external auditors all help to confirm the validity of its results.

With his background, it is not surprising that Dr. Barnevik built a culture at Hand in Hand that is passionate about measurement. Reflecting on how the organization's efficiency in delivering goods and services parallels that of the companies he has run, Dr. Barnevik said, "We don't want to be the best among NGOs, we want to be the best among companies."

#### Takeaways

Applying lessons in efficiency and accountability from the business world — with an awareness of the unique context of social sector work — can help to strengthen your non-profit partners.



## Case study 3

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### NoVo Foundation

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#### A long-term approach to social change

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How has your focus on evaluation driven strategy for your giving?

“In gender equity, much of what we’re doing is helping to build a field. We know it will take 20 to 30 years, and we’re committed. We have to do a lot of capacity building and partnership development, so that down the road we can make substantial grants”.

— Jennifer Buffett, president and co-chair, NoVo Foundation

In leading the NoVo Foundation, Jennifer Buffett approaches impact evaluation at both the strategic and operating level. The NoVo Foundation’s unusual spending pattern means she needs to think in terms of a 20 – 30 year horizon. Each year, the NoVo Foundation spends 110% of its income, with the deliberate intention of spending down within about 30 years. And for the kind of issues that the Foundation tackles — gender equity, social, and emotional learning — it will clearly take decades to see substantial change.

#### The role of evaluation at the organization

At the strategic or program level, Buffett and the other board members, including co-chair Peter Buffett, ask themselves a set of questions that create a framework for evaluation:

- What changes do we want to see?
- What is needed to make that change occur?
- What are the costs?
- What are the resources (such as public spending) that can be leveraged?
- How do we get those resources allocated so that change happens?
- What will the checks and balances be?
- How will change be sustained?

#### Evaluation in practice

At the grant or project level, reviews are quarterly, and analysis can be very quantitative. “For the work we’re doing to incorporate social and emotional learning in US school districts,” she notes, “we’re doing a cost-benefit analysis with economists. We’ve worked with our partners to create milestones for gender equity, and we review progress toward annual impact goals at the board level every six months.”

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#### Takeaways

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Sustainable change requires long-term commitment, and measures of progress should reflect shorter term and longer term goals and outcomes. Long-term commitments towards achieving gender equity or emotional learning in the school system can be tracked using a robust evaluation strategy. Those impact goals might include, for example, success in reaching key public-sector audiences with an advocacy initiative — a milestone on the path to getting public funds allocated to improve gender equity.

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# Targeting your approach to the solutions you are funding

Small contributions or straightforward solutions, for example, may not warrant the same evaluative investment as multi-year, multi-million dollar donations to complex social challenges. Therefore, you must look beyond a one-size-fits-all approach to evaluation and tailor your evaluations to the objectives, timeline, complexity, and budget of the specific programming. Importantly, an evaluation should be conducted in partnership among you and your grantees. It is often considered an iterative process in which both sides of the discussion have fair input into shaping the goals, identifying specific metrics and reporting procedures for shared learning.

A grantmaker seeking to address a straightforward problem with a proven, specific intervention may have a simpler time identifying key metrics for an evaluation, even when extremely large problems are being addressed. Some problems present an opportunity to provide a single solution that literally solves the challenge at hand. For example, smallpox (the first and, to date, only disease to be eradicated in human history) is a disease that it was possible to control with a single vaccine. Once someone had been inoculated, they could not contract the disease or pass the contagion to others. While the challenges of distributing the vaccine globally to remote populations without access to infrastructure or healthcare were enormous, for funders the metrics remained relatively simple — how many individuals receive the inoculation as a result of the funding provided for that purpose?

On the other hand, far more frequently funders and grantees face issues that are multi-faceted and embroiled in a host of complicating factors. Solving one problem may uncover numerous others. A funder (or grantee) may have to conduct extensive research to identify the core issue, or there may be numerous challenges that must be addressed simultaneously. As another example in healthcare, addressing HIV/AIDS is far more complicated than smallpox. There is no single solution to treating this communicable disease, and there are tremendous challenges in slowing its reach. A variety of taboos exist related to issues around HIV/AIDS, including discussing sexual intercourse, protection, testing for the disease, empowerment of women, and other societal norms. Add to this the fact someone may not realize that they are HIV-positive and can therefore infect others unknowingly. So while some organizations work tirelessly to make lifesaving medications available to those who are HIV-positive — perhaps in areas where healthcare infrastructure is lacking — others try to educate populations about the disease or change cultural norms to reduce the rate of new infections. Although advances may be made on one side of the issue, problems persist on others.

In this scenario, you can provide the means to identify and address the greatest challenges for the issues you care about. Funders and grantees have the opportunity to take risk, pilot new ideas, measure successes and failures as they go, and

ultimately adjust course accordingly to achieve the greatest impact. If you are considering making a substantial grant, a cluster evaluation may be an appropriate approach to measuring which of multiple, simultaneous programs can create the greatest impact towards achieving an objective.

For a complex problem, the evaluation methodology must be much more nuanced than that of a simpler problem. You cannot typically expect to find direct attribution of impacts when an issue is so vast and the challenges interwoven — a single grant is highly unlikely to solve the problem. According to Harvard Professor Alnoor Ebrahim, “As you widen your scope to deal with a major social problem, the harder it becomes to measure your impact because it is tougher to isolate cause and effect.”<sup>8</sup> Systems-level thinking can be applied to complex problems. In systems-level thinking, an organization considers the broadest conceptualization of a problem and attempts to identify all of the major underlying factors to determine the best interventions for change. A concrete, well-defined theory of change will also help funders and grantees zero in on targeting more specific outcomes and impacts. What remains challenging in evaluating complicated or complex problems, however, is the ability to find concrete, measurable outputs or outcomes when the tactics produce less tangible results. Understanding impact in these cases is part of the art of grantmaking.

A sometimes surprising realization is that not every grant needs to be evaluated with the same rigor or methodology.

<sup>7</sup> Hanna, J. (2010): The Hard Work of Measuring Social Impact. Harvard Business School Working Knowledge.



## Case study 4

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### Annie E. Casey Foundation

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#### Using data as the basis for global advocacy in Latin America

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The Annie E. Casey Foundation is dedicated to helping build better futures for disadvantaged children. Its primary mission is to foster public policies, human-service reforms, and community supports that more effectively meet the needs of vulnerable children and families. One of the largest private foundations in the nation, the Foundation makes grants that help states, cities, and neighborhoods fashion more innovative, cost-effective responses to these needs.

#### The role of evaluation at the organization

The Annie E. Casey Foundation has also earned a reputation as one of the most data-driven philanthropies in America. The Foundation gathers and promotes the use of data as a critical tool for change, and routinely seeks and supports independent evaluation of major initiatives to ensure that investments are yielding intended results. The Foundation uses such information to advocate for programs and policy, and to build public will on behalf of disadvantaged children. As a result, the emphasis on data and results has meant a stronger ability to help advocates, service providers, and policymakers make better decisions that support vulnerable children and families.

#### Evaluation in practice

Casey's KIDS COUNT program, one of its first and longest investments, is a national and state-by-state effort to track the status of children in the United States. Focused on data-based policy advocacy, it profiles the status of children on a national and state-by-state basis and ranks states on 10 measures of well-being, including birth weight, mortality rates, teen birth rates, educational indicators, and percent

of children in poverty. By providing policymakers and citizens with benchmarks of child well-being, KIDS COUNT seeks to enrich local, state, and national discussions of ways to secure better futures for all children. The national and state-level reports have received extensive media coverage and provided the basis for a broad range of editorial opinion on improving the lives of children. In many states, KIDS COUNT has been the catalyst for public and private initiatives to improve children's lives.

Organizations in several Latin American countries — including Argentina, Bolivia, Brazil, Chile, Mexico, Nicaragua, and Paraguay — have begun replicating this approach. Databased policy advocacy is, in many ways, relatively new to Latin America, and the Foundation is supporting some of these organizations to move forward in their children's rights work.

In Mexico, for example, REDIM (Red por los Derechos de la Infancia) is a coalition of 63 organizations working on programs to support vulnerable children and adolescents in 14 Mexican states. REDIM has been producing a yearly book of data related to the welfare of children in that country for nearly five years, and each year it has seen an increase in national attention to issues and policies related to the rights of children. Similarly, in Paraguay, the Coordinadora por los Derechos de la Infancia y la Adolescencia (CDIA) has just released its Infancia Cuenta data book in support of its efforts to promote social research and the interaction of different sectors of civil society, all specifically geared to the segment of children and adolescence.

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#### Takeaways

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Evaluation can be used not just to assess and improve the effectiveness of specific programs, but as an end in itself. Data and results can be an important tool in building awareness, attracting media attention, and influencing public policy around important issues that you are trying to address.

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## Internal and external evaluations: who measures?

Clearly, you should consider the issue of resource allocation — who pays for the evaluation, how much you seek to spend, and where you expect to source the expertise to appropriately conduct the evaluation.

In a perfect market, available information fed back to the donor and non-profit alike would be thorough and in real time. However, beneficiaries of social goods and services do not act like buyers in a standard market, particularly since they do not often have options to seek the services and products elsewhere. Grantees often feel compelled to smooth over challenges or concerns for fear of losing opportunities for future funding. As a result, some program funding may continue despite low satisfaction levels by the end-beneficiary or underperformance by non-profits. Evaluations are essential to correcting these shortcomings. In some instances, it is most logical to look inward to the grantee. An internal evaluation is optimal when the purpose of a grant is to test a new idea or pilot a new project, and the results are to be used to influence program design and management. Quite frequently with large non-profit organizations, an on-staff evaluator is available to conduct evaluations for grantmakers. These individuals are knowledgeable about the organization and typically sit in a program-neutral position to minimize issues of partiality. Internal evaluators are most effective if (1) they have appropriate expertise, (2) they operate at a high level in the organization, (3) they are insulated from repercussions based on their findings and (4) can affect decision-making.<sup>9</sup>

An external evaluation can be quite useful if the purpose of the grant is to test a program that will be scaled rapidly, offer a proof of concept, or attract other funders. While typically more expensive compared to conducting an evaluation in-house, external validity helps the organization to prove the impact of its work with greater credibility. In this case, the person conducting the evaluation will often be an academic or a for-profit or non-profit consultant. This individual may offer expertise to the process drawn from working in a number of organizations. An external evaluator should offer the competency to design the methodology and strategies, and to analyze the data in a way that will help the organization make the greatest use of the information.

<sup>9</sup> Mizell, L. (2008): Evaluating for Sustainability: Eight Steps to Success. Philanthropy News Digest.

Regardless of the type of problem, the party conducting an evaluation can influence its budget, scope, and results.

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### How do you choose an evaluator?

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**Ask other philanthropists and foundations for referrals. Foundations and others that use evaluation are often happy to share their experiences and approaches.**

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**Confirm the evaluator's experience in the specific program issue or area at issue.**

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**Ensure that the evaluator has a productive working relationship with the grantees and philanthropists and advisors.**

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# Making evaluation helpful to you and your grantees: some potential pitfalls to avoid

Overall, however, you must consider that perfect information is rarely available. Similar to an early stage business investor, the best strategy is to identify general targets and objectives, align those goals with grantees, and boldly move forward. Looking for proven results prior to every philanthropic investment, and a comprehensive understanding of all the results, can create unrealistic expectations. You will, of course, need to conduct adequate due diligence prior to investing in a grantee, but over-engineering the evaluation process will create unnecessary challenges for most non-profits. One important function for you is to fund innovative solutions to social and environmental challenges, and sometimes this requires a grantmaker to take a leap of faith on an untested or under-tested idea.

There may be a few unfavorable conditions for evaluation, of which funders should take heed. First, if a program is young, somewhat unstable, and involves a lot of improvisation, a donor will find difficulty in tracking that program with much precision. In this case, a pilot or program development grant may be most appropriate. If there is a lack of agreement on program goals, or if a program administrator sets some important issues as “off limits,” this may present obstacles in evaluation practices or signal that the funder and applicant are not well aligned. Only further exploration will determine which is the case. Finally, if an evaluation is not properly funded and the staff lacks the necessary expertise to conduct the evaluation, the results will be compromised.<sup>10</sup>

## Using the data

Placing undue burdens on grantee partners is contrary to the goals of any thoughtful funder. As a result, in crafting an evaluation program you must consider what data is really needed and how that information will be used, if at all. Most high net worth philanthropists agree that impact data is theoretically important, but very few have a deep understanding of how to actually trace outcomes.

Donors have an easier time describing outcomes when funding has been used for specific products — like setting up a computer lab, a library, or offering student scholarships. But less concrete gifts — like supporting after-school programs or women’s economic development project — makes donors more ambivalent about tracking outcomes or impact.<sup>11</sup> As Ebrahim describes, this is a dangerous proposition as funding only the activities that can demonstrate measurable impact could leave gaps in effecting long-term and systemic results.

Out of respect for the non-profits they funded, the philanthropists in the aforementioned study stated concerns about burdening their grantees. Some even noted that they were not interested at all in formal evaluation and once their decision was made to support an organization, they did not look back and attempt to reassess or find evidence of the impact of that donation.

To effectively use evaluation, you should determine what the right amount of information is for you, know how you are going to use data — such as informing future decision-making or building collaborations with other funders — and then work openly with the non-profit to ensure that all parties agree to the data collection and reporting procedures.

If you share the same specific goals as other funders, an interesting tool to help you clarify your objectives around data collection is a shared measurement system. A web-based evaluation module allows you to choose from a pool of field-specific indicators, select from a set of data collection tools, and create robust reports. Ultimately, donors using this kind of service could start with a clearer set of objectives, reducing the need for grantee expertise in evaluation while improving data quality and increasing the credibility of the information collected. This would also allow you to benchmark against peers for greater learning opportunities and funding coordination.<sup>12</sup>

Clearly, you will encounter challenges as you put evaluation strategies into practice. This section outlines some of the main stumbling blocks for donors seeking to understand the impact of their work.

## Time versus Innovation

Depending upon the timeline for a grant, it may be difficult to understand the depth of impact of any individual investment. To gain a sense of social impact, you must have the patience to stay with a grantee over a long time horizon and plan for evaluations accordingly. However, attribution in this case is even more challenging as many outside factors may influence the outcomes and impacts, beyond the specific activities provided by the grant. A social experiment, with randomized control trials, generally does not allow for modification and innovation throughout the term of the grant. This may prove inflexible for those who wish to implement changes along the way. Funders should then weigh their need for certainty against their need for flexibility.

## Money

As described earlier, different evaluation methodologies require a range of financial resources. If you are seeking a robust evaluation from your grants, this will require a large investment to specifically sponsor that process. If a scientific evaluation is needed to prove the feasibility of an initiative or the credibility of an organization, you should provide the appropriate resources to support that process. Some funders use a benchmark of funds that they will devote to independent evaluation. In the case of the Children’s Investment Fund Foundation (CIFF), they often devote 7–10% of a grant investment to third-party evaluation, but the amount of resources dedicated is specific to the investment. Revisiting the iterative evaluation design process, you must not ask a grantee to meet lofty expectations around evaluations without providing the necessary funding to do so.

## Grantee Resources

In addition to the funding for evaluation studies, both grantees and funders must come to an agreement on exactly where the expertise to conduct evaluations lies. This will influence whether the evaluation is conducted using in-house staff, or hired out to consultants and experts, a more costly endeavor.

<sup>10</sup> Weiss, C. (1998): Evaluation.

<sup>11</sup> Noonan, K. and K. Rosqueta. (2008): I’m Not Rockefeller: 33 High Net Worth Philanthropists Discuss Their Approach to Giving. The Center for High Impact Philanthropy, School of Social Policy & Practice, University of Pennsylvania.

<sup>12</sup> Kramer, M., M Parkhurst and L Vaidyanathan. (2010): Breakthroughs in Shared Measurement Systems: Systemic Approaches to Evaluation. FSG Social Impact Advisors presented in partnership with Grantmakers for Effective Organizations.

# Making progress together: evaluation as organizational learning

Sometimes the most valuable form of evaluation focuses on the funder's own operations and improvements needed.

## For funders

To establish a culture of learning, educator and evaluator Carol Weiss<sup>13</sup> highlights steps philanthropists can take. The first is to candidly share how grants are performing, how recipients are responding, and what the external context might be that is affecting the programming. The goal is to introduce a degree of skepticism among program officers to open them to seeing both the strengths and weaknesses of their programming. A learning culture also allows for reflection upon any unintended or adverse consequences of the grants. In addition, public accountability challenges officers to operate with discipline and focus on the stated goals of the philanthropy's programming.

As one listening mechanism, the Center for Effective Philanthropy offers a tool called the Grantee Perception Report (GPR), an online set of questions that helps foundations assess their work through the eyes of their grantees. According to president Phil Buchanan, funders are frequently isolated from honest, thorough feedback from their grant recipients.<sup>14</sup> A tool like the GPR, which provides confidential, anonymous, and comparative evaluations to the grantmakers, helps to drive operational change at foundations.

## For grantees

A funder has the opportunity to provide grantees with specific tools that can be highly relevant and applicable in their work. Evaluation can help the grantee program team to adjust its services and create the greatest impact, particularly when information is shared between the grantee and funder with an open, honest, and learnings-based approach.

Evaluations serve the same needs as research and development in the private sector. An evaluation can offer non-profits an opportunity to understand what is working well in their programming and operations, and the specific cause and effect relationships between the program design, execution, and the results generated. A well-crafted evaluation strategy allows grantees to see what, specifically, about their interventions is resulting in the desired behavior change or other outcome metric — a more practical approach to understanding what works, and what resources they need to effectively deliver their programs.<sup>15</sup>

## Evaluations should serve as a learning tool, helping funders and grantees create the greatest potential social and environmental impact through their work.

<sup>13</sup> Weiss, C. (1998): Evaluation.

<sup>14</sup> Buchanan, P., E. Buteau and S. Minhas. (2011): Can Feedback Fuel Change at Foundations. The Center for Effective Philanthropy.

<sup>15</sup> York, P. (2011): Success by Design: How R&D Activates Program Innovation and Improvement in the Non-profit Sector. TCC Group Briefing Paper.

# Issue brief International development: how evaluation can help strengthen its grantees

## Evaluation in this issue area

International grantmaking requires an understanding of local non-profit laws, capacity, and culture. Grantmaking in every country is unique. As an example, in Trinidad and Tobago, the JB Fernandes Memorial Trust chose to work with an evaluator with experience working in the Caribbean and an understanding of challenges faced by local non-profit organizations.

## Theory of change example

The JB Fernandes Memorial Trust seeks to use its grantmaking resources and philanthropic networks to strengthen civil society organizations and significantly improve their visibility and effectiveness over the next ten years through a comprehensive, phased program of capacity-building activities. The memorial trust was established in honor of rum entrepreneur Joseph Bento Fernandes. Working with Rockefeller Philanthropy Advisors, the trust has donated 72 million dollars since 1998, with the majority of grants supporting the Caribbean nation of Trinidad and Tobago.

In 2001, the Trust observed a need for capacity-building and providing technical assistance to local non-profit organizations. It engaged a consultant to lead a year-and-a-half long capacity-building initiative for a group of grantees that were selected through a competitive process.

With a narrow focus on the small islands of Trinidad and Tobago, the managers of the trust felt a significant responsibility toward serving

the impoverished population. They conducted site visits to community partners to learn that many of the non-profits they were supporting, while passionate and committed, lacked some basic skills in proposal writing, budgeting, and governance. As a result, the trust adjusted its strategy to support capacity building for civil society organizations — focusing on management and fundraising skills. In early 2008, the Trust engaged another consultant to assess the impact of this initiative and later on that year embraced a new theory of change, specific to achieving the desired results in Trinidad and Tobago.

## Examples of specific metric applied to this giving area

### Inputs

Grants; technical assistance professionals; non-profit staff and leadership; universities and academic institutions; continuing education/professional development programs; donated goods and services.

### Activities

Capacity building/technical assistance grants; developing networking cohorts; developing a base of consultants to assist non-profit organizations; supporting the start-up of a local management support organization; supporting professional development and skill building programs; peer exchange programs.

### Outputs

Number of training opportunities for non-profit organizations; number of resources; number of staff sector wide with non-profit management skills; number of institutions offering education programs in non-profit management either on a skill building or continuing or professional education level; number of opportunities to position non-profit sector in a positive light.

### Outcomes

Non-profits demonstrate stronger systems — operations, governance, programs; Non-profits are able to articulate their impact; Non-profit staff have the capacity to implement and evaluate needed programs.

### Social impact

A stronger, more cohesive and effective non-profit sector in Trinidad and Tobago.

# Case study 5

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## Acumen Fund

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### Utilizing market research to track progress

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Acumen Fund invests in social entrepreneurs: those working to address social and environmental challenges using innovative market-based approaches. The organization focuses on metrics to determine the financial and operational health of its investment portfolio and to understand what supplemental resources should be delivered to its entrepreneurs, who bring tremendous vision and leadership, but sometimes require management support.

#### Evaluation in practice

VisionSpring, an Acumen Fund investee since 2005, is described by chief investment officer Brian Trelstad as “taking data seriously.” The organization has a powerful founding story, in which Dr. Jordan Kassalow, an optometrist from New York, put ready-made reading glasses on a child in rural Mexico and saw the immediate life-changing effect of improved vision. VisionSpring was born with the inspiration of sharing the impact of improved sight with populations around the world.

The organization sells glasses in rural communities, where a simple pair of glasses can often mean the difference between earning a reliable income or not. Since its founding, VisionSpring has also experimented with various distribution models, focused on women’s empowerment and job opportunities for the rural poor. But based on its rigorous data collection and analysis, the organization remains nimble and periodically adjusts its business model to reach the most clients, to create economic opportunity for entrepreneurs, and to continue to build its brand.

In the past, VisionSpring relied solely on a cadre of Vision Entrepreneurs (VE), recruited through a microfranchise model. The VEs received a “Business in a Bag” kit with all the materials necessary to diagnose basic vision problems and sell reading glasses at a price appropriate to the local market. Fundamentally, this model allowed the VEs to earn a profit from their very first sale.

But the organization found that the kits, which only focused on addressing farsightedness, hurt VisionSpring’s brand since customers with other vision problems had to be turned away. In response, VisionSpring is piloting a new model in El Salvador and India in which the VEs also have the opportunity to refer clients to a regional ophthalmologist. This new hub and spoke arrangement is designed to address VisionSpring’s branding challenge and reach even deeper into its target population as those with a more diverse set of eye problems can turn to the organization for care.

As Dr. Kassalow and his team consider the continuous challenge of scale, VisionSpring shifted from a non-profit with earned revenue opportunities to a for-profit social enterprise. The William Davidson Institute at the University of Michigan even developed a case study on VisionSpring, examining the organization’s operations and revenue model.

The focus on data and achieving target outcomes allows VisionSpring to be responsive to the needs of its entrepreneurs and customers alike, and successfully scale its impact.

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#### Takeaways

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Thorough evaluation processes, coupled with market mechanisms, can provide a voice to the end beneficiary of your programming, a perspective that, unfortunately, is not always at the center of philanthropy.

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How has your focus on evaluation driven strategy for your giving/programs?

“One of our core values is accountability to the low-income individuals we serve. We collect monthly metrics from our portfolio companies to understand their health. Aggregated over time, these metrics also give us insight into where markets work — and where they don’t — in providing critical goods and services for the poor”.

—  
Jacqueline Novogratz,  
founder and CEO, Acumen Fund

## Conclusion

# Good evaluation is a partnership

At its core, effective evaluation must evolve from a strong partnership between funders and grantees.

An open, transparent relationship in which both parties are equally invested in the success of the program will yield the most valuable results. The iterative design and timeliness of useful data remain key factors, as non-profit organizations and funders have the opportunity to course-correct and adjust the implementation of a grant throughout the life of the program.

Both sides of the table benefit substantially from a results-based orientation, reliant on shared learning for programming and operations alike. Best practices show that learning-based cultures and honest dialogue among all stakeholders are prerequisites for the greatest success.

Finally, evaluation can be the key to a more satisfying experience for you as a philanthropist. You will finally have the answer to an age-old question: What happened as a result of my gift? Donors who make personal investments in their grantees' successes, and approach grantmaking as a partnership with a goal of changing the problems they have identified, will find their charitable work a source of great fulfillment and impact.

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### Action steps

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**Clarify what you wish to accomplish through your philanthropy, both in the short and long-term. Before you can measure the impact of your efforts, it is critical to spell out (to yourself and others) what changes you wish to effect through your philanthropy. Only then can you measure your progress towards these goals.**

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**Determine your purpose in evaluation. Do you want to measure the impact of a specific grant, the effectiveness of your grantees, or the progress of the individuals you seek to benefit? What further understanding do you seek? Your specific purpose can then help define the scope of your evaluation work.**

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**Determine the evaluation approach that best fits your needs and resources. Whether measured in dollars or qualitative feedback, seek guidance on the methods best suited for your evaluation goals, the capacity of the organization you may be evaluating and the timelines of the project you may be evaluating.**

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**Be careful to balance questions about impact with the grantees' capabilities and strengths. If necessary, consider support for capacity building so that staff can gather useful information for evaluation and program design. Evaluations that take in extraneous detail — or too little data — will not be able to provide guidance for you or the organization.**

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**Remember to adequately fund the evaluation. If your evaluation takes up the time and resources of your grantees, they will need additional funding in order to continue performing their core mission.**

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**Build a partnership with your grantees and other funders. Work with organizations that share your philanthropic goals to think about measurement and evaluation early in the process, and benefit from their collective feedback, even if only basic indicators are possible at the beginning.**

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# Resources

The literature on evaluation is large, and growing. Below are a few resources that can help you think about and structure your evaluation activities.

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## Foundation Center, Tools, and Resources for Assessing Social Impact (TRASI)

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TRASI is a comprehensive, searchable database of various organizations' approaches and tools for conducting evaluations. It includes thorough reports produced by funders across a range of issues areas. TRASI is a project of the Foundation Center, developed in partnership with McKinsey & Co. and with input from experts in the field.

[trasi.foundationcenter.org](http://trasi.foundationcenter.org)

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## Gates Foundation, A Guide to Actionable Measurement

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The Bill & Melinda Gates Foundation spent one year conducting an internal audit of measurement principles, approaches, and taxonomies across the organization. The goal was to determine internal priorities around evaluations, and the product is a useful report for any grantmaker.

[www.gatesfoundation.org/learning/Documents/guide-to-actionable-measurement.pdf](http://www.gatesfoundation.org/learning/Documents/guide-to-actionable-measurement.pdf)

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## GrantCraft, Mapping Change: Using a Theory of Change to Guide Planning and Evaluation

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Originally launched by the Ford Foundation, GrantCraft is now a product of the Foundation Center and the European Foundation Center. Mapping Change is a practical guide to help funders use theories of change to guide their work and lay the foundation for evaluation. The GrantCraft website offers case studies, guides, workshops, and other resources to support grantmakers.

[www.grantcraft.org](http://www.grantcraft.org)

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## McKinsey & Co., Learning for Social Impact: What Foundations Can Do

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This study offers a useful collection of best practices in evaluations for grantmakers. McKinsey Consulting's Social Sector Office hosts a Learning for Social Impact website including an interactive workbook for creating an evaluation plan, proprietary research and opportunities to share stories.

[lsi.mckinsey.com](http://lsi.mckinsey.com)

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## Rockefeller Philanthropy Advisors

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Rockefeller Philanthropy Advisors' "Your Philanthropy Roadmap" is a series of guides to engage and educate in planning, implementing, and sustaining effective philanthropy programs. Their donor guide Assessing Impact reviews ways to assess impact, looks at what assessment can accomplish, and what it has difficulty measuring, and sets out a series of questions donors can ask as they consider how to proceed with their philanthropy.

[www.rockpa.org](http://www.rockpa.org)

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## Robin Hood Foundation, Measuring Success: How Robin Hood Estimates the Impact of Grants

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Robin Hood Foundation focuses on poverty in New York City, yet its approach to decision-making with evaluation can be broadly applied. To compare dissimilar programs, one tool the foundation uses is a benefit-cost approach to evaluation — measuring the benefit of each dollar spent.

[www.robinhood.org/media/app/Approach/2008\\_Metrics\\_Paper.pdf](http://www.robinhood.org/media/app/Approach/2008_Metrics_Paper.pdf)

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# Contributors

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## Rockefeller Philanthropy Advisors

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Rockefeller Philanthropy Advisors is a non-profit organization that currently advises on and manages more than 200 million dollars in annual giving. Headquartered in New York City, with offices in Chicago, Los Angeles, and San Francisco, it traces its antecedents to John D. Rockefeller, Sr., who in 1891 began to professionally manage his philanthropy "as if it were a business." With thoughtful and effective philanthropy as its one and only mission, Rockefeller Philanthropy Advisors has grown into one of the world's largest philanthropic service organizations, having overseen more than 3 billion dollars to date in grantmaking across the globe. Rockefeller Philanthropy Advisors provides research and counsel on charitable giving, develops philanthropic programs and offers complete program, administrative and management services for foundations and trusts. It also operates a Charitable Giving Fund, through which clients can make gifts outside the United States, participate in funding consortia and operate non-profit initiatives.

For more information, see [www.rockpa.org](http://www.rockpa.org)

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## Credit Suisse

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Credit Suisse is a world-leading financial services group of companies, advising clients in all aspects of finance, around the world and around the clock, in the areas of private banking, investment banking, and asset management. Credit Suisse Group AG, the group's holding company, is headquartered in Zurich. Credit Suisse Group AG subsidiaries and affiliates ("Credit Suisse") provide advisory services, comprehensive solutions and innovative products to companies, institutional clients and high-net-worth private clients globally, as well as to retail clients in Switzerland. Credit Suisse operates in over 50 countries worldwide. The group employs approximately 49,700 people. The registered shares (CSGN) of Credit Suisse Group AG are listed in Switzerland and, in the form of American Depositary Shares (CS), in New York.

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