

# How to perform economic impact assessment of social investments

Some thoughts and suggestions

Haakon Vennemo

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CEO and Partner, Vista Analyse

Vilnius, October 25th, 2019

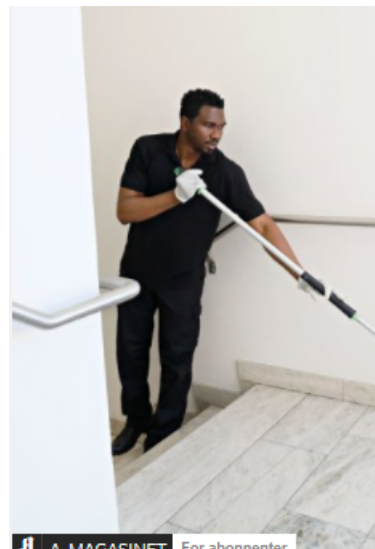
# Vista Analysis Company Profile

- Social science consultancy founded in 2000
- 25 employees
- Network with other companies and experts
- Emphasis on economic analysis, policy analysis, and evaluations
- Reports, presentations and advice
- Close interaction with clients
- High professional and academic standards
- Independent conclusions

# Vista in public debate

Mer friluftsliv gir gevinst på 80 mrd

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A-MAGASINET For abonnenter

**Daniel Appyday (37) kom til Norge med universitetsgrad.**

VG NYHETER

**Rapport om barnevernet: Gir enorme profittmuligheter, liten kontroll med pengebruken**



**Greenpeace-rapport mener Norge tar dobbel oljerisiko**



**Handelen følger folk**

Handelen får skylden for byenes utfordringer. Men handel er ikke årsaken.



Hanne Toftdahl  
Partner Vista Analyse AS

Publisert 22.02.2017, kl. 09:14

**Kina i problemer?**

inne i en krevende omstilling der målet er økt f  
jon av tjenester. Får de det til?

**Innlegg Haakon Vennemo**  
sektor istedenfor tungindustri. Dessuten investerer landet tungt i fornybare energikilder med intensjon om å fortrenge kull. Nedgangen i jernbanefrakt kan forklares med at jernbanen ingen lav  
«new normals». På lengre sikt vil den økonomiske veksten gå mer ned når Kina tar igjen de utviklede landene i teknologi og produktivitet. For å tolke Kinas økonomiske omstilling, er det nødvendig å gå et skritt tilbake. Lederne i

Dagsavisen



**Anbefaler ulike bomtakster**

Miljødifferensierte bompenger kan realiseres i løpet av neste år. En slik ordning vil føre til kraftige kutt i utslippene av NOx, ifølge Vegdirektoratet. yse.no

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AVISA GRATIS  
I 3 UKER!

Forsida Innenriks Utenriks Kultur og medier Meninger Biblioteket

Onsdag 15. februar 2017



**Vestlandskysten på bunn**  
Side 6-9  
Rogaland og  
Møre og Romsdal:  
**2 av 3  
kommuner i  
tilbakegang**  
mell: Årets Kommune-NM tegner  
elig bilde av en oljenæring i krise.  
nar det gått ut over Kristiansund.

# News from [www.vista-analyse.no/en](http://www.vista-analyse.no/en)

## News

greening by rain gardens - costs and benefits



### City greening by rain gardens - costs and benefits

17.07.2018

With Ewelina Siwiec of Institute of Environmental Protection in Poland, Vista researchers Anne Erlandsen and Haakon Vennemo have published a paper on costs and benefits of creating rain gardens in...



### Cost-Benefit Analysis of climate change adaptation projects

08.11.2017

Vista Analyse has prepared a methodology document that provides guidance on how to perform a Cost-Benefit Analysis in the context of climate change adaptation, as well as how the methodology could be...



### New report about the environmental impacts and potential of the sharing economy

19.10.2017

Vista has conducted a study, commissioned by the Working Group on Environment and Economy (MEG) of the Nordic Council of Ministers, on the environmental impacts and potential of the sharing economy....



### Vista Analyse presented paper at the Nordic Conference in Development Economics at the University of Gothenburg

16.06.2017

June 12th, Nina Bruvik Westberg and Sofie Waage Skjeflo presented the paper Demand for climate resilient housing - Experimental evidence from Vietnam, at the 16th Nordic Conference in Development...



### Vista Analysis contributes to climate change adaptation in Poland

27.03.2017

Vista Analysis will be undertaking a project about climate change adaptation in 106 Polish cities, in cooperation with the Polish research institute IOS-PIB (Institute of Environmental Protection -...



### Nina Bruvik Westberg has defended her PhD thesis at NMBU

30.11.2016

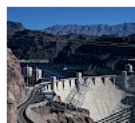
The thesis sheds light on households' agricultural investments and adaptation to climate risk and shocks, and how politicians and local customs may impact households' behavior in Sub-Saharan...



### Contribution to Palgrave Handbook of Sustainability

21.06.2018

Partner and professor Haakon Vennemo at Vista has contributed to the Palgrave Handbook of Sustainability, which was published recently at Palgrave Macmillan. The title of his contribution, with...



### Vista in Georgia

01.11.2017

Vista Analyse will assist the Government of Georgia in preparing practical guidelines for valuation of impacts on biodiversity and water-soil pollution/contamination from activities connected to...



### Visit from Poland to learn about climate change adaptation in Norway

05.09.2017

Last week Vista Analyse received a group of around 30 visitors from Poland who wanted to learn about climate change adaptation in Norway. The group met with representatives from the Norwegian Water...



### Fiscal risk management in Albania and Moldova

21.04.2017

Eivind Tandberg from Vista Analysis is engaged in two projects to provide advice to the finance ministries in Albania and Moldova on management of their fiscal risks. Both countries have committed to...



### Southern African countries discuss public investment management

09.12.2016

Eivind Tandberg from Vista Analysis recently contributed to a regional workshop on public investment management in Southern Africa, with participants from Angola, Botswana, Comoros, Lesotho,...



### Vista with field experiment in Vietnam

29.11.2016

Vista are working further on climate adaptation in Vietnam and participated in workshops 24-28th October in Da Nang. The aim was to discuss how micro finance and other support to poor households can...



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ANALYSE

2014/30

**RAPPORT**

**Evaluering av forbudet mot kjøp  
av seksuelle tjenester**

Ingeborg Rasmussen, Steinar Strøm,  
Sidsel Sverdrup og Vibeke Wøien Hansen

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Rapport 2018/22 |

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**RAPPORT**

2016/46

**Klokere vern av de aller minste**

Tyra Ekhaugen, Ingeborg Rasmussen og Tor Homleid

Rapport 2019/15 | For Ferd Sosiale Entreprenører

VISTA  
ANALYSE

**Evaluering av språkleken Bravo**

Høyt tempo, intensitet, glede og entusiasme – bravo for Bravo!

**RAPPORT**

2017/12

**Samfunnsøkonomiske omsorgssvikt  
bold mot**

ssen og Haakon V

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**RAPPORT**

2012/41

**Likeverd og samfunnsdeltagelse - kostnader ved alternative løsninger**

Brukerstyrt personlig assistanse eller ordinære helse- og omsorgstjenester fra kommunen?

Ingeborg Rasmussen og Steinar Strøm

**RAPPORT**

2012/41

**økonomiske kostnader  
d i nære relasjoner**

m, Sidsel Sverdrup, Haakon Vennemo

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**RAPPORT**

2014/09

**Ferd Sosiale entreprenører  
Effekter og verdier**

Ingeborg Rasmussen og Kristine von Simson

VISTA ANALYSE AS

Rapport 2015/12 | For Helse- og omsorgsdepartementet

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**Kostnader og konsekvenser av forslagene til Autisme- og touretteut-  
valget**

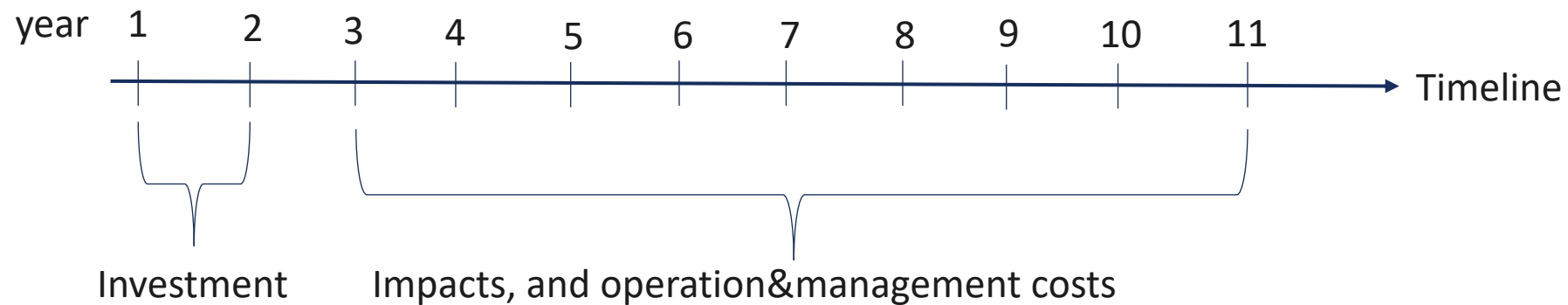
Jens Furuholmen, Oscar Haavardsholm og Haakon Vennemo

# Before we start...

- What do we mean by impact assessment of social investments?
- «Social return on investment (SROI) is a concept to account for social value when evaluating investments. It goes beyond traditional economic evaluation tools, by considering value produced for multiple stakeholders in all three dimensions of development: economic, social and environmental(...)Building on the financial analysis method of return on investment (ROI), social return on investment (SROI) is a concept to account for value created, which includes not only individual shareholder profit, but also the benefits for the broader public in the social, economic and environmental spheres.”
  - WHO (2017) Social return on investment

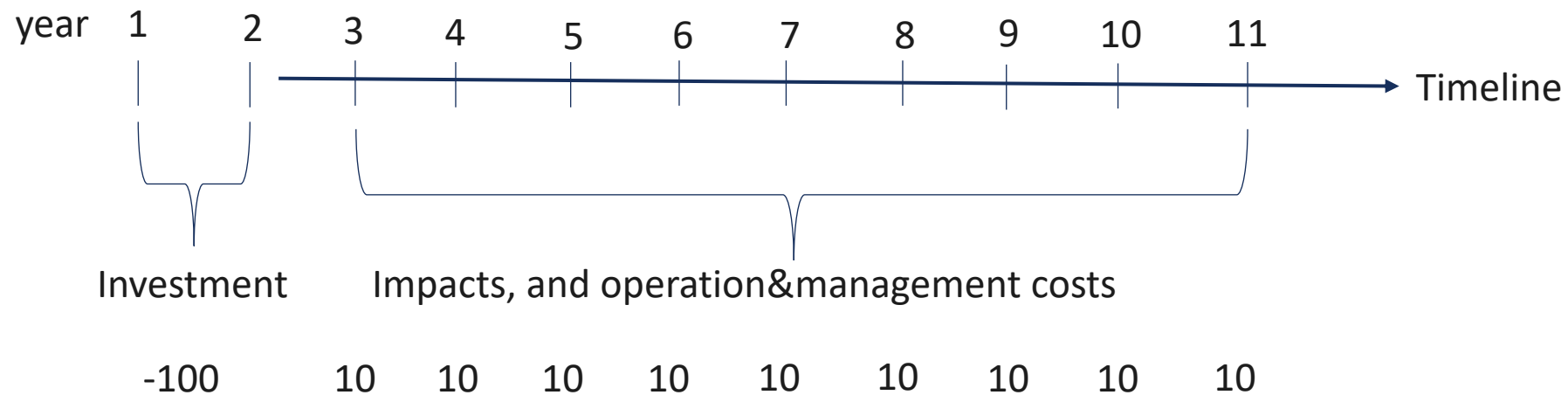
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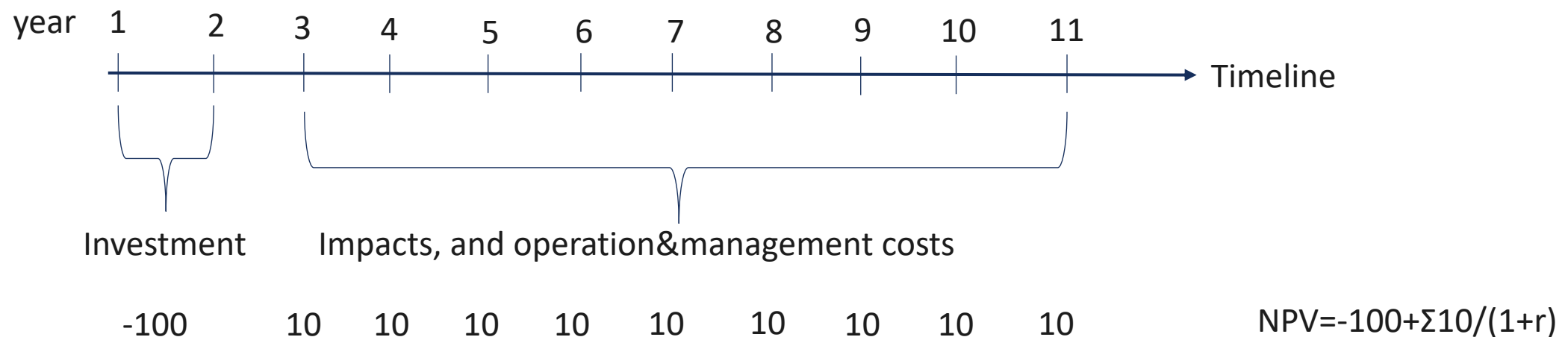
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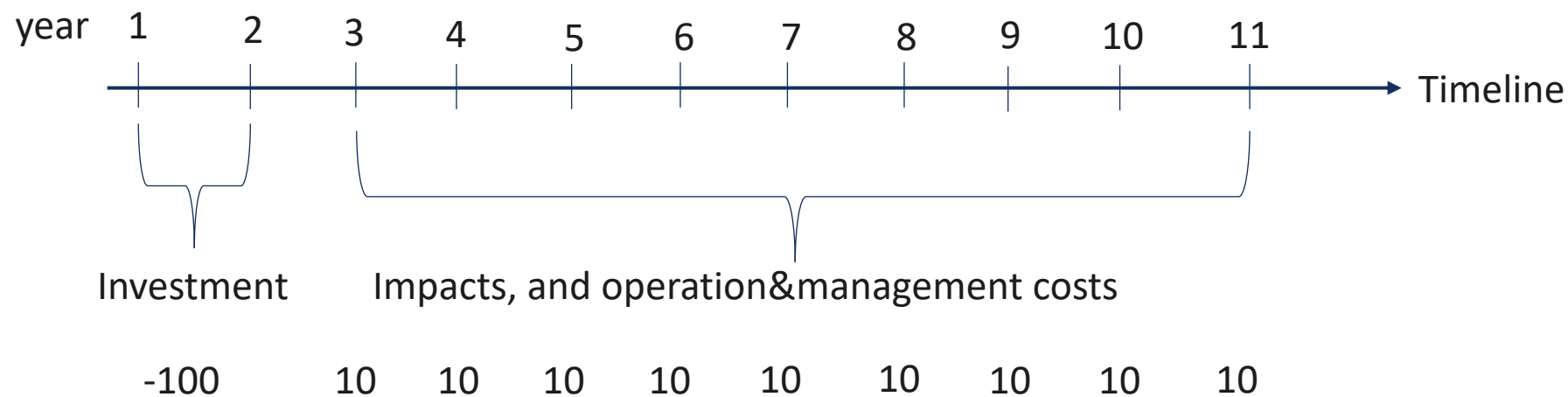
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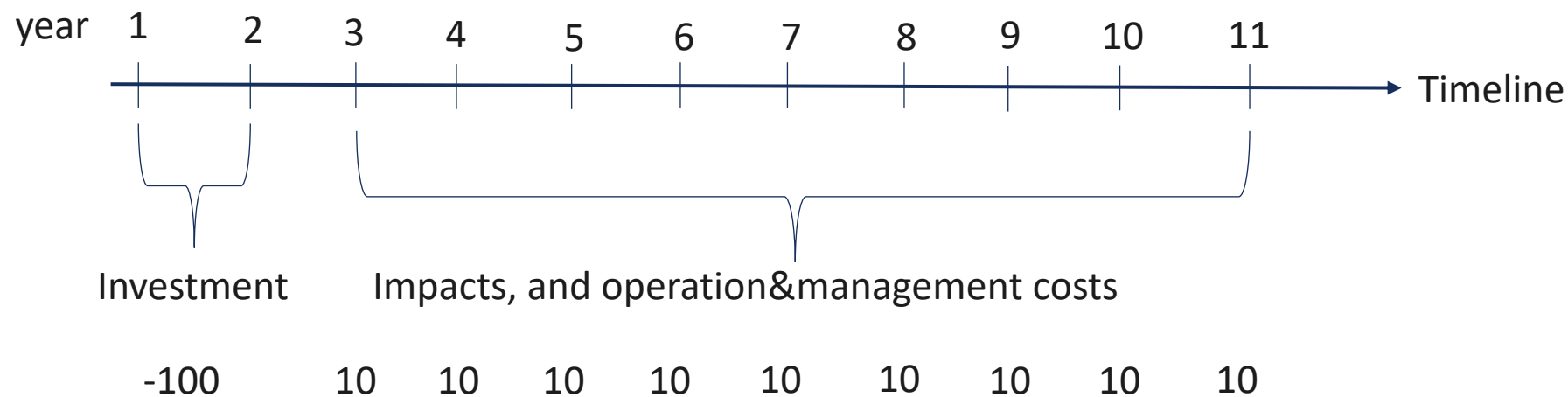


50 people join labour force

More than 100 people obtain significantly higher quality of life

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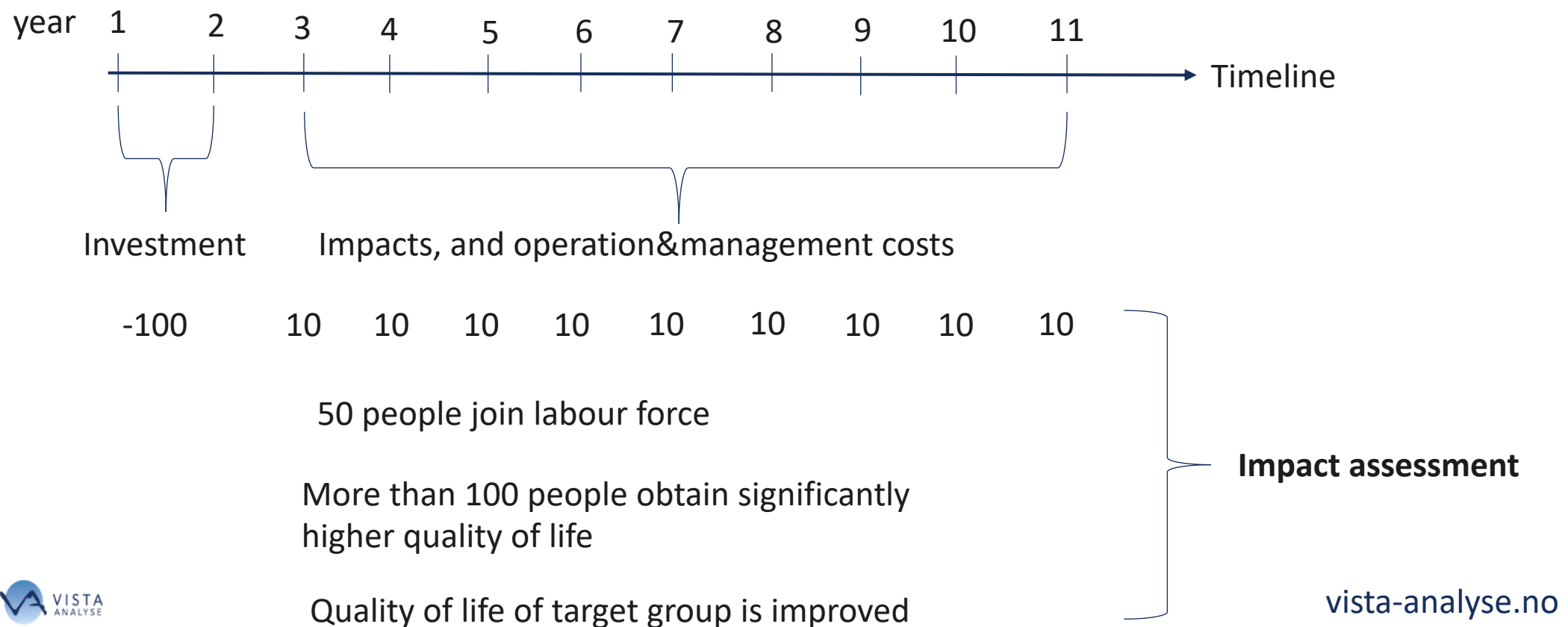
More than 100 people obtain significantly higher quality of life

Quality of life of target group is improved



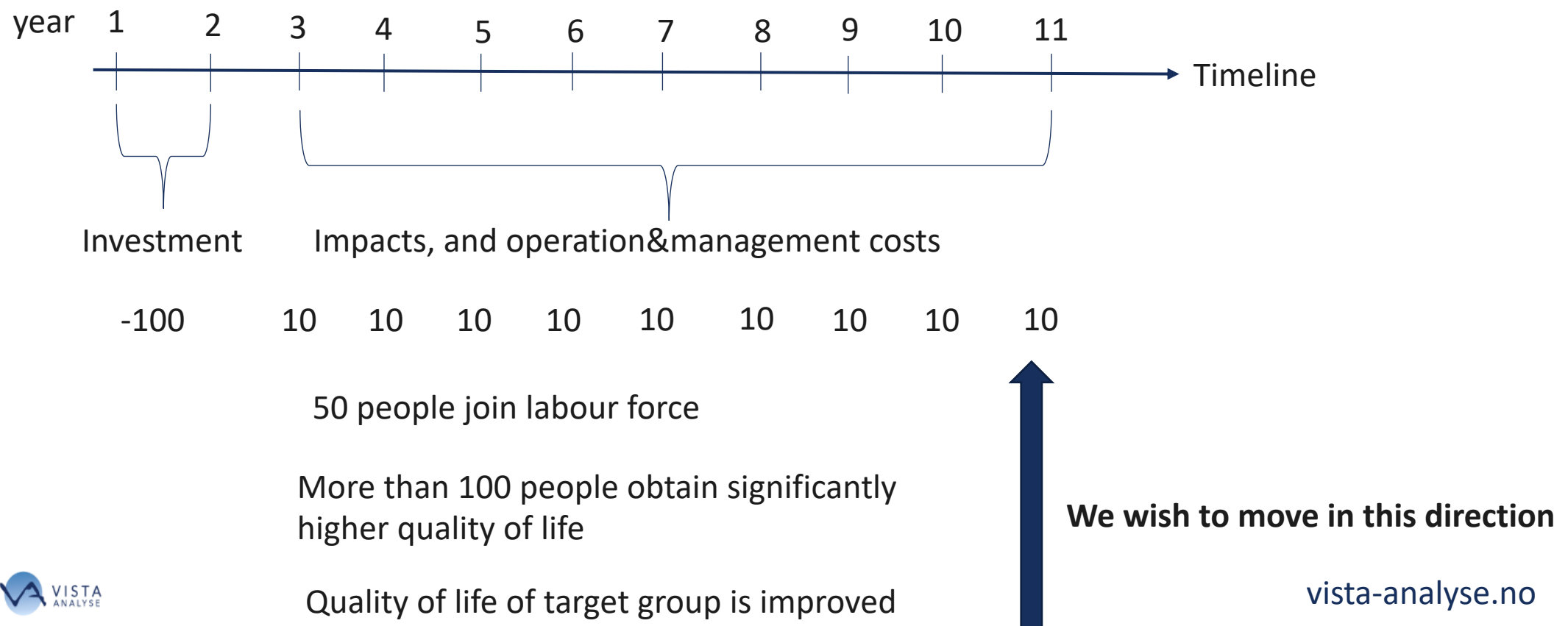
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# Why strive to quantify the benefit of social investments?

- Benefits and costs: Compare benefit of investment to its cost
- Awareness: Pulling together the different benefits to the target group and society generates attention and awareness
- Priorities: Comparing different benefits increases understanding of which are more important than others
- **Estimating the benefits of social investment gives oversight and awareness, and is necessary for proper management**
  - But not everything can be valued

# Steps in estimating the impacts of social investments

1. Define the scope of the investment
  - Content, length etc.
2. Describe the «reference scenario», i.e. what will happen without the investment
  - E.g., size of target group over time etc.
3. Describe impacts of investments and who are impacted, in qualitative terms
4. Quantify impacts in physical units, over time, where appropriate.
5. Value physical impacts where appropriate.
6. Describe qualitative impacts. Sometimes indicators can be used
7. Analyze uncertainty
8. Calculate net present value of benefits that are valued
9. Compare net present value of benefits to net present value of costs
10. Rank and recommend investment options based on net present value and assessment of qualitative impacts
11. Analyze equity impacts of the investment

*Source: Vista Analyse/Norwegian Government Agency for Financial Management (DFØ)*



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# Example: Investing in prevention of domestic violence

# Impacts of investment in preventing domestic violence



- Loss of life
- Loss of production when victim is unfit for work
  - Unfit for rest of life/disability
  - Unfit for long periods
  - Unfit for short periods
  - Less productive at work
- Relatives' loss of production when victim is unfit for work
- **Quality of life for victim and relatives**

# Impacts of investment in preventing domestic violence



- Monetary costs to victims
- Costs to police, courts, welfare services, doctors, dentists
- Future losses as children of victims may become perpetrators
- Efficiency cost of raising public funds to cover public expenditure and replace tax income from lost production
  - Compensation and disability benefits are mostly *transfers*, not costs to society/benefits of interventions



# Some monetary costs to victims

- Medical expenses
  - Medical doctor
  - Dentist
  - Physio
  - Psychologist
  - Medicines
- Escape and hide
  - Taxi/travel
  - Seeking intermediate housing
  - Cost of intermediate housing
  - Personal belongings
  - Cost of moving/reestablishing home
  - Broker's fees
- Annoyance
  - Bank and insurance – access to household account
  - Emergency social support
  - Lawyer, police
  - Change of school, kindergarden
  - Change of job/applications
  - Change telephone number
- Inventory and materials
  - Clothes
  - Dishes, cutlery, decorations
  - Furniture and appliances
  - Repairs/vandalism
  - Change of locks, windows

# Estimating the impact of investment on number of beneficiaries and impact on each

- A benefit consists of
    - Number of beneficiaries
    - The impact on each
    - The value of that impact
- } May be the most difficult
- To estimate the number of beneficiaries and impact on each:
    - Literature search
    - «Impact transfer» from similar investments
    - Expert opinion
    - Scenario analysis
    - Uncertainty analysis

# Estimated annual cost of domestic violence in Norway, 2010

Type of cost	Per person	Number	Annual cost in billion NOK, 2010
Costs of public resources	15-30 000	75-150 000	2.0-2.4
Loss of life	27 000 000	19	0.5
Production loss adults (mostly women)	100-300 000	6-8000	1.1-1.4
Future production loss, children	50-150 000	8-22 000	0.7-1.9
Pecuniary costs and welfare loss of victims and families			Not valued
Costs of future violence			Not valued
<b>Total valued</b>			<b>4.5 – 6.0</b>

Example: Interventions to improve the welfare of people with Autism Spectre Disorder (ASD) and Tourette's syndrome

# Benefit estimation relied on *scenarios*

- «Veronica is 32 years old and two years ago she got the diagnosis Asberger's Disease. She was transferred to a local psychiatric ward, which some time later arrived at the diagnosis Autism Spectre Disorder. For work related issues she was referred to the employment office for further assistance.
- Veronica had a previous job as a librarian that didn't work out. She had now been on sickness leave for a year. Veronica had a desire to return to the same occupation, but in a different setting. At the employment office ample time was used to monitor Veronica's ability for work. The conversations uncovered several issues that were important for her employment to work well: She mastered some tasks better than others and needed written instructions and fixed rules.
- During the first three months of her new practice as employed Veronica had unemployment benefit as wage. A specialist from the employment office monitored her progress and her work hours were steadily expanded and more tasks were allocated to her. Veronica became more and more comfortable in her role at the new library. After three months the employer and the employment office agreed that she should have 50 percent wage, and that it should increase over the nextt six months if improvement continued.
- After six months the intervention was closed and Veronica was back at work. This time she had fixed tasks and a fixed routine to her work day. She loves her work. She enjoys digging up information that customers ask for – she has a good command of the literature and the routines at her office. Her immediate leaders are familiar with how information is best presented to her and her demands for facilitation.»

# Benefit estimation relied on scenarios

- Veronica works as a librarian for 34 years. We compute the discounted value of annual wage, payroll tax and social expences.
- She contributes a net present value of 1,3 million euros.
- In addition and equally important, her quality of life improves.
- Her success story is due to the unemployment office, but also to previous interventions. Interventions may cost at least 1.3 million euros before costs outweigh benefits.



# Example: CBA of electronic monitoring of prisoners

# Electronic monitoring of prisoners in Norway

- For sentences up to 120 days
- By application
- Non-violent offences
- Prisoners must document paid or voluntary employment
- Offender and victim should live far apart

Impact	100 Euro per prisoner
<b>Monetized benefits</b>	
Increased employment	35
Cost savings compared to ordinary detention	29
Lower marginal cost of public funds	9
SUM Monetized benefits	73
<b>Non-monetized benefits</b>	++
Risk of recidivism	++
Utility of family	+++
Utility of victims	0
Public sense of right and wrong	-
Schooling of prisoner	0
Contribution as unpaid labour	++
Quality of life of prisoner	++
Impact on delays in detention	++
Overall	Net benefit to society over 7,300 euro per prisoner

# Lessons for Lithuania

- Impact assessment of social investment is a methodology that has many qualities, but is not easy to do well
- Detailed data collection, and a solid framework are required
- Two difficult challenges are to estimate how many will benefit from an intervention, and the impact on each beneficiary
- Some suggestions and examples have been presented in the talk

Ačiū!

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