

## Monitoring and evaluation of social investment

Practitioner note 2 on social investment

Social  
responsibility

THE GLOBAL OIL AND GAS  
INDUSTRY ASSOCIATION  
FOR ENVIRONMENTAL AND  
SOCIAL ISSUES

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# Monitoring and evaluation of social investment

## Practitioner note 2 on social investment

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# IPIECA

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# Background

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This document is one of a series of practitioner notes on social investment (SI) issued by IPIECA after preliminary research was conducted in late 2015–early 2016. The aim of the research was to assess the need for a revision of IPIECA’s *Creating successful, sustainable social investment: Guidance document for the oil and gas industry*, published in 2008. During this research, IPIECA benchmarked current SI practices of member companies against the framework and principles proposed in the 2008 guide, reviewed the guide in light of new developments in SI approaches, and identified new and available SI tools and guidance.

While the research concluded that the framework and principles of the Social Investment Guidance remain sound, valid and useful to companies, it was also acknowledged that the document does not reflect the latest thinking on key SI issues and approaches. In addition, interviews carried out with both external

stakeholders and the IPIECA membership during the research showed that follow-up exploration and information sharing on specific topics would be more useful to the industry at this stage than additional generic guidance. This led to the idea of producing a series of practitioner notes as a way to gather, organize and present practical information on industry current practices on particular issues, and analyse these in the light of the most recent developments in SI approaches.

The practitioner notes should be seen as a complement to IPIECA’s Social Investment Guidance.

Practitioner notes 1–3 have been produced by collecting first-hand information through more than 50 telephone interviews with practitioners from member companies and external stakeholders, as well as conducting a thorough literature review.

# Introduction

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This practitioner note explores the challenges faced by companies in light of increasing stakeholder demand for evidence-based reporting of social investment. It describes the need for better monitoring and evaluation (M&E) of social investment, how to design an M&E framework for SI, and the need to strengthen reporting procedures to better communicate the company’s SI performance both internally and to external stakeholders.

Companies conduct monitoring and evaluation for three main reasons:

- for accountability purposes (i.e. did we achieve what we said we would do?);
- to learn from and improve existing efforts; and
- when jointly defined and implemented with community stakeholders, to build trust.

Assessing the results of social investment (SI) has received considerable attention within companies in the oil and gas industry in recent years. For many years, external stakeholders have demanded that SI efforts

should demonstrate developmental impact. At the same time, internal stakeholders have been requesting stronger evidence of SI’s contribution to business. The recent context of a cost-constrained environment has led to additional scrutiny in measuring the effectiveness of SI.

Companies say they have challenges in three areas:

1. How to accurately measure the socio-economic or developmental impacts of their SI efforts at the asset level.
2. How to better demonstrate the added value of SI to the business at the asset level.
3. How to better demonstrate the collective results of SI efforts across a company’s global activities at the corporate level.

These challenges in measuring and demonstrating results have meant that companies are unable to take credit externally for their good efforts. In addition, it has left companies vulnerable to complaints that they are not doing ‘enough.’

# Unpacking the challenge

Many practitioners acknowledge that rigour in monitoring and evaluation of SI efforts has often been missing, and that a renewed focus is required.

## MEASURING DEVELOPMENTAL IMPACT

In trying to measure the developmental impact of SI, company representatives state that their challenges have included:

- Limited ability to systematically link SI activities and outputs to the changes (outcomes and impacts) that a company wishes to see. In other words, many companies are not able to link a measurable change in status or behaviour of individuals to their activities.
- The absence of baseline information to measure results against.
- The use of indicators without having specific targets.
- Approaching M&E as an afterthought to SI planning and as a separate activity that requires a separate budget, which then requires additional efforts to obtain.

*Our M&E focus shaped the design of the project; from M&E being an afterthought, we now had to determine upfront if we were able to demonstrate results.*

In response, many companies in the oil and gas sector have reviewed their SI approach in recent years. With an increased focus on being able to demonstrate results came a renewed emphasis on M&E. This shift in emphasis, depicted in Table 1, has involved more than simply making adjustments to existing approaches. Some companies have hired M&E experts to increase the rigour of their approach or, alternatively, contracted outside M&E experts to design and oversee M&E efforts.

## DEMONSTRATING ADDED VALUE TO THE BUSINESS

In trying to demonstrate added value to the business, company representatives state that their challenges have included:

- A poor link between SI and business goals. This is often due to the common assumption that well-intended development programmes would add up to a social licence to operate, despite the company being unable to demonstrate this.
- An SI approach based on a 'needs assessment,' which risks becoming a community wish list that lacks alignment with business priorities. The risk is the same for companies that use community proposals as the basis for SI efforts.
- Management pressure to see short-term results.
- Increased company pressure to demonstrate return on social investment in quantitative terms, ideally as a dollar value.

Table 1 Evolution in measuring developmental impact

FROM	TO
● M&E as an afterthought	● M&E informing project design
● Limited in-house M&E expertise	● Staffing up M&E expertise
● Output measurement	● Outcome measurement
● Limited importance given to a baseline study	● Baseline studies recognized as essential to measure against
● Absence of performance-related objectives	● Development of key performance indicators (KPIs) and targets

In response, some companies state that the need to demonstrably add value to the business has forced them to redesign their entire SI approach and how SI efforts are shaped, tracked and communicated.

Companies have also diversified the definition of impact and expanded the different ways in which SI projects aim to create impact, especially in relation to creating added value for the business (see Table 2). For example, one company that supports a business development incubator programme now also measures how much co-funding it obtains from other donors, as an indication of the leverage factor of the programme. Other indicators include a measure of how SI efforts have enabled the company to have a different type of discussion with government agencies, or how many times company efforts are referenced in academic publications.

## DEMONSTRATING COLLECTIVE RESULTS ACROSS THE BUSINESS

In trying to demonstrate collective results across the business, company representatives state that their challenges have included:

- assets' use of different types of indicators for different types of projects, which has made it difficult for corporate offices to explain to external stakeholders the impacts of company efforts worldwide; and
- limited oversight and guidance provided by corporate offices with regard to M&E efforts.

In response to these challenges, companies have begun to take a more systematic and standardized approach across the business both in terms of the types of SI projects they undertake as well as in their approach to measurement (see Table 3).

Table 2 Evolution in demonstrating added value for the business

FROM	TO
<ul style="list-style-type: none"> <li>● Community priorities as the point of departure</li> </ul>	<ul style="list-style-type: none"> <li>● Both business objectives and community development are taken into consideration</li> </ul>
<ul style="list-style-type: none"> <li>● Assumption that good intentions will add up to social acceptance</li> </ul>	<ul style="list-style-type: none"> <li>● A need to be able to verify that intended SI outcomes are achieved</li> </ul>
<ul style="list-style-type: none"> <li>● Less emphasis on the use of indicators</li> </ul>	<ul style="list-style-type: none"> <li>● The use of short- and longer-term indicators to demonstrate continuous progress</li> </ul>
<ul style="list-style-type: none"> <li>● Limited measurement of business related impacts</li> </ul>	<ul style="list-style-type: none"> <li>● Increased efforts to measure return on investment in quantifiable terms</li> </ul>

Table 3 Evolution towards taking a more standardized and centralized approach

FROM	TO
<ul style="list-style-type: none"> <li>● Assets implement different types of programmes; or when using the same theme, they use different indicators</li> </ul>	<ul style="list-style-type: none"> <li>● Standardized indicators across the business around key thematic programmes</li> </ul>
<ul style="list-style-type: none"> <li>● No centralized corporate oversight of asset-based SI efforts</li> </ul>	<ul style="list-style-type: none"> <li>● Requirements to report key aspects of SI efforts to the corporate office</li> </ul>

Several oil and gas companies say they have specific SI themes that their assets are recommended, or required, to follow, and that use the same key performance indicators (KPIs). Assets report against these KPIs to their corporate office, which allows for the collating of information and analysis, and the collection of anecdotes. This approach is informed by the company's desire to demonstrate the impacts of the collective efforts of company assets in a particular thematic area.

Also, some companies have shifted their approach from supporting many smaller projects towards supporting fewer, larger signatory projects, some of which have global reach. Again, this is in response to the desire to have both a more strategic socio-economic impact and to better measure the benefits of investments to the business. The focus on thematic areas has allowed some companies to build internal technical support capacity in these areas, both to increase the effectiveness of programmes as well as to avoid spreading their capacity too thinly across many different themes.

As part of the effort to align global SI efforts, a number of larger companies have started to track significant (in terms of budget) SI efforts by using centralized database/software systems. Assets are required to list key aspects of SI programmes such as objectives, budget, time frame, implementing partners, KPIs and targets. Corporate representatives state that such an approach has encouraged assets to think more deliberately about their approach, knowing this it is now monitored. One company asks each asset to annually self-assess the degree to which goals are met on a scale of 1–3, which forces each asset to reflect on its performance.



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# Designing a monitoring and evaluation (M&E) framework

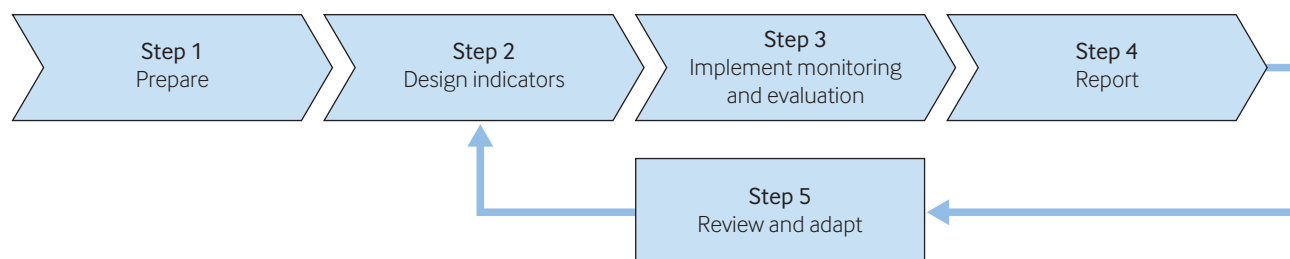
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The professionalization of M&E efforts in the oil and gas industry means that a number of frameworks are being used. Practitioner feedback indicates that M&E of SI efforts is organized around the steps of the generic model shown in Figure 1.

*Be very clear on what you want to achieve and how you want to achieve it, by when, how it will be measured, and its expected business benefit.*

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Figure 1 Generic model indicating the five steps in the monitoring and evaluation of SI



## PREPARE

Company representatives agree that establishing a framework for the M&E of SI cannot be done 'on the go' or when a programme has started already. Rather, M&E efforts need to be integrated into programme design. Without careful preparation and planning upfront, the value of M&E greatly diminishes.

### Starting the framework

Based on the feedback from company representatives, an M&E framework emerges that is built on three key aspects:

1. Why a certain effort is proposed (serving a dual purpose of meeting both business and community objectives).
2. What project activities will be done.
3. How the overall objective will be achieved, based on what assumptions and which theory of change.

This implies that companies need to be able to determine whether:

- the results are demonstrably adding value to the company while also serving developmental objectives;
- the programme or activity is progressing as intended; and
- the underlying assumptions about the change intended to be created are true.

The combination of these three types of measurement is important and addresses some of the weaknesses that companies say they face in their current approach, such as not linking outputs with outcomes, not being able to clearly measure business benefits, and developing indicators without having specific targets.

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### Lessons learned

Company representatives acknowledge that too often the design of SI programmes focuses on developmental impacts and occurs separately from the discussions about company objectives and priorities. Hence, an early step in the development of an SI approach is to answer the question, *'What, exactly, is the objective of SI from a business perspective?'* Once the objective of SI is clarified both from a company perspective as well as from a community perspective, a next step is to develop the impact logic, which explains how the company will meet SI objectives, what assumptions the SI will be based on and how progress will be measured.

### Integrating M&E into programme design

There are a number of reasons why M&E should be an integral part of the SI programme:

- M&E influences decision making regarding the types of initiatives that companies should support. Obviously, if effectiveness and a link to company objectives are difficult to measure, this raises the question of why the company should support such programmes. This implies that, on an ongoing basis, practitioners should be ready to reorientate or stop their SI programmes if the M&E results indicate that they are neither effective nor supporting company objectives.
- M&E helps to increase focus on how to create the desired impact. It helps to reduce wish lists of interventions by assessing what is really needed to create the desired change. It also helps companies to be more strategic and to invest in those interventions that promise the best value.
- M&E has budget and time considerations. Assessing a programme requires time and resources. Extra efforts are required during the programme to track data and input these into a database system. In addition, the database or software programme required for good M&E itself is also an investment.
- M&E has partnership considerations. Many companies explain that local partners (including government partners) are typically strong on implementation but less so on M&E. A stronger emphasis on M&E could require that companies work with partners who have more capacity in this area or, alternatively, that companies increase the capabilities of local partners to meet higher M&E requirements.

In addition, practitioners highlight the pressure they receive from internal stakeholders to deliver quick impacts. This signals a fundamental discrepancy in the understanding and expectations of company management as to when impacts can be achieved, versus the actual timeline of impact/change created by an SI effort. In response, SI practitioners have become much more systematic in communicating the impact logic at an early stage to answer management expectations about when the company can realistically expect to see any results.

The impact logic is the company's rationale for how its planned activities will create the desired impact. For example, consider an entrepreneurship programme that aims to support the establishment and development of new small businesses. The programme starts with outreach activities to recruit people for the programme. This may last for six weeks. Then the company provides four months of business plan training in how to set up and develop a new business. Once the programme is completed, the registration process to establish a business takes another two months. Management might expect to see many new businesses registered after six months, but this is not realistic given the programme's time frame. Clearly communicating what type of results can be expected within a particular time frame has proven to be important.

Companies have also started to use indicators that track progress and can be measured more frequently throughout the SI project. In the above-mentioned entrepreneurship example these indicators are: how many people registered for the course; how many actually attended; how many drafted a business plan that was signed off by the course leaders; and how many of those are registered as a business.

**Lessons learned**

- M&E efforts should be adequately resourced as part of the SI budget. Practitioners need to be prepared to present a business case to demonstrate the value that investment in M&E will provide to the business.
- M&E during the programme design stage helps to: (1) outline a clear impact logic that can later be tested during the evaluation phase; and (2) provide a basis for cost-effective budget allocation. The design of the M&E process allows companies to conduct a systematic analysis to specify all activities and associated costs required to reach desired outcomes and impacts.
- It is helpful to consider the importance of anecdotal evidence of progress, especially for senior executives. Some practitioners make a point of proactively developing quarterly speaking points for executives as a way to highlight areas of progress and to reduce the need to produce short-term quantifiable results.

**DESIGN INDICATORS**

Once there is clarity on objectives, and initial programme approaches have been determined, companies should determine the impact logic, select indicators to measure progress and conduct a baseline study for each of the indicators that will be measured.

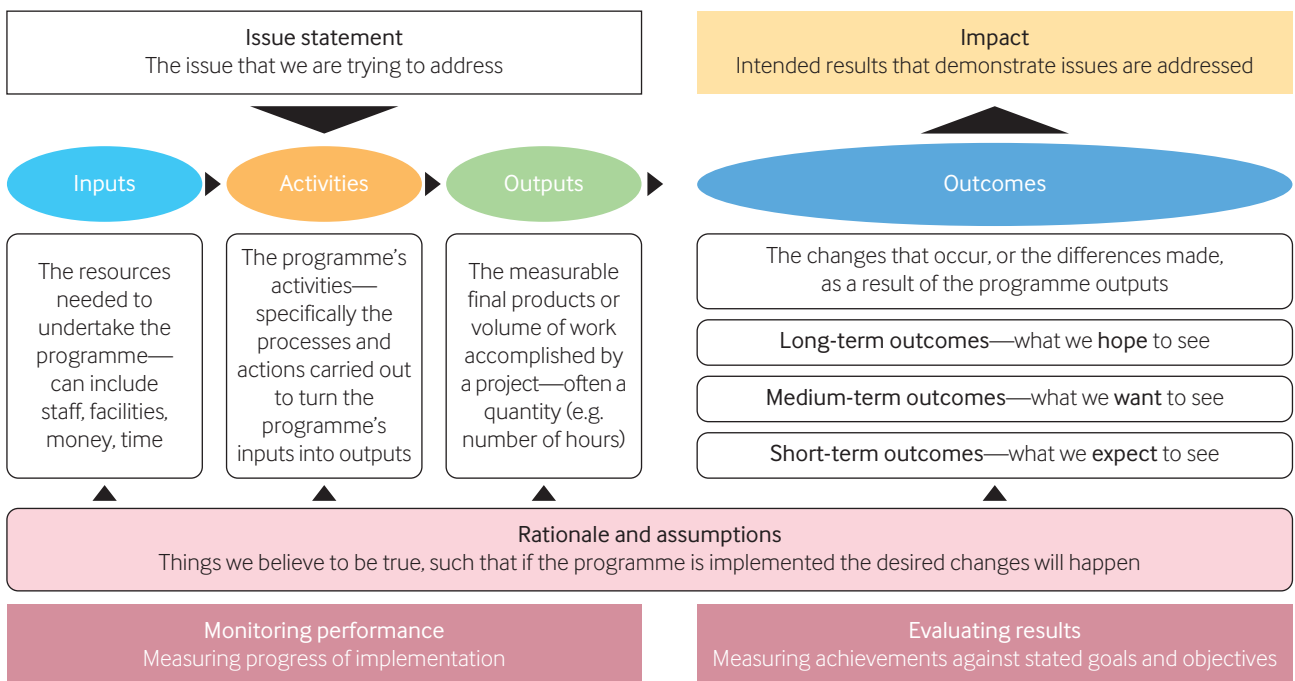
**The impact logic model**

Each SI programme has an inherent impact logic, which describes the components of a programme and how they contribute to achieving the intended goals or objectives. Indicators can be developed to measure each segment of the results chain that is part of the impact logic model. The results chain explains how activities lead to outputs and how outputs lead to outcomes and impact.

Figure 2 depicts the impact logic model. This version distinguishes between short-, medium- and long-term outcomes, as the outcomes need to be tied to timelines to ensure that expectations are realistic. This links back to the importance of communicating the level of outcomes that can be expected at each point to both external and internal stakeholders at an early stage.

Figure 2 The impact logic model

Source: adapted from Innovation Network (2010).



Several practitioners pointed out the risk of overly promising results to company management in the absence of a clear results chain with an expected timeline for key changes.

Most companies tend to focus on measuring inputs, activities and outputs. These provide information on the progress of a programme. However, companies do not often measure whether the intended changes have been achieved. This is what outcome and impact indicators measure.

The impact logic model should be underpinned by a theory of change, which describes the rationale of the programme and the underlying assumptions that explain how the results at one level in the results chain lead to results on the next level, ultimately meeting stated objectives.

If the assumptions upon which the SI approach is based are holding up, it is highly likely that intended outcomes will be achieved. It is therefore essential to assess the evidence upon which a programme's theory of change is based to test whether SI efforts are indeed achieving what they are supposed to be achieving.

For example, consider a company that wants to be able to attract more youth to oil and gas sector positions. It sets up a programme to support STEM (science, technology, engineering and mathematics) education, and ensures a more frequent interaction between company staff and high school youth. The theory of change is that such efforts will increase the interest of youth in STEM-related courses and careers which, in turn, will contribute to attracting more youth to the oil and gas sector over time. This assumption that youth interest in STEM will increase as a result of company efforts needs to be tested. This can be done by measuring indicators such as changes in perceptions among youth regarding STEM, increased enrolment numbers for STEM-related higher education, etc. Without the use of outcome and impact indicators that relate to the theory of change, the company would only be able to report output indicators, such as the number of teacher training opportunities it supports, or the number of interactions between company staff and youth, without knowing whether this approach yields any results linked to the company's objectives. It is important that the results chain and the assumptions built into the impact logic model are verified and tested with partners and impacted stakeholders to ensure that there is common understanding about project objectives and how these will be achieved.

### MONITORING vs EVALUATION

Monitoring looks at the performance of the programme. It is the ongoing process of assessing progress by reviewing the indicators chosen to measure inputs, activities and outputs. Monitoring efforts should be aligned with the activity schedule (e.g. to assess how many people showed up for a training) and conducted by people involved in the implementation of programmes.

Evaluation looks at the bigger picture of whether the intended short-, medium- and long-term outcomes and impacts are being achieved. It is the process of assessing the results of a programme by reviewing the indicators chosen to measure such outcomes and impacts.

This assessment is done by considering changes attributable to the programme in relation to the situation with no programme (and not comparing the current situation with the situation before the programme).

Care must therefore be taken to distinguish programme-related changes from changes related to 'natural' developments over which the programme has had no

influence. A proper evaluation requires a counterfactual analysis of what outcomes and impacts would have been in the absence of the programme. Counterfactual analysis is also called 'with versus without' and is most commonly done using a comparison group or control group who has not benefitted from the programme.

However, in cases where no other factor could plausibly have caused any observed change in outcomes, a 'before versus after' analysis is sufficient.

The timing of evaluation activities should be driven by when a company expects to see key outcome and impact changes. For example, if a company trains farmers to increase productivity of agricultural production, then measurement will centre around increases in yield and incomes, but only when farmers have been trained and applied their techniques, and the produce has been harvested and sold. Given that farmers often follow production cycles for many crops, it is possible to pre-determine when one would expect to see increased yields.

### *An example*

Assume that an oil and gas company has an interest in hiring 100 operators from the local area over a period of 5 years, and wishes to reduce the costs associated with fly-in, fly-out arrangements by 40% (which is a business-related objective). This plan would also respond to a community demand for more opportunities for locals to gain access to semi-skilled and skilled positions (a development objective). To meet these objectives, the company sets up a placement test preparation programme (activity) for a minimum of 80 high school students per year (output). This test is a requirement for vocational training institutions.

The success rate of the placement test for local students is only 50% and many youths say they do not even bother to try taking the test. In addition to test preparation support, the programme provides a buddy-system focused on local students that pursue vocational training, and links each student from the local area to a company mentor. This is to increase the likelihood that students succeed and that they pursue employment with the oil company rather than other opportunities they may have (outcome). The company also hopes to increase collaboration with the local town council, which views the company as doing 'too little' on local employment (business-related outcome).

The programme is based on a number of assumptions that require testing in the form of short-term outcomes. One assumption is that more students will sign up for the placement test if a preparation support programme is in place. A short-term outcome KPI to assess this assumption is 'an annual increase in students taking the

#### INDICATORS AND TARGETS

An indicator is a measurable variable that demonstrates what good performance or success looks like. For example, if you are trying to increase literacy as part of a broader goal to increase employability, your indicator could be 'an increase in the percentage of local people that are able to read and write'.

Targets are the goals per indicator that the company is trying to achieve. In the above-mentioned example the target may be a 10% increase relative to the baseline over two years.

test relative to the initial number of students signing up for the placement test'. The company could set a target of a 10% increase. Other assumptions for other parts of the result chain all need to be tested with short-, medium- and long-term outcome indicators to ensure that the underlying assumptions of the programme remain valid.

Input indicators and associated targets could include:

- The implementing partner stays within 5% of the overall budget per line item for year 1 and is within budget for the following years.

Output indicators and associated targets could include:

- At least 100 students sign the attendance sheets for test preparation sessions during the first 2 months of the programme.
- At the end of year 2, the success rate of local students passing the placement test is 80% or higher.

Short-term outcome indicators and associated targets:

- Annually, more than 50 students that passed the placement test pursue vocational training and are accepted in schools.
- After six months, interviews with town council members identify that they fully support the company programme (qualitative indicator measuring value added to the business).

Medium-term outcome indicators and associated targets:

- As from year 2, at least 50 students that passed the placement test pursue vocational training and are accepted in schools.
- After two years, there are at least five occasions where council members have made positive public statements about the programme (indicator measuring the value added to the business).

Long-term outcome indicators and associated targets:

- After 5 years, the company has hired at least 100 local employees as operators.
- After 3 years, when the first students graduate, 75% will accept an offer made by the company (indicator measuring the value added to the business).
- After 5 years, the costs associated with fly-in, fly-out arrangements are reduced by 40% as a result of the programme (indicator measuring the value added to the business).

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### Lessons learned

- It is important to get buy-in from senior leadership and involve them in the design of indicators. In addition, senior managers need to understand the results chain and agree on the type of realistic reporting they will receive on a periodic basis.
- It is necessary to have both indicators AND targets. Projects often have indicators and are able to show the results of their efforts, but they sometimes do not have targets in place to assess whether these results meet expectations and whether the project was successful. The absence of targets means that the implementer of the SI programme cannot really be held accountable, nor can it claim credit for its efforts, as there is no benchmark against which to measure success.
- It is better to use a smaller number of indicators that can be managed well, rather than having too many indicators. Also, look for indicators that are already tracked as part of the business management process, or for indicators that are easy to assess.
- Indicators need to be 'SMART':
  - Specific—it has to be clear what the indicator exactly measures.
  - Measurable—the indicator needs to be able to measure a change in value.
  - Achievable—the goal needs to be realistic and obtainable.
  - Relevant—the indicator needs to be measuring a part of the results chain.
  - Time-bound—it needs to be clear when results are expected to be achieved.
- It is essential to use both quantitative and qualitative indicators because each type of indicator serves different purposes. Quantitative indicators measure objective facts, such as the approval rate of the company approach among local communities, but they do not, for example, explain why people approved the approach or not. Qualitative indicators complement the quantitative indicators and provide a fuller picture. This is why it is essential to review stakeholder perceptions during the evaluation process and to better understand why certain outcomes present themselves.

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*Nowadays, most companies collect the data  
but overlook the change.*

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### Establish the baseline

While most companies acknowledge the critical importance of a baseline to measure results, few say they systematically collect social baseline data related to SI.

A lack of baseline data can be problematic on two levels:

- It makes for poor decision making, as prioritization of investment is not based on any analysis or discussion linked to the reality on the ground.
- It also means that the company is less, or not, able to demonstrate the impact of SI efforts.

Companies typically collect baseline data during the environmental and social impact assessment (ESIA) process. However, such baselines are usually not specific enough to serve as SI baseline data. In addition, the ESIA typically takes place years before the company decides on an SI strategy and the indicators that will be measured.

There is a key difference in the baseline data collected for ESIA purposes and baseline data collected for SI purposes. Whereas the ESIA typically casts a wide net to assess broader company impacts at a fairly high level, the baseline required for SI purposes is targeted and specific. It only collects specific data after the results chain of the logic model has been determined and KPIs have been identified. The baseline serves to assess the starting value associated with each indicator. In other words, companies first define KPIs, then collect baseline data for these KPIs (and adjust KPIs where necessary), and subsequently collect evaluation data to measure impact.

### Lessons learned

- Establishing the baseline should be part of the design of the M&E process. Collection of baseline data should be an integral part of the SI programme and not a separate activity that needs to be resourced independently.
- Indicators used for establishing the baseline should remain the same as those used for M&E purposes. Although this sounds like an obvious requirement to measure change and impact, some companies have found that when implementing partners were not involved in the collection of baseline data, there can be challenges and measurement can take place against a different set of indicators.



### Designers and participants

IPIECA members have varying perspectives and experiences about who should be involved in the design of indicators and M&E strategies.

Most companies state that the implementing partner (sometimes supported by M&E consultants) typically designs the M&E framework for the developmental part of the programme. Other companies hire expert consultants to design their M&E strategies, which allows the company to have full control over the type of data and monitoring programme they want. Others involve communities to participate in the design process as a means of empowering those communities and to gain broader, participatory input into the M&E programme. The process of determining indicators and targets is used to establish trust between the company and impacted stakeholders, and to jointly define what 'success' looks like.

#### PARTICIPATORY INDICATORS DEVELOPMENT AND MONITORING: BEYOND ZERO HARM FRAMEWORK

The Beyond Zero Harm Framework was developed by a group of mining companies and international NGOs to address gaps in the consistency and meaningfulness of data used to assess community well-being in the context of mining. The Framework not only creates a process to generate better data but also to involve companies in local dialogue about development. The Framework lays out a participatory process for defining a broad range of well-being indicators, covering areas like health, education, safety, security, infrastructure, the economy, governance, living standards and civic engagement. Those indicators are then measured and the resulting data analysed in conjunction with host communities. The goal is to obtain a more inclusive view of community well-being across multiple dimensions. The process aims to design a multistakeholder process for defining and measuring community well-being with the company as a participant, not the driver. In doing so, the requirement for specialized SI staff will disappear over time.

For more information see:

[www.devonshireinitiative.org/beyond-zero-harm](http://www.devonshireinitiative.org/beyond-zero-harm)

Indicators that measure the value added to the business are normally developed by company staff.

#### Lessons learned

- It is important to make sure that local partners (or company staff if the company is implementing programmes itself) have the skills and expertise to measure indicators. If not, capacity building efforts for partners should be integrated into the project design.
- Indicators should be developed that provide meaningful management information. This highlights the importance of involving community members as well as company staff (including company leadership) in the development and testing of indicators. To test the viability of collecting the data required to assess indicators, M&E specialists could act as good sounding boards.

### IMPLEMENT M&E

M&E experts in the oil and gas sector stress that monitoring of SI efforts should be seen as an integrated management activity that takes place on an ongoing basis. Much like any other aspect of the business, a company would want to ensure that it is assessing in a timely manner the critical changes in behaviour or the results it is seeking to achieve. If there is evidence that the desired changes are not taking place, the evaluators can assess during the implementation of activities why the theory of change does not hold true and how the project should be adapted.

#### The measuring plan

Ideally, a company should develop a measurement plan per indicator that spells out:

- a) what is being measured (the definition of the indicator);
- b) how the information is captured (e.g. through a review of documents, surveys, interviews, visual observations, etc.);
- c) when the information is captured (certain outcomes can only be measured once a number of activities have taken place); and
- d) who has responsibility for the measurement.

As mentioned earlier, most implementing partners monitor indicators at a programme level (inputs, activities, outputs) related to developmental results. The evaluation of programmatic outcomes and impacts is typically a joint effort between the implementing partner and company staff. Ideally, beneficiaries of SI programmes are included in such exercises to better understand programmatic outcomes. Since evaluation occurs less frequently relative to monitoring, some companies invite M&E experts to facilitate working sessions and to use the evaluation process both as a capacity building exercise as well as to guide the team in their review of the programme.

The measurement plan for assessing the impact on business objectives looks different to the plan for measuring developmental outcomes and impacts. Measuring the value added to the business is normally done by company staff, using a different set of indicators, but also using different means of measuring, such as perception surveys, local content records or financial data.

### *Lessons learned*

- Some companies say they use experts exclusively to assess the rigour of their M&E system, for example to examine whether the correct types of indicators are used or to assess the quality of the measuring plan. Such experts do not get involved in data collection or even data analysis: all these activities are conducted by company staff or that staff of the implementing agency.
- The use of technology such as cell phones provides opportunities to collect real-time data. For example, participants in SI programmes can be asked one 'yes/no' question related to an observed change per week via SMS message. Such an approach allows the company to verify whether its underlying assumptions are holding true and assess the speed by which certain outcomes occur.

### **Working with partners**

Most companies acknowledge the challenge of introducing to their partners a rigorous approach to M&E. Partners may feel that they have little incentive to meet additional reporting requirements which are seen as extra work. In such cases, monitoring and evaluation is challenging as the data needed both to monitor performance as well as to evaluate impact may be incomplete, or even absent.

### **CHEVRON MUNAIGAS CAPACITY BUILDING FOR SI PARTNERS**

In Kazakhstan, Chevron Munaigas initiated the Capacity Building Initiative for its Social Investment (SI) partners and has been developing a series of training sessions, workshops and mentorship opportunities for its Kazakhstani and international partners, including non-governmental organizations, state institutions, and international foundations.

Every year, the Chevron Munaigas team allocates a certain amount of money for this initiative in its SI budget, which allows them to provide 2–3 training sessions per year for a cohort of SI partners. Topics and focus themes are developed based on the surveys that they conduct and focus interviews that they hold with their partners. Training and workshop topics have included project management, M&E and measuring social impact, as well as design thinking for social projects. The company has also committed to linking experienced organizations to work with new partners, and providing mentorship to these partners to build their capacity.

As a result, several representatives mentioned that their companies are making efforts to train their own partners to become better in systematically collecting and cataloguing data. Some companies bring in outside experts to carry out training and provide support to increase M&E capacity among partners. Others facilitate partnerships between larger and more sophisticated partners and smaller partners to facilitate knowledge transfer related to M&E.

### **The attribution effect**

All companies acknowledge the difficulty of directly attributing outcomes and impacts to their own activities. This is known as the attribution effect. Since impact indicators measure longer-term developmental results, the direct link between activities and impacts is the most challenging to make. As noted before, impact evaluation should measure what would have happened to beneficiaries in the absence of the SI programme (the counterfactual analysis), and the impact should then be estimated by comparing counterfactual outcomes to those observed under the programme. The key challenge in impact evaluation is that the counterfactual outcomes cannot be directly observed and need to be approximated with reference to a comparison group, which is not an easy task.



## PARTICIPATORY AND CONTINUOUS MONITORING AT BP's BTC (BAKU-TBILISI-CEYHAN) PIPELINE PROJECT

BTC's approach to participatory monitoring takes a step-by-step approach that touches all SI project phases.

During the project planning phase, intervention tools, expected results and potential risks are evaluated together and SMART indicators are developed by company staff and the implementing partner, and agreed upon before the contract with the implementing partner is signed.

During the project kick-off, the implementing partner holds meetings with key stakeholders and beneficiaries about the project's general approaches and supportable activities, as well as with regard to expected results.

During the implementation phase:

- Progress related to activities and outputs is monitored through monthly and quarterly reports against the indicators in the project document.

- Project outcomes and impacts are evaluated through input and feedback from beneficiaries and key stakeholders during evaluation sessions. Depending on the content of the activity, beneficiaries themselves are involved in the tracking of changes/improvements.
- The methodology used by the implementing partner during project implementation is also assessed during site monitoring visits through meetings with beneficiaries and key stakeholders. This assessment considers how the project was planned, how it was announced, how participants were selected, how the activity was executed, any reactions from the community, etc.

Through a well-structured monitoring programme, quantitative data is easily collected. However, for the qualitative data, which is about how people welcome the social investment, participatory monitoring based on mutual trust and transparency involving beneficiaries is necessary.

As a result, some companies prefer to focus on the various levels of outcome indicators as opposed to longer-term impact indicators, as impacts are influenced more than outcomes by external factors, making it more difficult for the company to demonstrate that any change is a result of their SI efforts. Other companies report overall outcomes and impacts but acknowledge other factors that could have contributed to the results. Such companies state that the resources required to determine the level of attribution are often not worth the effort.

On the other hand, assessing the impact of SI efforts on a company's reputation and level of social acceptance is of particular interest to companies. A tool that might be useful to assess the attribution factor related to perceptions of (various) groups of stakeholders is the Goal Attaining Scaling Tool<sup>1</sup>, which allows the company to ask various stakeholder groups to assess the degree to which the intended goal (such as 'establishing a mutually beneficial relationship between the company and local stakeholders') has been achieved. Such an approach allows for the attribution factor to be addressed head-on as it asks key stakeholders to what extent their (change

in) perception about the company is due to SI efforts, relative to other factors.

## REPORT

### The communication plan

Several company representatives stated that the reporting of results, especially to an external audience, is weak. They note that they go through all the effort to implement projects, monitor and evaluate, and then do not have the structure to report on, and communicate, the results.

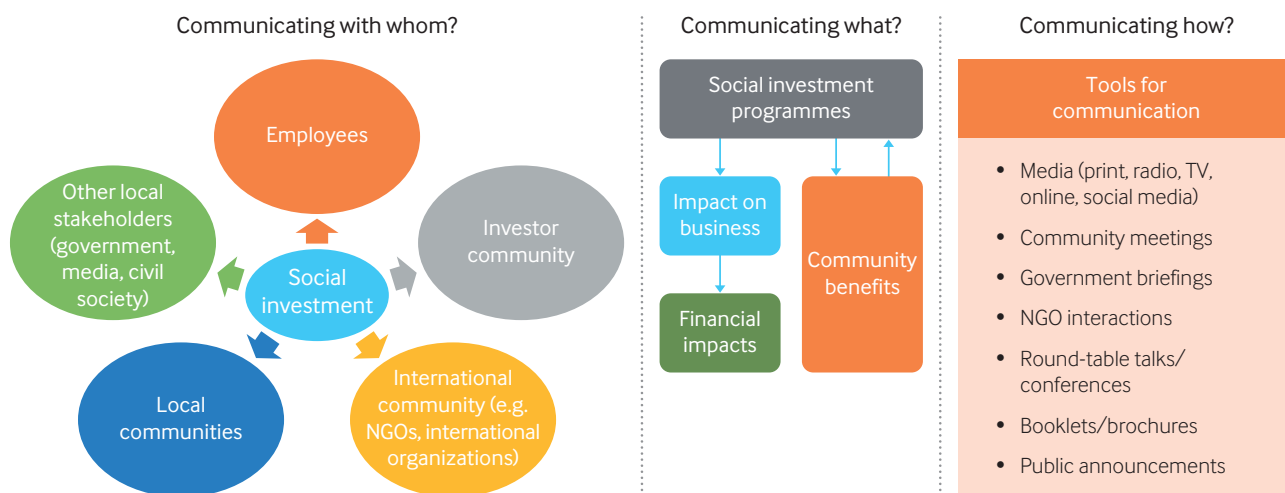
Figure 2 on page 16 provides a summary of what many practitioners consider to be the core elements of an SI communication plan.

*Often it is about drawing a journey and pointing out the milestones so that you can show that you are on track.*

<sup>1</sup> Tool 20 in the ICMM *Community Development Toolkit* (ICMM, 2012).

Figure 2 A summary of what many practitioners consider to be the core elements of an SI communication plan

Source: adapted from IFC (2010).



### Reporting to various internal audiences

Company representatives highlight the value of reporting on different kinds of results for different types of internal audiences:

- The power of being able to provide a narrative ('telling stories') is mentioned consistently as being important for internal stakeholders, especially for executive managers and company employees. Evidence to support a specific narrative consists of quantitative and qualitative data, collected based on qualitative and quantitative indicators.
- Managers who are financially inclined are more responsive to quantitative data that is linked to business goals.
- Several interviewees point out the importance of demonstrating trends even if these are based on outputs only. A discussion about trends often provides confidence that the company is heading in the right direction.

### Database systems and reporting

Companies in the extractive industries have started to embrace the use of community relations database systems. First experiences with such systems have been mixed, mostly because companies have started to use such systems for M&E and reporting purposes, inserting a

lot of data without being fully clear on what type of management information the company wants to get out of the system. In some cases, the reliance on a technical solution without knowing exactly what to measure, and why, has been frustrating. On the other side, companies who first developed their M&E framework and then introduced a database system have found such systems to be helpful, in particular because they enter the minimal amount of data needed to generate specific management information that can be reported, thus limiting administrative requirements.

### REVIEW AND ADAPT

The outcome of the M&E process should lead to a review of the indicators and monitoring process as well as of the interventions themselves. Practitioners point out the importance of using M&E data in biannual or annual workshops to review and adapt SI programme design. Such workshops ideally include programme partners and beneficiary representatives.

Creating such a platform can serve multiple purposes such as enhancing trust with the beneficiaries of SI efforts and building the capacity of local partners. It also provides an opportunity to involve senior company management in decisions that affect the direction of the SI approach.

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## Company efforts to quantify added value in monetary terms

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Although there is broad agreement that measuring the added value of SI in monetary terms (or return on investment (RoI)) would help make a powerful business case, very few companies make a concerted effort to do so. Some IPIECA members have been piloting approaches that aim to put a value on the developmental impacts relative to the financial cost of a certain SI approach.

### APPROACHES TO QUANTIFY THE ADDED VALUE OF SI IN MONETARY TERMS

The Social Return on Investment (SROI) methodology provides an approach for assigning monetary values to social and environmental impacts as well as economic impacts of investments, including, but not limited to, SI. By monetizing impacts, it creates a way to compare them

and to conduct sustainable cost-benefit analyses of investments. One result of this approach is to measure the dollar value of 'value created' for every dollar invested, which allows for benchmarking with other companies.<sup>2</sup>

The International Finance Corporation's (IFC's) Financial Valuation Tool<sup>3</sup> for Sustainable Investments (FV Tool) applies investment analysis methods to expenditure on socio-economic contributions. It is designed to determine the value of those expenditures for the company. It can be used to calculate the monetary value that sustainability investments yield by avoiding risks, cutting costs or making savings. The ICMM *Community Development Toolkit*<sup>4</sup> provides a series of good approaches to start using the Financial Valuation tool.

#### SOCIAL RETURN ON INVESTMENT EXPERIENCE OF INPEX

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INPEX Australia trialled the SROI methodology to measure the value generated by one of the company's large-scale social investments—an A\$ 3 million contribution made by INPEX and other participants in the Ichthys LNG Project Joint Venture (Ichthys Project participants) towards the construction of the North Australian Centre for Oil and Gas (NACOG) facility located at Charles Darwin University in Darwin, Northern Territory. The facility accommodates training and education programmes as well as research useful to oil and gas developments in the region. The Ichthys Project participants aimed to support a facility producing skilled and career-ready graduates who would want to work in the oil and gas sector. The construction of NACOG also enabled the introduction of a chemical engineering degree, allowing Territorians to study the discipline locally.

The SROI evaluation found the following benefits of the investment: maintenance of preferred lifestyle, enhanced educational experience and improved employability for students; enhanced work satisfaction and academic reputation for staff; improved ability to attract and retain students and staff, and higher tuition revenues for the university; increased tax revenue for the government; and reputational benefits for the Ichthys Project participants. The SROI study assessed the monetary value of these benefits and found that, for every dollar invested, up to A\$ 4.50 of social and economic value was created over the 50-year life of the building. The evaluation showed only a minor share of value creation for the Ichthys Project participants. However, the investment in NACOG—demonstrating the Ichthys Project participants' commitment to contribute to the long-term economic and social development of the Northern Territory—is considered to have generated early and important stakeholder support for the Ichthys LNG Project.

<sup>2</sup> [www.socialvalueuk.org](http://www.socialvalueuk.org)

<sup>3</sup> IFC (2016).

<sup>4</sup> Tool 10 in the ICMM *community development toolkit* (ICMM, 2012).

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Companies that have used approaches for measuring the value added to the business in monetary terms highlight that the process of measuring value yielded new (and sometimes unexpected) outcomes that would otherwise not have been identified. Financial models can be used both to inform decision making as well as to evaluate programmes that have already been implemented. Company representatives suggest that the use of the models for decision making is the more useful option.

Companies point out that valuation models can:

- be time consuming (e.g. take from 9–12 months to complete);
- absorb significant staff capacity; and
- be costly due to the involvement of external consultants.

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In addition, some social practitioners explain that valuation models still require the use of many assumptions in order to translate the value of intangibles into a dollar value.

Provided there is encouragement by company managers to demonstrate the added value of SI to the business in monetary terms, financial valuation methods will likely continue to be refined to increase their accessibility to assets.

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## Conclusion

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Over the past decade, increasing stakeholder demand for results has focused attention on the M&E of SI efforts in the oil and gas industry. In today's world, business is done by metrics and there is an imperative to measure performance, learn from experience, manage resources and sharpen decision making across all parts of the business. The level of attention has only increased in the current cost-constrained business environment and, as a result, it has increased transparency and accountability of resources. It has compelled companies to tell a story of social impact internally and externally (including making a business case to leaders), plan for the future, and make decisions that are guided by the information and lessons

learned from M&E efforts. This practitioner note builds on the experiences of practitioners in the oil and gas industry who are all on a journey towards increased rigour of their M&E approach.

As M&E is an emerging field, the experiences of companies in the oil and gas industry will continue to evolve. This practitioner note should therefore be viewed as a living document that requires periodic updating. In the meantime, we hope that the ideas put forward by practitioners are useful for others among the IPIECA membership.

# Appendices

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## Appendix 1: References and further reading

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## Appendix 2: Acknowledgements

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Special thanks go to the practitioners from the IPIECA membership and to the external stakeholders who contributed generously in time, expertise and experiences to this practitioner note, as well as to the IPIECA Social Investment Task Force for their input and feedback during the development of the note.

We welcome any feedback that you have on this document. Please contact the IPIECA secretariat at: [info@ipieca.org](mailto:info@ipieca.org)

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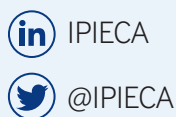
# IPIECA

IPIECA is the global oil and gas industry association for environmental and social issues. It develops, shares and promotes good practices and knowledge to help the industry improve its environmental and social performance, and is the industry's principal channel of communication with the United Nations.

Through its member-led working groups and executive leadership, IPIECA brings together the collective expertise of oil and gas companies and associations. Its unique position within the industry enables its members to respond effectively to key environmental and social issues.

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