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Enterprise Impact News

Welcome to EDIAIS

The Enterprise Development Impact Assessment Information Service is a new service for DFID and the wider development community. It is managed on behalf of DFID jointly by the Institute for Development Policy and Management at the University of Manchester, and Women in Sustainable Enterprise (WISE) Development Ltd.

Our aim is not only to help Enterprise Development Advisors to design and carry out impact assessments (IAs) but also to help ensure that lessons learned through IAs have an impact on policy development. We will do this by disseminating information and encouraging debate through this monthly newsletter and our web site at www.enterprise-impact.org.uk We hope you will find EDIAIS useful - we welcome your comments, complaints, enquiries and suggestions. Please help us to help you to make an impact.

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Social accounting and impact assessment

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This is a summary of a new paper in the Toolbox on the EDIAIS web site. It looks at what social accounting is - where it has come from and it's present level of development.

In the UK social accounting started in the early '70s as a result of pressure from consumers aimed at encouraging large public companies to behave in an ethical and socially constructive fashion. Some say this initially had a negative effect on accountability as some such organisations tried to make sure that sensitive information was well hidden from those seeking to reveal it.

Thirty years on, many corporations and enterprises large and small, public, private and voluntary are seriously interested in assessing their social impact. Social accounting is a way of demonstrating the extent to which an organisation is meeting its stated social or ethical goals. To date the greatest interest in putting social accounting techniques into practice has come from large corporates e.g. Shell, BP Amoco and BT. For such organisations the increase in trust they might generate is thought likely to outweigh the considerable cost of carrying out the exercise. Of course for many organisations involved in enterprise development social objectives are a driving force, rather than a secondary issue.

But can we afford it?

Work has been done on creating a social accounting methodology more appropriate for smaller organisations for whom cost must not escalate or distract from their core objectives. In the early '90s Traidcraft and the New Economics Foundation (NEF) pioneered a new form of social accounting, voluntary in nature and rooted in engagement with stakeholders. John Pearce, of Community Business Scotland Network, championed work in the community enterprise sector and (with NEF) produced a workbook for small organisations undertaking a social audit - see www.cbs-network.org.uk/SocAuditing.html

The AA1000 standard

A leading voice in the world of social accounting is ISEA, the Institute of Social and Ethical Accountability, an international organisation committed to strengthening social responsibility and ethical behaviour of businesses and non-profit organisations. ISEA has developed the social accounting methodology initiated by Traidcraft/NEF in 1993 and in 1999 it launched the Accountability 1000 (AA1000) standard. ▶



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AA1000 comprises principles and a set of process standards. It has not been created as a certifiable compliance-based standard, but rather as a set of key principles that should “stimulate innovation above an agreed quality floor, rather than encouraging the development of a more rigid compliance orientated culture”. As a process rather than performance standard, AA1000 specifies the processes that an organisation should follow to account for its performance, not the levels of performance the organisation should achieve. However the will of the organisation to improve, not just comply, is critical. For full details of AA1000 see www.AccountAbility.org.uk

Although social accounting is independently verified, the organisation itself owns the processes both of data collection and analysis and indicators are set in consultation with stakeholders. Therefore it is not attempting to comply with externally determined standards. The process of benchmarking, still in development, should enable comparisons between organisations where possible. The full social accounting process should include accounting (data collection and analysis), independent auditing and dissemination of results.

Impact assessments of enterprise development projects often bemoan the lack of a systematic, embedded system of monitoring and evaluation (M&E) because it hampers efforts to provide and use meaningful impact assessment

information. The AA1000 focus on embedding systems is therefore useful.

One of the M&E struggles Traidcraft has had is that part of our strategy involves the development of local service providers and facilitators - these have purposefully been independent organisations with their own governance structures and mission. Therefore ongoing M&E data has been dependent on the systems of partners who are at varying stages of organisational development. This has led to the realisation that clear indicators need to be established and agreed with those who will have to provide the information at the outset - in accordance of course with best practice in project design.

The experience of Traidcraft is that iterations of the social accounting process have led to a shift in focus from the need to prove our achievements, towards a desire to improve them with learning gained from the social accounting process being used as a key driver.

But isn't this impact assessment?

The resonance between social accounting and participatory impact assessment in enterprise development is obvious. However social accounting is not impact assessment. “Doing a social audit” is not the magic bullet for achieving good impact assessment of enterprise development activities. A social audit is the framework into which impact assessment information can be placed. Just as financial accounts

are the “shop window” for what should be happening regularly and systematically within the organisation (i.e. management accounting, risk management, internal control, basic cash handling systems etc.), so social accounts are the place where impact studies, stakeholder dialogue etc. can be reported. The discipline of social accounting encourages any organisation to take impact assessment more seriously.

It is important to note that social accounting has an organisational rather than project level scope. The stakeholders judge an organisation on their overall perceptions rather than a narrow view of project success or failure.

Enterprise development activities typically involve chains of inter-related interventions. It is unreasonable to expect parties that do not have a direct relationship with an organisation to be involved in making a regular assessment of how it has performed against social indicators.

Thus it will not necessarily fall within the scope of a social audit for an organisation to have dialogue with the end beneficiaries of an enterprise development intervention - unless there is a direct relationship. Impact assessment studies need to go deeper than this and assess impact at the level of beneficiaries and households. The result of such studies should form a key part of management information systems and so, when carried out, should be reported on within the social audit.

Like good impact assessments, the social accounting process needs to be owned by the organisation and ought to lead to learning and change. As a framework for managing stakeholder dialogue, AA1000 is a very useful model. With its increased emphasis on organisational learning and change, the AA1000 Series to be launched in June 2002 will be a welcome development to the emerging social accounting standard for many working in the fields of enterprise development and impact assessment. ■

The TEEM experience

Training for Enterprise and Exports in Malawi (TEEM) is working towards doing full social accounting with several commercial organisations including two large tea estates. The situation dictated that a new methodology was required for these processes that merged development objectives and commercial reality. So this is not the AA1000 model but an experimental hybrid, organised in three phases.

Phase One: a social mapping exercise of the organisation and its surroundings. This used a Rapid Rural Appraisal methodology linked to stakeholder analysis and consultation resulting in a report describing current social conditions and issues on the

estate and in the organisation.

Phase Two: targets were set giving a baseline against which to make recommendations. Management and other stakeholders drew up a full action plan to enable the estate or organisation to achieve the targets.

Phase Three: the action plan included assistance with accessing funding, successful negotiations for both adult literacy and primary health care programmes and a two year VSO posting. A social report will be produced and a social bookkeeping method introduced.

Further TEEM reports will evaluate the effectiveness of this model. ■

IDPM was the first higher education institute to conduct a social audit. Copies of the IDPM Social Audit are available from Colin Kirkpatrick, email: idpm@man.ac.uk

Recent publications on social accounting



Building Corporate Accountability

Evans, R., Pruzan, P., Zadek, S., 2001, available from Traidcraft www.traidcraft.co.uk

The practice of social and ethical accounting and auditing is emerging as a key tool for companies in the 1990s to respond to calls for greater accountability to a range of stakeholders, and also as a means for understanding and managing companies in increasingly complex situations where social and environmental issues count for more in securing business success. This book looks at the whole area of how and why businesses report to their stakeholders. It covers a number of case studies across Europe including Traidcraft and the Body Shop. The book is well researched and edited by three of the leading figures in the social accountability debate.



National Integrity Source Book

by Jeremy Pope, Transparency International, 2000

The first version of this Source Book argued the case for a "National Integrity System", an holistic approach to transparency and accountability and embracing a range of accountability "pillars", democratic, judicial, media and civil society. The expression has since passed into common usage in development circles, and the argument for an holistic approach to anti-corruption efforts has similarly achieved a widespread consensus. But anti-corruption success stories remain largely elusive. With many initiatives being taken in many different parts of the world, emerging best practice is a rapidly growing area. This book includes a summary of the Best Practice material and is available on line from www.transparency.org



Corporate Social Responsibility in Central and Eastern Europe

International Business Leaders' Forum (available from www.pwblf.org)

This free booklet profiles socially

responsible business practices in Central and Eastern Europe. It places CSR in a the regional context, explores the role of partnership as tool for CSR and presents a wide, thematically based selection of case studies from the region. Can be downloaded in .pdf



FT guide to Responsible Business 2001

Financial Times, Oct 2001 (can be downloaded in .pdf from www.pwblf.org)

As in previous years, the guide contains a number of articles by FT journalists on current CSR issues, as well as a central advertorial on the International Business Leaders' Forum. The guide includes some general pieces on the current CSR landscape, the role of shareholders in ethical corporate governance, the impact of the anti-globalisation phenomena, business and conflict prevention, social and environmental reporting, and social exclusion case studies from Burundi, South Africa, USA, Europe and Brazil.

...and business development services



Key Issues in the Design, Implementation & Monitoring of Voucher Training Programs

SED Working Paper 2, June 2001, Swiss Agency for Development and Cooperation (SDC)

This paper is meant to be informative rather than analytical, outlining the key players, procedures, challenges and solutions to stimulate discussion. For further steps it would be important to discuss the financial analysis, which is missing in this paper. Moreover issues such as sustainability of the service markets stimulated by voucher programs and their outreach remains to be discussed and the link to overall development goals needs to be addressed. This paper, however, is a first step by SDC to launch the discussion, by summarising the voucher approach and outlining the major

issues concerning the design, implementation and monitoring of voucher programs implemented by SDC and other donors. Available on line from www.intercoop.ch/sed

...and Poverty Reduction Strategies



Desk Study of Good Practice in the Development of PRSP

Indicators and Monitoring Systems: initial review of PRSP documentation

Booth, D. Produced by: Overseas Development Institute (ODI), (2001)

This report reflects the first stage of a desk study of good practice in the development of PRSP indicators and monitoring systems. The article focuses on five main areas that are of potential importance in PRSP monitoring: input monitoring (budget reforms and expenditure tracking), timely monitoring of implementation processes (by established and innovative means), measurement of poverty-related outcomes and impacts (by surveys and participatory assessments), measures to enable PRSP stakeholders to have and use information, steps to enhance the use of available data for analytical purposes.

The article finds that: the measurement of final poverty outcomes/impacts is about to take a substantial leap forward in most countries, final poverty outcome measurements are heavily emphasised, monitoring of implementation processes and intermediate outputs has a long way to go, and is generally neglected by comparison, the choice of indicators for PRSP monitoring needs to be linked to the content of the strategy, particularly at the level of intermediate outputs and processes, a closer look at the indicators actually selected suggests that they are the result of bringing together those already agreed for different projects, programmes and concessional loans. They are not integrated by an overall rationale" The document is available at http://www.odi.org.uk/pppg/monitoring_report.pdf ■

Online sources of information on social accounting

Web sites

www.traidcraft.co.uk

Features its own social accounts which is a good example of social accounting in practice. In these accounts Traidcraft has collected the views and perceptions of their stakeholders about whether the organisation is living up to its values.

www.sdbp.

The Resource Centre for the Social Dimensions of Business Practice is a 'one-stop shop' that generates ideas as well as providing access to information, knowledge, contacts, tools and expertise. The focus is on business activity in countries where poverty is a major issue. Their business poverty database was launched on September 26th 2001. This is a dynamic resource of case studies, organisations, web sites and publications on the business poverty interface. They have also designed a series of discussion forums aimed at providing opportunities to debate issues surrounding the interface between poverty elimination and business activity.

www.transparency.org

Transparency International is a non-governmental organisation dedicated to increasing government accountability and curbing both international and national corruption. Corruption often transcends the national level. This is increasingly acknowledged by key international actors. Working closely with a growing number of international organisations now starting to address the issue, TI plays a catalytic role in defining and implementing the international agenda against corruption. A key concern is to monitor the implementation of the OECD anti-bribery convention.

www.devdir.org

The Directory of Development Organizations 2001 which can be downloaded from this site is an invaluable guide for everyone working in development. It aims to encourage international cooperation and knowledge sharing in development work, among NGOs, research institutions, governments and private sector organizations. The Directory is a compilation of contact data of the main sources of assistance available for private sector development and

poverty alleviation, with particular attention to the development of (non-)financial markets for micro and small enterprises. A wide range of organizations are included in the Directory: microfinance institutions, small enterprise development organizations, NGOs/PDOs, development agencies, international organizations, private sector institutions, trade promotion organizations, banks, government ministries, development consulting firms and research and training institutions. ■

Conferences

December 5, 2001, London, UK

Human Rights: is it any of your business?

International Business Leaders Forum
IBLF seminar series II. Email
sally.mindelsohn@iblf.org

4-5 December, 2001, Calcutta, India

Corporate Citizenship: Meeting the Challenge

info4csm@aol.com
www.centre-socialmarkets.org

December 20, 2001, London, UK

Community involvement - beyond philanthropy

Centre for Social Markets and
International Business Leaders Forum
http://www.centre-socialmarkets.org

April 10-12, 2001, Manchester, UK

Finance for Growth and Poverty Reduction in Developing Countries

IDPM, University of Manchester
Details from:
debra.whitehead@man.ac.uk ■

The Enterprise Impact Assessment Newsletter was produced by Sarah Mosedale, Project Research Officer, as part of the Enterprise Development Impact Assessment Information Service (EDIAIS), which is managed jointly by the Institute for Development Policy and Management at the University of Manchester, and Women in Sustainable Enterprise (WISE) Development Ltd.

New Research

Centre on Regulation and Competition - CRC

The Research Centre on Regulation and Competition (CRC) was established through funding provided by DFID in October 2001. The ambitious aim of the Centre is to improve understanding of the ways in which regulation and competition processes work in markets and organisations in the public and private sectors, with particular emphasis on how these relate to wealth distribution and poverty reduction.

The Centre's research is conducted by Research Fellows drawn from departments and institutions at the University of Manchester and University of Aston as well as seven Regional Partners in Africa and Asia.

For more information about the activities of CRC and partner organisations see their website: www.idpm.man.ac.uk/crc/ ■

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