



GSVC Social Impact Guidelines

DEFINE: Approach to Social Impact Summary

Please answer each of the four questions listed below. **Responses for the Approach to Social Impact Summary section are limited to one page.** For further guidance on the type of information to include as a response to each question, please refer to the **Supplemental Guidance: Approach to Social Impact Summary** below.

1. What is the challenge you are trying to solve?
2. Why is this challenge important?
3. How do you intend to solve this challenge?
4. What is your vision for the future beyond solving the immediate challenge?

Supplemental Guidance: Approach to Social Impact Summary

Social impact can take many meanings, depending on the company, sector, and social context. Given the numerous diverse industries and organizations focused on social impact, we have provided a set of questions to enable you to honestly evaluate how and why your approach will achieve social impact, and whether your business model is the best method to accomplish the desired impact. Because we recognize that not all of the sub-questions under each of Questions 1 - 4 will be indicative of the type of impact you are targeting, **we only request that you provide responses to each of the four broad questions; we do not mandate that you answer all of sub-questions provided below.** The sub-questions demonstrate the diverse forms that social impact can take, so you may consider weaving the answers to the sub-questions that are relevant to your social venture into your responses for Questions 1 through 4.

Please note that these questions are designed to build clarity around social impact, specifically. While environmental and governance impacts are also important, the purpose of these questions is to help you assess whether your solution is achieving social impact, given the inherent ambiguity in its definition and measurement.

1) What is the challenge you are trying to solve?

- **What is the magnitude of the challenge you are addressing, in terms of its breadth, severity and immediacy? And, for whom?**

This question posits that not all challenges are created equal, and some are much more significant and severe than others. Define the challenge you are solving by explaining



how widespread it is and how many people are affected, how severe the impact on each person is, and how imperative it is that a solution is applied immediately.

Example:

Imagine an agricultural organization in northern Nigeria that works with unemployed youth to provide them with farming income.

Below is an example of a scenario in which the magnitude of the challenge is relatively small:

- *Youth unemployment rate is under 10% (breadth)*
- *The youths who are unemployed were being relatively comfortably supported by their financially independent family members (severity)*
- *If no change happened immediately, the challenge would continue to linger at the current rate (immediacy)*

Below is an example of a scenario in which the magnitude of the challenge is large:

- *Youth unemployment rate is 80% (breadth)*
- *Unemployed youths and their family members are severely malnourished and unable to provide for their own children due to lack of income (severity)*
- *There are terrorist groups in the region that are increasingly using financial incentives to recruit unemployed youths, and if the youth unemployment challenge is not addressed soon, many youths will join the terrorist groups (immediacy)*

2) Why is this challenge important?

- ***How does your solution reduce negative societal outcomes (and corresponding externalities) or improve positive societal outcomes (and related externalities)?***

Will your solution benefit the wellbeing of individuals and result in value accruing to society at large by either reducing negative outcomes and the corresponding externalities or improving positive societal outcomes? Consider the ripple effects that your solution will have (e.g. if your solution increases farmer income, what is the impact of that increased income? Are more families now able to afford to educate their children, for example?)



Example:

An example of a negative outcome of employment practises that systematically exclude disabled populations is limited economic opportunities for people living with disabilities, and the corresponding societal externality is the country missing out on the skills and talent of disabled populations to contribute to the country's growth.

An example of a positive outcome of a secondary school education funding program is an increase in the number of children in school, and the corresponding societal externality is a larger educated population which improves the country's ability to participate in skilled labor-intensive industries.

- ***How does your solution address a challenge of social injustice and accompanying loss of human dignity? And, for whom?***

In contrast to the question above regarding externalities, this question is not intended to capture challenges where value accrues to society/the economy (e.g. educating the population) but rather challenges that are fundamentally unjust and should be addressed, regardless of whether there is a tangible financial or economic benefit to society. These challenges are more likely to include fundamental human rights.

Example:

Regardless of whether or not ceasing the sex trade and rehabilitating sex workers results in economic growth opportunities, sex trafficking is fundamentally unjust and there is value to society from a human rights perspective in stopping it.

3) How do you intend to solve this challenge?

- ***What is the relative social impact you expect from your solution given the magnitude of the challenge? And, for whom?***

How much of your defined challenge do you reasonably expect can be solved through your solution?

Example:

Consider these two scenarios:



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- *Your defined challenge is the lack of sanitary toilets in slums in Kampala and your solution will lead to the installation of toilets in half of those slums*
- *Your defined challenge is the prevalence of the flu in all developing countries and your solution will provide flu shots at an elementary school in Uganda*

The relative social impact in the first scenario will be higher since your solution will be able to address a larger proportion of the challenge.

- ***How does your solution intentionally lead to a specific social outcome and is it part of your mission or vision?***

While your business may have positive societal outcomes (e.g. employing lower income populations), if this outcome was not intentional and planned, it has significantly less power.

Example:

If you are providing employment opportunities to lower income populations solely because your pay structure is so low that it wouldn't appeal to others and not because you intend to improve livelihoods of lower income populations, this holds significantly less weight in the assessment of whether you are achieving social impact.

- ***Why is the social challenge you are solving best addressed by your solution instead of the public sector, traditional philanthropy, private commercial markets, or existing solutions?***

This question is intended to evaluate why your solution, rather than the existing and more common actors such as government, philanthropy, or private commercial markets, is an appropriate mechanism to address this challenge. These other more traditional entities may already be tackling this challenge, so consider what your social venture will provide that these other providers are not achieving. As part of this question, evaluate why there is a need for your specific social venture rather than other social ventures that are already in operation. You should be able to clearly state whether your idea is more of a social venture than a commercial solution.

Example:

If the public sector and charity organizations are already making a concerted effort to provide free Hepatitis A vaccinations to every child in the Philippines, it would be difficult to justify a social venture that charges a fee to for the Hepatitis A vaccines.



- ***How will you bring positive change to the stakeholders throughout your value chain (e.g. employees, suppliers, customers) through ethical or sustainable practices?***

Even if your business' activities are not commonly associated with social impact with regards to the value you provide your customers, if you are approaching business in an ethical and sustainable manner throughout your entire value chain, this can produce tremendous social impact. Please note that there is an important distinction between doing business the way it *should* be done, even if others in the industry are not doing so, and actively pursuing socially responsible practices.

Example:

A company that produces socks in the United States may have a community empowerment approach to employment by actively targeting disadvantaged populations to provide them with training and job opportunities within the company, and this would certainly count as social impact, even though socks are not a social output.

However, consider a company producing socks that chooses not to use child labour, even though others in the industry might follow such practices. Even though this company's practices are comparatively better than its competitors, the fact that they aren't choosing to do the wrong thing is not enough to qualify as social impact.

4) What is your vision for the future beyond solving the immediate challenge?

- ***How will your organization's work play a role in developing the marketplace?***

In addition to the direct impact your work has on communities, consider the role your organization could play in marketplace development. Will your work provide proof of concept that will attract capital to early-stage innovations and infrastructure to further build out the market? Will it demonstrate market viability and encourage other participants to get involved in the value chain in a way that benefits communities?

Example:

Imagine a social venture in Mozambique that purchases crops from farmers who typically can only sell in small quantities, aggregates those crops and sells to large



corporations that typically only purchase in large quantities. Through this organization's work, they demonstrate that aggregating crops and connecting farmers with large buyers is a financially attractive market and therefore new aggregators enter the market, connecting farmers in ways that were impossible before the organizations got involved. The social impact goes beyond the immediate revenue for the farmers the social venture serves; the organization is creating an entire market, thereby benefiting farmers beyond its immediate customers.

- ***How will your innovation change the system by substantively altering the behaviors and structures that resulted in the underlying challenge?***

There may be far reaching impacts of your solution beyond the immediate population you serve. Consider whether your solution will create behaviour or structural changes that will work to reduce the challenge you've identified beyond only those who interact with your intervention.

Example:

A social venture that provides sanitary toilets in slums in Accra could impact not only those who are regularly using the toilets, but could also raise awareness in the community at large, encouraging people to be more conscientious of sanitation throughout their homes, schools and communities.

- ***What is your plan for sustaining impact in the long term?***

Interventions that are sustainable and self-funding are more likely to have continued social impact into the future since they are less at risk of losing philanthropic or government funding. Consider your intended revenue sources once your venture has scaled in answering this question, even if you have not achieved sustainability at the present time.

Example:

A microfinance institution in Vietnam that charges reasonable interest rates to cover 90% of its operational costs is more likely to have greater longevity than a similar organization that generates enough income to cover only 20% of its costs and is more dependent on outside funding sources.