

THE OTTAWA COMMUNITY LOAN FUND

A RESEARCH REPORT ON SOCIAL IMPACT

Prepared for the
Community Economic Development
Technical Assistance Program (CEDTAP)

By

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TABLE OF CONTENTS

SUMMARY	3
BACKGROUND	3
The Ottawa Community Loan Fund (OCLF)	3
Community Economic Development Technical Assistance Program (CEDTAP)	3
Importance of CED Impact Research	4
Objectives	4
Limitations	4
Methodology	5
LOGIC MODELS	5
Small Business Loans	6
Internationally Trained Talent Finance Initiative (ITTFI)	9
Social Enterprise/Co-operative Loans	11
Business Plan Consulting	12
Community Economic Development Advocacy	12
Organizational Logic Model	14
EXPANDED VALUE-ADDED STATEMENT	15
Part I: The calculation of 'value added' by OCLF	15
Part 2: Calculating the distribution of benefits to the stakeholders	17
IMPLICATIONS	18
RECOMMENDATIONS	20
CHALLENGES	22
CONCLUSION	23
Acknowledgements	23
APPENDIX A: CREATING THE EXPANDED VALUE ADDED STATEMENT	24

Summary

For non-profits and for-profits with a social mission, financial performance metrics only provide one aspect of the impact of these organizations to individuals and communities. Evaluating social impact provides a more accurate picture of the organization's activities, and its "value-added" to different groups. This research report aims to assess the social impact of the Ottawa Community Loan Fund (OCLF).

Using logic models and social accounting methods, this report demonstrates that the social value produced by the OCLF is significant. It also provides a foundation for further analysis of the social impacts of OCLF's activities, and illustrates the value of capturing and documenting social impact, both for proving impact and improving performance. This research was conducted on behalf of the Community Economic Development Technical Assistance Program (CEDTAP), a funding partner of the OCLF.

Background

The Ottawa Community Loan Fund (OCLF)

The Ottawa Community Loan Fund (OCLF) invests in people and the community by facilitating self-reliance loans and services through character-based lending. The mandate of the OCLF is to increase the capacity of low income individuals in Ottawa to become self-reliant by offering access to financing. The OCLF provides loans of up to \$15,000 to groups and individuals who have: a solid business plan, practical work experience and/or training; commitment and ability to develop or expand a business; and capacity to repay their loan so that other borrowers can access OCLF financing. At present, the OCLF makes loans to individuals starting or expanding a small business; non-profits or coops starting a social enterprise; internationally-trained professionals (nurses, doctors, teachers, bio-tech workers) who are studying for their Canadian accreditation; and loans for youth (18-34) starting a small business (in partnership with the Canadian Youth Business Foundation).

The management and stewardship of the fund is facilitated by a dedicated board of directors that oversee the successful operation and evolution of the OCLF. Experienced staff, with over 40 years of combined banking and small business development expertise, manage the day-to-day operations of the fund. As of January 31, 2007 the OCLF has been responsible for the disbursement of some \$633,000 to 94 Ottawa area small businesses and Foreign-Trained Professionals seeking accreditation in Ontario. Only 4 loans out of these 94 have been written off.

Community Economic Development Technical Assistance Program (CEDTAP)

The Community Economic Development Technical Assistance Program (CEDTAP) is Canada's largest non-profit granting agency in the field of CED. In addition to having made approximately 500 grants to CED organizations since 1997, CEDTAP promotes activities

that enhance the legitimacy and effectiveness of community organizations engaged in CED. With this goal in mind, the impacts of CEDTAP's partner organizations and projects are being examined through a limited series of case studies, of which this report forms a part. Together, these case studies provide an opportunity to contribute to the body of knowledge on CED policy and practice, and to assist with policy advocacy in the sector. OCLF has received three CEDTAP grants since 2001.

Importance of CED Impact Research

This research strengthens the partnership between CEDTAP and OCLF, consistent with CEDTAP's mandate of enhancing the legitimacy and effectiveness of community-based organizations engaged in community economic development by supporting activities that will strengthen their capacities and increase the visibility, knowledge, coherence and resources of the CED sector as a whole. Innovative social accounting methods can allow the capture of impact beyond traditional (economic) domains, and this project allows the testing and use of new tools and methodologies to capture the wider benefits of community lending.

Documenting social impact allows OCLF to make the case to funders that its activities are having a tangible and quantifiable social impact on individual clients, small businesses, and the community in general. Illustrating the financial and social return on investment in is an important way to attract alternative sources of finance, and allows OCLF to distinguish itself from other institutions to attract investor attention. Social impact information can also increase institutional accountability, and highlights the importance of the "double bottom line" (economic and social performance) for the strategic planning and operational activity at the OCLF.

Objectives

The objectives of this study were to assess the results of OCLF's overall work in terms of its logic models, and to assess the social value-added created by the organization. Logic models illustrate how the OCLF's activities seek to influence the economic and social conditions of clients and the community. Assessing social value-added of the OCLF's activities can be examined through an innovative social accounting method called the Expanded Value Added Statement. The study also briefly highlights other potential areas where social impact can be assessed.

Limitations

This report is only a starting point in assessing the social impact of the OCLF, and does not claim to be comprehensive nor complete. The relevant data was not always available, and sometimes incomplete, and credible estimates were used as necessary. A limited number of staff and clients were interviewed, and this should not be taken as a representative sample. The EVAS methodology is still being developed, and estimates made with the best available information still remain estimates. It is obvious that further detailed analysis is necessary to assess the full range of economic and social impacts of the OCLF's activities, although this report is a valuable starting point for such an exercise.

Methodology

This study sought to use multiple lines of evidence to validate findings and assumptions. Data was gathered on the organization and its programs over the period February-May 2007, on a part-time basis. A comprehensive document review included financial statements, strategic planning documents, operational guidelines, prior evaluation-related reports, and funding applications. On-site personal interviews with the Managing Director and other staff provided contextual information to supplement this analysis. Personal and telephone interviews with clients, together with information from individual loan application forms and client files, provided the basis for client case studies. Finally, a literature review in the areas of microfinance and social enterprise from Canada, USA, and international experiences, together with the author's own experience in these areas, were utilized.

Logic Models

Logic models highlight the causal relationships between inputs, activities, outputs, outcomes, and impacts. They can build a compelling case for social impacts by determining whether a logical connection exists between the problems addressed, the actions taken, and subsequent changes in key outcomes.¹ For instance, an input (financial investment) generates outputs (loan to small business), in turn leading to specific outcomes (improved financial performance of enterprise), and impacts (diversity in community job creation).²

Thus we can distinguish the different components of a logic model as follows:³

- **Activities** are the processes, techniques, tools, events, technology, and actions of the planned program.
- **Outputs** are the direct results of program activities. They are usually described in terms of the size and/or scope of the services and products delivered or produced by the program.
- **Outcomes** are specific changes in attitudes, behaviours, knowledge, skills, status, or level of functioning expected to result from program activities and which are most often expressed at an individual level.
- **Impacts** are organizational, community, and/or system level changes expected to result from program activities.

The mandate of the OCLF is to increase the capacity of low income individuals in Ottawa to become self-reliant by offering access to financing. Loan products distinguish between three distinct target groups: small businesses that cannot access formal finance; loans for

¹ Catherine Clark, William Rosenzweig, David Long and Sarah Olsen "Double Bottom Line Project Report: Assessing Impact in Double Bottom Line Ventures – Methods Catalog", p.18

² Didier Thys, Drew Tulchin and Chandni Ohri, "Social Return on Investment and its relevance to microfinance", SEEP Network Progress Note No 12, October 2005

³ W.K. Kellogg Foundation "Logic Model Development Guide", www.wkkf.org, p.8

accreditation of foreign-trained professionals; and loans for social enterprises/co-ops. The OCLF also provides services to clients in the form of business plan consulting, and to the broader community through participation in, and advocacy for, community economic development (CED) in initiatives. In the following section, we highlight all the products and services provided by the OCLF together with some notes on potential areas of economic and social impact, and conclude with an organizational logic model.

Small Business Loans

The OCLF provides loans to new and existing entrepreneurs who have a practical idea for a small business but are having difficulty obtaining traditional financing. Assessment of loan applications is based on the viability of the business, the character and commitment of the applicant, and the capacity for repayment. The OLCF offers loans up to \$15,000 and at an interest rate of prime plus 3% to prime plus 7%. Loan repayment terms range from 12 – 48 months, depending on the amount of money borrowed and capacity of the business to generate revenue. A one-time administration fee is charged which represents 6.5% of the amount borrowed and is calculated on a sliding scale that decreases with each additional \$1,000.00 of money borrowed.

OCLF focuses on those groups that could benefit from credit yet cannot access formal or alternative finance channels (this is a strict requirement). They are usually excluded because they fail to meet formal financial institution criteria that only focus on net worth, present income, asset ownership or credit bureau ratings – clients may have poor credit history (for a variety of reasons, including women who co-sign on a spouse’s loan that has defaulted and are held liable for repayment), not have a full-time job, or be able to meet asset accumulation thresholds set by banks. The availability of credit may be the most important outcome for these groups that have been neglected by other institutions.

Outcomes	Indicators
<ul style="list-style-type: none"> • Improved availability of credit • Rebuilding client credit history • Access to formal financing 	<ul style="list-style-type: none"> • Average loan size • Repayment of loan on time • Subsequent loans (with increases in loan amounts) • Increasing investment into business (mix between OLCF and other sources)
<ul style="list-style-type: none"> • Job creation (self-employment opportunity; part-time → full-time) 	<ul style="list-style-type: none"> • # of jobs created or retained • # of clients stating self-employment as primary income source • Higher quality of jobs (e.g. labour conditions, productivity)

<ul style="list-style-type: none"> • Skills development (managerial, technical, interpersonal, etc) 	<ul style="list-style-type: none"> • # clients receiving non-financial support from other organizations (e.g. training) • Formal and informal partnerships with other organizations that provide skills training/referrals • Risk diversification strategies of client enterprises
<ul style="list-style-type: none"> • Fostering the discipline that comes with operating and managing an enterprise • Effective use of loan 	<ul style="list-style-type: none"> • Improved enterprise financial performance, for example increased revenues or profits, number of clients, asset ownership, product/service diversification, risk diversification/mitigation, etc.

The positive contributions of small and medium scale enterprises (SMEs) to a nation's economy has been well documented, yet small business in particular continue to face barriers in accessing finance.⁴ Small and mid-sized enterprises (SMEs) make up the bulk of Ontario establishments, and small establishments alone represent over 97% of all Ontario businesses.⁵ By directly targeting small businesses through small business loans, potential areas of impact on the community are numerous, and a sample is listed below.

Impacts	Indicators
<ul style="list-style-type: none"> • Creation and enhancement of opportunities to generate and maintain economic wealth within the community; • Spurring investment, innovation and growth in local communities; and • Fostering local economic diversity 	<ul style="list-style-type: none"> • Client profile (stratified) • Outreach and targeting of specific marginalized groups • Access to formal financial services • Purchases of goods/services by/from local community • Clients remaining in their local communities
<ul style="list-style-type: none"> • Capacity building of clients through referrals to/from partners to enhance the educational, skill, and experience level of clients and to 	<ul style="list-style-type: none"> • Increase in transferable skills • Wider access to credit • Increase in ability to generate

⁴ Industry Canada, "Informal Equity Capital for SMEs: A Review of Literature", SME Financing Data Initiative, http://strategis.ic.gc.ca/epic/site/sme_fdi-prf_pme.nsf/en/01360e.html

⁵ Statistics Canada, Business Register, December 2004, Ontario Data

allow them to respond more effectively to the economic development opportunities as they arise	<p>income in the long term</p> <ul style="list-style-type: none"> • Increase in confidence to deal with personal, social & business situations • Expanded business and community network
<ul style="list-style-type: none"> • Less reliance on social assistance and other forms of public assistance • Mobilization of community resources • Increase in tax base 	<ul style="list-style-type: none"> • Increase in household income • Decrease in EI recipients • Increased formalization of business practices
<ul style="list-style-type: none"> • Improved enterprise performance translating into less household economic vulnerability through income stabilization (e.g. through asset accumulation and business ownership) and better social outcomes at the household/individual level 	<ul style="list-style-type: none"> • Increase in quality of life • Increased expenditures on areas related to social outcomes (education, health)
<ul style="list-style-type: none"> • Credit available for future clients due to the presence of the organization, and its operational and financial sustainability 	<ul style="list-style-type: none"> • Ability to demonstrate/plan for financial sustainability • Organizational funding sources are increasing & diversified • Fund is building solid track record/reputation • Quality of loan portfolio • # of approved borrowers • # of repeat borrowers

Client Profile: Noel Tarabocchia, X-Scream Video Productions

Noel Tarabocchia is motivated by the ability to unleash his creativity using cutting-edge technology. Together with his brother Jay, Noel founded X-Scream Video Productions as a pioneer in a niche market specializing in creating user-friendly applications for interactive media and video. Building a customized studio from the ground up, X-Scream’s client base has grown steadily, and support for their work has come from notable technology gurus in the industry.

Three years ago, however, X-Scream could not get financing to establish their company. Infrastructure and technology costs were significant, and their own savings, together with some help from friends and family, could not match the needs of the business. Financing a technology start-up did not seem to make business sense to the banks they approached, despite the great market potential and a solid business case. Noel was referred to the OCLF by the RBC, and in 2005 secured a joint loan of together with the Canadian Youth Business Foundation.

In Noel's words, the loan was "instrumental in getting things kicked off", and one month later, they received their first major client contract. The company has since strengthened its presence in its niche market, and is innovating with new technologies that offer seamless video and multimedia integration into online content. These days Noel often receives calls from eager funders, including the large banks he approached earlier, offering him additional financing, but he responds that they "should have been there sooner." In the meantime, X-Scream Video Productions is busy making "everything Virtually Possible."

Internationally Trained Talent Finance Initiative (ITTFI)

The OCLF created its Internationally Trained Talent Finance Initiative (ITTFI) when it was approached by five immigrant teachers who were unable to complete their accreditation and training programs due to inadequate provincial funding. Since then the OCLF has gone on to invest over \$90,000 through its ITTFI program, creating a specialized loan product designed for students involved in accreditation programs for internationally trained teachers, nurses and bio-tech workers. OCLF loans for internationally-trained teachers and nurses can be used for course tuition, books, school supplies and exam costs.

The Ottawa Community Loan Fund has recently entered into a community lending partnership with Local Agencies Serving Immigrants (LASI) World Skills. As part of the partnership, OCLF will administer the loan portfolio of the Dick Stewart Fund for People. The goal of the Dick Stewart Fund for People is to assist internationally trained newcomers to Ottawa in obtaining short-term training that will lead to employment in a field relevant to their previous education and training, connecting them with one of Ontario's largest credit unions. It is also working with partners such as the Internationally Trained Workers Program (ITWP); Hire/Embauche Immigrants Ottawa; and the Algonquin College Settlement To Employment Program (STEP) to play a leading role in promoting Internationally Trained Talent in the Ottawa area.

The ITTFI loan product provides many direct benefits to clients, most important of which are access to formal employment opportunities for clients in their designated profession. In the next 5-10 years, Ottawa will become 100% dependent on immigration for the continued growth of its labour force, leading the City of Ottawa to declare that the unemployment and underemployment of internationally trained talent to be amongst the top ten economic concerns facing the region. Recent immigrants who arrived between 1996 and 2001 have a

higher proportion of the working poor, despite increasing attainment of education levels.⁶ These figures highlight the potential tangible and intangible community impacts impact of the ITIFFI product, and the importance of contributing to a qualified pool of professionals to fill critical gaps in professions such as teaching and nursing.

Outcomes	Indicators
<ul style="list-style-type: none"> • Access to formal employment opportunities for clients in their designated professions, as opposed to working in the informal sector or low-wage jobs for which they are overqualified • Job creation (self-employment opportunity; part-time → full-time) 	<ul style="list-style-type: none"> • # of jobs created or retained • # of clients in formal employment opportunities in their designated professions • Higher quality of jobs (e.g. labour conditions, productivity)
<ul style="list-style-type: none"> • Skills development 	<ul style="list-style-type: none"> • # hours of training • Time taken/left for accreditation efforts
Impacts	Indicators
<ul style="list-style-type: none"> • Outreach to marginalized groups (such as new Canadians) that have been neglected by other parts of the public assistance system 	<ul style="list-style-type: none"> • Increasing participation levels of these groups in community affairs and events • Capacity building of these individuals and groups (new skills, leadership) • Increase in confidence to deal with personal, social & workplace situations
<ul style="list-style-type: none"> • Cushioning the impact of skills shortage gaps in professions where demand outstrips supply 	<ul style="list-style-type: none"> • Reductions in skills gaps in key areas such as teaching and nursing • Improvement in community quality of life
<ul style="list-style-type: none"> • Improved social outcomes at the household level 	<ul style="list-style-type: none"> • Increase in ability to generate income in the long term • Increase in quality of life • Increased expenditures on areas related to social outcomes (education, health)

⁶ Social Planning Council of Ottawa “Our Social Capital”, 2006

Client Profile: Raffat Majoub, Teacher

When Raffat Majoub immigrated to Canada from Ghana seven years ago, he knew that it would be difficult to continue his career as a teacher. After studying communication and journalism in his native Ghana, and with relevant work experience from teaching in a rural primary school in Ghana, Raffat was determined to further his teaching career in Canada. Working full-time at the Shepherds of Good Hope, he attained supply teacher status as an ESL teacher with the Catholic School Board. In order to qualify for full-time employment as a teacher, it was suggested that he enrol in a graduate diploma program, and in 2002, Raffat was successfully accepted into the TESL program at Queen's University in Kingston, Ontario.

Financing for his education was a significant problem, and despite trying at six major banks, Raffat was unable to get a loan – he lacked credit history in Canada, and was unable to get a co-signer to guarantee his loan. After hearing about the OCLF through an Ottawa community organization, Raffat applied for a loan through the ITIFFI program, and received \$5000, which was mostly allocated to tuition fees and accommodation costs. The loan came at a critical time when his tuition fees were due, and where he had exhausted all other financing options. In his own words, the loan gave him to “peace of mind” and allowed him to focus on completing the degree program successfully.

Raffat is now employed as an ‘out of community educator’ by the Government of the North West Territories, in charge of a school affiliated with Aurora College. After repaying the OCLF loan, he progressively advanced his teaching career, and has also acquired a computer sciences degree from CDI College. Currently working in a position of responsibility, he regularly sends money to support his family in Ghana, and he now has access to formal financing facilities from commercial banks. Raffat is confident that he can continue to invest in his education and professional development, and credits the OCLF as being an important component in this success.

Social Enterprise/Co-operative Loans

Loans to social enterprises and co-ops follow the same process as small business loans, and applicants are evaluated according to the same criteria i.e. demonstration of a relevant experience and training, a viable business plan, and other loan eligibility criteria. Social enterprises can be defined as an earned income business undertaken by an incorporated, not-for-profit, organization or co-operative for the purpose of generating revenue in support of the organization's social mission. Formal financial institutions are typically unwilling to lend to social enterprises or co-ops since they are not familiar with the concept of a mission-driven enterprise. The OCLF, drawing on its experience in CED, understands this notion well – the organization itself being driven by a social mission – though it emphasizes the

financial soundness of applicants at the same level as small business operated solely for profit.

Impact at the client level can be tracked in a similar manner to small businesses, but in addition, the impact on the community is also important. For instance, creating employment or training opportunities for people with barriers to employment has impacts on the community that include a better quality of life for disadvantaged individuals, reductions in crime and drug use, neighbourhood regeneration, and others. Due to the diverse nature of social enterprise goals, it may be difficult to capture and attribute outcomes and impacts.

Business Plan Consulting

In order to be eligible for small business loans, applicants must complete and submit a detailed business plan at the time of application, including start-up or expansion costs and a cash flow forecast. The plan is then reviewed by experienced financing professionals – the last two loan co-coordinators for the OCLF have over 60 years of business banking experience between them). For applicants, this process provides an opportunity to explain their plan to a group of community volunteers from the business community who have been in their shoes, and finally, to have their business plan and potential for success judged, not on their personal net worth, but on the plan's merits and the content of their character.

While this business plan consultation/advice is not formally classified as a product (like a loan), it represents a service provided by OCLF to clients, but is not captured in financial statements. Since clients have to participate the systematic loan/credit application processes, and to articulate and justify plans for use of the credit to other individuals (loan co-ordinator or other partners), this exercise itself develops the client's planning and financial management skills. Clients are forced to understand their businesses better, and ask tough questions about the operational and financial viability of their business.

Small businesses typically need referrals to other organizations for business advice/skills training to successfully manage the constituent parts of the business (not all entrepreneurs are familiar with tax regulations, good as they may be with providing business services). Referring clients to other organizations that can assist them is another social benefit as it utilizes community (and public) resources more effectively.

Community Economic Development Advocacy

The OCLF is an active participant in advancing Community Economic Development (CED) in the Ottawa area. CED is local movement that creates economic opportunity and enhances the social and environmental conditions of communities across North America. CED has a proven track record for building wealth, creating jobs, fostering innovation and productivity, and improving social well being. In Ottawa CED brings together groups of people to support opening small businesses, co-operatives and employment support centres. It also involves setting up loan, micro-credit and equity funds which help finance investment towards new ventures in communities that would not otherwise have access to capital.

Advocacy for policy change allows policymakers to crystallize the value of CED organizations to communities, and to provide government support and resources accordingly. For instance, the profile that the ITIFFI product received was one factor in helping the province change some policies relating to OSAP funding options for nurses seeking accreditation training. Networks and interaction with like-minded CED groups allows OCLF to connect its clients to other organizations that may be able to provide support or training for specific clients needs, for example, small business advice from the local Entrepreneurship Centre. There is value-added to the community through the creation of formal networks among CED organizations, allowing them to collaborate in the sharing of information on best practices, and how they partner to serve targeted communities in a holistic manner.

Organizational Logic Model

ACTIVITIES	OUTPUTS	OUTCOMES	IMPACTS
Loans – Small business	<ul style="list-style-type: none"> - Loan assessment process completed - Loan disbursed to client - Loan used for small business: start new business; extend existing business; asset purchase; etc. 	<p><i>Enterprise Performance</i></p> <ul style="list-style-type: none"> - Improved financial results (revenue, profits) - Increased productivity and growth of enterprise - Business formalization - Financial discipline through regular loan repayments <p><i>Finance</i></p> <ul style="list-style-type: none"> - Greater ability to secure financing - Improved creditworthiness and credit history - Access to formal financing channels - Diversification of income sources 	<ul style="list-style-type: none"> - Financial security of household increases, translating into improved household economic/social conditions - Business survival/longevity/sustainability - Employment creation (new jobs, or part-time to full-time jobs) - Diverse local employment opportunities - More efficient use of community/public resources
Loans – Accreditation	<ul style="list-style-type: none"> - Loan assessment process completed - Loan disbursed to client - Loan used for course tuition, books, school supplies, exam costs 	<ul style="list-style-type: none"> - Enhanced client employability/self-employability with appropriate skills/certification - Improved skill development through training - Improved self-confidence - Business formalization 	<ul style="list-style-type: none"> - Fill critical employment/skills gaps in communities where there is demand/need e.g. nurses, teachers - Improved household economic and social conditions
Business Consulting – Development of Business Plan	<ul style="list-style-type: none"> - Better awareness of business; enhanced understanding of risks and viability of business - Referrals to other community organizations 	<ul style="list-style-type: none"> - Improved business management skills - Increased productivity of enterprise - Reduced risk of business failure through risk identification and mitigation strategies - Business formalization - Uptake of community resources (e.g. skills/training) 	<ul style="list-style-type: none"> - Sustainable businesses - Utilization of diverse community resources
CED Advocacy	<ul style="list-style-type: none"> - Collaboration and supporting other CED organizations - Advisory services delivered to other CED organizations - Public advocacy and lobbying for policy change 	<ul style="list-style-type: none"> - Strengthened CED organizations - Increased profile of (benefits of) CED and MF - Policy changes conducive to CED growth - Improved resources for entrepreneurs 	<ul style="list-style-type: none"> - Enabling environment for CED

Expanded Value-Added Statement

Since nonprofits operate for purposes other than earning a profit, their efficiency and effectiveness cannot be determined by means of income measures alone. Social goods and services, those not given a monetary value, are often a large part of a non-profit organization's operations. The Expanded Value Added Statement is an experimental process to expand the process of accounting for non-profits to include these social factors, and includes both data from audited financial statements as well as monetized social factors. For the latter, monetary values are assigned to social factors, such as volunteer hours, that would not be part of a conventional accounting statement. The end result is a better picture of the social value that the organization contributes to the community, as well as the distribution of those benefits amongst stakeholders.⁷

There are two parts to an Expanded Value Added Statement: 1) the calculation of value added by an organization and 2) its distribution to stakeholders. Value added is a measure of wealth that an organization creates by 'adding value' to raw materials, products and services through the use of labour and capital. Compared to the traditional Value Added Statement, in the EVAS, the value added is broadened from including only financial transactions (that are part of the financial statements) to including non-monetized social contributions such as those of volunteers. As well, a value added statement can be used to show how value added is distributed to a variety of stakeholders including the wider community.

The EVAS method was utilized to capture elements of social value for the OCLF for the fiscal year January 2006 to December 2006. This section draws heavily from the EVAS report for the OCLF by Laurie Mook for the fiscal year 2005.⁸ We follow the methodology developed by Laurie Mook to assess the value added of the OCLF's activities for fiscal year 2006, building on the 2005 report. In this section, we only highlight the main findings, and details of calculations and methodology are provided in the Appendix.

Part I: The calculation of 'value added' by OCLF

Financial information from the Audited Financial Statements of the OCLF indicate that the organization received \$170,321 in revenue from a variety of sources including grants, restricted loan contributions, contributed services, donations, administrations fees, and interest income. To determine the 'value added created' was based on these expenditures, purchases of external goods and services are subtracted from these total expenditures. All expenditures except for employee wages and benefits are considered to be external purchases. The remainder of expenditures is deducted from total expenditures to arrive at a figure of \$62,491 in 'value added created'.

⁷ Jack Quarter, Laurie Mook and Betty-Jane Richmond. What Counts: Social Accounting for Nonprofits and Cooperatives. Upper Saddle River: Prentice-Hall, 2003, Chapter 6

⁸ Laurie Mook "Report on the Value of Volunteers at the Ottawa Community Loan Fund", March 7, 2006

Table 1: OCLF Expanded Value Added Statement January 1, 2006 – December 31, 2006 *

		Financial	Social	Combined
Outputs	Primary	\$145,688	\$35,400	\$181,088
	Secondary		\$500	\$500
	Tertiary		\$13,500	\$9,000
		<hr/>	<hr/>	<hr/>
		\$145,688	\$49,400	\$190,588
Less external goods and services		\$83,197		\$83,197
Total Value Added		<hr/>	<hr/>	<hr/>
		\$62,491	\$49,400	\$111,391
Ratio of value added to external purchases		0.75	0.59	1.34
Employees	Wages & Benefits	\$62,491		\$62,491
Clients	Business plan consulting		\$500	\$500
CED sector	CED consulting		\$13,500	\$13,500
Society	Volunteer contributions		\$35,400	\$35,400
Total Value Added Distributed		<hr/>	<hr/>	<hr/>
		\$62,491	\$49,400	\$111,391

* The Expanded Value Added Statement shown here is partial in that it focuses only on the value added from volunteer contributions of hours, business plan consulting time, and consulting time to other CED organizations, not the value of all impacts of the organization.

Income statements show how nonprofits spend monies others give to them, while the EVAS shows how a non-profit uses its resources to generate wealth (value-added). Adding a column on social value shows how additional value is created by an organization when social items are included, which would not normally be quantified or included in a conventional accounting statement, even though they provide value to the community or to members of an organization. It is often difficult to quantify these kinds of values, as there may not be a direct market (price) comparison, but proxy market values can be estimated.

In addition, the EVAS divides these factors into Primary, Secondary, and Tertiary values according to their relationship with the organization’s mandate. Social value added factors that relate directly to this mandate appear under Primary outputs, while Secondary outputs are considered to be “indirect outputs that accrue to the organization’s members”.⁹ Tertiary outputs are also indirect outputs that benefit parties external to the organization (or their members and participants).

⁹ Quarter et al., p. 115

The mandate of the OCLF is to increase the capacity of low income individuals in Ottawa to become self-reliant by offering access to financing. It has also expanded on its mandate to include loan products for foreign-trained professionals, and CED advocacy. For the EVAS statement, we chose the following outputs that add social value and could be reasonably quantified:

- The value of hours spent **volunteering** by members of the Board of Directors, the Loan Committee and the Communications Committee (Primary output);
- **Business plan consulting** for clients when their businesses plans are assessed during the systematic loan application processes (Secondary output); and
- Unpaid **consultations with the CED sector** from the Executive Director (Tertiary output).

Part 2: Calculating the distribution of benefits to the stakeholders

The second part of the EVAS demonstrates how the value added of OCLF, described above, was distributed amongst their stakeholders. In total, the value added distributed corresponds to the value added created. Stakeholders are considered to be groups with a “contribution to the viability of the organizations and its values”.¹⁰ For the purposes of the current EVAS, the four main stakeholder groups of the OCLF that received social benefits in the fiscal year 2006 are:

- **Employees**, who received \$62,491 of value added through wages and benefits;
- **Clients**, who received a total of \$500 of value added;
- The **Organization** itself, which received value added of \$35,400 from volunteers; and
- The **CED sector**, which received value added of \$13,500

¹⁰ Quarter et al., p. 121

Implications

The OCLF emphasizes the impact of the work that the organization does, notably in its slogan, “small loans, big impact”. The OCLF produces more value than is conveyed through just financial statements, and it is important to recognize this value. Even with a relatively small portfolio of clients, there has been on-going attempt to analyze and document client impact, including social impact. Anecdotal evidence in the form of client success stories and testimonials can be used as a proxy to demonstrate the impact of the OCLF, and can also be supplemented by statistics such as numbers of loans made or loan repayment rates. However, these lines of evidence do not place the activities of the OCLF in the appropriate context, nor do they truly reflect the value of its activities.

The EVAS illustrates some dimensions of social value, and the framework described in this report establishes a methodology for social benefit analysis. An EVAS can help the OCLF show its contributions to the community, and that accounting for social value (volunteer contributions, business plan consultation, and CED consulting, in this case) illustrates how additional value is created by the organization, and provides a more complete picture of the organization’s performance, to help funders and donors understand the impact of their investment in the organization, and to demonstrate the value of volunteers to the organization, the community and policy makers.¹¹

Value Added of the OCLF

The Expanded Value Added Statement (Table 1) indicates that \$111,891 of value was added and distributed. If the audited financial accounts only were considered, OCLF appeared to create financial value added of \$62,491 for the year ending December 31, 2006. When the social value created by the OCLF was assessed at \$49,400, the total value added created by the organization jumped significantly from when only the financial value added was included. The EVAS shows that the financial information without the social value added does not tell the organization’s whole performance story.

Figure 1: Financial Value Added compared to Social Value Added

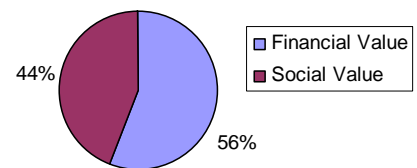
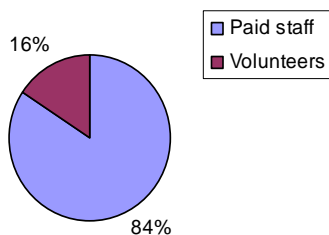


Figure 2: Volunteers as a Proportion of Full-time Equivalent Paid Staff



Volunteers as a Proportion of Full-time Equivalent Staffing

To put the value contributed by volunteers into perspective, it can be assessed as a human resource in relation to paid staff. In 2006, the OCLF had one full-time employee (FTE) who worked 1800 hours during the year, and one part-time employee (PTE) 750 hours during the year. When volunteer hours are added into the total number of person-hours that it takes to run the organization and its programs, volunteer hours account for more than 15% of the overall picture, as shown in Figure 1.

¹¹ Laurie Mook “Social Accounting for Social Economy Organizations: The Expanded Value-Added Statement”, presentation at Carleton University, February 27, 2006

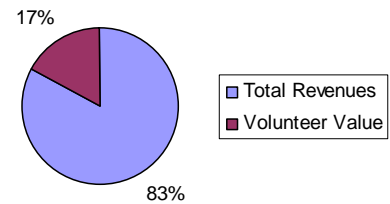
Volunteers as a Proportion of Overall Resources

Another way of looking at the significance of volunteer contributions is to examine the proportion of resources that volunteers contribute to the overall resource picture of the organization. When the value of volunteer activities is added into the picture, volunteer activities account for significant resources. At OCLF, the value of volunteer hours (\$35,400) represents 17.2 percent of the total organization's resources (total revenues were \$170,321). Figure 2 shows that volunteer efforts provide the organization with a significant resource that should be taken into account in its overall performance.

The Value of Business Plan Consulting

While this business plan consultation/advice is not formally classified as a product (like a loan), it represents a service provided by OCLF to clients, but is not captured in financial statements. The intangible benefits of this service vary greatly by client, and it was difficult to place a standard value on this service across each clients. While the value of this secondary output was fairly small this year, it was an anomaly since this was a period of restructuring and renewal by the OCLF, and greater focus was placed on promoting other product lines. At the time of writing this report (beginning May 2007), there were already more clients who received small businesses loans for the year than the entire year 2006. Thus, for future analyses of social impact, this figure is bound to become more significant, especially if there is a more systematic analysis and breakdown of the benefits of the service (such as using an expanded notion of business plan consulting to include the value of referrals to/from other organizations that help owners access other services such as legal, tax, etc.).

Figure 3: Volunteers as a Proportion of Overall Resources



CED Participation and Advocacy

The OCLF is an active participant in advancing Community Economic Development (CED) in the Ottawa area, and the Managing Director is a key player in many local and regional CED networks and initiatives. The EVAS analysis shows that the value of CED participation and advocacy efforts can be measured at a basic level, and that it is significant (\$13,500). Other areas of social impact are more difficult to measure, yet important to provide evidence of in anecdotal form, one important example being the influence of the ITIFFI product in helping the province change some policies relating to OSAP funding options for nurses seeking accreditation training.

Recognizing Multiple Stakeholders

The EVAS demonstrates that many stakeholders contribute to and benefit from the value added created by the OCLF. By portraying the contributions of various stakeholders more accurately (for instance, the value added of volunteers), the OCLF can take the appropriate steps to ensure that it recognizes the contributions of its volunteers to the organization as a whole. This has implications for how the OCLF recruits volunteers, the incentives it uses to retain volunteers, and other elements of human resource policy and practice.

Recommendations

Use existing data more effectively

Even with relatively small portfolio of clients, there has been an effort at the OCLF to analyze and document client impact. However, as a small organization with limited resources, it lacks the capacity to conduct systematic and regular assessments and evaluations into the impact of its activities. Thus, there should be greater emphasis on consolidating available (quantitative) data to be able to track changes at the organizational (OCLF) and enterprise (client) levels over time. The data should follow the logic (model) of the program, relate to the desired outcomes of the program, and tailored appropriately to the context within which this information is gleaned.

Impact monitoring as market research

Using impact monitoring as a form of market research is one interesting innovation from the microfinance literature, but it remains challenging since MIS systems are not adequately designed to collect and analyze impact information for strategic decision-making on an on-going basis. Using existing data more fruitfully will allow the OCLF not only to better track and demonstrate its impact, but to use this information as a form of market research i.e. are products meeting the needs of clients, and to innovate where gaps lie in potential product or service delivery.

Pilot testing

There is also an opportunity to (re)design procedures and systems in this direction with the new partnership with Alterna, and steps have already been taken with this in mind. Building on the suggestions on impact monitoring above, given that the OCLF may be experimenting with new products (such as housing loans) in the near-future, it is an opportunity to pilot test some of these ideas on ingraining performance measurement into systems. It is important to note that the process of development of these systems is as important as the products themselves, and it will be critical to engage all the relevant stakeholders in the development and testing of new initiatives to track impact.

Documenting small business impact

Greater investment in collecting baseline data and performance data (clients/enterprises) at regular intervals (including outcomes data after client exit) could yield significant positive benefits down the line when making the case for demonstrating impact. For instance, an intake interview at the time of client assessment would be designed to collect (in addition to data the OCLF already collects) baseline information on client demographic characteristics; and client history and current status in regarding: employment, wages, vocational skills, housing, public assistance utilization, social support, and health. A follow-up (exit) interview designed to collect change information in social outcome areas measured in the baseline intake interview, and voluntary interviews (possibly with incentives) after the client has left the program, could also be used to collect information on outcomes.

Documenting ITFFI impact

There is greater potential for analyzing and documenting the impact of the ITFFI loan product. The product is innovative, and targets specific client niches that have significant economic and social benefits. In the current political climate, presented appropriately, it represents an ideal avenue for enterprise growth and community development, and can appeal to donors and investors. Tracking impact of ITFFI clients, while potentially challenging, can provide interesting insight into the lives (e.g. coping mechanisms) of successful clients – though the challenge remains to standardize dimensions of impact that can be feasibly captured and analyzed.

Documenting social enterprise/co-op impact

Lending to social enterprises/co-ops may also provide another unique opportunity to pilot test systems and processes, since lending to these groups is still in its infancy at OCLF. A key desire for social enterprises, and those who invest in them, is to better understand these impacts and to ‘demonstrate the value’ of social enterprise, in order to encourage appropriate policy and investment support as well as to enhance the performance and success of enterprises.¹² For instance, certain segments of private investors have an appetite to fund social enterprises if they can demonstrate and quantify their social value.

Expanding the EVAS calculations for the OCLF

In the EVAS calculated above, we have only included one component each of primary output, secondary and tertiary outputs that can be captured in EVAS. There are other primary, secondary and tertiary outputs that can be quantified in order to capture a more holistic conception of value-added. These can include:

- Assessing the value of volunteering – volunteers develop skills through their efforts on the Board and/or Loan committees, such as improved analytical and financial assessment skills. These skills are of value to the individuals and to wider society, and can potentially be quantified.¹³
- Other potential secondary outputs that can be assessed are the value-added to clients of referrals to specific institutions for training etc, although this may be difficult to assess accurately
- Through the ITFFI loan product, the value of the partnership established between OCLF and partner organizations that train clients could also be assessed as a secondary or tertiary output (including referrals to/from partner organizations)
- Other tertiary outputs could include the economic and social impact on the community at large of the benefits of successful OCLF clients; for instance, the impact of successful small businesses (local multipliers of purchases, tax revenues, product/service innovation), more professionals (nurses, teachers) in already-stretched public (health, education) systems, etc.

¹² “Demonstrating Value: Towards a Shared Framework for Assessing the Performance and Impact of Social Enterprises – Project Description and Workplan”, February 2007, p.2, http://www.enterprisingnonprofits.ca/%7EDOCUMENTS/DV_Prjct/DV%20Project%20Description%20and%20Workplan.pdf

¹³ See Laurie Mook’s example of the Waterloo housing co-op in Quarter, J., et al. *What Counts* 2003

CHALLENGES

Financial performance standards and metrics have been standardized, and they are widely used to demonstrate performance. However, despite the interest in evaluating social returns, comparable standards for demonstrating and reporting social impact have not been developed. The dearth of efforts in measuring social impact has meant that, despite a growing literature on the area and some innovative tools and methodologies, much work remains on standardizing measures of social impact, and finding credible and replicable ways to capture and analyze information.

The lack of availability of complete and relevant data on the organization, as well as data in a form that is conducive to social impact analysis, remains a key feature in the CED sector as a whole. As such, there are trade-offs between completeness and credibility in reporting social impact, and it may be more useful for the latter to take precedence over the former. Investment in management information systems must consider data collection for impact monitoring *and* impact assessment/evaluation, as noted above.

Attribution remains challenging, particularly since the OCLF works closely with many partners to ensure that clients have the right combination of skills training, support, and finance, to use the loan successfully for their business or accreditation needs. Thus attributing all of the success of a client enterprise to the OCLF would be inaccurate, though it can be argued credibly that without access to the OCLF loan, the business would not have been able to survive. This also means that it is more difficult to compare social performance across programs, in the same way that financial performance measures are used.

Community loan funds are neither pure financial services providers nor are they pure social services entities; rather, individual programs sit at various places along a spectrum anchored at each end by different definitions of success and different models.¹⁴ The nature of the social impact that is tracking depends on who is doing the tracking, and for what purpose, and as Lisa Servon eloquently explains, the objectives of economic development and poverty alleviation differ markedly: “Those who are interested in economic development tend to look at outcomes such as job creation, tax base enhancement, and business growth (in terms of revenues and employees, for example). Those who concern themselves with poverty alleviation, on the other hand, are more interested in changes in individual and household income, the acquisition of particular skills (education and soft skills), and issues such as health insurance. The microenterprise field has historically sold itself as both and, indeed, many programs sit in the middle of that spectrum. [...] This lack of a clear identity for the field as a whole has made it difficult to arrive at definitions of success, standards, and performance measures that can be embraced across the field.”¹⁵

¹⁴ Lisa J Servon “Microenterprise Development in the United States: Current Challenges and New Directions”, *Economic Development Quarterly*, Vol. 20, No. 4, November 2006, p. 354

¹⁵ *ibid*, p. 354

Conclusion

This report on the social impact of the Ottawa Community Loan Fund has demonstrated that the social value produced by the OCLF is significant. It has illustrated the logic of the OCLF's programs through various logic models, and provided an analysis of its impact through client case studies and using an Expanded Value-Added Statement. Furthermore, the report has provided a foundation for further analysis of the social impacts of the OCLF's activities, and demonstrated the importance of capturing and documenting social impact both for proving impact and improving performance.

Since the OCLF is driven by a social mission, it is appropriate that its social impact must be captured and documented, in order to provide a balanced perspective on its operations. Social accounting has the advantage of quantifying the value an organization adds to its community. Assessing social value seeks to balance the needs of various stakeholders, recognizing that impact information can be used in a variety of ways to prove impact and improve performance. Financial data alone is not sufficient to allow operational and strategic decision-making, nor can it provide donors with an accurate assessment of the (social) value of the OCLF.

For social accounting and social impact assessment as disciplines, the challenge remains to discover and test standardized, reliable and widely-accepted methods and metrics. It remains important not only to inform and influence the investment strategies and goals of donors, but also to illustrate the significant impact of organizations with a social mission on their clients and communities.

Acknowledgements

This study was carried out under the direction of Professor Edward Jackson, Chair of the Carleton Centre for Community Innovation, during the period January – May 2007. George Brown, Managing Director of the OCLF, has been very supportive of this research at the organization, and his enthusiasm and commitment to the OCLF and the CED sector is inspiring. Ignacio Estefenell at OCLF provided valuable assistance for the client case studies and information on the OCLF's programs. Kelly Babcock, a colleague conducting similar research, was generous in sharing her time and expertise. Finally, Professor Edward Jackson continues to inspire my learning in this field.

Appendix A: Creating the Expanded Value Added Statement

This section provides further details on the calculation of value added described in the main report in preceding sections. The EVAS method was utilized to capture elements of social value for the OCLF for the fiscal year January – December 2006.

The Expanded Value Added Statement (EVAS) was created by Laurie Mook and described in What Counts: Social Accounting for Nonprofits and Cooperatives by Jack Quarter, Laurie Mook, and B.J. Richmond (2003). There are two parts to an Expanded Value Added Statement: 1) the calculation of value added by an organization and 2) its distribution to stakeholders. Compared to the traditional Value Added Statement, in the EVAS, the value added is broadened from including only financial transactions (that are part of the financial statements) to including non-monetized social contributions such as those of volunteers.

Calculation of ‘Value Added’

Financial information from the Audited Financial Statements of the OCLF indicate that the organization received \$170,321 in revenue from a variety of sources including grants, restricted loan contributions, contributed services, donations, administrations fees, and interest income. To determine the ‘value added created’ was based on these expenditures, purchases of external goods and services are subtracted from these total expenditures. All expenditures except for employee wages and benefits are considered to be external purchases. The remainder of expenditures is deducted from total expenditures to arrive at a figure of \$62,491 in ‘value added created’.

Table 2 Reconciliation of expenditures on audited financial statements to purchases of external goods and services on value added statement

TOTAL EXPENSES	\$145,688
Less: Employees wages & benefits	\$62,491
Purchases of external goods and services (EVAS)	\$83,197

Source: OCLF 2007 Funding Submission to the City of Ottawa

Assessing Volunteer Hours

Delivery of OCLF services is provided by full and part-time staff as well as dedicated community volunteers. Community-minded representatives from the private and public sector comprise the Board of Directors, which provide ongoing support and direction to ensure the success and growth of the OCLF. The OCLF Loan Review Committee and the OCLF Communication Committee play a key role in the development and delivery of OCLF services. These committees have strong board participation and leadership but are also actively supported by volunteer members.

For the fiscal year ending December 31, 2006, OCLF staff estimated that OCLF was assisted by the efforts of 14 volunteers who contributed 472 hours in the year (Table 3). These volunteers served on the Board of Directors and on the two committees described above.

For both the Board and the committees, this included both the average time spent in meetings, as well as the preparation time for these sessions.

Table 3 Volunteer hours contributed in the fiscal year 2006

	# MEMBERS	HOURS	# SESSIONS/YEAR	TOTAL
Board	10	3h/meeting	6	180
Loan Review*	3	6h/meeting	8	240
Communications	1	1h/week		52
TOTAL	14			472

Source: OCLF staff estimate

* Some Board members also sit on the Loan Review Committees

Volunteer hours were assigned a market value to the estimated volunteer hours using the type of activity performed to calculate a proxy value. The method used in this project was to assign an hourly rate as if the work were paid for a rate as appropriate to the types of skills involved. The hourly rate for those involved in this work for the period January 1, 2006, to December 31, 2006, was estimated to be \$75.00/hour. This rate best reflected the type of leadership and management skills that were required by Board and committee members.

Table 4 Calculation of market value of volunteer hours contributed for 2006

	# HOURS	RATE PER HOUR	AMOUNT
Board	180	75.00	\$13,500
Loan Review	240	75.00	\$18,000
Communications	52	75.00	\$3,900
TOTAL	472		\$35,400

Source: OCLF staff estimate

Using the figures from Table 4, the estimated total value for the 472 volunteer hours, or the equivalent of 0.26 full-time staff equivalents, is \$35,400.

Business Plan Consulting

Secondary outputs are the indirect effects of the organization's activities on its clients or members.¹⁶ In order to be eligible for small business loans, applicants must complete and submit a detailed business plan at the time of application, including start-up or expansion costs and a cash flow forecast. While this business plan consultation/advice is not formally classified as a product (like a loan), it represents a service provided by OCLF to clients, but is not captured in financial statements.

Business plan consulting hours were assigned a market value based on the estimated value of this type of activity. Using estimates from organizations in Ottawa that provide this type of service, together with estimates from OCLF staff on what the value of this service would be

¹⁶ Quarter et al., p.184

for clients, the value per client was estimated to be \$100.00. In the year 2006, only 5 clients were assessed as being eligible for loans, an unusually small amount since this was a period of restructuring and renewal by the OCLF, and greater focus was placed on promoting other product lines. At the time of writing this report (beginning May 2007), there were already more clients who received small businesses loans for the year than the entire year 2006.

Table 5 Calculation of market value of business plan consulting hours contributed for 2006

	# CLIENTS	RATE PER SESSION	AMOUNT
Small business	5	100.00	\$500.00

Source: OCLF staff estimate

Consulting Time to CED Organizations

Tertiary outputs are the effects of the organization's activities on those other than the clients, volunteers, or members of the organization.¹⁷ George Brown, in his capacity as Managing Director of the OCLF, provided significant unpaid time to other CED organizations. These included active participation on various Boards and Committees in the Ottawa region, drawing on his expertise in CED and community loan funds. These contributions can be assessed as a tertiary output, as they are valued by other CED organizations, the CED sector as a whole, and society at large.

This tertiary output was assigned a market value based on the estimated hours using the type of activity performed to calculate a proxy value. The method used in this project was to assign an hourly rate as if the work were paid for by the OCLF, which would be the opportunity cost of the Managing Director's time, and was estimated to be \$75.00/hour.

Table 6 Calculation of consulting hours contributed to other CED organizations for 2006

ORGANIZATION	COMMITMENT/ MONTH	\$ VALUE/ YEAR
Families Matter Co-op	2h	\$1800.00
Ottawa Chamber of Commerce	4h	\$3600.00
Social Purchasing Portal	2h	\$1800.00
United Way Impact Council	2h	\$1800.00
Ottawa CED Steering Committee	3h	\$2700.00
CADCO	2h	\$1800.00
Totals	15h	\$13,500

Source: OCLF Managing Director estimate

¹⁷ Quarter, J., et al. p.184

Distribution of benefits to the stakeholders

Stakeholders are considered to be groups with a “contribution to the viability of the organizations and its values”.¹⁸ As shown in the statement, the value added by the organization is distributed to the stakeholders in its entirety. For the purposes of an EVAS, stakeholders are considered to include funders, members, clients, employees, the organization itself, the ‘providers of capital’ such as commercial lenders, and society, including government entities (and in this case, the CED sector). The three main stakeholder groups of the OCLF who received some form of benefits from the organization in the fiscal year ending December 31, 2006, include employees, clients, and the CED sector.

Employees

The salaries and benefits received by staff in 2006 are listed as \$62,491.

Clients

Clients received the benefit of the service of business plan consulting, estimated at \$500.

The CED Sector

The CED sector in Canada benefited from the expertise of the Managing Director of the OCLF, estimated at \$13,500.

The Organization

The organization itself also benefited from the value of volunteer labour by the Board and Committee members totalling \$35,400.

¹⁸ Quarter, J. et al., p. 121