Here We SROI

Handbook to guide comparative SROI calculations at HereWeGrow

Version 1, February 2026

HereWeGrow.org

Here We SROI - Handbook to guide comparative SROI calculations at HWG

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Introduction

Social Return on Investment (SROI) is a framework that sets the monetized impact generated by an intervention in relation to the resources required to achieve this impact. Essentially, it is a form of social cost-benefit analysis. **Cost-benefit analysis** combines all benefits of an intervention into a single, usually monetary, metric to express the ratio of the combined benefits to costs (Dhaliwal et al. 2013, 7). A related concept is **cost-effectiveness analysis**, which measures how effective an intervention is at achieving a specific goal(s) (e.g. dollar spent per adopted practice, additional years of secondary schooling per $100) (Gertler et al. 2016, 18). Cost-effectiveness analysis focuses on a single impact measure and does not aim to capture the full set of impacts of the intervention being analyzed.

At HereWeGrow (HWG), we strive to fund the most cost-effective interventions to improve the living conditions of smallholder coffee-farming households in Ethiopia and Uganda. SROI serves as a crucial metric in our cost-effectiveness assessments, guiding funding decisions and assessing both individual interventions and our broader portfolio. At HWG, we measure SROI as

$$SROI = \frac{Average\ income\ change\ per\ household\ attributed\ to\ intervention\ \times Number\ of\ households\ reached}{Cost\ of\ intervention}$$

This handbook outlines HWG's approach to calculating SROI. It is primarily a practical internal guide for HWG Monitoring, Evaluation & Learning (MEL) staff involved in SROI analyses. It may also be shared with other organizations, practitioners, and researchers to illustrate our methodology, to support collaboration and promote standardization of SROI methodologies.

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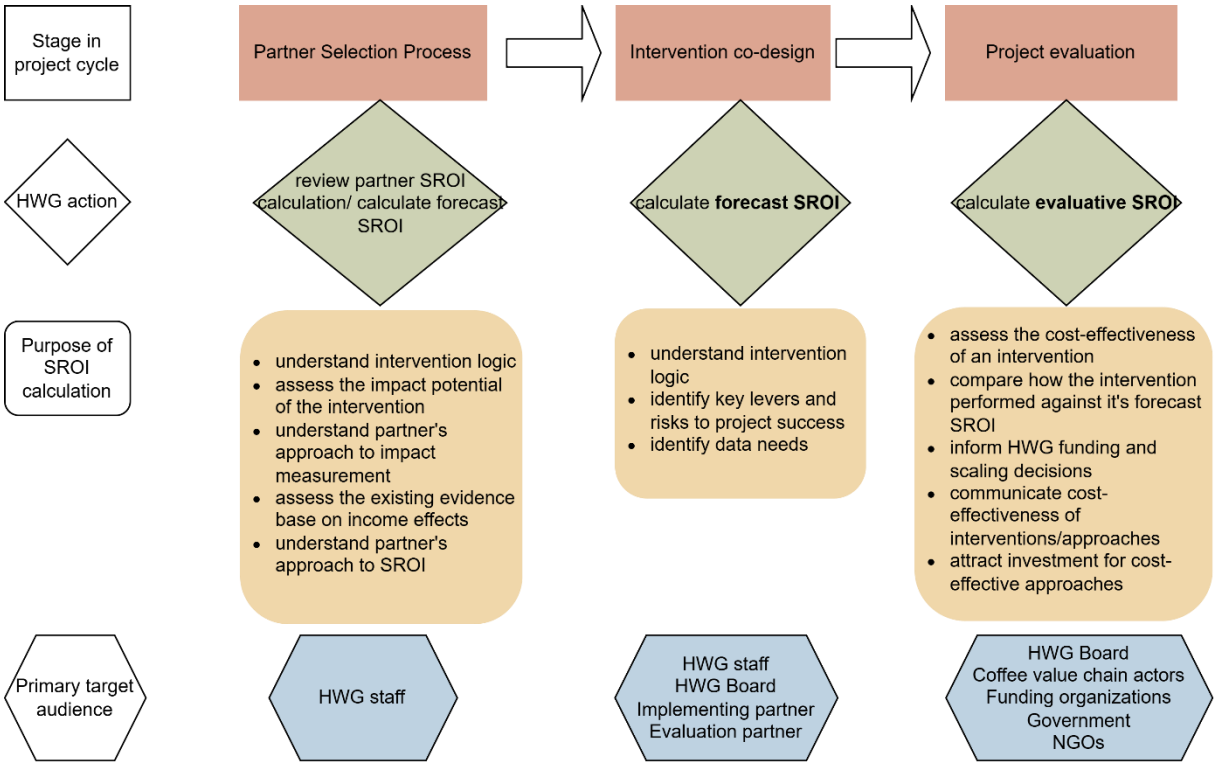
1. When and why does HWG calculate SROI?

HWG applies SROI at various stages of the project cycle. Figure 1 illustrates the role of SROI in each phase and its key purposes.

Figure 1: Purpose of SROI during the project cycle



Partner Selection Process: Before committing funds, HWG reviews (potential) **partners' past SROI calculations** or impact data to understand the intervention logic, the impact potential of the intervention in terms of improving household income, and the robustness of supporting evidence. HWG may already conduct its own SROI calculation using data submitted by the organization.

Intervention Co-Design: At latest during the co-design phase of an intervention, HWG calculates a **forecast SROI** based on the Theory of Change and projected effects of the intervention. The forecast SROI predicts how much value will be created if the project activities meet their intended outcomes (Nicholls 2012, 8). Data on projected effects of the intervention can be derived from secondary literature (e.g. treatment effects from impact evaluations of similar interventions) or be provided by the implementing partner (based on historic monitoring data, past evaluation studies, etc.). The SROI calculation can be based on existing SROI calculations provided by the implementing partner but usually needs to be adapted to ensure comparability of SROI calculations between HWG-funded interventions. The **purpose of the forecast SROI calculation** is to better understand the underlying mechanics of the intervention, and to identify key success levers, assumptions, risk factors, and data needs that are to be addressed through monitoring and evaluation data collection. Forecast SROI may also inform project design. For example, if the planned intervention comprises several components, an SROI calculation by component can guide funding allocation to these different project components. Yet, as the forecast SROI is based only on projected impact data, the resulting SROI ratio should be interpreted cautiously as a mere indication of potential cost-effectiveness. The forecast SROI is inherently provisional and should be updated when new evaluation data becomes available (e.g. baseline or midline data). If new

insights significantly alter the expected impact or the context, updating the forecast SROI will enhance the accuracy of cost-effectiveness estimates, the comparability across interventions, and the reliability and transparency of the forecast SROI. The target audience for the forecast SROI is primarily HWG staff and the HWG board, as well as MEL staff and management of the implementing partner. For transparency, HWG's forecast SROI calculation is made public. Calculation and discussion of SROI is done by HWG MEL team in alignment with the respective HWG project manager. Funding decisions are taken with the management and board.

Final Project Evaluation: Once evaluation data on the intervention's outcomes and impact becomes available, HWG calculates the **evaluative SROI**. This retrospective analysis is based on actual outcomes that can be observed and measured. It estimates the cost-effectiveness ratio of an intervention (i.e. the cost of an additional Euro in household income generated). These ratios can then be compared across interventions to assess which approach achieves the greatest impact per Euro spent. As such, SROI is a key metric to inform future funding and scaling decisions by HWG. The evaluative SROI calculation is shared with the implementing and evaluation partner. Underlying data and assumptions can be discussed but it is HWG's prerogative to decide if suggested changes to the SROI calculation are applied or not. Evaluative SROI is shared publicly. It is a communication tool to inform the HWG board as well as other stakeholders in the coffee value chain about the cost-effectiveness of different approaches aiming to increase the household income of coffee smallholders. It is also used to influence other actors in the sector towards more evidence-based funding decisions. Thus, the target audience for the evaluative SROI also comprises external stakeholders, such as funding organizations, NGOs, private companies in the coffee value chain and government organizations.

2. How to calculate SROI

SROI displays the ratio of project benefits to project costs, measured in present value terms. The numerator sums up the present value of the discounted project benefits generated over a determined time period. The denominator adds up the present value of project costs. SROI below 1 indicates that the project costs exceed project benefits. **SROI of 1 implies that for every EUR 1 invested, EUR 1 of additional household income was created**. Project benefits equal project costs and from an investor's perspective the project breaks even[1].

$$SROI = \frac{Present\ value\ of\ project\ benefits}{Present\ value\ of\ project\ costs}$$

Below, we describe the steps to calculate SROI for a particular intervention.

[1] An alternative calculation is the net SROI. $NET\ SROI = \frac{Present\ value\ of\ project\ benefits - Present\ value\ of\ project\ costs}{Present\ value\ of\ project\ costs}$. A net SROI of 0 indicates that project benefits equal project costs (break-even). A net SROI of 1 implies that project benefits are twice as large as project costs. The different interpretation of SROI and net SROI ratio highlight the importance of clearly documenting and communicating the underlying calculation approach. HWG has decided to use the SROI ratio as stipulated in the main body of the text because (i) it is more intuitive to interpret and (ii) it seems to be the prevalent calculation method used by other organizations in the international development sphere.

Figure 2: Steps to calculate SROI

Step 1: Calculating the present value of project benefits

a. Deciding on outcomes/impacts to include in the project benefits

HWG aims to improve the living conditions of coffee-farming households by funding interventions that improve the households' income situation. Therefore, HWG uses change in household income attributable to the intervention as the exclusive metric to quantify project benefits. HWG acknowledges that many funded interventions generate other forms of financial and non-financial impact, such as social cohesion, improved nutrition, soil health, etc. These impacts can be substantial and when monetized may even exceed the income impact (see for example the SROI calculations of Lind Foundation). While for some of these impact variables conversion factors (to income) exist, these are often based on strong assumptions, complicating SROI calculation and comparison. The many underlying assumptions risk making SROI calculations less transparent and complex to interpret. In our opinion, the calculated SROI values would suggest a pseudo-comparability between interventions that in reality is severely hampered because the SROI values depend on underlying assumptions that may not be uniform across organizations and contexts. **HWG has thus decided not to include those impacts in the SROI calculation but to solely focus on income effects**. This means that, in many cases, the project benefits (in terms of changes in household income) included in the SROI calculation will not reflect the full set of impacts of the intervention. HWG describes other forms of impact in the supporting SROI documentation and takes them into account in funding and scaling decisions.

b. Quantifying project benefits

HWG uses estimates on the **size of the income effect** from project-related or transferable evaluation studies. Depending on the intervention type (e.g. coffee-specific training intervention vs. holistic intervention targeting various household income streams) and the maturity of the implementing partner's M&E system, we employ one of the following three approaches to measure household income:

1. **Household consumption expenditure**

Whenever feasible, household income is measured as **household consumption expenditure** following the rapid consumption methodology (Pape and Wollburg 2019). This approach minimizes seasonal and recall biases and best reflects actual living standards.

2. **Self-reported household income**

As a second-best approach, we construct total household income from **self-reported gross or net earnings from different income streams** of the household. If available, this includes the production value of all agricultural produce (instead of sales revenues) to capture the consumption value of home-produced goods. Self-reported income data may understate or overstate actual household income and are sensitive to recall bias, thus reducing the robustness of the impact estimates.

3. Modeled Income from Intermediate Outcomes

Not all HWG-funded evaluation studies measure changes in total household income or are sufficiently powered to detect change in total household income. If data on household income are not available, we use evaluation data on the change in intermediate outcomes (e.g. adoption status of regenerative practices, coffee yield) to **model the effect on total household income**. We rely on secondary information - such as implementer records, peer-reviewed studies, or expert opinion - to inform assumptions on how changes in intermediate outcomes translate into changes in total household income. All assumptions and data sources are reported and hyperlinked in the SROI documentation.

The choice among these methods directly affects SROI's comparability and credibility. To address this, our SROI documentation always:

- Reports on the evaluation and measurement methodology, along with all underlying assumptions and caveats.
- Presents point estimates alongside lower and upper bounds derived from sensitivity analysis.
- Includes a confidence rating reflecting the robustness of the underlying data.

If available, the point estimate of the impact on household income from evaluation studies is used to quantify project benefits. Where multiple estimates exist, the estimate considered to be the most rigorous is used in the SROI calculation.

> **Example**: In the TNS Sidama evaluation, impact is estimated using before-and-after comparison as well as through a matched difference-in-difference (DiD) approach. We use the DiD estimates for the SROI calculation as they are based on weaker assumptions than the before-and-after results.

Spillover effects are included in the calculation only when they are carefully measured (which is outside the scope of many HWG-funded evaluations) and would also occur when the intervention is scaled up (Dhaliwal et al. 2013, 20).

To inform about the precision of the impact estimates, the SROI documentation reports 95% confidence intervals around the impact estimate. If the impact estimate on household income is precisely estimated (i.e. has a narrow confidence interval) but is insignificantly different from zero at the 10% level, we conclude that the project had no significant impact. In this case, we communicate that the project had no significant income impact and omit SROI calculation. If the reported impact estimate on household income is insignificant but also imprecisely estimated, we look at the estimates for other outcomes included in the evaluation study. If there are significant effects on intermediate outcomes (e.g. best practice adoption, agricultural production, etc.), we revert to modeling changes in household income based on intermediate outcomes.

As most HWG-funded evaluations rely on experimental or quasi-experimental designs, the impact estimates obtained through these evaluations inform us about the change in outcomes/impacts caused by the intervention. Thus, we usually do not have to make any adjustment to account for deadweight. **Deadweight** is a measure of the amount of outcome that would have happened even if the interventions had not taken place (Nicholls 2012, 56). If the evaluation design does not include a credible control group (which could be assigned ex ante or constructed ex post), the SROI calculation needs to model the cash-flow for the counterfactual case and subtract the

discounted counterfactual cash-flow from the project cash-flow. Outcome data for the counterfactual case could be based on historical trend data or national/regional averages of the indicator in question, if available.

In case there is some evidence for displacement/crowding-out effects of the intervention, project benefits should be adjusted accordingly. **Displacement** is an assessment of how much of the outcome is displaced by other outcomes (e.g. increases in agricultural production in the treatment group is driven by participants acquiring agricultural land from non-participants).

Attribution is an assessment of how much of the outcome was caused by the contribution of other organizations or people. Attribution is calculated as a percentage (i.e. the proportion of the outcome that is attributable to HWG). This is only relevant if we know that another intervention targeting similar outcomes has been active in the treatment but not in the control group. If this is the case, the respective stakeholder should be consulted to arrive at a reasonable attribution estimate.

c. Aggregating project benefits and timeframe

We aggregate project benefits over a period of **10 years**. This choice balances two considerations. First, many (agricultural) interventions - especially those involving perennial crops such as coffee – require several seasons before their full impact materializes. Empirical evidence shows that these effects continue delivering returns for several years (IPE Triple Line 2017; Banerjee et al. 2021). Disregarding these long-term impacts would severely underestimate the project benefits. On the other hand, the longer benefits are projected, the more likely it is that the outcome will be affected by other factors, and the less credible it is to claim that the effects can be attributed to the intervention under consideration (Nicholls 2012, 43). If the roll-out of the intervention is staggered (e.g. different cohorts enter the project at different times over the course of the project), project benefits are still aggregated over a period of 10 years counting from the start of each cohort.

To model how benefits evolve within this 10-year window, we apply **drop-off rates** that account for dynamic treatment effects. Benefits may grow—for example, when households reinvest early gains productively in land, education, or new enterprises (flywheel effect)—or erode as participants revert to former practices or as control groups converge. As most evaluations provide impact estimates for only a few points in time (typically midline and endline), we incorporate any external evidence that documents impact trajectories beyond the evaluation window. In the absence of such evidence, we assume that project benefits remain constant in magnitude from the last observed estimate onward.

> **Example**: The Triple Line evaluation estimates the effects on coffee yield and price of TechnoServe's coffee training program in East Africa four years after completion of the program (IPE Triple Line 2017). The evaluation concluded that 63% of the improvement in practice adoption achieved by the end of the program period remained five years later. Assuming the decay in farmers' practice adoption is linear implies an annual decay of 7.3% of the initial improvement (Hoffmann et al., 41). As the endline was conducted one year after the end of the training, we multiply the estimated impact by 1.073 to obtain the estimated impact immediately after the program had ended. The difference between the immediate post-program impact and impact one year later is then subtracted to obtain the expected impact for each year going forward.

The aggregate benefits (present value) of the program can then be calculated as:

$$Total\ benefits\ of\ the\ program = \sum_{n=0}^{N=10} \frac{B_n}{(1+r)^n} \times population\ size$$

Where

- N is the number of years in the analysis, i.e. 10.
- B represents the additional benefits in terms of additional income per household in each year
- R is the discount rate, i.e. 10%.

Impact estimates must be scaled to the appropriate population. That is, Treatment of the Treated (ToT) estimates are multiplied by the number of households that actually received the intervention, while Intention to Treat (ITT) estimates are multiplied by the number of eligible households that were offered treatment. Irrespective of which estimator is used, costs are always aggregated across the entire target population (Dhaliwal et al. 2013, 21).

Step 2: Calculating project costs

When deciding which costs to include, the goal is to show what an intervention would cost if it were replicated, and to facilitate more general comparisons across projects. Accordingly, we include only **marginal costs**—the additional expenses that an implementing partner must incur to add this intervention to its portfolio or to expand an existing one. In other words, only the additional costs needed to implement the intervention that produced (or will produce) the estimated impacts are included (JPAL NA, 2). This implies that some of the implementer's fixed costs may not be included in this calculation. It is important to consider the counterfactual - the starting situation against which the program is being compared - and to think about what the additional costs are of running the intervention. Core overheads that would be incurred regardless of the project are therefore excluded unless the intervention requires demonstrable scaleup of those functions. For instance, the implementer may have to estimate the amount of time key staff in the head office has spent on project-related activities. If project-specific costs cannot be separated, a practical ceiling of 10% of total incremental cost may be allocated to fixed or headquarters overheads when these are demonstrably linked to the intervention. This figure aligns with prevailing donor policies - e.g. U.S. Uniform Guidance and Gates Foundation cite up to 15% (U.S. National Archives and Records Administration 2025; Bill & Melinda Gates Foundation 2017, 3) and mirrors average indirect cost shares reported by large NGOs (CARE and Oxfam GB show overhead shares at or below 10%).

We exclude any **costs of conducting an external evaluation** or adhering to a research design. For instance, it may be necessary to break up data collection costs to separate program operations in a non-research setting (i.e. standard monitoring of the intervention) from data collection done for a randomized evaluation. The rationale behind this is that these costs would not be incurred when replicating/scaling the intervention. The distinction between implementation and evaluation costs may be blurry when implementers collect data that serve both operational management and external evaluation. Ideally, only the incremental share attributable to research is treated as an evaluation cost and therefore excluded; the remainder is considered an implementation cost and included in the denominator. To separate out fractions of the resources used for the program, case-by-case rule of thumb' split calculations have to be made.

Whether or not to include the **costs of pilots** conducted within the project in the cost estimate needs to be decided on a case-by-case basis. Such costs are included when (i) the pilot has been

or is planned to be rolled out at scale, or (ii) credible quantitative or qualitative evidence indicates that the pilot contributed significantly to the change in household income measured in the evaluation.

We likewise exclude averted costs and user costs. **User costs** include costs incurred by program participants, such as the cost to travel to meetings/trainings or the opportunity cost of participants' time while attending such meetings. As most HWG-funded projects demand only modest participant input, and because assigning a credible monetary value to smallholder labor requires strong assumptions, these costs are normally disregarded. Where participant contributions are sizeable—either in money or in time—they may be incorporated through sensitivity analysis, using either average local wage rates or average household income in the treatment and comparison groups to estimate the cost of users' time spent on the project.

Averted costs include the costs that were replaced or discontinued as a result of the intervention. An example in HWG-funded interventions may be the cost of (synthetic) pesticides for a farming household that may become obsolete due to training in and adoption of integrated pest and disease management. As with user costs, we believe that the amount of these costs hinges strongly on the underlying assumptions, and we expect these costs to not be a significant factor in most interventions. Any single user- or averted cost category is incorporated in sensitivity analysis only when it exceeds 5% of total incremental project cost.

Goods and services provided for free to the implementing partner (such as staff secondments, donated inputs, non-profit software licenses) need to be included in the project cost estimate. Even if the intervention as evaluated did not assume these costs, goods and services provided for free were still necessary to implement the intervention. It is important to include these items in the list of cost ingredients so that others who wish to replicate or scale the intervention know what would be required. The market value of such free goods and services should be included in the cost estimate as we cannot assume the same goods and services would be donated when replicating the program in another context or scale (JPAL NA, 3).

It is also important to track **in which year project costs incurred**. This will allow us to ensure that all costs are expressed in the same currency units in the base year (see next chapter for more details). To the extent possible, project costs should be displayed by components (e.g. training, self-help groups, etc.) or treatment arm. This will allow us to compare the cost-effectiveness of different interventions within and across projects.

Step 3: Adjusting for inflation and discounting

Adjusting for the base year of the program: The **base year** is the year in which significant project expenditures are first incurred, even if direct field activities start later. Any cash flows reported in terms of the year in which they were incurred (i.e. in nominal values) must be deflated back to their real value in base year local currency unit (LCU), to account for the fact that inflated prices may make later project costs or benefits appear larger even if they are identical in real terms (Dhaliwal et al. 2013, 42).

Discounting: When an intervention's costs and impacts are distributed across time, it is necessary to discount them back to their present value in the base year of the program to account for an organization's time preference for both costs and benefits. There is no universally applicable real discount rate in the literature. The discounting of costs is representative of the choice a funder faces between incurring costs this year, or deferring expenditures to invest for a year and then incurring costs the next year. Money has a higher value today than it will in the future, as it can be invested and earn interest. The discount rate reflects this time value of money and makes it possible to convert future income and costs into the present value. A higher discount rate can be

used to reflect the risks inherent to agricultural projects in developing countries (such as climatic changes, market fluctuations and political instability), while lower rates consider the social benefits and long-term environmental benefits.

We use the **social opportunity cost of capital (SOC)** as the standard discount rate in SROI analysis, in part because the high variation and scarce data on time preference in the developing world makes it impossible to use people's social rate of time preference to establish a standard discount rate. Looking at the median discount rate, calculated based on the SOC, across countries suggests that a discount rate between 10-12% is a reasonable rate for discounting the costs and benefits of rural livelihoods programs in developing countries (Dhaliwal et al. 2013, 40). We **set the discount rate to 10%** to ensure consistency across all SROI calculations. It follows the discount rate standards set by the World Bank and Millennium Challenge Corporation (Zhuang et al. 2007, 20). With this discount rate we also account for the lower confidence in the durability of project benefits given the inherent climate/weather risks in agricultural production as well as market and political instability in Ethiopia and Uganda. Given the week-to-week and year-to-year subsistence needs of smallholder households in Ethiopia and Uganda, we believe 10% is also a fair reflection of farmers' need to prioritize short-term results over long-term benefits. This 10% rate means that we value increasing income today 2.5 times more than the same income ten years from now (GitLab Foundation 2024). We acknowledge that some organizations (e.g. GiveWell, Bill & Melinda Gates Foundation, Copenhagen Consensus Center) use lower discount rates of 3-5%. Therefore, the SROI calculation always includes **sensitivity analysis using 0%, 5% and 15%**. In practice, project benefits and costs may start to occur at different points of time. To avoid using different discount rates for project benefits and costs, we discount back to the base year when project costs start to occur.

Adjusting for the year of analysis: We adopt **2021 as the common year of analysis** for all SROI calculations. Using a single reference year avoids spurious differences caused by inflation when comparing projects that began in different calendar years (Dhaliwal et al. 2013, 38). We selected 2021 as year of analysis because it aligns with the latest international poverty line and purchasing power parity (PPP) update (World Bank Group 2025). Once the present value of project benefits and costs have been calculated from the perspective of the base year, it is usually necessary to inflate these figures forward to reflect values in the year of analysis. Cash flows are converted to constant 2021 LCU using the GDP deflator. We use GDP deflators rather than consumer price indices as the measure of inflation, since they cover a wider range of goods and services of the kind used in most anti-poverty programs (Dhaliwal et al. 2013, 42). Finally, we convert amounts into EUR at the 2021 standard (i.e. market) exchange rate. On average, there should be no difference between converting local currencies to Euro and applying the Euro inflation rate versus applying the local inflation rate and then exchanging currencies. In practice, exchange-rate movements do not always track relative inflation – an issue that is particularly acute in Ethiopia's managed float-regime. For this reason, we have chosen to first use the local inflation rates and then convert local currency to EUR.

Table 1 summarizes the order of operations to harmonize project benefit and cost units.

Table 1: Order of operations to harmonize project benefit and cost units

Step	Operation	Unit of currency (e.g.)	Calculation	Source
1	Deflate nominal benefits and costs back to real value in base year prices, using annual local inflation rates (GDP deflator) for time elapsed between base year and incurrence of benefits/costs	2018 ETB	nominal value/(GDP deflator$_{\text{current year}}$/GDP deflator$_{\text{base year}}$)	IMF World Economic Outlook Database (https://www.imf.org/en/Publications/WEO/weo-database/2025/april/weo-report?c=644,&s=NGDP_D,&sy=2017&ey=2030&ssm=0&scsm=1&scc=0&ssd=1&ssc=0&sic=0&sort=country&ds=.&br=1)
2	Take the present value of this cash/cost stream using a 10% real discount rate	PV of the benefit/cost stream in 2018 ETB	real value/ (1+0.1)$^{\text{current year-2018}}$	
3	Inflate forward to year of analysis (2021), using average annual local inflation rate over time elapsed between base year and year of analysis	2021 ETB	nominal value/(GDP deflator$_{\text{base year}}$/GDP deflator$_{2021}$)	IMF World Economic Outlook Database (https://www.imf.org/en/Publications/WEO/weo-database/2025/april/weo-report?c=644,&s=NGDP_D,&sy=2017&ey=2030&ssm=0&scsm=1&scc=0&ssd=1&ssc=0&sic=0&sort=country&ds=.&br=1)
4	Exchange into EUR using the 2021 end of year standard exchange rate	2021 EUR	Discounted real value*exchange rate	OANDA end of year exchange rate: https://www.oanda.com/currency-converter/en/?from=ETB&to=EUR&amount=1

Step 4. Sensitivity Analysis

Sensitivity analysis addresses uncertainty in the SROI estimate that stems from assumptions used in the analysis (e.g. discount rate, time horizon, variables used when modelling project benefits). It explores how robust the SROI ratio is by adjusting variables in the calculation. We do standard sensitivity analysis for the following variables:

- Discount rate (0%, 5%, 15%)
- Lower and upper bound impact estimates based on the 90% confidence intervals around the impact point estimates

In the calculation we can also show how much the value of a key variable needs to change to achieve a certain SROI (e.g. an SROI of 1 to indicate break-even). This can be implemented with the Goal Seek method in Microsoft Excel. The tool is found under Data > What-If Analysis. "Set cell" is the cell that contains the calculated SROI value, "To value" specifies the desired SROI value (e.g. 1), and "By changing cell" refers to the cell that contains the variable under consideration.

The greater the required change, the less sensitive the SROI is to changes in the variable under consideration.

3. Interpretation and communication

As SROI is a complex tool which can be applied in various ways – and manipulated, accordingly – transparent communication of our approach is key. As soon as we communicate SROI values to external stakeholders, we should publish the underlying calculation and context information accordingly. This applies for both forecast as well as evaluative SROIs.

For evaluative SROI calculations, HWG aims to publish an SROI report. This report should contain the actual calculation file in excel as well as supporting documentation and interpretation, providing contextual information to allow for SROI comparisons across interventions. The cover sheet of the HWG SROI templates outlines additional variables that we report on. Among these variables is the net present value (NPV). To calculate the NPV the discounted costs and benefits paid or received in different time periods need to be added up. The NPV is calculated by deducting the value of the investments (project costs) from the present value of benefits:

$$NPV = [Present\ value\ of\ benefits] - [Value\ of\ investments]$$

To extract most value from the SROI exercise, we should share insights and learnings beyond cost-effectiveness of the intervention, e.g., most relevant impact levers and knowledge gaps.

4. Outlook: areas for further refinement and improvement

HWG continuously improves its SROI methodology. Topics that are currently under discussion include the following:

a) How can we better reflect the level of uncertainty of HWG's (forecast) SROIs?

Especially forecast SROIs display differing but often significant levels of uncertainty about the impact that each of the interventions can achieve. Right now, this is reflected in qualitative ratings of the **level of certainty** and the **methodological rigor** of the evaluation in the summary sheet of the SROI calculation file[2] and the sensitivity analysis. Further approaches currently studied are to (i) calculate expected value of interventions based on best available evidence with internal/external validity adjustments, (ii) use Monte Carlo simulations to account for the statistical uncertainty in impact estimates, and (iii) presenting an interval rather than a point estimate for SROI.

b) What adjustments are necessary to improve comparability of SROI estimates across interventions

Comparing the impact and cost-effectiveness of interventions across different target populations, timelines, maturity levels, and levels of certainty about the impact presents a fundamental challenge. Interventions targeting disadvantaged/vulnerable target groups, such as ultra-poor households or female-headed households, may lead to modest income improvements, even if these changes are highly significant relative to the households' starting points. Thus, next to absolute changes (total measurable income increase) relative improvements (percentage-based gains) should be considered. Currently, we report the relative increase in total household

[2] The level of certainty is rated as low, medium, or high depending on the data quality, precision of impact estimates, as well as the evidence on assumptions used in the calculation. Methodological rigor is rated as fair, good or excellent, based on the evaluation design and its ability to support strong causal interference.

income in the SROI calculation. We further investigate what additional adjustments can be made to increase the comparability of SROI estimates across interventions without substantially increasing the complexity of the method.

c) Should we include other monetary indicators of economic impact in the SROI calculation?

Some HWG-funded interventions also contribute to increased household wealth (assets and savings). Positive changes in household wealth are an important dimension of economic impact as well as household resilience. At the same time, assets are difficult to measure consistently across contexts and their valuation is complex. We are currently investigating if and how changes in assets should be included in the SROI calculation.

The HWG Impact Map defines an **increased** and **more stable** household income as objectives towards improved living conditions of coffee-smallholders. We need to analyze how we want to assess changes in the latter dimension in evaluations and whether we want to include this in the SROI calculation

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