DCED
Donor Committee for Enterprise Development

Synergies between the DCED Standard and Corporate Sustainability Reporting

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More development programmes are engaging with businesses (beyond SMEs that have been the primary focus). The ability to interpret and translate between development and business tools is increasingly important. Sustainability reporting communicates how a business manages their economic, environmental and social performance. Reports communicate the issues that a business considers important, how they manage these issues and how they are performing against each issue. This note identifies synergies between the DCED Standard for Results Measurement (the Standard) and the most commonly used corporate sustainability reporting initiative, the Global Reporting Initiative's Reporting Standards. [1] Each tool originated in different communities - the Standard in the international development community while the GRI was established by US non-profit organisations and the UN Environment Programme and Reporting Standards developed through a multi-stakeholder process.[2]

The **DCED Standard for Results Measurement (Standard) is a framework that helps organisations and programmes manage for impact**. Since 2008, more than 150 development programmes, who have a specific goal to create positive economic and social benefits for poor and disadvantaged persons, have used it to design and implement systems to collect, analyse and use impact information.

The **Global Reporting Initiative (GRI) maintains and promotes sustainability reporting standards** (GRI Sustainability Reporting Standards or GRI Standards). The GRI Standards are a set of modular reporting standards that can be used by businesses to report about their impacts on the economy, the environment, and society. There are three universal standards, used for all organisations, and 33 topic-specific standards, organised into economic, environmental and social categories, where businesses select the topics are most important to them.

Audience: This note is for development practitioners familiar with the DCED Standard who are also engaging with medium, large and multi-national businesses who use the GRI Standards. The note may also help businesses using sustainability reporting better understand bilateral and multilateral agencies expectations' around results measurement. In both cases, the aim is to develop cost-effective stream-lined measurement, management and reporting systems.

The Linkages

The GRI reporting standards most directly relates to the Standard component 6. However, to produce a quality report Components 1, 2 and 3 are important.

1. **Articulating the results chain**
2. **Defining indicators of change and other information needs**
3. **Measuring attributable change**
4. Capturing wider changes in the system or market
5. Tracking costs and impact
6. **Reporting costs and results**
7. Managing the system for results measurement.

[1] The GRI Reporting Standards are the most common reporting standard. Other sustainability reporting initiatives include Sustainability Accounting Standards Board (SASB), predominantly used by US businesses (and structured according to sectors), and the International Integrated Reporting Council's (IIRC) integrated reporting (IR) framework. More information about these and other standards can be found here.

[2] More about GRI's history can be found here.

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Different drivers for measuring and reporting: The two communities have different drivers for measuring and reporting results.

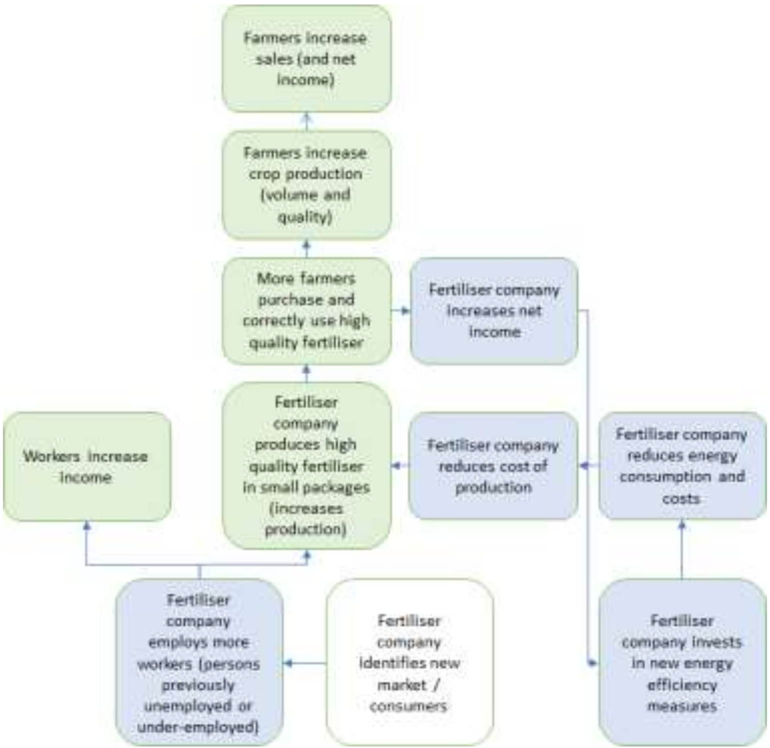
	The DCED Standard for Results Measurement	Sustainability Reporting[3]
Internal	To inform management, strategy and design new or adapted activities	To manage risks and cost of business operations To increase access to capital To increase competitiveness
	Driver: impact management	Driver: risk management
	Focus: Programme outputs, immediate and intermediate outcomes	Focus: Business' activities and their immediate outputs
External	Purpose: To ensure accountability of programmes to funders	Purpose: To ensure transparency and accountability of businesses to shareholders and public
	Drivers: Funders (bilateral donors; development organisations)	Drivers: Regulators, capital markets
	Focus: outputs and social and economic outcomes	Focus: Immediate focus on commercial outputs; increasing focus on economic, environment and social outcomes

To illustrate the different perspectives, GRI 414-2 concerns the *negative social impacts in the supply chain and actions taken*. Reporting requirements include the number of suppliers assessed for social impacts, the number and % of suppliers identified as having significant actual and potential negative social impacts and describing the impacts in the supply chain. In contrast, to the GRI Standards risk management approach, the DCED Standard, firstly, focuses on understanding the positive social impacts created and secondly, negative social impacts to reach conclusions about net impact.

Synergies

The strongest synergies between the two tools arises where:

- Large or multi-national businesses that have an explicit strategy to create positive social impact through their core business activities by integrating the poor as consumers, distributors, suppliers or employees (using inclusive business models) for part or all of their operations. Businesses that are purposively established 'social enterprises', that is commercial organisations that have a specific social objective as their primary purpose could also use the tools but may be less likely to due to their size.
- Development programmes are focused on improving businesses' responsible business practices. Over the last five years, there have been an increasing array of donor-funded initiatives with this explicit purpose;
- Businesses and development programmes are focused on environmental rather than social impact.



The diagram above provides a simplified illustration of the interlinkages between sustainability and development impact objectives in a company with an inclusive business model. The blue boxes are the types of changes most often covered in sustainability reporting while the green boxes reflect the types of

[3] Adapted from GRI and BCtA (2016: 15)

outcomes most often measured by programmes using the DCED Standard. However, there will be times when a programme or business may measure and report all of the types of changes depicted here.

The following section explores in more detail key intersections between the DCED Standard and GRI Standards, using the components of the DCED Standard highlighted in Section 1.

	DCED Standard	GRI Reporting Standards
Strategy to achieve sustainable outcomes	Using a results chain, programmes are required to clearly 1) identify the short to long term positive changes they would like to see and who experiences them; 2) describe the actions programmes will implement to trigger these changes, and 3) explain how and why the actions are expected to lead to the positive changes.	Businesses are required to report the relevance of sustainability and its strategy for addressing sustainability. Businesses select topics that are most important to them. Sustainability reports do not typically require businesses to outline a strategy that explains how the business' actions are expected to lead to short, medium and long-term changes and what assumptions have been made.
Performance indicators	Quantitative and qualitative performance indicators must be developed for each change in a results chain. These must include the products and services produced (called outputs) as well as the short to long-term changes that result from the products and services produced (the outcomes and impacts). The indicators must be adequate to understand different aspect of the change: what, how, when, how much and why, and changes over time.	The choice of material topics guides the selection of GRI reporting standards. Material topics most often relate to a business' internal operations and many quantitative indicators used in sustainability reports are indicators of outputs. e.g. number of hours of training, which are tangible and easy to measure
Measuring changes	Users are required to outline their plans for measurement, conducting data collection and analysis including assessing the extent the changes are attributable to the programme.	Not required to outline how data for each of the reporting standards should be collected and analysed. Users are required to describe the business' involvement in relation to the impacts reported – did they cause them? Did they contribute to them? Or is the business directly linked to the impact through its business relationships.
Reporting	Requires an annual report that describes results and expenditure. The report must provide enough quantitative and qualitative information on progress, achievements, and explanations on how, why and for whom changes occurred. It must also explain where other organisations have contributed to the reported changes. The report should have a clear purpose and not just be an end-in-itself, e.g. enhance funders understanding of progress and enable a board to manage performance risks.	Businesses may either produce a core or comprehensive report: 1) Core. a report contains the minimum information needed to understand the nature of the organisation, its material topics and related impacts, and how these are managed; 2) Comprehensive. a report that requires additional disclosures (building on the core) on the organisation's strategy, ethics and integrity, and governance. In addition, the organisation is required to report more extensively on its impacts by reporting all the topic-specific disclosures for each material topic covered by the GRI Standards. Each reporting standard outlines requirements, recommendations and guidance. GRI 101: Foundation sets out principles for report content (stakeholder inclusiveness, sustainability context, materiality and completeness) and quality (accuracy, balance, clarity, comparability, reliability, timeliness).

1. Articulating the results chain

The DCED Standard's first component, *Articulating the Results Chain*, asks programmes to clearly 1) identify the short to long term positive changes they would like to see and who experiences them; 2) describe the actions programmes will implement to trigger these changes, and 3) explain how and why the actions are expected to lead to the positive changes. For programmes using the DCED Standard, common changes may include net increased income for workers, reduced cost of production inputs, e.g. fertiliser, seeds. This information is used to create a **results chain** diagram that describes each change, and shows the relationship between actions and changes. Results chains are also called *impact maps, impact logics, change pathways or theories of change*. To put this into business language, these become the material actions, changes and assumptions that a development programme wants to track over time, so that it can manage its impact. A results chain typically only covers the activities (or intervention) that a programme and business are working on together.

Sustainability reports do not typically require businesses to outline a strategy for creating positive impact in the same way the DCED Standard does, that is using a comprehensive integrated results chain (diagram or narrative) that explains how the business' actions are expected to lead to short, medium and long-term changes and what assumptions have been made[4]. Businesses using the GRI Standards are required to report the relevance of sustainability and its strategy for addressing sustainability (GRI 102-14). Development practitioners may be able to use sustainability reports to tease out the components of a results chain.

The basis for sustainability reports are the materiality assessments that businesses use to decide which topics are most important to report. However, their focus tends to encapsulate more of the businesses work than the DCED Standard focuses on. The assessment is driven from a risk identification and mitigation perspective. For GRI, material topics 1) have significant economic, environmental or social impacts (where the business is involved); or 2) substantively influence the assessments and decisions of stakeholders (such as shareholders, employees, workers, suppliers, local communities among others).[5] Material topics most often relate to a business' internal operations, e.g. anti-corruption, energy consumption, diversity and equal opportunity, rather than the external environment, e.g. consumers' well-being.

Once material topics are identified, businesses' then identify the relevant reporting standards (see next section).

2. Defining indicators of change

The DCED Standard requires programmes to develop quantitative and qualitative performance indicators for each change in a results chain. These must include the products and services produced (called outputs) as well as the short to long-term changes that result from the products and services produced (the outcomes and impacts). The indicators must be adequate to understand different aspect of the change: what, how, when, how much and why, and changes over time. The DCED provides guidance on developing indicators, but does not mandate the use of particular indicators.

The choice of material topics guides the selection of GRI reporting standards. For instance, if energy costs are material then the standard for energy consumption (GRI-302) may be selected. Material topics most often relate to a business' internal

[4] Integrated reporting requires businesses to articulate their value over the short, medium and longer term and demonstrate how sustainability issues are integrated with the business' strategy and activities. This link to strategy differs from the level of requirement under the GRI Standards. GRI, IIRC and other corporate and sustainability reporting initiatives have been working together to demonstrate the linkages between the various standards. More information can be found here.

[5] Organisations using the GRI Standards may not necessarily directly aim to positively impact poor and disadvantaged persons or communities.

operations and many quantitative indicators used in sustainability reports are indicators of outputs, e.g. number of hours of training, which are tangible and easy to measure. Topics related to the business' external environment, e.g. consumers' well-being, are less common. Most poverty-related reporting standards used by business' relate to their philanthropic activities (e.g. employee volunteer programmes; charitable donations) and community engagement (e.g. community consultations collecting feedback, priorities and complaints, funding programmes to strengthen core services such as access to health facilities or enhancing the local environment such as wildlife conservation)[6].

Inclusive businesses are more likely to collect outcome-related information because activities that create social impact are integrated into business operations. Some businesses are increasingly collecting data to inform product and service design, strategy and business development, and better understand customer satisfaction[7]. Currently, few businesses report contributing to poverty via innovative new approaches to businesses, such as new products and services to low income customers, inclusive value chains and stimulating growth in micro and small enterprises[8].

Linkages between the common private sector development programme impact indicators and GRI Standards

Programmes and organisations select indicators relevant to the changes they want to see. GRI 203-1 and 203-2 may be most linked to development impacts. GRI 203-1 focuses on impacts on communities and local economies from significant infrastructure investments and services supported while 203-2 focuses on indirect economic impacts that include:

- economic development in areas of high poverty (such as changes in the total number of dependents supported through the income of a single job);
- economic impacts of improving or deteriorating social or environmental conditions (such as changing job market in an area converted from small farms to large plantations, or the economic impacts of pollution);
- availability of products and services for those on low incomes (such as preferential pricing of pharmaceuticals, which contributes to a healthier population that can participate more fully in the economy; or pricing structures that exceed the economic capacity of those on low incomes);
- number of jobs supported in the supply or distribution chain (such as the employment impacts on suppliers as a result of an organisation's growth or contraction);
- stimulating, enabling, or limiting foreign direct investment (such as when an organization changes the infrastructure or services it provides in a developing country, which then leads to changes in foreign direct investment in the region);
- economic impacts from the use of products and services (such as economic growth resulting from the use of a particular product or service);
- changes in the productivity of organisations, sectors, or the whole economy (such as through greater adoption of information technology).[9]

This section illustrates how the three impact indicators (net additional jobs created, net income, scale) commonly used by private sector development programmes correlate, directly or indirectly, to specific GRI Standards. Programmes should review the GRI standards to identify those most relevant to their programme or interventions with businesses.

[6] On Poverty. GRI, 2016
[7] BCtA, 2016
[8] On Poverty. GRI, 2016

[9] This last indirect economic impact relates to DCED Standard Component 5 on measuring systemic change.

Net additional jobs created: A sustainable net change in the number of full-time equivalent jobs created for the target group as a result of the programme, per year and cumulatively. "Additional" means jobs created minus jobs lost.
FTE is calculated based on an assessment of full-time, part-time, casual, seasonal, formal and informal jobs (See more DCED guidance here). It may include jobs created directly e.g. in a business that a programme is working with, or indirectly, in one of the business' suppliers. The inclusion of informal jobs is particularly important when working in emerging and development economies. Two billion people or over 61 % of the world's employed population make their living in the informal economy. Most of these people (93%) are in emerging and developing countries, with Africa having higher levels of informal employment than Asia and the Pacific.[10] Under GRI 102-8, businesses report employee numbers by contract type and employment type while GRI 401-1 includes on the number of new hired employees.[11] The GRI Standard: • focuses on formal employment although recognises the issue of informal employment in 102-8d; • does not require information on the changes across reporting periods (e.g. comparing changes from a baseline to current reporting period); • does not disaggregate who has benefited e.g. poor or underserved populations. GRI guidance recommends disaggregating data by sex. If businesses wish to assess their contribution to job creation for poor and disadvantaged persons they should: 1) collect data and assess formal and informal employment, 2) disaggregate between jobs created for individuals in different socio-economic brackets; 3) compare changes year after year.
Net income: A sustainable net change in income (additional sales minus additional costs) accrued to the target group as a result of the programme per year and cumulatively
Net income includes wages, salaryand revenue from sales. Focusing only on wages and salary misses the importance of other sources of income for many people in developing and emerging economies who work in the informal sector. There is no direct equivilent GRI Standard. However, data collected under GRI 201-1, 204-1, 203-1 and 414-2 may provide some relevant data to measure net income. Under GRI 201-1, businesses report economic value distributed, which includes employee wages and benefits as well as other 'values' such as tax paid (payment to government) and community investments. Businesses who report against GRI 201-1 could use the data collected on employee wages and benefits. GRI 414-2 concerns the social impacts in the supply chain. While the focus is on negative impacts, an assessment of negative impacts implies there has to be an understanding of positive social impacts to understand the negative. Reporting requirements include the number of suppliers assessed for social impacts, the number and % of suppliers identified as having significant actual and potential negative social impacts, one of which may relate to income. Measuring this may enable a business to efficiently also assess the number of % of suppliers that have experienced significant actual positve social impacts, to then be able to determine the net impact.
Scale: Number of members of the target group who realise a financial benefit as a result of the programme's activities per year and cumulatively
Data collected under the GRI 401-1 (new hires) and 414-2 (suppliers with increased net social impact) is relevant to measuring scale. However, financial or economic benefits may also be captured through GRI 203-1and 203-2.

[10] ILO, 2018
[11] Each reporting standard contains additional aspects not mentioned here.

3. Measuring attributable change

Component 3 of the DCED Standard outlines requirements for the measurement of the indicators. This includes planning for measurement, conducting data collection and analysis including assessing the extent the changes are attributable to the programme. It does not specify the methods that should be used, but refers to 'using good practice' or ensuring: methodological validity, transparency and appropriateness; triangulation; and sound data collection methods including using competent staff and quality assurance processes.[12]

GRI requires reports to be: accurate, balanced, clear, comparable, reliable, and timely. To achieve this, these principles must be integrated into data collection processes. The GRI Standards do not specify how data for each of the reporting standards should be collected and analysed. GRI 103-1 requires reporters to describe the business' involvement in relation to the impacts reported – did they cause them? Did they contribute to them? Or is the business directly linked to the impact through its business relationships.

4. Reporting costs and results

Both standards consider reporting important. There are two key differences:

1) The DCED Standard provides a framework of key elements to help organisations design and manage measurement systems. Reporting impacts is an activity that comes after organisation has developed a clear picture about the impact they would like to create, and have measured the impact. In comparison, the GRI Standards emphasise what to report, how to report, and the quality of reporting. To produce a meaningful report, an organisation needs to understand what it is trying to achieve, decide what and how to measure these changes – that is it needs a results measurement system.
2) The DCED Standard recommends publishing impact reports but this is not a mandatory requirement. For the GRI, disclosure to stakeholders is a fundamental principle. Stakeholders may include investors, customers and suppliers.

The DCED Standard (Component 6) requires a programme to produce an annual report that describes results and expenditure. The report must provide enough quantitative and qualitative information on progress, achievements, and explanations on how, why and for whom changes occurred. It must also explain where other organisations have contributed to the reported changes. The report should have a clear purpose and not just be an end-in-itself, e.g. enhance funders understanding of progress and enable a board to manage performance risks. The Standard also recommends reports include: 1) impact on gender; and 2) systemic changes, that is changes for businesses and poor and disadvantages persons the programme is not working with directly; and are published. The Standard does not specify the detailed contents of the report. However, programmes are expected to provide information on intended results and actual results that are produced through actions under Components 1 – 4.

The GRI Reporting Standards are more detailed, with each standard outlining requirements, recommendations and guidance. GRI 101: Foundation is the starting point for using the set of GRI Standards. It sets out principles for report content (stakeholder inclusiveness, sustainability context, materiality and completeness) and quality (accuracy, balance, clarity, comparability, reliability, timeliness). To produce quality reports, it is necessary to ensure quality at earlier steps in the process, such as data collection and analysis. The DCED Standard incorporates quality issues into Components 1-4.

[12] DCED guidance on good practices can be found here.

Under the GRI Standards, businesses may either produce a core or comprehensive report:

- *Core. a report contains the minimum information needed to understand the nature of the organisation, its material topics and related impacts, and how these are managed.*
- *Comprehensive. a report that requires additional disclosures (building on the core) on the organisation's strategy, ethics and integrity, and governance. In addition, the organisation is required to report more extensively on its impacts by reporting all the topic-specific disclosures for each material topic covered by the GRI Standards.*

GRI also specifies criteria that businesses must meet to claim a report has been prepared in accordance with the GRI Standards.

Conclusion

The DCED Standard and GRI Reporting Standards were developed in different settings and have differing underlying purposes. However, there are some similarities between the principles underpinning the DCED Standard and GRI Reporting Standards, such as transparency and accountability.

Different organisations and fields use different measurement, management and reporting tools. These are often influenced by the business owners' vision and their funders and/or investors requirements. At times different stakeholders may request that specific approaches and tools are used, which can burden programmes and businesses. Since implementation of the DCED Standard or GRI Reporting Standards require effort and resources to use, it is important that synergies are identified to minimise duplication of data collection, analysis and reporting and mitigate duplication and overburdening teams.

While a full-integration of the two tools is unlikely, it is highly possible that data collected for one tool could also serve the purposes of the other. Understanding the linkages seems most relevant for development programmes working with multi-national companies and national businesses, who are part of MNC value chains. Overtime, it is expected that a more diverse range of businesses in developing countries will adopt reporting standards. [13] Understanding linkages is likely to be less useful for traditional private sector development programmes working with MSMEs.

For more information about the Standard, click here for resources or email admin@enterprise-development.org.

The **Donor Committee for Enterprise Development** is a forum for learning about the most effective ways to promote economic growth and reduce poverty in developing countries through building private enterprises. Strategies to build private enterprises include working with businesses directly, with membership organisations that represent businesses, or advocating and developing policy and regulatory change to stimulate functioning, competitive markets that create benefits for all people. These strategies are generically referred by the international development industry as 'private sector development'. DCED members are public, private and multilateral organisations, which fund and support private sector development.

[13] For example: see Australia DFAT support to GRI in Asia-Pacific here and UK DFID's support to a range of partners across a range of responsible business approaches here.