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UNIFIED DEFINITION OF SOCIAL IMPACT FOR BLOCKCHAIN SECTOR

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Introduction

New technologies have always had an impact on societies, economies, and individual behaviour. Take the commercialisation of cars in the early 20th century: this development affected how we travel, design cities, and trade, impacting the whole supply chain of products and services. At the beginning of this millennium, the internet and the world wide web revolutionised communications and connections, facilitating access to information and people from anywhere around the world and forever changing how humans consume, produce and transfer information.

New technologies such as artificial intelligence, the Internet of Things (IoT), and distributed ledger technologies (DLT, the most well-known example of which is blockchain) are leading the next wave of innovations that are changing the world. Accordingly, it is logical to also consider the potential social impact of these technologies and the 'smart networks' they have helped create. This paper intends to propose a definition of social impact to unify how blockchain projects refer to it and showcase some blockchain use cases. The desired result is that a common understanding of social impact will, in turn, facilitate the ability of blockchain projects to monitor and showcase impact for purposes such as obtaining funds.

Background

The Social Impact and Sustainability Working Group (SISWG) of the International Association for Blockchain Applications (INATBA) works to identify tools and frameworks for tackling global challenges and ensuring a prosperous, sustainable, and equitable world for future generations. Most efforts of the Working Group have been focused on identifying projects that generate social impact and address the 17 UN Sustainable Development Goals (SDGs) (United Nations, 2015) through blockchain/DLT applications.

In September 2021, SISWG published a report named Blockchain for Social Impact, based on a survey of 69 DLT projects that address the SDGs (de la Roche et al., 2021). The survey was conducted with the purpose of understanding the challenges and opportunities faced by DLT projects when addressing SDGs. The report concludes that three major challenges faced by DLT projects when working on social impact are:

1. A lack of interoperability among the different protocols.

2. Access to funds to finance the implementation of their projects or scaling their solutions.

3. A lack of a unified framework to measure impact.

Additionally, the findings demonstrate that at least half of the projects were using their own system to measure impact, while 70% looked for support in designing frameworks to measure their impact. The report also finds that 87.9% of the projects considered SDGs at the ideation level. This demonstrates the potential and willingness of projects using blockchain and other DLTs to tackle social issues and contribute to fulfilling the SDGs through these technologies. As indicated by the report, a unified framework for measuring social impact would help these projects focus their efforts on scaling their work and generating broader impact rather than designing their own frameworks to measure impact. Moreover, a shared understanding of social impact and measurement would facilitate reporting to stakeholders to obtain funds, which would enable the organisations to focus more of their efforts on the project itself.

The generation of capabilities for impact measurement in small and medium-sized projects (less than 250 employees) becomes even more relevant considering that the EU Corporate Sustainability Reporting Directive (CSRD) highlights that, in the financial year 2026, listed SMEs will need to start to comply with CSRD and disclose their sustainability activities (Directive 2013/34/EU, Article 19a). Therefore, it is relevant to start with the implementation of small steps to generate the habit of measurement of social impact projects, regardless of the size of the company.

In order to address these challenges, SISWG has started an initiative focused on helping small and medium-sized blockchain projects tackle social issues to gain a better understanding of social impact. The initiative aims to establish a common understanding of social impact among such projects and to present a social impact framework that can assist them with impact monitoring and showcasing impact to stakeholders.

Social Impact Definition

> We define social impact as any intentional or unintentional measurable outcome from actions implemented (or as a result of those actions) by individuals in the private or the public sector that affect the cultural and socio-economic environment of other individuals and communities in a positive way.

This definition includes the criteria of measurability and additionality, stepping away from the intentionality criteria. We have chosen this definition of social impact for the purpose of prioritising actual impact rather than intended impact. As the social impact initiative of the SISWG is focused on different organisational and business interests in social impact (for example, for investment purposes or for reporting intended to obtain funding), we do not consider the mere intention of generating social impact to be relevant. Likewise, the reason for choosing to limit our definition of social impact to positive social impact is that organisations and businesses tend to measure and report positive social impact. Most importantly, we take the view that there is an expectation to mitigate and manage negative risk during the design and development of the projects rather than only reporting on it after the event (Robeco Switzerland Ltd, 2021). Moreover, we interpret outcomes as the results of actions implemented by organisations and individuals while deploying their projects.

Corporate Social Responsibility (CSR) has steadily gained importance among corporations since at least the middle of the 20th century: several historians point to American economist Howard Bowen's Social Responsibilities of the Businessman as the first instance of the term in print (H. R. Bowen et al., 2013). Today, it is a well-established feature of modern business, yet continues to grow as a trend: the 3rd Annual CSR Insights Survey published in 2022 by Association of Corporate Citizenship Professionals (ACCP) and Rocket Social Impact , highlights that 80% of the surveyed companies perceive increased demands for CSR compared to the previous year (Association of Corporate Citizenship Professionals & Rocket Social Impact, 2022). The increasing popularity of impact investing (Fidelity Charitable, 2022) is another indicator of the value of social impact in business.

The growing importance of corporate responsibility makes social impact reporting a highly significant topic for organisations in need of funding for their initiatives. Whether seeking funding for a new initiative or showing investors the social or environmental benefits achieved throuh their invested funds, it is important that organisations are aware of the social impact they generate and how to showcase it to stakeholders. Moreover, today there is guidance for social responsibility, such as ISO2600:2010, which promotes a shared understanding and complements other instruments and initiatives in the field of social responsibility.

However, social impact is a vast concept encompassing a multiplicity of factors that are not always easy to measure. This raises questions about the meaning of social impact and what we actually refer to when speaking about it. The lack of a common understanding of social impact causes confusion and division in projects and organisations working on social impact. This is particularly relevant for organisations that need to measure and report the social impact of their initiatives for purposes such as raising funds.

The meaning of social impact may vary to a great extent between different projects. This paper presents various definitions of social impact.

The concept of social impact essentially focuses on people. For example, one commonly referred-to definition of social impact is presented by Wolf (1982). Wolf (1982) suggests that the concept of social impact refers to the actions that impact individuals, their families and communities, their environment, and in general, their social context – regardless of who implemented them. However, this definition has some problems. If we consider that social impact is merely an impact on specific areas of an individual's context, we cannot determine what that impact should look like and how that impact can be achieved. Moreover, the impact of an action or project can be both positive and/or negative. In some definitions of social impact, the positive side has always been implicit. However, the perception of social impact as being positive does not cancel the due diligence duty of projects and organisations to carry out a risk analysis to mitigate potential risks to the communities and societies involved and take appropriate actions to eliminate or mitigate these risks. This duty is also based on the no-harm principle, which has been recognised by international custom and the United Nations. This principle imposes a responsibility to prevent, reduce, mitigate and control risks.

It is also important to reflect on the potential positive social impact 'lost' as a result of the opportunity risk of developing, growing and deploying blockchain solutions being ignored or the primary challenges not being supported (Hillson, 2001). A good example is the financial inclusion of unbanked people where DLT projects can provide an easy solution for people to access financial services without having a traditional bank account. The impact could lead to access to education, change in future careers and a raise in community wealth. If the opportunity were lost, the impact is an increase in the digital divide.

Furthermore, for Wolf (1982), it was necessary to note that not all impacts are social. He uses the example of social control over technology to showcase how the impact generated by this control is mostly economical and technological, but not social itself. Wolf highlights the importance of identifying distinctive characteristics when discussing the social impact that separates the concept from other kinds of impact (Wolf, 1982). However, social impact can and should impact the economic and infrastructure capacity as they are intrinsic conditions that determine how people navigate societies.

There are two main highlights from Wolf's definition that a modern definition of social impact can use. The first one refers to the concept of "public." Wolf's social impact applies exclusively to the public sphere and excludes any individual interests, considerations and benefits. The second refers to the impact concerning time, meaning that in a given situation, the social impact must generate changes that are also reflected in the future management of that situation (Wolf, 1982). In other words, social impact should modify the public context while creating long-term changes; hence, it refers to the basic concept of making policy decisions or project implementation that will generate a semi-permanent positive impact.

Modern authors add additional concepts to the definition provided by Wolf. For example, Clark (2004), considers social impact as "the portion of the total outcome that occurred as a direct result of the intervention, net of that portion that would have happened equally without the intervention." This definition focuses on the behavioral change and outcome that comes from the intervention. However, it does not consider by or for whom the actions are implemented. Clark (2004) highlights that social impact needs a comparison between the final outcome and the original state to identify if the actions implemented were indeed the ones that caused the obtained change. The purpose of this comparison is to determine if the change was a consequence of the direct actions implemented or if it, in fact, was influenced by external and non-planned variables.

More than a decade later, Then et al. (2017) focuses on the different stakeholders who participate in different social issues while considering who is impacted by the actions. Then et al. (2017) highlights that different stakeholders will be interested in different social issues and their impact on different portions of the population. However, organisations can create social impact intentionally or unintentionally. In general, the public is the primary target of social companies, nonprofits, and the public sector, which means that their actions will impact society in some way. However, this is not the same for the private sector, which might have a more self-centred interest in its operations. This does not mean that the private sector does not generate social impact, but that when it does, it is unintentional and not at the core of its vision (Corvo et. al., 2021). This difference should not affect the definition of social impact itself. Regardless of who produces the impact, the relevance should be in the impact itself. When a company goes bankrupt, and hundreds of people lose their income, the impact on their communities and families is massive and destabilises their whole context. In this example, regardless of intentionality, an impact on society has occurred.

However, stating that only socially-oriented companies can create impact ignores corporate social responsibility and the principles of business and human rights, according to which companies are active members of society and help guarantee human rights while creating social impact (United Nations, 2011).

Corvo et al. (2021) establishes three elements to consider when looking at social impact: Intentionality, measurability, and additionality. Regarding the first, and as explained above, intentionality should not be the sole determination in defining social impact. Considering intentionality as a condition for creating social impact implies that social impact can only be made by organisations with a socially-oriented focus when implementing planned actions, thus ignoring the entire private sector or any unintended side effects created by the public sector.

In impact investment, for example, the concept of intentionality is conceived as the intention of the investor in creating a positive impact (Robeco Switzerland Ltd, 2021). However, impact investment and social impact, even when interconnected, are not the same. Impact investment, according to Gutterman (2021), "aims directly at creating a positive environmental or social impact by identifying and solving a particular environmental or social problem.” On the other hand, as explained above, social impact can create positive or negative effects in societies, regardless of intention. Therefore, additional elements that distinguish between positive and negative impacts are necessary. Hence, Corvo’s et al. (2021) third criterion, additionality, includes the intention of creating a positive impact. According to this criterion, social impact should only be considered as such when the impact generated in society is positive.

Conclusion

The purpose of this paper is to define social impact by looking at different definitions and differentiating what is actually important to projects when they measure social impact for the purposes of raising funds. This paper’s definition is that social impact is the intentional or unintentional measurable outcomes of actions implemented either by the private or the public sector and which affect individuals and their community context in a positive way. Based on this definition, we can build consistent measurement that helps create unified reports for stakeholders that help projects obtain funding to grow their positive impact on society.

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