



Invest in Results Episode 1 Kristine Alvarez

Cooperation, Collaboration, & Change

Series Intro

This is the Invest in Results podcast. Mission-driven organizations dedicate their time, talent, and resources to improving lives and communities. Yet they are hindered by a system that too often measures process instead of progress and pays for outputs instead of outcomes. By sharing knowledge, investing in projects, and building networks, we can invest in results.

Episode Intro

In this episode, **Kristine Alvarez, Director, Advisory Services at Nonprofit Finance Fund** explores how successfully measuring outcomes is going to require cooperation, collaboration, and change from nonprofits, philanthropy, government, investors, and private donors. This segment was recorded at the Federal Reserve Bank of Philadelphia on May 22, 2019.

Story

So, just before we get started, I just want to take a quick moment to just provide some background about NFF. I know that I see many friends among us, but just very quickly: Nonprofit Finance Fund, we basically do three things. We provide loans to incredible mission-driven organizations. We provide consulting services to organizations and their funders to help connect resources to their mission outcomes. And third, we promote big ideas like this that we think will advance and accelerate the field's ability to tackle big and complicated social challenges and to just help accelerate the pace that we get to build a just and vibrant society here in the United States. And to be honest, in that work, and I sit on the Advisory team, we only get to make a difference at Nonprofit Finance Fund when our clients and our partners, that do the hard-working communities, get to succeed. And so, I see a lot of leaders in this room who are doing the incredible work in our communities. Just to be clear, the focus today is about hearing from them: what this movement means, and how it's working for them. But before we get there, I just want to take just a few moments and hold some space just for some reflection about what it's going to take to create a system that we can all orient around outcomes. We are not naïve or Pollyannaish about the transition to outcomes. This is hard stuff. It's systemic. It's going to require a lot of us to work and dig into the challenge. So, it's certainly not without its challenges, but we know that the direction and the opportunity is right. What this book and this campaign is all about has been really focused on what the shift will mean for a change in behavior for the **five essential parts of the system**.

The **first is service providers**. We know from our work in every city that we operate that there are some service providers, [who] despite not being funded to do this are stepping up to operate in an outcomes-oriented way. And to be effective, we're expecting these service providers to move from tracking outputs to managing results, from focusing



on compliance and all the infrastructure that we've been building around compliance over time, to now be able to develop the muscle to innovate and to innovate effectively. And from doing one small part of the problem to fully taking more ownership of the problem as we saw with BRC.

Second, government. We're asking them to change as well. For a whole set of reasons, it's a lot easier to pay for activities than it is to pay for results. And we don't want to minimize this difficulty at all. It's hard from a political perspective, not just a technical one. And it's easier to ensure compliance than it is to assess performance. And, frankly, it's safer and less risky to say that we're going to take money and tell organizations what to do, to fund what is known and what we've always known and done, rather than saying that we took taxpayer money and gave it to these organizations and let them have the space and the latitude to innovate and follow their own path. And so the fundamental role of government, we're asking, must move from a control role to more of a collaboration role – saying what we do want to achieve in society and then resourcing organizations to achieve those things. And again, this is difficult, but we have to challenge and tackle the challenges around the policies as much as the technical aspects of making it happen.

We're also asking **private donors** to move away from program grants, which certainly is a lot easier to budget for and to get our arms around, as compared to asking, "What is the full cost of delivering outcomes on a sustained and ongoing basis?" And from a technical perspective as a foundation, we can get really good at project budgeting. It's a lot harder to understand the financial health of these organizations we're supporting, when and if we give them flexible funding as opposed to restricted funds. And so we're asking this system too, to change as well, including their boards and their leadership into a whole new way of working.

And finally, there's a new role for **investors**. When we, at Nonprofit Finance Fund, as a CDFI and all of the other investors, lend to organizations, we're admittedly lending – at least up until this point – to organizations that are paid on an outputs basis. And so it's a new muscle for us to figure out how to lend to organizations being paid on outcomes where the payment is riskier, but ultimately the return is worthwhile. So, as investors, we, too have to figure out how to assess what is most likely to take our money – which organizations are most likely to take our money – and be effective at generating those outcomes and to adapt our own lending programs accordingly. And so in many ways we're asking them to go from being a provider of capital to being a real partner and helping these organizations work.

Now, for our **clients and communities**, there's a very real element for all of us to consider and to name. We're ultimately doing this to create a more just and vibrant society. And the focus on outcomes, and the measurement required with outcomes, it is going to require us to act and participate with our clients in a different way as it relates to the data collection. We'll be asking – or what will be what it will require us is following up with people after they've perhaps left our programs and our services and asking personal questions. So we have to be thoughtful and careful and sensitive about how we do this. But the trade-off for clients is that we actually have a shot at providing services for the long term and not just treating a patchwork of problems. The opportunity is that we can provide services that are integrated, they're easier to access, and are more meaningful.



So the last thing I'll just say is that this transition to outcomes, is exciting. While we've all heard a lot about Pay for Success, there are a lot of other ways that this is being explored, and the book certainly gets into a lot of detail and examples from outcomes rate cards, to prize competitions, to the first ever environmental impact bond in D.C., with D.C. Water.

So just one quick example beyond Pay for Success is advanced market commitments which has been applied in global public health. It's discussed in the book. And it basically says to anyone who's out there that there's something that we really value in society and we're going to pay for it. Just as an example, we value reducing gun violence and we really need guns that recognize fingerprints, so that only someone with a certified fingerprint can actually fire that and if the gun gets into someone else's hands, it doesn't fire. But the market economics right now don't make a lot of sense and there's not a whole lot of financial enticement you know for private companies to spend a lot of money developing that capability. But advanced market commitments, they say, we will commit, that the government will pay a certain volume of these at a certain price for police departments and buy them from whoever can make that product work. So, we're basically saying that whoever can achieve the outcome, we'll find you a reliable way you know to get paid. And so that's just one example. There are others. So that's a preview of the opportunity. We're excited to get to the heart of the program today and hear from our speakers about what it's going to take and what this looks like from all different seats in the social sector. And so I just want to say thank you all for being with us today.

Outro

Thank you for listening to the Invest in Results podcast. Visit InvestInResults.org to learn more about this campaign and to download a free copy of the book that fueled this project, "What Matters: Investing in Results to Build Strong, Vibrant Communities." You can find Nonprofit Finance Fund at nff.org, tweet us [@nff_news](https://twitter.com/nff_news), or follow our work on [LinkedIn](https://www.linkedin.com/company/nonprofit-finance-fund). We'd love for you to join the conversation on social media by using the hashtag #InvestInResults. We'd like to thank the [Federal Reserve Bank of San Francisco](https://www.frb.org/) for their dedication and collaboration. Thank you for listening!