



Invest in Results
Episode 9
Jessica LaBarbera
*What We've Learned &
How We're Changing*

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

For this episode, we asked two NFF staff who have been deeply engaged in outcomes work across the US to reflect back on their takeaways from the Invest in Results project and outcomes-based funding generally. We've increasingly recognized our blind spots around racial inequities in the way outcomes-based funding was envisioned and too frequently plays out. We'll look today at what we've learned and how we're changing so that money, power, and decision rights are centered in those communities – largely communities of color – that have been systematically disconnected from wealth. We'll hear from **Annie Chang, a Director of the Advisory Services team at NFF**. She'll be talking with **Jessica LaBarbera, Chief Business Development Officer of the Advisory Services team**.

Story

CHANG: Hey, Jess! Thanks for joining me for a conversation today!

LABARBERA: Hey Annie, great to be here with you.

CHANG: Great, well maybe we can start with talking about communities. I know that over the years NFF has shifted its focus to thinking about the communities that nonprofits serve, and that we really believe those that are the closest to communities are best placed to identify what the challenges are that they face, and the solutions that will work for them. Jess, how does this belief really influence outcomes-based funding arrangements?

LABARBERA: As you said, we believe – and time and again, our work has demonstrated – that local problems are best solved with local solutions, local actors, and particularly local leadership. In reflecting in our engagement in the outcomes and Pay for Success arenas, I think that the focus on evidence-based programs often meant that the projects at the center of cross-sector partnerships were identified based, at least in part, on the extent to which administrative data existed about those programs within local governments, who oftentimes were the payers for those programs.



And of course it's not a bad thing to want to scale programs with evidence of effectiveness in achieving desired outcomes. But these days our focus is centered on ensuring that communities that are closest to the problems are leading the definition of the outcomes and priorities that matter to them most, and that resource are being directed to support those priorities.

In the Pay for Success realm, outcomes, metrics, and investor repayment were traditionally tied to things that could be measured quantitatively and in relatively shorter periods of time, which can lead to competing priorities around where dollars are directed, and, you know, leads to the potential for dollars to be steered away from priorities that communities identify as most or critically important.

We've also realized how critically important it is for community stakeholders not only to have voice in designing programs, but to have meaningful ongoing roles in the decision-making and governance of those programs. And to be honest, I don't think we paid enough attention to prioritizing that community centering and leadership in the cross-sector outcomes space historically. Our goal moving forward is to very intentionally center our support on community-centered organizations that are driving local improvements that are informed by, and, even more importantly, governed by local actors, and try to influence other actors in the outcome space to do the same.

CHANG: Yeah, I really appreciate that honest and really critical reflection of where we've been. And it feels like understanding the role we've played in systems historically has been really important in thinking about how we can learn and how we could do better. I'm curious, is there a way that you feel like we could engage more community-centered organizations and partners in outcomes-based arrangements?

LABARBERA: Yeah, it's a great question, Annie. I think that, traditionally, outcomes-based arrangements have prioritized the engagement of providers that are most ready to engage in what are admittedly oftentimes complex and high-profile contracts. And the reality is that these most-ready organizations overwhelmingly tend to be white-led organizations that have had the social capital and connections to philanthropic donors, and the capital really needed to invest in building out an organization's strength: the ability to evaluate programs, to build infrastructure to track outcomes, you know, generally build the organizational readiness to engage in complex contracts.

So if we're going to live our commitment to racial equity and strive to address inequities in the sector, we need to acknowledge the ways that organizations led by and serving people of color have been systemically disconnected from wealth and power – chronically underfunded, and less connected to high-net worth donors and philanthropic giving that is critical to raising the flexible capital they need to invest in an organization's infrastructure and its capacity to measure and continually improve services. We need not just acknowledge that inequity; we need to intentionally invest in correcting it. NFF is focused on community-centered organizations led by and serving people of color, and we're using our position and privilege to help nonprofits advocate for their full cost funding needs – which we can talk more about – and also to encourage funders to really live up to the commitments they've made to racial equity in the last year by supporting these enterprise



investments in capacity so that when we look to the most ready providers in a geography, we're not just seeing these, white-led organizations that aren't necessarily of the community. So, all of that to say, I think the outcome space could be improved by starting with a focus on what's working on the ground, looking at who's leading community improvement efforts, and then wrapping support that local community leaders need around those projects to support sustainment and the scaling of them. But it's about following community leads, not the other way around – not asking community to follow those with power and privilege.

And our role is to act as an ally for nonprofits and use our privilege as a CDFI with connections to funders to amplify voices that might not otherwise be listened to or taken seriously as much as they should be.

CHANG: Yeah definitely, so it sounds like, future projects should really be considering the ways community-centered service providers have been disconnected from funding and power. I guess similarly, I know data collection is also a very big concern, because a lot of these community-centered organizations often have been overlooked and they need flexible funding to be able to invest in a robust infrastructure and systems for tracking and evaluating program outcomes. So we really just can't look for people who are the most ready – we really need to support folks who can ultimately do the best work in serving their communities.

LABARBERA: Exactly, I think part of what we've collectively overlooked is the value that needs to be placed on understanding an organization's ties to – and reputation in – its community. We need to think about its staff and leadership, its relationships formally and informally with other local groups, because these things are so important to the ability of community nonprofits to have meaningful impact locally, and they're things that we've really not paid enough attention to historically.

CHANG: Agreed, yeah. It's definitely going to be challenging work to shift the way funders interact with clients about data collection and just overall assessing readiness of organizations to not leave folks out. And even just following up in the way that funders have to do with asking them maybe more questions about their organizations, sometimes even personal questions to really make that assessment. And we'll really have to be thoughtful and careful and sensitive in navigating those dynamics. So, given that, what other ways should project design change to advance racial equity?

LABARBERA: We need to be explicit about acknowledging and seeking to address inequities. And in the case of outcomes funding, we need to set such aspirations as priority goals and outcomes. I think we really need to set up projects so that goals are set by the community, and that means ensuring that the focus and priority isn't just about measuring cost savings or cost avoidance, but that we find ways to assess and evaluate positive social outcomes and a reduction of inequality. These are obviously longer term and harder to quantify metrics, there are benefits that fall across all sectors of communities; they influence childcare and workforce and education and access to safe housing. I think there's room for the very many smart minds in the outcomes space to really ensure we're focused on *how do we track the positive social outcomes over extended periods of time.*



I think there were some projects in the Pay for Success space that did a nice job of this. They had philanthropic funding to extend evaluation of the project interventions beyond the project term so as not just to capture those quantifiable metrics but also some long-term impacts. I also think it's key that we ensure payors are committed in ongoing and sustained ways to support community-defined priorities and associated outcomes with those priorities through more equitable funding of service delivery and investments in local, community-centered efforts and organizations. There's a big shift, and I think it's also a meaningful way that funders and investors can live up to some of the commitments they've made, particularly in the last years, to support and advance racial equity.

CHANG: So really a project's success could also be tied not only cost savings, but to those positive social outcomes – things like reducing existing racial disparities in health or in education. How we measure these human and social outcomes, is probably not the easiest to quantify, as monetarily focused outcomes, but it does feel like they are just as much or even more valuable than those so it's really great to hear that from you Jess.

LABARBERA: Yeah, exactly. You said much more succinctly than I did.

[both chuckle]

CHANG: Well, while we're on the topic of funding, it is worth noting that in our work one of the things we're constantly reinforcing for funders is funding full costs.

One point underscoring that is that nonprofits need flexibility and trust from funders so they can do their best work serving their communities. Chronic underfunding and mistrust are systemic issues across the nonprofit sector. We're trying to change the dynamics so that nonprofits are trusted by funders to identify and address the needs and that they're funded to do the work – rather than funders prescribing solutions for communities, it's the nonprofits representing them that know best. I'm wondering if you can talk a little more about the potential of relationships in the future of outcomes-based funding?

LABARBERA: Sure. Building on what you said, I think one of the biggest potentials that NFF saw in the Pay for Success space was around the shifted relationship for nonprofit service providers and the government payors that were engaged together in outcomes-oriented projects. In many of these projects, the nonprofit partner had a larger than usual role in defining the program and the interventions, and that led to a more active working relationship with the government partner and payer. For many projects this led to a shifting power dynamic between funders and nonprofits, at least in the course of designing and executing on that project. In many projects that we were engaged with, nonprofits demonstrated really additive capabilities and contributions to setting up highly effective outcomes-oriented projects, and they were able to more meaningfully engage government partners to get to success. But the promise of that change was really only guaranteed for those particular organizations working on those particular projects during that particular project term. And while we've seen a few exceptions of government working in more innovative ways long-term to partner with nonprofits by designing outcomes efforts. – and I'd call out Santa Clara County here in California for sure – by and large, outcomes-based initiatives have not yet meaningfully shifted the relationship dynamics between funders and nonprofits. And this change could be so meaningful for broader systemic change. So I



think there is, again, an opportunity for actors in this space to really focus more intentionally on how we impact that change longer term outside of and beyond particular transactions.

One other thing we've seen that I'll call out is that historically outside investors have brought attention and pressure to issues that can help keep outcomes projects on track. So there was value in having, you know, these outside investors paying attention to these social projects. We saw in 2020 an increased focus among investors and funders on racial equity, which could help shift the focus of projects and how resources are allocated, provided that funders and investors sort of uphold those commitments for years to come. I think we could really see this have meaningful impact if we saw more funders, more investors get behind and wrap support around community-led efforts.

CHANG: For sure, I definitely hear you on that. And really because of the funding and inequities and underinvestment that we currently have in the nonprofit sector, impact investors have a potentially really important role to play in bolstering organizational infrastructure through things like professional development, but also in things like fair market compensation for staff and developing even systems and personnel to use data in a really meaningful way for program delivery. This could really support community-centered organizations to be prepared for complex outcomes-based projects. We're really focused right now on wrapping our financial planning and management support around community-centered leaders that are poised to improve community health and wealth in their local neighborhoods.

One example in that is just our work with LA nonprofits who are providing behavioral health services for youth with substance use challenges. And that's really a place where we're trying to help them understand the full cost of their services as they're seeking to have their work valued in the larger system of community health – and there's some potential there for them to be able to get the investments they need in their organizations so that they can do their best work – that may not just be program related but really those core infrastructure investments.

This has been such a great conversation Jess, I know we're starting to wrap up on our time here. If folks want more information, where can they look?

LABARBERA: You can also visit InvestInResults.org and nff.org/outcomes, where we've published articles and blogs on Pay for Success and outcomes-based funding more broadly.

I'll just share that we're committed to making the community finance sector more equitable, specifically through increasing access to and control of resources among community-centered leaders, and we know that takes collective work and effort. So, as we continue to evolve our work in advancing equity, we'd love to learn and hear from listeners. If you've got thoughts or ideas that you'd like to share with us or reactions to this conversation, please reach out to us on nff.org/learn!



Outro

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