SO, WHY ALL THIS FUSS ABOUT RESULTS AND OUTCOMES?

Antony Bugg-Levine
Nonprofit Finance Fund

You are likely not alone if you are wondering why we have written a book about the potential to orient our social system around results and outcomes. Because isn't that what it's already about? Don't we already provide funding to hospitals to keep people healthy, to homeless shelters to end homelessness, to childcare centers to prepare children for a fruitful life, and to job training programs to find people permanent employment?

Unfortunately not. We know that the deepest aspirations of the people who work in and run these organizations, and the government officials and private donors who fund them, is to make long-term and sustained positive impact on the clients and communities they serve. But that's not the way the social sector works.

Instead, we live in a system oriented around activities and outputs. Almost all the funding for our social system is allocated by activities, rather than long-term results. Payment flows to the hospital for providing treatments, to the homeless shelter based on the number of shelter beds occupied, to the early childcare center for keeping the classroom filled, and to the job training program for providing training.

Many organizations do amazing work and provide essential services that make an important, positive impact on the people they serve. But this output orientation forces too many to spend too much time and effort complying with the red tape that comes from contracts that release funds only when an organization proves it undertook a prescribed set of activities. And they do not have the flexibility to innovate and figure out what works in pursuit of results we all seek. For example, the homeless shelter paid by the number of beds it fills will not be in a position to provide additional therapy services that could help its clients address the root cause of their homelessness and more quickly transition out of the emergency shelter.

Despite our real progress on a range of social issues, over 45 million Americans still live in poverty,[1] more than half-a-million remain homeless according to the latest HUD point-in-time count,[2] unemployment among young African American men stubbornly persists around 30 percent in many cities,[3] an opioid abuse epidemic is sweeping across our country,[4] and, while the United States has five percent of the world's people, we hold 25 percent of the world's prisoners in a system that tends to warehouse rather than rehabilitate.[5]

Fortunately, we can do better. Orienting programs and funding around outcomes fundamentally changes this dynamic. In an outcomes-oriented system, service providers and funders partner to effect lasting outcomes they both seek. And the flow of money falls in line with the deepest motivations and moral commitments of the people providing and using it. An outcomes-oriented system has the potential to spur productive innovation by enabling service providers and government agencies to mobilize flexible funding and focus on delivering services that produce lasting change. Orienting programs around outcomes compensates the hard-working service providers for the impact they have achieved instead of the paperwork they file, allowing them to prioritize the work and delivery of services over short-term widget counting. And it could reinvigorate political support for social service funding as a worthy endeavor rather

---

1 Carmen DeNavas-Walt and Bernadette D. Proctor, "Income and Poverty in the United States: 2013," U.S. Census Bureau (September 2014), available at https://www.census.gov/content/dam/Census/library/publications/2014/demo/p60-249.pdf.

2 Alan Taylor, "America's Tent Cities for the Homeless," *The Atlantic* (February 11, 2016), available at https://www.theatlantic.com/photo/2016/02/americas-tent-cities-for-the-homeless/462450/.

3 Teresa L. Córdova, Matthew D. Wilson, and Jackson C. Morsey, "Lost: The Crisis Of Jobless and Out Of School Teens and Young Adults In Chicago, Illinois and the U.S.," Great Cities Institute, University of Illinois at Chicago (January 2016), available at https://greatcities.uic.edu/wp-content/uploads/2016/02/ASN-Report-v5.1.pdf.

4 American Society of Addiction Medicine, "Opioid Addiction: 2016 Facts & Figures," available at http://www.asam.org/docs/default-source/advocacy/opioid-addiction-disease-facts-figures.pdf.

5 Michelle Ye Hee Lee, "Does the United States Really Have 5 Percent of the World's Population and One Quarter of the World's Prisoners?" *Washington Post* (April 30, 2015), available at https://www.washingtonpost.com/news/fact-checker/wp/2015/04/30/does-the-united-states-really-have-five-percent-of-worlds-population-and-one-quarter-of-the-worlds-prisoners.

than a waste of taxpayer resources. Success might restore faith that we can make a difference and improve lives.

This movement toward an outcomes orientation is gaining widespread support across the country and across the political spectrum. The Republican governor of South Carolina and her Democratic counterparts in Colorado, Massachusetts, and New York have all publicly supported outcomes-oriented programs, as have mayors in places as diverse as New York City, Salt Lake County, and Denver. Congressional bills to support this work have received bipartisan co-sponsors in the House and Senate. Why does this outcomes orientation have such potential widespread appeal? Because it represents something we all can love: government spending on programs that work to address persistent social challenges, particularly upstream, and to avoid more expensive, inefficient, emergency treatment that happens downstream. It encourages government spending on programs organized to unlock innovation and improvement, and to free people providing services from the red tape that currently occupies so much of their attention. In these divided times, we cannot think of many other concepts that have received endorsements from such a wide range of leaders, from Republican and Democratic governors and mayors to nonprofit leaders and investment bankers.

But, to realize the potential of this new approach, we need to be clear about how this contrasts with business-as-usual and focus on the hard work ahead. Reorienting our system around outcomes and results requires a new social contract between those who deliver social services and those who pay for them. In this new contract, taxpayers and private donors will enjoy the benefits of knowing their funding is paying for demonstrable results. In return, they will need to free the organizations delivering these services from the red tape that comes with current funding tied to compliance to preset activities and agree to pay the full cost of sustaining this work.

Our legacy systems have not prepared us well to operate in this new way. Finding data to determine if results are met is difficult. So is aligning data systems across various government agencies and private databases. And even when the data are in place, agreeing on results necessitates new analytical skills.

Orienting around results also necessitates breaking down silos. For example, reducing the number of children in foster care can best be achieved through a coordinated program that includes support for parents to access housing, drug rehabilitation, and employment placements. Currently, these services exist in separate agencies funding different organizations to deliver a set of disconnected activities. And coordinating across agencies is only one step. Often, the most promising outcomes-oriented solutions involve similar silo-busting between government and foundation donors, and the recruitment of private investors working through large financial services institutions and private companies offering technology and other solutions. Beyond just setting new financial incentives, we will need to commit resources to enable organizations to invest in adapting to this new way of working, including new data infrastructure and personnel who can build and manage novel coalitions.

TOWARD A NEW FUNDING MODEL

Both the new social contract promoters and its skeptics are represented in *What Matters*. The organizations and agencies delivering social programs have learned to be skeptical about new funding approaches that historically have been the harbinger for budget cuts and unfunded mandates. Those of us who want to see the system improved will need to acknowledge the skepticism that the current broken system has conditioned so many reasonable people to feel and to advocate for the full costs of orienting toward outcomes.

We will also need to be clear about how the movement to popularize this new social contract fits in an increasingly crowded constellation of people and organizations promoting government and governance reform. Closest is the push for "evidence-based policy." As some of its leading proponents describe in this book, this movement seeks to channel government funding to programs that are proven to work. Often, outcomes-oriented approaches rely on this type of evidence. But after evidence identifies what works, funding can still flow to pay for activities the evidence suggests will lead to long-term results rather than those results themselves. The new social contract calls for a deeper transformation in not only what we fund but also how we align funding with the results we all seek. In an outcomes-oriented system, funding will also allow for flexibility, continuous improvement, and tracking of results.

Another source of both momentum and confusion for this systems shift is the explosion of innovation in social-sector financing. Chapters in this book explore a range of new, and some tried and tested, ways in which financial innovation can support organizations and agencies operating in an outcomes-oriented system. Terms and concepts, such as "Pay for Success," "social impact bonds," "advance market commitments," "rate cards," and "social impact insurance," can sometimes overwhelm the non-finance experts who typically make funding decisions and implement social programs. And they sometimes lead people to mistake financial innovation as an end in itself, rather than a means to ensuring that great organizations get to do great work that makes a lasting, positive difference for more people.

You do not need to be a finance expert to understand this book or act on its insights. Just remember that ultimately, organizations and agencies require *funding* that will eventually pay for the outcomes they generate, while *financing* can provide money upfront to support the work that is required to achieve them.

This may all sound a bit wonky and technical. But in communities across the country, everyday people in government agencies, community-based service organizations, and charitable foundations are already showing how orienting around outcomes and results is practical and powerful. They are making the extraordinary routine.

The chapters in this book capture some of their experiences. In our daily work, we are privileged to hear many more. And we have spared you long debates about language and terms or dispositions on logic models and theories of change. We use the words "results" and "outcomes" interchangeably to describe a system oriented around the ultimate good we seek to generate, in contrast with the activities or outputs we undertake to get there.

Reorienting around outcomes has the potential to substantially improve the results that social-sector funding generates. And it has the potential to liberate us from a system that frustrates all its participants: the taxpayer who wonders what she's getting for her money, the nonprofit service provider burdened by compliance rules that force attention and activity in areas she is not convinced will make a difference, and the people left without jobs, or health, or hope when the compliance-based system fails to deliver results.

Realizing this potential will require all of us to honestly acknowledge how many of our cherished practices and assumptions are accommodations to a broken system rather than necessary or beneficial. We will need to meet each other with empathy, understanding the constraints we all face that sometimes mask the unity of our purpose. And we will need to honor the lessons of people working on the ground and the insights they uncover about how this world actually works, even when those insights conflict with compelling theory.

By making clear why reorienting around outcomes is disruptive, better, and feasible, we hope this book provides a useful starting point and accelerant for action.

ANTONY BUGG-LEVINE *is chief executive officer of Nonprofit Finance Fund (NFF), a national nonprofit and financial intermediary that advances missions and social progress through financing, consulting, partnerships, and knowledge-sharing that empowers leaders, organizations, and ideas. A leading community development financial institution (CDFI), NFF has $250 million in assets under management and has provided $620 million in financing and access to additional capital in support of over $2.3 billion in projects for thousands of organizations nationwide. Bugg-Levine is the co-author of* Impact Investing: Transforming How We Make Money While Making a Difference. *Prior to joining NFF in 2011, he designed and led The Rockefeller Foundation's impact investing initiative and oversaw its program-related investments portfolio. He was the founding board chair of the Global Impact Investing Network and convened the 2007 meeting that coined the phrase "impact investing." A former consultant with McKinsey & Company, he also taught at Columbia Business School.*