

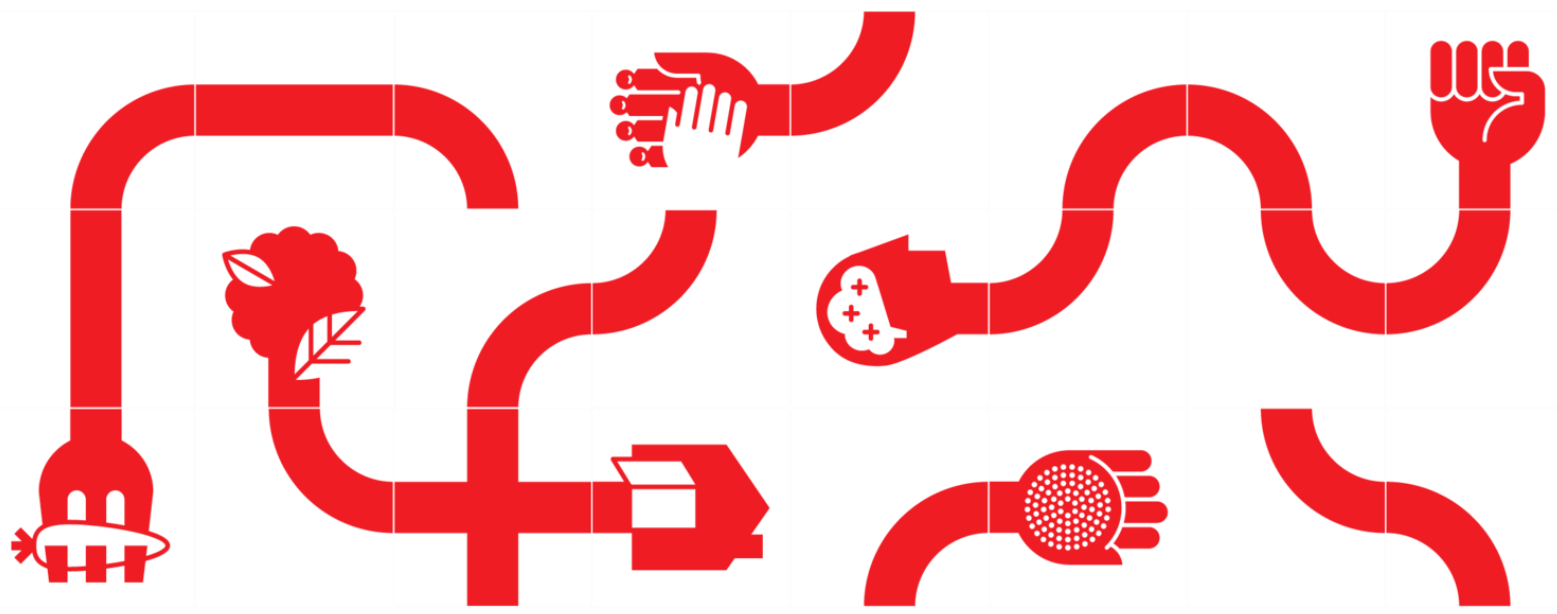
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Effective Social Investment

A SERIES BY THE SEFA ENGAGEMENT TEAM

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1. Preparing purpose-driven organisations for philanthropy

Many social organisations have innovative ideas that could create real, meaningful change in communities – yet they struggle to secure adequate funding. With a theory of change and outcomes framework in place organisations are better positioned to deliver great outcomes and secure philanthropic funding.

When Sefa first started working with Blacktown Youth Services Association (BYSA), we knew they had created something special. A place where local young people felt safe, engaged and included. Where they could take responsibility for creating solutions to problems in the community and be given opportunities to lead.

Since 1988, BYSA has been changing the lives of young Australians in Western Sydney. Yet earlier this year they were close to shutting their doors because of lack of funding.

Sadly, BYSA's story isn't unique. Government is traditionally risk-averse with funding, so smaller, innovative organisations that lack resources or proof of outcomes are often overlooked in favour of large charities with established service provision models.

But this is where philanthropic organisations can play an important role. They have the ability to take risks and support smaller organisations with big ideas to develop their frameworks and build capacity – giving them a fighting chance at securing government funding down the line.



SHARPENING AN ORGANISATION'S FOCUS

BYSA's lifeline came in the form of two forward-thinking philanthropic organisations: the Vincent Fairfax Family Foundation (VFFF) and Paul Ramsay Foundation (PRF). They both saw the potential in the organisation's youth-led model, so they asked Sefa to get involved to help build BYSA's capability and get it ready for funding at scale – and importantly help position it for government funding in the future.

Using a Theory of Change framework, we helped BYSA define its purpose and confirm the gap it's filling. While this might sound simple, it involves some hard thinking, interrogating assumptions and drilling down to the core 'why' of the organisation.

It is only when organisations have identified this core purpose or problem definition, that they can start to think about what they need to measure. Enabling them to move away from the outputs and focus on the relevant outcomes they want to unlock and the impact they want to contribute to.

This then paves the way to identify the inputs, activities, and programs they need to put in place to achieve these outcomes.



Developing an organisation's **Theory of Change framework** is a process of crystallisation. It gets teams on the same page and helps leaders make operational and strategic decisions. Which all in turn help reduce risks for external funders.

For BYSA, there was an interesting nexus between outcomes that are meaningful for young people as well as for funders. Young people describe how BYSA impacts them using feelings or emotive words – something that is difficult to measure. With close consultation with young people, we translated these into quantifiable metrics that align with government priorities and validated the framework.

THE PATH TOWARDS A SOCIAL IMPACT ECOSYSTEM

With its foundations set and capabilities built, VFFF and PRF have granted BYSA multi-year funding – giving the organisation the freedom and means to prove its outcomes over the next few years, before they need to go into a funding cycle with a more diversified revenue.

At Sefa, our work with BYSA is one example of our efforts in building an ecosystem, where government, philanthropy and organisations work together to create meaningful outcomes in the community. By helping organisations build robust foundations and embedding capability we're opening the doors for philanthropy to play their role in investing in social impact – giving organisations the resources, tools and environment they need to prove outcomes and reduce risk for government.

2. The Role of Philanthropy on the Path Towards Investment Readiness

Two philanthropic foundations are disrupting how organisations build capability and secure funding for a sustainable future – and create game-changing impact. Here’s why more need to follow in their footsteps.

When the Vincent Fairfax Family Foundation (VFFF) and Paul Ramsay Foundation (PRF) approached Sefa about working with Blacktown Youth Service Association (BYSA) I got very excited.

Here were two philanthropic foundations that genuinely believe in new ways of doing things. They put their money (and faith) in a grassroots organisation with an innovative, youth-led model, because they believe it could make a difference in the lives of young people.

Unfortunately, we don’t see enough of that willingness in the world of social funding. The sector is notoriously risk averse when it comes to exploring the unknown and unproven, leaving many small organisations with limited resources.

But at Sefa, we want to shake things up. We want to create a new environment where philanthropic groups like VFFF and PRF can use their voices and resources with greater impact.

A SUSTAINABLE FUNDING LOOP



We want to create an ecosystem where government, impact investors, organisations and philanthropy work together to build capability and support more positive outcomes in the community.

We’re working toward a future where funders, especially government, are involved from the idea stage, willing to commit funding to support organisations to achieve agreed-upon outcomes. Sefa and philanthropic partners can help social-impact organisations

strengthen their resilience and capability so they can deliver services and prove their impact. That provides long-term investors such as government more certainty around backing and committing social outcomes that matter.

This loop would reduce risk, allow every party to speak the same language and unlock funding with bigger impact.

IF YOU WANT TO CREATE CHANGE, YOU HAVE TO TAKE A RISK

There is a special name for complex, very human social problems – in the sector we call them wicked problems. The development of a young person is classified as such due to the many different factors at play: employment, schooling, domestic violence, mental health, physical wellbeing and so on.

Solving wicked problems and creating meaningful change can't happen without trial and error. If we want to unlock impact, we need to think outside the box and try something new and be ok with the possibility of it not going as expected. But there's too much hesitancy around risk in impact investing.

Philanthropy is well placed to unlock impact by applying entrepreneurial thinking to offer grants in a different way, helping encourage innovative solutions.

These groups are in a unique position because some of their funding arms don't necessarily rely on financial return. Philanthropy's main currency is social impact. It can afford to be agile and try new things that can enable significant change.

Philanthropy also has a strong voice in the sector. And it can use this voice to communicate the benefits of new models and approaches to government and other traditional funders.

THE TRANSFORMATIVE POTENTIAL OF RISK TAKING

BYSA, was on the brink of closing its doors after more than 30 years of assistance. The community was devastated, as BYSA had changed the lives of local youth by making them feel safe, engaged and included.

VFFF and PRF saw potential in the organisation's unique youth-led approach and asked Sefa to help build its capability, so that it was ready to accept funding and scale delivery of support. We worked closely with BYSA to develop its theory of change framework and reduce some of the risk for philanthropy – paving the way for investment.

VFFF and PRF have granted BYSA multi-year funding – giving the organisation the opportunity and flexibility to further reduce risk and help build a case for government contracts and other investment sources in the future.

By taking risks, philanthropy can help support better social systems and influence government to explore and invest in new ideas – ideas that can improve people's lives across communities, states or even countries.

Examples like BYSA can also become best practice that philanthropy and government can share with other providers.

And once organisations have more certainty around financial sustainability and solid, proven models, they can also unlock new funding and capital from impact investors.

VFFF and PRF are providing opportunities for community-based organisations by giving them the funds and environment they need to prove their ideas and work efforts. But other investors, with government being the most sizeable, need to follow suit if we want to create lasting, meaningful change in our communities.



3. Proving Impact

Governments and other forward-thinking funders are increasingly looking to fund outcomes, rather than outputs. But many organisations with fresh ideas don't have frameworks in place to prove that what they're doing works – which can create 'mission confusion' and make it more difficult to secure critical funding.

Blacktown Youth Services Association (BYSA) in Western Sydney does great work with local young people. The team heard from the community over and over again that their services and programs had changed countless lives over the past 30 years. But because BYSA wasn't yet measuring its outcomes, it couldn't prove to funders that their unique approach was working. The organisation was really struggling to access funds, and at risk of closing its doors.

In the journey of funding social impact, different players – government, philanthropy, private and impact investment – have slightly different roles to play. But they all need to work together to create meaningful change.



In BYSA's case, Sefa helped build the organisation's foundations and capability, removing some of the risk that might prevent philanthropy from stepping in. Vincent Fairfax Family Foundation (VFFF) and Paul Ramsay Foundation (PRF) saw the organisation's potential and granted it multi year funding – giving it the time, flexibility and environment it needs to understand and prove its outcomes to other, more traditional funders in the future.

MEASURING OUTCOMES FOCUSES ON WHAT MATTERS

When we talk about outcomes at Sefa, we refer to the change we want to see in people's lives. This change is why people choose to do really hard work at purpose-driven organisations every day. It's where their passion and motivation come from – it's their 'why'.

Identifying and measuring outcomes gives organisations a collective focus that helps them steer their efforts in the right direction. It galvanizes the entire team around a core mission.

At Sefa, we take a practical measurement approach. We help organisations like BYSA put a simple measurement framework in place that helps them understand the outcomes they're trying to deliver and how to track them. Many organisations are currently collecting volumes of data instead of focusing on what really matters. By targeting only three or four key outcomes and setting metrics for these, we eliminate confusion and give people and the organisation a clear focus. Impact measurement leads to impact management.

Increasingly many funders, including government, are starting to shift towards paying for outcomes rather than outputs. This is a great step forward, because it means funders can step off the input controls determining how organisations deliver their services, or the number of computers in classrooms, or beds in healthcare settings – as long as organisations can prove that what they're doing is working.

When organisations like BYSA, with new or disruptive ideas, can prove that they can see real, measurable outcomes they remove a lot of the risk for funders.

SEEDING NEW IDEAS

Forward thinking and innovative philanthropic organisations like VFFF and PRF are creating new opportunities for small community-based organisations like BYSA. By underwriting organisations at a stage that government and traditional funders deem too risky, philanthropy opens the door for new ideas to flourish and create change.

BYSA's model is founded on the idea that young people should be involved in and lead program development. This game-changing idea felt new and uncertain to several funders. But thanks to these philanthropist's willingness to take a risk, BYSA can stabilise its operations, measure outcomes in a way that speaks to funders and the people it supports and prove how it is delivering results.

But most importantly, it can continue to change the lives of young people in the community.



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