COLBY DAILEY

Thank you Joseph and thank you everyone for being here this morning. My name is Colby Dailey. I have been researching with Ben on this project. I work for MCB Capitol Impact, which is a CDFI based here in Arlington. We have an Oakland office so I am actually working out of the Bay area in San Francisco. I have a background in philanthropy. I was a foundation program officer for the capitol group charity foundation in Las Angeles and after going to policy school at Cal have really moved into community development working with community development investors and really looking at program evaluation as well as governance and how we can move the field forward in measuring nonperformance; which is what we are here doing today, talking about that. So, I wanted to thank all of you for being here today. Thank, also, David Erickson and Ian Galloway, who is not here from the San Francisco Federal Reserve Bank, who really challenged Ben and me to this project and take it on so thank you for being here too, David and also to John Moon and the Board of Governors here for hosting this conference and having us here. We are really excited to be here. I am really excited to be here and talking to you about nonfinancial performance measurement and how innovations in measurement and also improvements and reporting of returns can help build scale in the community development investment sector. So, I am here today to talk to you about the foundations of our research and then I am going to turn it over to Ben who is going to talk more specifically about how to move the field forward.

And so, you know, as we undertook this project about 15 months ago, and we set out to find the silver bullet to nonfinancial performance measurement. And I am sure that is comes as little surprise to those of you in this room that we didn't find one. And actually we go as far as to say that there isn't one, at least not right now. And what we actually did find as we began our research was there is a lot of noise; there is a lot of noise in the sector. And you know there is a lot of great energy right now. There is a lot of excitement. So there is a lot of good noise going on. There is focus on specific measurement and tools and metrics. And there are proponents of moving forward. The folks who aren't as excited about moving forward around measurement, and so Ben and I decided to take a step back and really get a sense of what this whole sector, what the universe of community development investing is really about and try to strip out some of that noise and take a look at the underlying infrastructure to make it more understandable to us and also see what is at the core of it. What is actually driving this huge heterogeneous massive activity and how can we move it forward. And what we actually found there at the core and what began as the premise of our research and at the starting point of our research and that is the investors. They are at the core. And so we can actually look at this huge diverse universe of community development investing as a cohesive whole and with the investors at the very center of it. And so that is kind of the image that I would like all of us to keep in mind as we go through the duration of this presentation. The cohesive, very diverse, sort of crazy universe and then with the investors at the middle of it; so it is important that we take a look at who the investors are. We need to acknowledge upfront that it is a really, really diverse group. Not only are we diverse by type; we have got banks and non-depository institutions in Diamond[?], individuals, etc. We are also very diverse, and I say we, because I am part of a CDFI, we are also diverse by issue area, we are diverse on whom we target, how motivated we are financially and socially and also how we manage assets. Some of us are asset owners, some of us are intermediary, some of us are both, and so it is really important to understand that this is a really diverse complex group; they all have different preferences for not only for how they invest but also how they want their returns, what sort of our their preferences are there for their financial return. And I am saying nonfinancial and social return is all the same, I am using it interchangeably but what is important too in understanding that we have this diversity is that out of it can come and some are actually coming, some really important innovations to the field in measurement that provide very valuable information to investors in the community development investment world. So I wanted to also mention that we have this diversity investors and they invest in various methods, we kind of boiled it down into 3 pots; CDFIs of course, taking a major role as both direct investors and intermediaries, we say you have seen the top bubble there, it says investments by CDFIs, but that is also CDCs and also special purpose vehicles. And then we see this third group kind of really taking on more of a role in the community development sector directly into investment opportunities. And these are groups like pension funds, foundations, even private individuals who are directly investing into the community development sector. So it is important to acknowledge all of these groups and so we have these diverse investors that are making diverse investments through diverse vehicles, it logically follows, we have a number of various diverse tools out there working to capture the performance of those investments. And so this is really just a sample of what we saw in the research and by no means is this the whole list and it is exciting for us to actually know that a number of folks are here in the audience who actually represent these different groups; we would love to get to hear from you and get your feedback. But you know these are some of the tools and the point here is that investing performance measurement is already being done. And in some cases is being done really quite successfully. And we need to think though in terms of not only performance measurement tools but also the practices associated with those tools. And so while we see that the measurement is being done, one thing that we are not seeing quite as much of is attributable information on the reporting side. An attributable to individual investors are publically available. It is kind of hard to get ahold of the actual results on the reporting side. And so, why is this important? Well, we have to think about, it might be helpful, to think about what we see in the traditional finance world and reporting on the finance side. And what the robust and very attributable and very public reporting that we see on the finance side gives investors not only accountability to the field, Ben is going to talk a little more about the role of accountability in impact investing. But also, valuable information to the market that allows investors to really identify what their investment preferences are to the market level data that is needed through reporting to inform investors on the kinds of decisions that they want to make to invest. So, we just actually lined up where we are in the community developmental world next to how the traditional finance world typically discloses or reports their returns. And we use here the GIP standard, the Global Investment Performance Standards. Those are kind of the golden standards in the finance world. And as you can see, I am just lining up how the two industries report. While the finance world longitudinal, they are benchmarked, they disclose their methodologies, they are timely, and they release information; and so we see there is a lot of room for improvement. We have tools out there that are doing really good work. We can see more, there is a lot of innovation that is building. And we have a lot of opportunities to grow in terms of how we report the results of our investments. So, what we have basically have done here in just the last few minutes is walk through what we see are the 3 main barriers to measuring social impact. And again, remembering that the investors are that the core of our industry; these barriers are pretty self-evident, just through what we have seen. But again, we have diverse and ambiguous investor preferences, not only are our investors diverse but they have got preferences that even they themselves are still trying to figure out and the better data they have, the better they are going to be able to invest.

We also have inadequate tools and practices right now. The tools are still innovating. We have got a lot of opportunity to improve our measurement, to improve our reporting, and you know a lot of times investors look at what is out there in the field and they see that, well, it cost a lot and it is actually quite a hassle to effectively measure and report our returns. So does the value that I get in going through that cost and hassle, is it worth it? It is a barrier certainly for many investors. And lastly, there is a lack of accountability when we saw this when we talked about the reporting, but investors are typically not required and they don't choose on their own to rigorously measure and report nonfinancial returns primarily because it costs a lot and it is a hassle. And so there is this lack of accountability in the field that really acts as a barrier to nonfinancial measurement or return measurement. And so, we present these barriers not to point out that there is going to be a continuing impediment to progress but rather that we need to overcome these barriers in order to move the field forward. So at this point, actually, I am going to turn it over to Ben who is going to talk about how we do that. How do we overcome these barriers and move the field forward? So… Ben?