Corporation for NATIONAL & COMMUNITY SERVICE | Social Innovation Fund

Pay for Success:

A Primer for Social Innovators

Featuring reports from:

- *The New York Times*
- *Social Finance*
- *The Urban Institute*

& More…

November 2014

Table of Contents

"Pay for Success' offers a new way for government to ensure effective programs reach traditionally and currently underserved communities. The hope is that Pay for Success will help us find better ways to get Americans the supports and services they need – whether it is access to housing, workforce development, college completion or support for youth aging out of foster care."

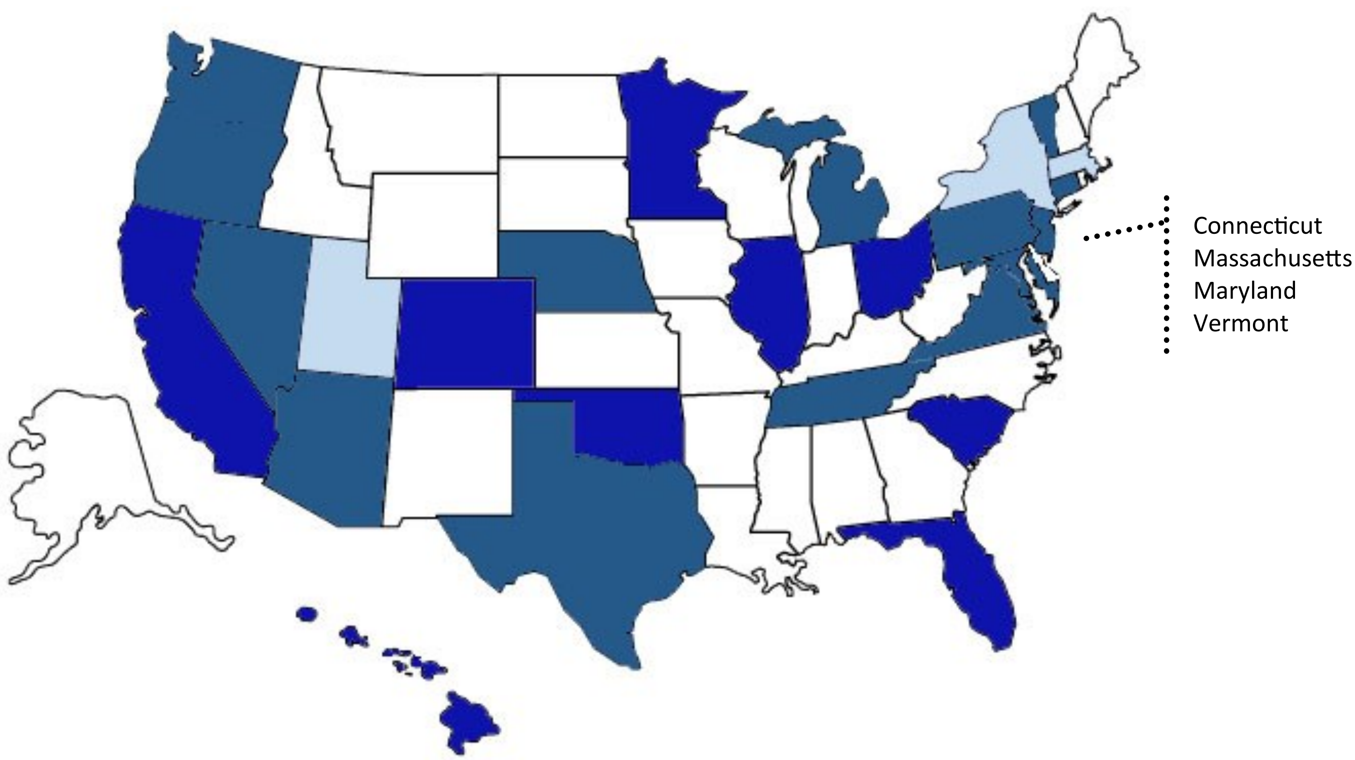
Cecilia Munoz and Robert Gordon, January 24, 2012

What is Pay for Success?

Pay for Success (PFS) is a Presidential priority that offers new ways to support social sector innovation by driving better results and more effectively using government resources. As an innovative financing model , Pay for Success leverages philanthropic and private dollars to fund services up front, with the government paying after results are generated. Unlike programs structured around processes rather than measurable results, Pay for Success provides greater flexibility for state, local and tribal governments to implement evidence-based solutions that carefully test promising innovations and scale programs that work.

Where is Pay for Success Happening?

States and local municipalities that have initiated or executed PFS projects. Includes initial discussions, exploratory action, work underway to design and implement, and PFS transactions.



CITIES/COUNTIES:

Chicago
Cuyahoga County (OH)
Dallas
Denver

Fresno
Memphis
Newark
New York City

Philadelphia
Pima County (AZ)
Salt Lake City
Washington, D.C.

Developing PFS/SIB project

Initiated exploration of PFS/SIB

Launched SIB project

Map details courtesy of Social Finance as of September 2014.

Corporation for NATIONAL & COMMUNITY SERVICE | Social Innovation Fund

Pay for Success at the Social Innovation Fund

As part of the 2014 Congressional appropriations, the Social Innovation Fund (SIF) was given authority to use up to 20% of 2014 grant funds to implement a competition to test Pay for Success approaches. Congress wanted an agency to do an honest, impartial experiment about Pay for Success as a solution and to learn more about where it works, where it doesn't and what lessons can be learned along the way.

At its core, the SIF is about finding solutions that work and making them work for more people. PFS is another critical tool with the same mission – supporting innovation, ensuring solutions have the dollars needed to scale, and paying for results. PFS is an exciting tool to attract further capital to effective, evidence-based solutions.

PFS grantees are funding activities that advance PFS projects and transactions in the near term, in order to enhance the reach and impact of innovative community-based solutions in low-income communities.

Eight organizations were selected to receive funding for up to three years through an open and transparent competition.

The 2014 SIF PFS Competition awarded grants to the following organizations:

⇒ *Corporation for Supportive Housing*

⇒ *Green & Healthy Homes Initiative*

⇒ *Harvard Kennedy School Social Impact Bond Lab*

⇒ *Institute For Child Success, Inc.*

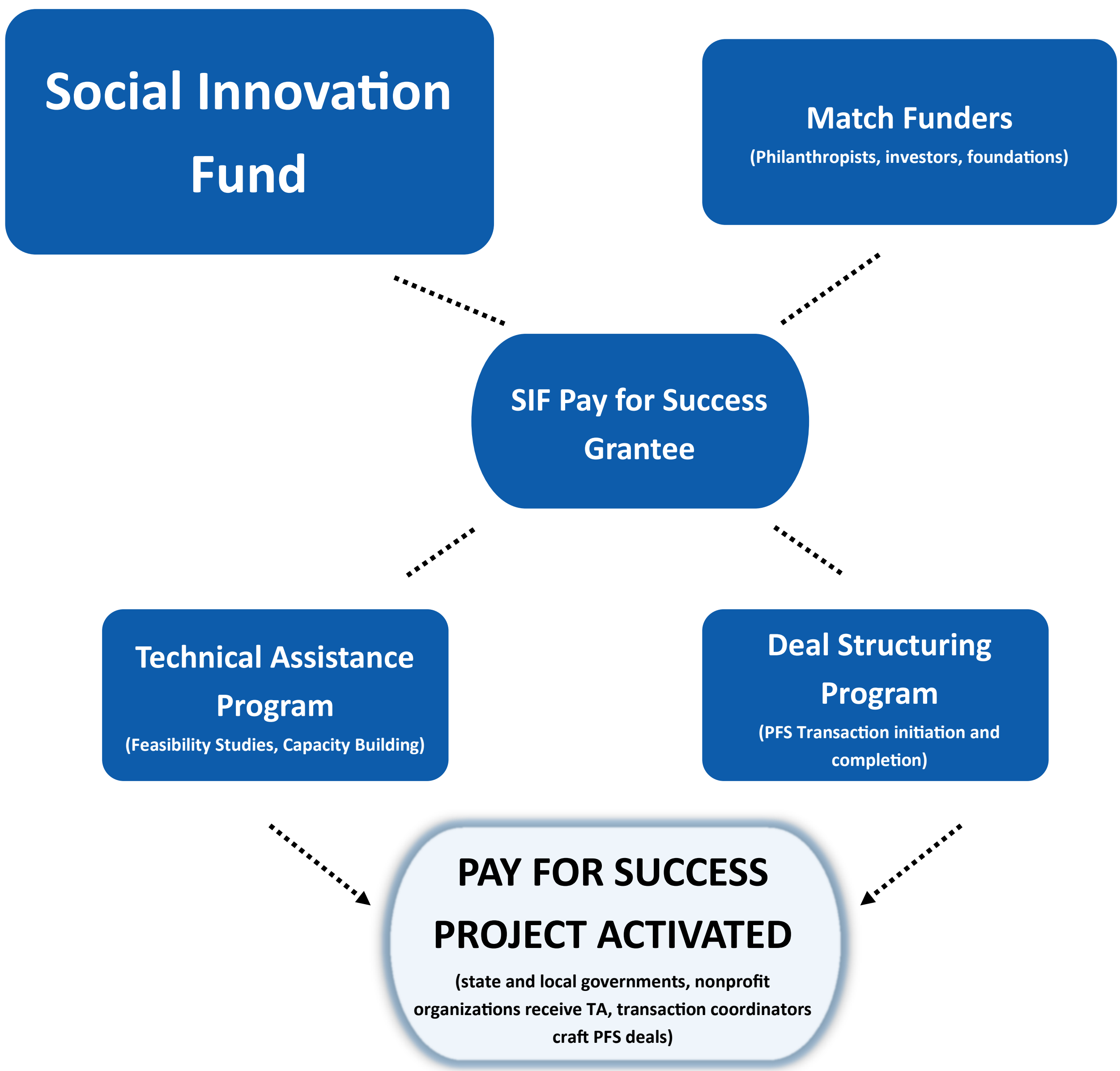
⇒ *National Council on Crime and Delinquency*

⇒ *Nonprofit Finance Fund*

⇒ *Third Sector Capital Partners, Inc.*

⇒ *University of Utah David Eccles School of Business PFS Lab*

Pay for Success at the Social Innovation Fund



URBAN INSTITUTE

Founded in 1968 to understand the problems facing America's cities and assess the programs of the War on Poverty, the Urban Institute brings decades of objective analysis and expertise to policy debates.

The Urban Institute presents the Five Steps to Pay for Success: Implementing Pay for Success Projects in the Juvenile and Criminal Justice Systems.

In collaboration with the U.S. Department of Justice Bureau of Justice Assistance, the Urban Institute explores the advantages and disadvantages of the Pay for Success method.

With specific emphasis on programs in the justice system, this report provides a five-step model for ensuring the sustainability and quality of Pay for Success programs.

Five Steps to Pay for Success

Implementing Pay for Success Projects in the Juvenile and Criminal Justice Systems

John K. Roman, Kelly A. Walsh, Sam Bieler, Samuel Taxy
June 2014

URBAN INSTITUTE

BJA
Bureau of Justice Assistance
U.S. Department of Justice

This project was supported by Grant No. 2012-DJ-BX-K001 awarded by the Bureau of Justice Assistance. The Bureau of Justice Assistance (BJA) is a component of the Department of Justice's Office of Justice Programs. Points of view or opinions in this document are those of the authors and do not represent the official position or policies of the United States Department of Justice, the Urban Institute, its trustees, or its funders.

The nonprofit Urban Institute is dedicated to elevating the debate on social and economic policy. For nearly five decades, Urban scholars have conducted research and offered evidence-based solutions that improve lives and strengthen communities across a rapidly urbanizing world. Their objective research helps expand opportunities for all, reduce hardship among the most vulnerable, and strengthen the effectiveness of the public sector.

The authors thank Edward Banks for his exceptional project management, and Ruby Qazilbash and Amy Solomon for their leadership on pay for success. At the Urban Institute, we wish to thank Nancy LaVigne for her patience and wisdom, Sarah Rosen Wartell, Amy Elsbree, and Erika Poethig for their vision, and Rayanne Hawkins and Akiva Liberman for their thoughtful contributions to this research. As part of this research, we conducted more than 100 interviews with thought leaders around the country and in the United Kingdom; we thank these leaders for their graciousness and time. In particular, we would like to thank Steve Goldberg, Dan Edwards, and Clay Yeager for their leadership on the next generation of scaled finance, and Kristina Costa and Emily Braid for invaluable assistance and connections.

Executive Summary

Pay for success (PFS) is a new method of forming public private-partnerships. Private investors finance a social program with a specific performance goal. If an independent evaluator certifies that the program achieves its goals, the investors receive their principal and a return. If the program does not achieve its performance targets (such as recidivism reduction), some or all of the investment is forfeited.

Early PFS Adopters

The first PFS project, called a social impact bond (SIB), was developed in the United Kingdom (UK) and there are now more than a dozen operational SIBs in the UK. In 2012, New York City partnered with Goldman Sachs to develop the first American SIB to provide cognitive behavioral therapy to prisoners.

Advantages and Disadvantages of PFS Funding

Pay for success transfers the risks of program failure from the government to the private sector, resulting in more efficient public spending. It offers a new approach to delivering services to vulnerable populations that result in better social outcomes and complement existing programming. The process encourages the adoption of evidence-based program and rigorous, objective evaluation. Engaging private investors allows PFS to bring new capital to the social sector, scaling effective programs and social innovation, as well as building social infrastructure. PFS funding offers the flexibility to pool resources across government departments, addressing the *wrong pockets* problem and supporting regional collaboration.

PFS financing is also legally and operationally complex, requiring significant expertise. The focus on programs with demonstrated track records may limit innovation. The private sector partnership may alter the service populations or priorities of the social service sector, and may direct private capital away from needed projects.

Developing a PFS Project

Before beginning PFS, a strategic planning process includes a rigorous assessment of justice system cost and population drivers for a well-defined problem, identification of service gaps, development of evidence-based solutions, and a determination of the suitability of PFS funding. Training partners are identified to provide potential PFS partners with the right set of skills to develop a PFS project (i.e., modeling economic outcomes, structuring deals or transactions, managing complex relationships with intermediaries, investors, service providers, and government). Developing PFS projects for the justice system is a five-step process. Steps one through three develop the deal by pricing the PFS product and setting performance targets based on existing evidence; arranging financing; and building infrastructure. In steps four and five the program is implemented and results evaluated.

The next steps in the PFS process include developing instruments that make PFS pricing process consistent and solidifying the role of research in selecting PFS projects.

Implementing Pay for Success Projects in the Justice System

Pay for success (PFS) financing directs private capital to social programs, with the opportunity for a return on investment if the programs achieve performance targets. This report provides a five-step model for ensuring the sustainability and quality of PFS programs. The five-step guide stakeholders through a process that identifies drivers of populations and costs, develops evidence-based solutions for identified service gaps and barriers, empirically derived prices, returns on investments, and performance targets to give investors transparent guidance on risks and benefits, provides governments the best chance to achieve their policy objectives, and ensures that key populations receive the best possible evidence-based services (see appendix A for more tools and resources).

Statement of the Problem

While there are numerous models of PFS, they all share a core concept: using private capital to support social programming and promising a return if the program attains specified performance targets. An independent evaluator monitors the progress of the program and empirically determines whether the intervention achieves its performance goals. If the program achieves its goal, the government pays program investors the principal they invested plus a return. If the program does not achieve performance goals, the investors lose some portion or the entire principal and any potential return. Usually, an intermediary organization manages the process by identifying social problems and the programs to target them, negotiating with investors and the government, and overseeing service delivery (Liebman 2011; Callanan, Law, and Mendonca 2012).[1] Injecting private capital into the public sector provides a new avenue for addressing the problem of widespread underfunding of public-sector interventions and innovations.

Juvenile and criminal justice systems have extensive barriers to achieving more cost-effective programming. As currently constituted, the juvenile justice and adult criminal justice systems

- focus on remediation rather than prevention, if they are therapeutically oriented at all;
- frequently choose business as usual over evidence-based practice ;
- retain little capital for operations (such that effective programs are not scalable), avert risk (such that effective programs with variable outcomes are not funded) and often remain suspicious of innovation;
- use stove-piped subagencies, such that the fiscal beneficiaries of better outcomes from evidence-based programs are not the subagency that bears the costs (the *wrong pockets* problem), and thus fail to incentivize for those subagencies to choose evidence-based programs; and
- use systems that tend to be isolated from the rest of government, particularly with respect to information sharing and knowledge transfer.

Such practices result in inefficient systems that may do more harm than good.

Pay for success addresses all of these issues. By seeking private financing, it solves the under capitalization problem and shifts risk to the private sector. By moving the funding mechanism from the subagency (such as a department of corrections) to the agency level (the criminal justice system writ large), it solves the wrong pockets problem. Formulation of the transaction requires that data is acquired and shared and that knowledge is transferred. For the PFS transaction to be properly priced, it is critical that monetized effect sizes are calculated to provide transparency to all parties, and that data and knowledge are shared across sectors.

The process described in this report is intended to maximize the effectiveness of PFS in practice. The challenge for the first generation of PFS has been to demonstrate that a PFS transaction can occur. The challenge for the next generation will be to broaden the purpose of PFS to not only fund a specific intervention with a known outcome, but also to fund a portfolio of evidence-based interventions that target the specific drivers of costs and populations that would benefit most from programmatic reforms. Thus, there are two components to PFS: strategic planning to identify those cost drivers and evidence-based solutions, and implementation of the PFS transaction.

Development and Adoption

Early Model Development

Early work on social impact bonds (SIBs) focused on describing the core structure of the model: the government contracts with an intermediary organization that in turn contracts with nonprofit service providers to deliver evidence-based social service programming that is designed to prevent future negative outcomes and increase social welfare. To execute this program, the intermediary solicits investors to support the program with private capital. Investors can receive a return on investment paid by the government if the program meets a set of performance targets. An independent assessor determines if these metrics are met (Callanan et al. 2012; Liebman 2011). By focusing on preventative programs, paying only for successful results, and using private capital, the SIB model offers a way to reduce the need for expensive interventions (such as prison) while reducing the political risks often associated with changing the nature or allocation of social programming (Kohli, Besharov, and Costa 2012a).

Social impact bonds seek to tap into the burgeoning field of impact investment by soliciting private capital and offering a return. Impact investing attracts those that make investments that are expected to produce a *double bottom line*: positive social outcomes and profits for the investor (Lachman-Messer and Katz 2011). To obtain a double bottom line, impact investors are often willing to accept below-market rates of return on their investment (Overholser and Whistler 2013). In 2011, there were $4.4 billion impact investments made (Harji and Jackson 2012).

Social impact bonds exist within this broader field of impact investment as a subset of a particular class of financial transactions referred to as *pay for success* (PFS). The terms in this field are still in flux and may be redefined later, but for our purposes, PFS refers broadly to the idea of paying for evidence-supported results after a program has been executed rather than paying for a program upfront where government bears the entire risk (Galloway 2013). An increasingly common convention is to refer to products and investments that follow the SIB model as social impact bonds (e.g., the Rikers Island SIB and the Utah SIB), while referring to the concept and model behind these products as pay for success.

This early social impact bond work also identified key challenges to the feasibility of broad adoption of the SIB model. Early SIB projects confirmed the expected challenge the process of devising the metrics for measuring and evaluating success would pose. It takes considerable collaboration and social science expertise (Disley et al. 2011). Using the SIB model also requires the government to cede significant operational control of social-service programming to outside organizations (Kohli et al. 2012a), which is an unusual relationship for government partners that have traditionally exercised control over the services they contract. Governments are also more used to paying for activities (outputs) than outcomes, so government partners interested in executing SIBs will need to find ways to modify many of their existing operating procedures (Kohli, Besharov, and Costa 2012b). Equally challenging is the process of identifying high-performing programs and quantifying their impact (Fox and Albertson 2011). Finally, the procurement process in most jurisdictions is designed to request specific interventions, not to solicit *a priori* unspecified partnerships; thus SIBs are difficult to finance through conventional procurement processes.

Since the development of the initial SIB/PFS model, a great deal of work has been done communicating the basic structure. However, only recently has work been developed on how SIBs and PFS projects will function in the broader legislative and regulatory framework of the US financial- and government-procurement system. Determining how legislative and regulatory structures will govern the development of PFS financing is the next step in the field.

PFS in the State Legislative Context

One of the most important questions for the growth of PFS is how these instruments will interact with the legislative framework governing appropriations. One of the advantages of SIBs and other PFS projects is that they can provide long-term capital for social services that might otherwise be constrained by the relatively short-term nature of government funding and philanthropic grants (Social Finance Inc. 2012). However, while PFS projects are designed to provide long-term capital, governments are generally not authorized to make payments, even payments made under enforceable contracts, unless the legislature has voted to appropriate that money. Such appropriations are usually done annually, meaning that a government in 2024 might have to vote to pay for a contract made by a government in 2014 (Goldberg, 2012). Unless provided by legislation, investors have no legal recourse to sue the state for reneging on the contract if a state does not appropriate funds to pay a SIB contract in the year that repayment is required, thus further complicating the issue (Goldberg 2013c). This exposes PFS investors to significant risk—legislation facilitating PFS and addressing this challenge has been and will likely continue to be an important part of building public confidence in social impact bonds (Costa and Shah, 2013).

As of February 2014, California, Connecticut, Hawaii, Massachusetts, Maryland, New Jersey, and Pennsylvania have either proposed or adopted some form of legislation to initiate or facilitate PFS projects.[2] The scope and reach of the proposals in these seven states differ significantly. Massachusetts's legislation provides the most security to investors by authorizing the government to make PFS payment obligations supported by "the full faith and credit" of the state of Massachusetts. Full faith and credit guarantees provide investors with significant legal authority to sue the state for failing to pay a contract. Additional security could be provided if the statute expressly waived a legal protection particular to states called *sovereign immunity*.

Legislation in New Jersey and Connecticut provides less rigorous protection to investors: a special set-aside fund is established for social innovation. The laws authorize specific accounts into which funds may be deposited that will be used to pay for a SIB. Money can be retained in these accounts until they are used for SIB payment. This ensures money is available so that, at the time of payment, future governments are not encumbered by the spending decisions of prior governments. However, there are no protections in place to prevent future governments from reappropriating the already deposited funds for other purposes (Goldberg 2012). Moreover, the government's contract authority in Connecticut is subject to legislative review, which may have the effect of slowing the PFS development process (Goldberg 2013a).

The scope of other states' legislation is more limited. Maryland (Goldberg 2013c) and California (Goldberg 2013b) have proposed bills to define what a SIB is in the state context and establish government authorities for SIBs. Maryland's bill defines SIBs specifically and includes the achievement of savings as part of the definition.[3] California's language takes a broader approach on PFS and defines performance-based contracting where, based on the attainment of success measures, the government pays a provider more or less. Hawaii's legislation restricts itself to commissioning a feasibility study to determine if SIBs are viable for addressing social problems in the Hawaiian context. Pennsylvania legislators announced a plan to release social impact bond legislation soon (Goldberg 2013c). The increase in legislative activity, however, has raised a separate SIB concern that these instruments may be a mechanism to allow prior governments to obligate future government spending without the consent of elected representatives. It remains to be seen what the best practices are for enabling legislation and how SIBs will interact with existing federal banking regulations.

Pay for Success and the Community Reinvestment Act

One trend in the field of pay for success is an increasing focus on the ability of pay for success projects to meet banks' obligations under the Community Reinvestment Act (CRA). The CRA requires banks to meet all the credit needs of the communities they serve, including low and moderate income communities. Banks that fail to do so may be denied various business opportunities, including, most importantly, the ability to open new branches. Banks can meet their CRA obligations by making credit available to services and economic development activities directed toward low- and moderate-income communities (Goldberg 2013c). CRA-related loan activity in the United States is immense, totaling $209 billion in 2011 alone

(Godeke 2013). Thus if PFS projects qualify as meeting a bank's CRA obligations, there is a potential to open up vast volumes of non–impact investment capital to PFS-financed projects. However, this also introduces an additional challenge for PFS: if PFS projects meet CRA-requirements, there is a potential for PFS to reallocate the existing pool of social investment between financial products, rather than attract new impact investment.

Whether SIB- and PFS-related activity will qualify as being in support of a bank's CRA obligations is still unclear. Financial tools are more likely to qualify under CRA requirements if they use innovative or complex and specialized transactions to meet the credit needs of the community so SIBs may be more likely to meet CRA requirements than traditional loans (Goldberg 2013b). However, willingness to use SIBs for CRA purposes currently appears to vary across financial institutions, with some more risk-averse institutions more interested in meeting their CRA compliance requirements with more traditional financial tools (Godeke and Renser 2012). Going forward, clear signals from Federal regulators regarding the status of PFS projects in meeting CRA obligations for various types of banking institutions will be crucial in determining the degree to which PFS projects attract or reallocate capital (Godeke 2013). Given these questions, it is clear that there is still work that needs to be done to further develop the PFS model. Results from the initial pilots will likely provide valuable insights into the next steps for such development.

Prevalence and Early Adopters

The United Kingdom launched the first SIB to address recidivism in 2010. The program targeted 3,000 short-stay prisoners in cohorts of 1,000 at the Peterborough prison over a six-year period. To support a wrap-around reentry program called One Service, 17 investors brought together £5 million. This program contracts with four nonprofit service providers to deliver pre-and post-release services to both inmates and their families, including accommodation, medical services, connection to benefits, and employment support. Success is measured by recidivism over a 12-month period following release. A maximum return of 13 percent on investment is possible (Social Finance 2011; Social Finance 2012). The program is considered to have succeeded if recidivism for the program group is 10 percent below that of comparison groups established at 30 similar prisons (von Glahn and Whistler 2011). Interim results for the Peterborough SIB have been promising as recidivism among the group has fallen against a general rise in recidivism in the United Kingdom (Elkins 2013). Internationally, PFS projects are now underway in Australia, and under study in Canada, France, Germany, Ireland, Israel, and Korea (Patton 2013).

In 2012, New York City launched the first American SIB. This SIB raised $9.6 million from Goldman Sachs to provide cognitive behavioral therapy to 16- to 18-year-old adolescents in the Rikers Island jail (the primary jail for New York City). The program, the Adolescent Behavioral Learning Experience (ABLE), is provided by two organizations, the Osborne Association and Friends of the Island Academy. MDRC serves as the intermediary organization and the Vera Institute of Justice is the independent evaluator.[4] As in the Peterborough SIB, returns are paid on a sliding scale: the break-even point for Goldman to recoup its investment is a 10 percent recidivism reduction, with a 20 percent recidivism reduction offering the maximum possible return on investment (approximately $2.1 million) and long term savings to New York City of $20.5 million.[5] One feature of the New York SIB is a $7.2 million loan guarantee provided by Bloomberg Philanthropies. Also known as a credit enhancement, the loan guarantee reimburses Goldman for the first $7.2 million lost if the program fails to attain its performance goals, effectively limiting potential loss on the principal investment to $2.4 million (Rudd et al. 2013).

Since this initial project, the federal government has made significant investments in supporting the use of PFS financing. During 2012 the US Department of Justice offered priority grant consideration to applicants using pay for success financing for Second Chance Act reentry program funding to encourage the integration of PFS financing and justice system programming (Bureau of Justice Assistance [BJA] 2012). In 2013, the US Department of Labor awarded nearly $24 million in grants to support PFS pilots.[6]

At the state and local level, the range of domestic PFS projects is also expanding. In Utah, Goldman Sachs, the J.B. Pritzker Foundation, and United Way of Salt Lake partnered to support an early childhood education program.[7] In Frenso, California Social Finance, Inc. and Collective Health collaborated to launch the first health-focused social impact bond in the United States, targeting asthma (Social Finance, Inc. 2013). Governments in Colorado, Connecticut, Denver, Illinois, Ohio, and South Carolina have received support from the Rockefeller Foundation and the Harvard Kennedy School's SIB Lab to develop PFS projects.[8] New Jersey's Assembly has advanced legislation to use PFS to reduce the cost of health care[9] and the Maryland (Roman 2013; Leventhal 2013) and Washington, DC legislatures have held exploratory hearings (Walsh and Roman 2013).

Critiques

Criticism of the PFS model has fallen into two categories: operational and philosophical. Operational criticisms have challenged the ability of the social impact bond to successfully transfer risk and produce cost savings for the government. From this perspective, the additional costs imposed by contract negotiations and evaluation fees, as well as limited marginal savings, make it unlikely that SIB-financed programs could be cost beneficial for the government (McKay 2013).[10] Other operational criticisms have focused on the ability of the evaluation to accurately gauge the impact of the program. Given the primacy of evaluations in determining payment, there is concern that the metrics used to evaluate programs will be subverted.[11] There are also concerns that, even with rigorous evaluation, the results will be inconclusive, making it impossible to make payments (McKay 2013). Other reviews have suggested that the PFS model may have a deleterious effect on the nonprofit sector by encouraging silo-thinking and functional specialization as organizations reorient themselves specifically to hit certain benchmarks.[12]

Philosophical critiques of PFS focus on the implications of the introduction of private, for-profit capital into the social service sector. In this view, funding social services through for-profit ventures rather than government funding supported by increased revenues represents an abrogation of government's responsibilities to address social problems.[13] Proponents of this view also suggest that PFS models may offer the for-profit sector undue influence in determining what social services will be funded, in turn potentially for the subordination of public to private interest (Mendell and Gruet 2012).[14] Given the comparatively recent development of PFS as a funding mechanism, it remains to be seen if these critiques will be borne out as the field develops.

Strategic Planning

Governments interested in developing a PFS-financed project should first complete a four-part strategic plan. Strategic planning involves a comprehensive analysis of a site's criminal justice systems to identify inefficiencies and solutions. By the end of the strategic planning process, governments will have a comprehensive understanding of the inefficiencies of their justice system, a portfolio of evidence-base solutions to address these inefficiencies, and a list of which solutions can be most effectively implemented using PFS-financing. Engaging in a strategic planning process before developing a PFS transaction will improve the likelihood of successfully bringing high performing programs to scale. Additionally, once completed, findings from the process can serve as the foundation for multiple rounds of justice system reform, both PFS-financed and otherwise.

Steps in Strategic Planning for Pay for Success

1. Identify cost and population drivers.
2. Identify the target problem.
3. Find evidence-based solutions.
4. Assess PFS suitability.

The Justice Reinvestment Initiative (JRI) has helped to make strategic planning become a more common practice in the criminal justice sector. JRI, a public-private partnership between the Bureau of Justice Assistance and the Pew Charitable Trusts (Pew), emphasizes comprehensive justice system analyses to identify inefficiencies and develop evidence-based policy options to remedy those inefficiencies. JRI has been carried out in 17 states (La Vigne et al. 2014) and in 18 locales through the Justice Reinvestment at the Local Level (JRLL) project (La Vigne et al. 2013). The strategic planning process used to guide the JRI and JRLL process provides a useful model for the PFS strategic planning process for both justice system and non–justice system PFS projects. There are four steps in the strategic planning process:

1. Identify the cost and population drivers.
2. Identify the target problem.

3. Find evidence-based solutions.
4. Assess PFS suitability.

Identify Cost and Population Drivers

Identifying cost and population drivers is the first part of strategic planning. Cost and population drivers are factors that disproportionately affect criminal justice system populations and drive criminal justice spending. For example, a common driver in the criminal justice system is delays or denials of parole for eligible prisoners. For eligible, low-risk offenders, parole is significantly less expensive than incarceration: in Fiscal Year (FY) 2012, Georgia's daily cost of parole supervision was $4.94 compared with $51.19 for incarceration.[15] Despite the potential efficiencies and cost savings available if more offenders were transition to parole, parole grant rates have declined in many states. From 1980 to 2008 South Carolina's parole grant rate declined from 63 percent to 10 percent while the prison population rose (Pew Charitable Trusts 2010). Another common cost and population driver in the criminal justice system is insufficient supervision and support services in the community for reentering offenders. Though supervision populations in some states have grown, available resources have remained static or even declined. This, in turn, may limit the capacity for community services to prevent recidivism, and thus require more costly incarceration interventions (La Vigne et al. 2014). The first step in strategic planning is to identify cost and population drivers like these.

Cost and population driver identification can be either comprehensive or targeted. Comprehensive identification involves a complete analysis of the government's laws, enforcement practices, and social support systems associated with the criminal justice system (BJA 2013). An even more expansive review could assess the drivers of juvenile justice or related health and human services system costs. Alternatively, the process can take a more targeted approach in which one specific facet of the criminal justice system (e.g., jails, courts) is investigated to determine key drivers.

The process of identifying cost and population drivers, though it will vary based on the government, will often require the collection of both population and financial data. Population data means the people who enter the justice system, their movement through the various stages of the justice system (e.g., arrest, trial, incarceration), and the time between each stage of the system. Financial data identifies the costs associated with each stage of the justice system, and can help identify areas that consume a disproportionate volume of resources. The Urban Institute's *Justice Reinvestment at the Local Level Planning and Implementation Guide* provides a detailed overview of what this process might look like at the local level (La Vigne et al. 2013).

Collaboration between all partners in a PFS deal, including local stakeholders, can greatly improve the strategic planning process. PFS initiatives will often require collaboration between multiple agencies (Azemati et al. 2013), so involving multiple agencies early in the process can help facilitate collaboration that may improve the ability of the PFS project to attain its objectives. Moreover, stakeholders may have valuable insights or recommendations that will refine the cost and population driver analysis and ensure that there is consensus around the eventual findings. One-on-one meetings with key agency personnel, focus groups, and stakeholders can both provide additional insight into cost and population drivers, and help build collaboration and consensus while providing valuable analysis insights (La Vigne et al. 2014).

Whether at the federal, state, or local level, identifying cost and population drivers can be a complex, and time consuming enterprise. Criminal justice data systems are often not designed to facilitate querying or analysis. Additionally, certain important data items may not be systematically collected. Particularly at the state level, state authorities may lack a way to systematically collect comprehensive information from a broad array of service agencies. Therefore, this step will be most successful if conducted in collaboration with a research partner, referred to as the *knowledge intermediary* in this document, that can compare the operations of the current system to research on best practices from the research literature. For example, Pew and the Justice Center of the Council of State Governments facilitated JRI analyses (La Vigne et al. 2014).

Critical to this process is identifying existing administrative data that can inform cost- and population-driver identification. At the simplest level, data can be aggregated to determine which sectors contribute disproportionate costs. A better approach, though more resource intensive is to link data about individual service receipt across agencies (and thus identify people, families, and places that consume disproportionate services). Such an effort would constitute a substantial reform for most jurisdictions and improve their ability to be cost efficient by identifying absent or redundant service provision. The greater the data integration, the greater the transparency of the PFS transaction, reducing uncertainty for investors is reduced and likely reducing the profit required for investment as well, saving government costs.

Where possible, building on prior analyses like those done through JRI or JRLL can leverage prior justice reform efforts when the analyses is used to guide both JRI or similar initiative efforts and PFS projects.

Identify the Target Problem

Identifying a government's cost and population drivers will provide a list of problems in the justice system, often taking the form of gaps or barrier in justice system infrastructure. A government must then identify which problem or problems they wish to address. Gaps in the justice system infrastructure tend to take one of three areas: in digital infrastructure, resulting in the inefficient exchange of data and knowledge; in human capital, leading to a lack of capability or capacity to deliver prevention or intervention services; or in the social service infrastructure, where there is insufficient supply of high-quality, evidence-based prevention and intervention services relative to the demand.

For example, if insufficient or ineffective community support is driving the high recidivism rates that fuel a government's corrections costs the problem could be that services are ineffectively targeted because information on offenders is unavailable or difficult to share (a digital infrastructure problem), there are insufficient services (a social service infrastructure gap), or there is a lack of staff in the district who are able to provide effective evidence-based services (a human capital gap). Governments should work with the knowledge intermediary to identify what type of gap needs to be addressed to remedy their cost and population drivers, and to align the operation of their system with evidence-based best practices.

Often, a government's strategic planning process will identify multiple infrastructure gaps, and it may be beyond their ability to immediately remedy all of the gaps. The knowledge intermediary can help identify which problem to target first to generate the greatest impact on justice system operations.

Find Evidence-Based Solutions

Once a problem is identified, the next step is to find evidence-based solutions to address it. An evidence-based solution refers to programs, policies, and practices that have been objectively evaluated and found to have a positive impact on their primary outcomes. There are several compilations of evidence-based programs addressing a wide variety of interventions in criminal and juvenile justice.[16] These compilations generally are derived from a formal, systematic review, known as meta-analysis, which empirically identifies effective interventions.

Choosing programs objectively through a review of existing research is essential to the development of PFS. The process encourages government and philanthropy to engage with a large body of empirical evidence about what programs are and are not effective. Doing so will also dramatically improve the transparency of a PFS transaction as risks can be empirically enumerated. This can increase investors' confidence and reduce the premium government must pay to attract capital to a program. A collaborative partnership with a knowledge intermediary will increase the likelihood that this step can be effectively implemented.

The goal of this stage of the strategic planning process is to identify a portfolio of evidence-based candidate programs that solve specific justice system problems. Developing a portfolio of programs has several advantages when compared with implementing PFS one program at a time. After a government has valued the program and assessed its likelihood of success, it negotiates with potential investors. A portfolio of programs can also be sequenced to maximize the likelihood of successful implementation and to leverage prior successes. Finally, during the first step of PFS, candidate programs can be ranked according to their expected impact. Programs that are likely to yield the greatest returns can be undertaken first, potentially allowing the generated savings to fund the next program in the queue.

Assess PFS Suitability

Once a cost driver, a target problem, and an evidence-based solution have been identified, the candidate intervention must be assessed for suitability for PFS implementation. Not all evidence-based programs are suitable for PFS implementation even if they have a strong probability of attaining their performance goals. There are four dimensions on which programs must be evaluated to determine their feasibility for PFS implementation: *evaluability*, the program has measurable outcomes and positive social benefits; *program safeguards*, protections that ensure that neither the treatment population, nor investors are harmed by the PFS transaction; and *instrument appropriateness* and *financial viability*, determinations that PFS is the most cost-effective way to implement the intervention and that both investors and the government can attain cost-savings and program efficiencies using PFS.

For example, there may an evidence-based program that serves mentally ill, chronically homeless returning prisoners who are driving system costs. However, in smaller cities, that population might be too small to allow for a control group to be identified, and thus there can be no means to determine if the PFS-funded program meets outcome-based performance targets. While an evaluation could determine if the program met the goals for the treatment group, without a comparison group it would not be possible to determine if this success was attributable to the program. A more in-depth discussion of each of these steps can be found in appendix B.

There are three possible determinations that may be reached when evaluating a PFS program under these standards. The first is that PFS is a strong vehicle for bringing capital to the program in the absence of sufficient public support. The second is that PFS financing is the only solution: this may occur because effective program funding and implementation is not possible with traditional government funding because of political barriers to program implementation, siloed areas of funding, and responsibility among government agencies, or other institutional, legal, or operational barriers. One example of this type of this type of problem is *the wrong pockets problem*, where the entity or agency that funds a successful program is not the agency that receives the savings from it. In those cases, using PFS as a way to pool costs and benefits can remove the barrier to successful implementation. The third possible determination is that PFS is not the optimal mechanism for implementation. Traditional government funding or other innovative financing mechanisms may be a more appropriate way to support the program. The Urban Institute has developed a general PFS feasibility assessment diagnostic tool to facilitate this determination, but government stakeholders can also engage local-knowledge intermediaries to perform the diagnostic step.

Five Steps to Pay for Success

Once the strategic planning process is complete, the process of developing a PFS transaction for the candidate programs can begin. The five-step PFS model integrates evidence-based solutions to the selection, valuation, and evaluation of PFS transactions. These steps place knowledge transfer at the center of the PFS development process, maximize the opportunity for programs to be successful, create transparency for investors and government, and support positive social outcomes.

Five Steps to Pay for Success

1. Value the PFS product, assess risk, and set performance targets
2. Develop the deal
3. Develop infrastructure
4. Deliver service and targeted technical assistance
5. Evaluate the program

Step One: Value the PFS Product, Assess Risk, and Set Performance Targets

Valuing a PFS transaction, assessing risk, and setting appropriate performance targets is likely to present the largest challenge to government stakeholders. Because local procurement rules and policy priorities will have a significant impact on the pricing of PFS transactions, better tools need to be developed to support a standardized valuation process so that PFS can be a consistent investment class. Until the development of such valuation mechanisms, PFS projects will need to be developed on a site-by-site basis.

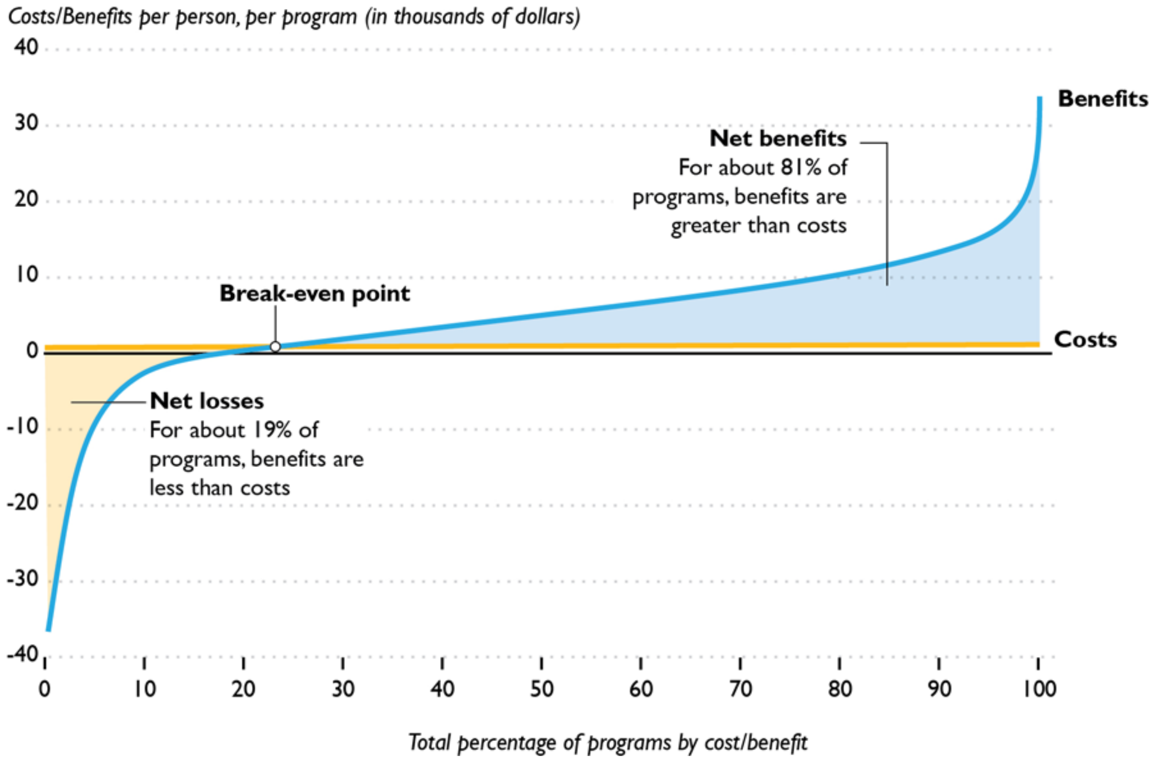
Four factors influence PFS pricing: how much infrastructure needs to be built and capital needs to be raised to support the program; what the performance targets for the PFS program will be and the time it will take to reach them; what the savings will be for the government and what portion of these savings will be *cashable* (recoverable); and how risky the project is and what return investors will require to support it.

Whether savings from a PFS project are cashable is an important question. If a clearly defined savings can be identified and captured in a budget, and can be used to pay off investors, the savings are cashable (and in these instances, the PFS does perform similarly to a bond). More commonly in the criminal justice system, the savings, while real, are not cashable. This would be the case for programs that reduce recidivism, but not enough to meaningfully change the size of correctional populations, or where enhanced public safety is the primary benefit.

The valuation process is especially important for governments. By understanding the evidence-based costs and benefits of a program, the government can enter negotiations with perspective investors (step two) with transparent data for the investors' consideration and suggestions on reasonable rates of investor return should performance targets be attained. This information allows governments to make an evidence-based decision about whether the returns necessary to attract investors exceed the value of the program to the government.

Investors will likely prefer to invest in programs with a strong evidence base, especially if it also can empirically demonstrate cost, benefits, effect sizes, risks, and uncertainty. Risk is the predictable and measurable variation in the outcome of a program while uncertainty is the unpredictable and unmeasurable variation (Knight 1921). Investors will support risky ventures for the right level of return but are less likely to support uncertain ventures (Bewley 1989). An evidence base gives researchers the tools to understand the probability of a successful program, transforming uncertainty into risk. For example, using the Urban Institute cost-benefit engine (figure 1), an examination of electronic monitoring for probation in Washington, DC found that implementing the program would prevent a sufficient number of arrests to be cost-beneficial 81 percent of the time (Roman et al. 2012). These types of data can be used by investors to determine the likelihood that a transaction will be successful and what returns are reasonable. Similarly, the government can use these data to determine how much capital needs to be raised, what the appropriate performance targets are, and what returns are reasonable from its perspective. At this stage, involvement of a financial intermediary, an organization with financial expertise to structure the contract and attract investors, is likely warranted.

Figure 1. Results from a Meta-Bayesian Cost-Benefit Analysis of Electronic Monitoring for Offenders on Probation



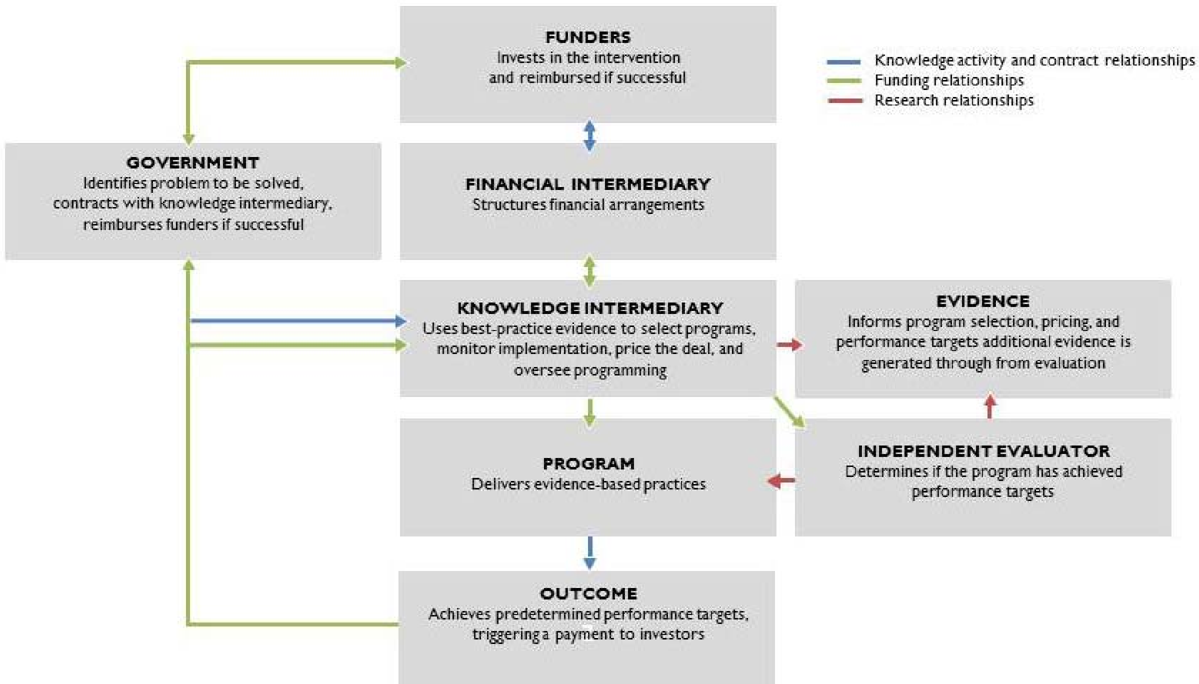
Source: Roman et al. (2012).

Step Two: Develop the Deal

Once the product is priced and performance targets are determined, negotiations for the financial transaction commence. Five actors are essential to a PFS program (figure 2): governments, investors, financial intermediaries, knowledge intermediaries, and independent evaluators.

- **Governments i**dentify problems to target and pay if the program achieves its goals.
- **Investors**[17] contribute capital in the program and receive their principal and a return if the program is successful.
- **Financial intermediaries** structure the deal and solicit investors—role may be filled by a single organization, or multiple organizations with different responsibilities.
- **Knowledge intermediaries** identify and recommend high-performing programs, price the product, and oversee implementation.
- **Independent evaluators** determine if the program has met its performance goals.

Figure 2. Actors and Relationships in a PFS Project



By the end of the development process, the value and returns of the PFS project will likely differ from the initial valuation developed by the government in step one. This is a result of the differing incentives at play: Investors will seek easily attainable performance targets and high returns, while governments seek the opposite. Preserving the integrity of the valuation process will be a priority for the financial intermediary—especially with a government's initial PFS transaction. The first transactions will build knowledge and infrastructures to support implementation and identify the impact of local context (such as procurement rules), on the deal structure. Governments will have to remedy barriers to PFS implementation, like committing future governments to pay back investors for successful transactions. Additionally, they will need to determine where present day budget allocations will be made.[18] Once these procedures are determined, future transactions will be substantially less complex.

The structure of early adopters' PFS contracts has not yet been made public. It will likely be several years before there are enough PFS projects to make substantive determinations of what contracting mechanisms support the most effective PFS financing process. Additionally, since each contract, especially in pilot projects, will be tailored to the unique circumstances and legal environment of the program and government, specific contract structure and language will likely vary significantly between PFS projects. However, Kohli, Besharov, and Costa (2012b) developed a contract template that identifies components important for effective PFS implementation.[19] Their template contract defines the responsibilities of each party in the deal, the social science terms crucial to the project, and the deal's payment structure.

The first responsibility of the contract is to define the parties in the deal, their relationships, and responsibilities. The roles of the government, intermediary, and assessor are all defined as well as what the powers of each party are, and what limits exist on those powers. For example, the authority of intermediaries to engage subcontractors, and any limits on that authority, like the need for government assent before engagement of a contractor, will need to be codified. The relationships between these groups are also defined in key areas, like how program publicity will be carried out, and what expectations each party should have for their partners' performance. Finally, the contract includes a series of *safety valves* for both the government and intermediary: conditions under which program termination or emergency intervention in the program is acceptable. These safety valves include provisions to ensure that there is adequate time for the needs of the treatment population to be addressed if the program is terminated.

Codifying the social science terms and procedures by which the PFS project will operate is a second core contract component. Agreeing on the definitions of what outcomes the success of the project were judged by was a major challenge during the Peterborough SIB and required significant social science expertise (Disley et al. 2011). When agreement on these terms is reached, it will be important that the contract codify that agreement. The contract should also lay out the criteria for participation in the program's treatment and control groups, and what parties are responsible for the collection of the data that will be used to evaluate the program.

Detailing the payment structure is the final role of the contract. There must be clarity on what outcome or outcomes produce what payment. If different payments are to be made for attaining different outcomes or different levels of a particular outcome that also needs to be codified. The role of the independent assessor in certifying this outcome must also be outlined, and include guidelines for how the assessor will report whether outcomes have been met, and what measures will be taken to ensure transparency in their evaluation.

Step Three: Develop the Logic Model

After the PFS project has been priced and the structure of the deal is agreed upon, the logic model and implementation plan to deliver the program can be developed. A plan for collecting outcome data must be considered as part of the program infrastructure so that there is a way to measure if a program ultimately reaches the targets that trigger payment to investors. Two questions will guide this process: who will provide the targeted training and technical assistance (TTA) and what evidence informs implementation. TTA refers to the providing of the skills, knowledge, and expertise needed to deliver programming. TTA providers are brought in to provide the training necessary to ensure service providers have the capacity to deliver the intended program. Some governments will need to identify and engage external partners if there is insufficient local TTA expertise to develop the necessary infrastructure. The TTA provider or, in some cases, knowledge intermediary, will identify implementation research specific to the program to maximize fidelity to best practice, smoothing the process of developing infrastructure and limiting the resources that must be spent.

Implementation and Evaluation

Step Four: Deliver Service

In step four, the deal moves from planning the program to implementing it. The logic model developed in step three is used to deliver services to the target population. Throughout step four, the knowledge intermediary manages and provides oversight of service providers to ensure fidelity to the model devised for the program. Monitoring and supporting fidelity to the evidence-based program provides the strongest possible chance of positive results being achieved and of investors achieving a return.

A key part of the service delivery process is ensuring the continued provision of services even if it becomes clear that the program will fail and investors will not achieve a return. Ensuring that targeted populations are addressed even if the program fails is essential to preserving the legitimacy of the PFS model as a positive contributor to the social sector.

Step Five: Evaluate the Program

PFS transactions conclude with an evaluation, in which the independent evaluator determines if the project has achieved the agreed upon performance targets. A randomized control trial (RCT) is the preferred study design, as it is the most effective way to control for competing explanations of a program's effect, and limit spurious findings. These evaluations determine the impact of a program, whether the government should pay the investors, and build evidence on effective justice system interventions.

RCTs have been characterized as unsuitable for use in PFS transactions because they are perceived to be more costly than other evaluation types. That has led to concern that RCTs will increase the administrative costs of the PFS transaction and reduce the chance that cashable benefits will exceed investor principal and profit. This concern, however, is misplaced. The primary driver of evaluation costs is data collection and these costs do not vary significantly by evaluation design. The random assignment of potential clients to treatment and control, the hallmark of the RCT, does not add significant cost to a project. Existing justice system data may be insufficient or ill-suited for the evaluation of all program outcomes, making a random assignment design where the evaluator keeps track of outcomes an even more suitable methodology.

An additional evaluation barrier may be the choice to serve all of an identified population, such that there are no individuals available for the control group. Some interventions target individuals with severe problems (such as chronically homeless, mentally ill returning prisoners) who consume substantial resources but are a relatively small population. In those cases, demonstrated fidelity to evidence-based best practice may be the best metric to evaluate success. A PFS transaction can use performance metrics rather than evaluation results in these instances, if all parties agree to the transaction.

A key part of the evaluation process is making sure evaluations develop and provide results in a way that promotes transparency and agreement among all parties involved in the process. Ensuring that all parties agree with the result of the evaluation and certify its legitimacy is important to preserving the integrity of the payment process and building the consistency, stability, and viability of PFS as a financial instrument.

Advantages of Pay for Success

PFS offers advantages over traditional government financing: risk transference, accountability, infrastructure building, and flexibility. Because the government only pays for a program if the program achieves specific objectives, PFS funding can *transfer some or all of the financial and political risk* of program implementation from the government to the private investors. The transference of risk allows the government more opportunities to support social programming as taxpayer funds will only be expended on programs that are independently verified as successful (Kohli et al. 2012a). This *accountability* is a second advantage of PFS: because payment is dependent upon results, there is more incentive to pick evidence-based programs and to empirically validate results. The focus on developing and using evidence-based social programs may also spur innovation in the social sector as programs compete and are adopted based on the strength of their evidence and track records of success.

PFS has the potential to *build community-based service delivery infrastructure*, which can remain in place after the financing transaction is complete, providing sustainable community benefits. Finally, the *flexibility* in PFS has advantages over traditional financing. The PFS transaction can include funding from numerous agencies whose resources might otherwise be separated or *siloed* because of the funding structure of government agencies. By providing a structure through which multiple agencies can pool resources, PFS avoids siloing (Costa et al. 2012) and allows for the development of multi-departmental or even regional social service initiatives.

Risks of Pay for Success

Broad adoption of PFS has the potential to dramatically alter the social service sector, but there are risks. The first generation PFS transactions are complex arrangements requiring significant legal, empirical, institutional, and financial expertise, the confluence of which may be difficult or expensive for government stakeholders to acquire and manage. In addition, government procurement rules at all levels of government may prove to be impediments to PFS; rules preventing funding of solicitations initiated by the private sector and submitted to government are common and may limit the ability of the private sector to support PFS.

One question about PFS is what impact it will have on the populations and outcomes targeted by social service providers. Since private investors are assuming the risk in these transactions, they may prefer to support low-risk, low-need, low-reward populations rather than targeting high-risk populations. Similarly, private investors may want to focus on the social goals that can provide the most cashable benefits and therefore the highest rates of return, rather than those social concerns that are most pressing. In turn, this may impact what outcomes service providers focus on as they seek to attract capital (Kreigsburg 2011).

PFS could also alter the behavior of private investors, particularly banks subject to the requirements of the Community Reinvestment Act (CRA).[20] Rather than bringing new money to support social goods, PFS could result in a reallocation of existing CRA funds from current activities to PFS, maintaining rather than increasing the net investment in social services. Similarly, PFS could change the delivery of services as private or nonprofit service providers, supported by PFS, are tapped to provide services previously provided by the public sector.[21] While PFS may encourage innovation through competition, it could also induce service providers to stop developing new programs and concentrate on existing programs with a strong evidence base.

Each of these risks represents a challenge that will require careful monitoring to avoid, but none compromise the essential value or integrity of the PFS model. The federal government, in particular, has a key role in monitoring the attributes of PFS transactions, and can stimulate change in the PFS sector if challenges emerge that represent a systemic threat to the use of PFS as a tool for positive social change. In addition, the state or local government, whichever entity is running or testing the PFS model, will be able to make significant contributions to monitoring the transactions and operations of these projects.

Conclusion

Initial PFS projects have made important strides in demonstrating that a PFS-financed program can be executed, but much work remains to be done to demonstrate the viability of this tool. The next step in the development of PFS is demonstrating that the concept can move from unique, bespoke arrangements to broadly adoptable tools available to any interested government. Scaling PFS in this way requires developing a standard process that can reliably meet the needs of all parties in a PFS transaction.

Using the five-steps to pay for success process, guided by strategic planning, can build the stability and legitimacy of PFS financing. Identifying cost and population drivers, and the high-performing evidence-based programs to address these problems, helps ensure that all parties in a PFS deal have reasonable chances to attain their objectives. Governments can effectively target some of their most pressing justice system challenges by identifying their cost and population drivers, while investors can improve their chances of obtaining a return by targeting these problems with evidence-based programs implemented with fidelity. Assessing program risk and return can also help encourage investment by demonstrating that the risks and rewards of a project are reflected in the PFS transaction. Impact investors will also be able to improve their confidence that their investments are targeting the most pressing social problems. Moreover, using the evaluation techniques recommended in the process will increase the trust of all parties by transparently indicating whether a program has attained the goals set for it.

Scaling the adoption of PFS will require additional research to give governments the tools they need to finance and price programs. A critical next step in this process will be the development of consistent criteria and models that accurately assess potential program risks and returns. Further research should help government partners develop these metrics. Transparent metrics and consistency will build investor confidence, thus opening up new sources of capital to support the implementation and scaling of evidence-based programs.

Notes

1. While PFS is sometimes called a social impact bond (SIB), the two do not share characteristics with bonds (specified revenue streams for paying returns, or guaranteed payouts). A more appropriate analogy might be to a mortgage, an initial public offering (IPO), or an equity option.

2. Utah proposed SIB legislation but failed to pass the bill.

SOCIAL FINANCE

Founded in January 2011, Social Finance US is a 501(c)(3) nonprofit organization that is dedicated to mobilizing investment capital to drive social progress.

Social Finance along with Merrill-Lynch provides a brief overview of Pay for Success Financing.

This report contains details on the requirements for a successful Pay for Success project as well as defining the key parties and critical tasks.

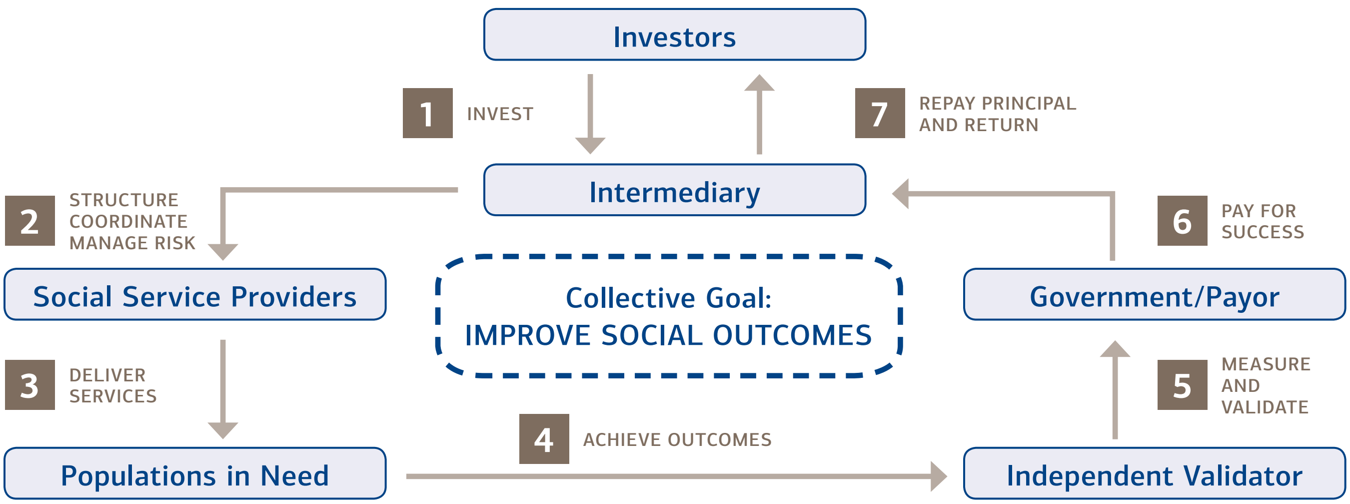
Pay-for-Success (PFS) Financing

Introduction

What is Pay-for-Success (PFS)[1] financing?

Pay-for-Success financing mobilizes private investment capital to expand the operations of highly effective nonprofit social service providers. An outcomes payor (generally a government body) commits to making performance-based payments to compensate investors, if and only if a rigorous evaluation of the program's results shows that the desired social outcomes were achieved.

Figure 1: Flow of capital in a PFS financing



Why do we need Pay-for-Success?

PFS addresses important social issues by directing capital to programs with a track record of success. Its value proposition rests on two key observations:

- Highly effective social service providers have the capacity to generate meaningful value for various stakeholders, yet they are often underfunded and serve only a fraction of potential beneficiaries. Vulnerable individuals without access to these programs often require expensive safety-net services, which results in higher costs for both government and society.
- At the same time, growing demand from investors for investment options that reflect their values creates a need for financial products that actively create positive social impact.

PFS financing represents a unique solution, creating an uncommon partnership in pursuit of common goals. Ultimately, PFS helps service providers meet the needs of underserved populations while enabling government to direct funds to what works, and investors to pursue social as well as financial investment goals.

Merrill Lynch
Bank of America Corporation

This presentation is co-authored by Merrill Lynch and Social Finance.

SOCIAL FINANCE

[1] Pay-for-Success financing is also known as a Social Impact "Bond," Social Impact Partnership or Social Impact Financing.

What are the requirements for a successful PFS project?

PFS projects represent an exciting advancement in public-private partnership, one that aligns performance-based contracting with innovative financing to drive social progress. There is no one-size-fits-all model, but a strong PFS opportunity should have the following foundational elements in place:

- **Dedicated payor(s).** Government (or other payor) must be committed to mitigating an identified social problem via PFS financing. This commitment requires the ability to allocate sufficient funding to make success payments and buy-in and dedicated resources at a senior level. The payor(s) must be willing to provide investors with a rate of return tied to estimated budgetary savings generated by the project as well as, potentially, value realized by the payor and/or society.
- **Social issue or need.** PFS projects should be designed to address a clearly articulated social issue or need. This social issue must have desired outcomes that can be quantified and rigorously measured within a reasonable time frame and produce economic benefits to the payor and/or society.
- **Evidence-based intervention.** An effective evidence-based program that addresses the specific social issue or need is the foundation of any PFS project. The ideal evidence base includes at least one randomized controlled trial (RCT), considered the "gold standard" of valuation methodologies, or at least one robust quasi-experimental evaluation.
- **Service provider(s) with scalable operations.** Service providers should have a strong, multiyear track record of administering the evidence-based program. Additionally, service providers should be able to demonstrate management and operational capacity to scale.

Who are the key parties in a PFS project?

PFS projects typically involve a number of critical parties who perform important and overlapping roles, as summarized below. The specific set of activities is provided in detail for each party, beginning on page 6.

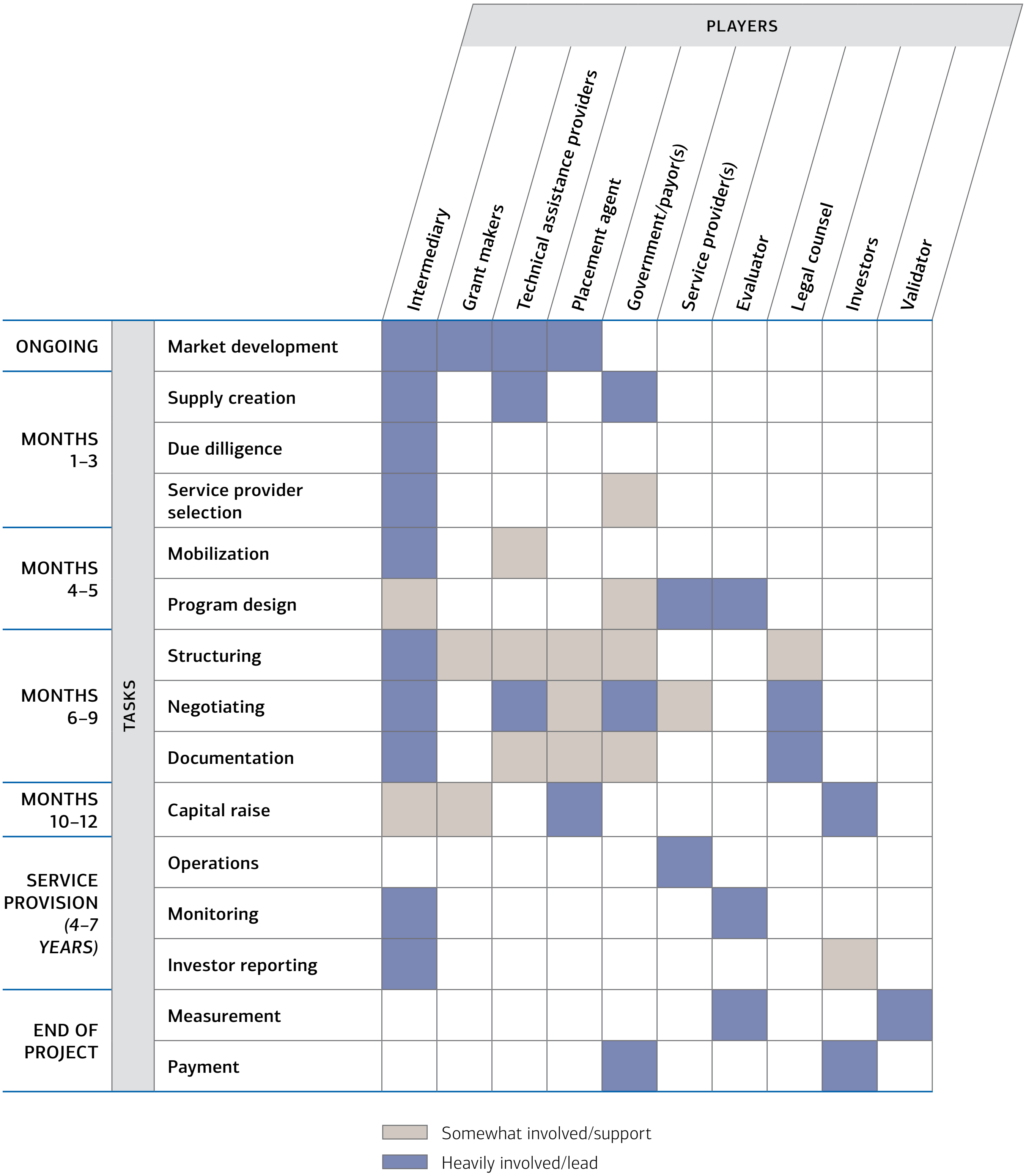
Intermediary	▪ The intermediary acts as a coordinator and project manager, driving the design, structure and negotiation of the contract among government, service provider and investors. ▪ An intermediary may also provide ongoing investor relations and performance management services.
Grant makers	▪ Grant makers provide funding to catalyze the development of a robust and sustainable PFS marketplace. In some cases, grant makers may invest philanthropic capital in the transaction or provide a principal guarantee to investors.
Technical assistance providers	▪ Technical assistance providers advise and educate governments on the benefits of PFS, as well as program design, cost benefit analysis and evaluation design for specific projects (e.g., Harvard Kennedy School Social Impact Bond Technical Assistance Lab).
Placement agent	▪ The placement agent liaises with potential investors and secures capital commitments to the transaction. The placement agent also represents the investors' interests during the structuring phase.
Payor	▪ The payor (typically a government entity) provides the outcomes-based payments. The payor advocates for public and taxpayer interests throughout from project initiation to finalization.
Service provider	▪ Service providers deliver program services to the target population of individuals to achieve agreed-upon outcomes.
Evaluator	▪ The evaluator designs a robust evaluation methodology and executes the agreed-upon plan to determine whether outcomes were achieved.
Legal	▪ Legal counsel provides legal expertise during the negotiating, structuring and documenation process.
Investors	▪ Investors provide the up-front capital necessary to bring the intervention to scale, often with the dual objectives of achieving financial and social returns.
Validator	▪ The validator provides independent substantiation that outcomes were measured according to the agreed-upon evaluation methodology.

What are the critical tasks to execute PFS financing?

Executing PFS financing requires the completion of a series of critical activities summarized below. While these activities are listed in relative order of operations, many may occur in parallel.

- **Market development:** Provide general market education, thought leadership, research, advocacy and analysis to support the development of a robust and sustainable PFS financing market.
- **Supply creation:** Identify high-potential issue areas. Develop and pass enabling legislation (if needed). Advise on, initiate and participate in formal procurements, including selection of candidates (service provider[s] and/or intermediary) for inclusion in PFS projects.
- **Due diligence:** Identify and vet high-potential interventions, including initial assessment of evidence and economics; find, evaluate and engage suppliers of social services and/or intermediary services with capacity to deliver outcomes for a target population. Examine social services provider(s) against alternative options before making a selection. Key aspects include evaluating the organization's evidence base and track record, ability to collect data, operating model and outcomes, cost effectiveness and potential return on investment (ROI), and leadership team.
- **Service provider selection:** Choose the social services provider(s) best suited to achieve the selected outcomes for the target issue area and population in the given jurisdiction.
- **Mobilization:** Bring together all stakeholders to design, structure and negotiate a transaction. Manage deal to shared timeline and contract provisions.
- **Program design:** Design and structure key project components, including details of service provision to specific target populations and geographies, service delivery timeline, duration and intensity of services, and evaluation design.
- **Structuring:** Develop investment structure and term sheet, including outcomes pricing, capital structure and payment schedule.
- **Negotiating:** Discuss and finalize key economic (investment structure, pricing, payment scheduled) and contract (termination, appropriation, duration, representations, etc.) terms. Draft key contracts between stakeholders.
- **Documentation:** Finalize all contracts and supplementary documents, including offering and/or loan documents as relevant.
- **Capital raise:** Market the transaction to investors and attain required capital commitments necessary to fund the given project and related transaction costs.
- **Operations:** Ramp up and deliver social services per the program design.
- **Monitoring:** Actively monitor key program milestones, analyze interim program and outcome data as available, problem-solve, and make real-time course corrections if needed.
- **Investor reporting:** Inform investors of project progression, including overview of the program to date, key milestones, course corrections required and analysis of interim operating data. Provide investors with timely and relevant financial and tax-related reports as required.
- **Measurement:** Measure success of program per evaluation design, calculating payment (if any) due to investors.
- **Payment:** Provide outcome payments to investors upon determination that payment is due, according to the relevant contract terms.

Figure 2: Critical tasks and party involvement for a PFS financing*



*Note that the timing and party involvement is illustrative and may differ by project.

The New York Times

The New York Times offers insight into Goldman Sachs and Bloomberg Philanthropies social impact bond programs in this article titled, “Getting Back More Than a Warm Feeling.”

Featuring insight from consulting service representatives, the President of the Rockefeller Foundation, Jean Case from the Case Foundation and the co-founder of Social Finance, this article gives an exploratory view of what blending business and charity looks like.

Getting Back More Than a Warm Feeling

By CAROLINE PRESTON
Published: November 8, 2012


Chris Radburn/Press Association, via Associated Press Images

THE seven teenagers sit with their feet tucked under tan desks in a classroom in New York City's Rikers Island jail, taking turns answering "icebreaker" questions they've fished from an envelope.

"What's your favorite thing to do with your time?" asks one young man, the rowdiest of the group. He answers himself: "Reading."

"Really?" says Joyce Gendler, their peppy 22-year-old instructor, with just a hint of incredulity. "Good." A few minutes later, she begins to engage them in the day's activity, making sympathy cards for people who are sick.

The adolescents are part of a new program aimed at building personal responsibility and life skills, with the goal that fewer of them will re-offend. The program is financed by an innovative mechanism called a social impact bond, one of a handful of ways that philanthropy is trying to tap new pools of funding to produce measurable social results. If the program succeeds in significantly reducing recidivism, the "investors" paying its upfront costs — in this case, Goldman Sachs, with backing from Bloomberg Philanthropies — will be repaid by the city with a modest return. If the program falls short, the investors lose their money, sparing taxpayers the costs of the program.

The "social impact bond," also known as a "pay for success" bond, is the latest — and most discussed — tool in a broader playbook philanthropists are using to blend business and charity to make a bigger difference. Sometimes known as impact investing, these approaches include providing low-interest loans to nonprofits, making equity investments in companies that tackle social problems and investing a portion of a foundation's endowment in enterprises that produce measurable benefits to society and a financial return. "There's a recognition that philanthropy and government can't solve all the social problems," says Judith Rodin, president of the Rockefeller Foundation, which has spent $40 million since 2009 to develop the field of impact investing. "And then you have investors who maybe didn't want as bright a line between their charity and philanthropy on one side and their financial investments on another, and they began to look for blended opportunities."

While many of these opportunities focus on microfinance, farming or other fields in which there is an obvious way to generate revenue, social impact bonds offer something new. They pay back investors through the savings a government could accrue if a preventive program succeeded in its goals of reducing recidivism or keeping children out of foster care, bringing an opportunity for financial returns to a new set of society's knottiest problems.

The bond concept has drawn interest from many government officials and some nonprofits eager for new financial support. But it has also stirred concerns among people who say the idea is impractical, ignores political realities and risks putting profits ahead of what is best for society.

The bonds were first tried in Britain two years ago, to finance a program for 3,000 prisoners at Her Majesty's Prison Peterborough. In Britain, 60 percent of prisoners who serve short sentences land back in jail within a year; by helping parolees find housing and other support, the program aims to reduce the recidivism rate by 7.5 percent.

Initial results won't be available for another two years, but Alisa Helbitz, director of research and communications at Social Finance, in Britain, says anecdotal feedback has been positive. Participation rates are high — the program is optional for prisoners, though organizers are trying to reach as many people as they can — and some local police say they are pleased with the project. The "investors," in this case, included philanthropies like the Rockefeller Foundation.

Since then, the social impact bond idea has spread at a pace that has surprised some in the slow-moving world of philanthropy.

"There's been a gold-rush mentality," says Daniel Stid, a partner with the Bridgespan Group, which provides consulting services to nonprofits.

The federal government and the states of Connecticut, Massachusetts and New York, as well as Cuyahoga County, Ohio, and Fresno, Calif., are introducing or exploring social impact bonds. Most of the programs focus on problems like helping parolees find jobs or housing the chronically homeless, where a preventive approach could produce obvious savings.

Nonprofits and foundations are investigating other ways to use the bond idea. Health impact bonds, for example, could finance the upfront costs of retrofitting homes to reduce asthma rates. Development impact bonds might provide a new way to pay for foreign aid programs.

"If we're successful," says Tracy Palandjian, co-founder of Social Finance, a sister organization of the group in Britain, "social impact bonds will create a pathway for great nonprofits to access capital from capital markets."

Still, she and others stress that the bonds are just a tool that will suit only certain programs, not a replacement for government or philanthropic dollars.

The bonds work by bringing together investors, nonprofits and government to agree on a social program and how long it will take to produce savings. In New York City's case, Goldman is lending $9.6 million to MDRC, a nonprofit group that oversees the work of two charities running the jail program. A fourth nonprofit evaluates the results of the four-year program.

If recidivism rates drop by 10 percent, Goldman gets its money back. The bank could make up to $2.1 million if the rates fall further. (Bloomberg Philanthropies is guaranteeing $7.4 million of the loan, leading some to say the New York City deal is not a true test of the bonds' appeal to commercial investors.)

All those additional layers drive up the costs of a program. Proponents say it is worth it because governments can rarely find the money to pay for preventive programs, and the rigorous evaluations demonstrate a program's effectiveness and encourage future spending on projects that work.

Government officials like Linda Gibbs, New York City's deputy mayor of health and human services, see social impact bonds as a way to strip away some of the "inefficient and ineffective" spending that is caught up in running governments. Governments could close jails and emergency shelters for homeless people if they could find others to pay for the preventive programs they say they can't afford.

"Government is often unwilling to try unproven approaches because taxpayers rightfully don't want money being wasted," says Mayor Michael R. Bloomberg. "Social impact bonds are unique because they repay the investor only if a program's goals — like New York City's aim to reduce recidivism — are actually met.

"They're exciting because they have the potential to be a new financial tool that can empower governments to innovate in ways they wouldn't otherwise attempt."

Nonprofits leaders' reactions to the bonds, meanwhile, have been mixed. Ideally, they say, governments would finance these programs directly. They also worry that donors will drift toward these profit-generating models and away from outright giving.

Elizabeth Gaynes, who has led the Osborne Association, one of two groups running the Rikers Island program, for 28 years, takes a realist's approach.

Ms. Gaynes said she doubted that without this experimental financing mechanism, her organization would have found the money to aid so many young people. The group has a mandate to serve all of the roughly 3,000 young people who pass through Rikers each a year.

"We're serving black and brown people who got arrested and went to Rikers Island," says Ms. Gaynes. "There isn't a lot of clamoring to give them services."

Whether investors will see the bonds as a viable way to make money remains a big question, however.

Andrew Sieg, head of global wealth and retirement solutions at Bank of America Merrill Lynch, says he believes the bonds can generate interest from investors beyond philanthropy. “I’m very bullish about the concept of social impact bonds,” he says.

Others are more cautious.

Ron Cordes, a former wealth manager and now a philanthropist who describes himself as a “pro bono evangelist of impact investing,” says the concept is great. But, he added, “Putting my investor hat on, what we need now is a number of pilots that demonstrate they work.”

While efforts to harness capital markets for social good aren’t new, more donors say they are exploring such investment approaches as they struggle to have a bigger impact.

Jean Case started the Case Foundation with her husband, Steve, co-founder of AOL, in 1997. This year, the foundation hired Sonal Shah, former head of the White House Office of Social Innovation, to study how the foundation might help to expand the number of private investors who seek social as well as financial returns.

Ms. Case has invested personal money in technology businesses in the West Bank and in a company that helps charities raise money online, for example. She says she wants to do more.

“It’s time to try something new because we’re not seeing the impact in too many areas we’ve wanted to see, for too long,” says Ms. Case.

One question that dogs these kinds of approaches, meanwhile, is whether they make a real dent in social problems.

Dave Peery, who manages his family’s foundation, says he worries that investors may be kidding themselves that their contributions to social enterprises are getting at the roots of poverty.

“Generally, they are happy if they can get their money back, while helping a business with meager social returns,” he wrote in an e-mail. “For example, a taxi business in Guatemala, a laundromat franchise in India. These create a few jobs, but they assume the simple creation of access to goods and services can be deemed as social impact. Just because people have access to modern laundry services doesn’t mean their lives are demonstrably better.”

Mr. Cordes says the key is knowing when to make a pure charitable gift and when to seek a return. He invests part of his foundation’s endowment in microfinance groups, he says, seeking a return. But in parts of rural Africa, where the institutions are newer and still developing, he provides money with no expectation of repayment .

Luther Ragin Jr., chief executive of the Global Impact Investing Network, says the obstacle to impact investing is not the difficulty of marrying financial and social returns, but of a lack of data on how to identify and assess quality nonprofits and socially minded businesses. His group and others are trying to develop that information; for example, they are creating a way to standardize information on organizations’ social, environmental and financial impact.

For some people in the nonprofit world, social impact bonds stir fresh concerns.

Mark Rosenman, an emeritus professor at Union

Institute and University in Cincinnati, urges caution when mixing profit and purpose.

“When we seek to introduce the profit motive, we begin to abandon who we are as a people and abandon our responsibility for the common good in pursuit of private profit,” he says.

He cites the example of for-profit colleges, which have been criticized by some in Congress for focusing less on educating students than on marketing, recruitment and other strategies aimed at pleasing shareholders.

Mr. Rosenman says he is also perplexed as to why the Rikers Island bond deal, involving less than $10 million in financing, has generated so much “hoopla.” He says a proposed tax on financial transactions, known as the Robin Hood tax, could raise far more money and provide the resources for broader change. Tools like social impact bonds, he says, are “tinkering at the margins.”

Peter York, chief research and learning officer of the TCC Group, says the idea that social impact bonds can prove a program’s effectiveness, and help replicate it elsewhere, is more complicated than proponents admit.

A program that works in Oklahoma might not work in Oakland, Calif., he says. Or, what succeeds in helping a 65-year old parolee might not work with a 19-year-old. Assessing whether a program strengthens families or puts young people on a track to success, he says, is not like testing “pills or clinical interventions.”

Mr. York also says he has concerns about government paying for programs after the fact. He worries that government leaders who favor fewer social service programs will push the metric of success for social impact bonds, the reduction in number of homeless people seeking emergency services, for example, to unrealistic points. The programs then might never get off the ground.

Christopher Stone, who leads George Soros’s Open Society Foundations, agrees, calling social impact bonds “a bubble.” Newly elected politicians who face the prospect of paying off investors who’ve arranged bond deals with their predecessors in office will have every incentive to say a social program didn’t work, he says.

Advocates, though, say many of these challenges will be overcome in the design of individual “deals.”

Ms. Rodin says concerns around the role of profit in social programs are “highly legitimate.” But she says market-based approaches to financing social programs are not exploitative.

“Yes, someone is making money, but they are not making money off the backs of the poor,” she says. “They are making money by the poor or the person who is homeless or who has just been released from jail having a higher probability of getting a proven and effective program, of getting cared for in the most effective way rather than thrown back into society and ignored.”

Ms. Palandjian sees it as a “philosophical divide.” In her view, social impact bonds are a way to begin to rewrite the “social contract” with government, in which the for-profit world takes on a bigger role in easing social problems.

Traditional ways of raising money have their own drawbacks, said Ms. Gaynes of the Osborne Association.

“Frankly, the old model of charity throwing dimes at people on the street, the Lady Bountiful model, isn’t any more respectful of the lives of the people we’re serving,” she says. “Or what about philanthropists who are using their money to tell you what to do? This is a tough business.”

On Rikers Island, a new model for financing charity is in its early days.

As the afternoon session wraps up, one of the youths, his attention drifting, is tasked with collecting Crayola markers and pencils the teenagers have used to create sympathy cards. Ms. Gendler adds their cards to a pile from earlier classes.

Most of the cards bear messages like “Get Well” and “Stay Healthy.” One young man has written, in skinny blue-and-red letters, a message to other teenagers like him: “Stay out of Jail.”

Goldman Sachs, Mayor Bloomberg’s foundation and all of philanthropy will have to wait until 2016 — when the program’s results are revealed — to learn how many of the young men decide to follow that advice.

Luther Ragin Jr., chief executive of the Global Impact Investing Network, says the obstacle to impact investing is not the difficulty of marrying financial and social returns, but of a lack of data on how to identify and assess quality nonprofits and socially minded businesses. His group and others are trying to develop that information; for example, they are creating a way to standardize information on organizations’ social, environmental and financial impact.

For some people in the nonprofit world, social impact bonds stir fresh concerns.

Mark Rosenman, an emeritus professor at Union Institute and University in Cincinnati, urges caution when mixing profit and purpose.

“When we seek to introduce the profit motive, we begin to abandon who we are as a people and abandon our responsibility for the common good in pursuit of private profit,” he says.

He cites the example of for-profit colleges, which have been criticized by some in Congress for focusing less on educating students than on marketing, recruitment and other strategies aimed at pleasing shareholders.

Mr. Rosenman says he is also perplexed as to why the Rikers Island bond deal, involving less than $10 million in financing, has generated so much “hoopla.” He says a proposed tax on financial transactions, known as the Robin Hood tax, could raise far more money and provide the resources for broader change. Tools like social impact bonds, he says, are “tinkering at the margins.”

Peter York, chief research and learning officer of the TCC Group, says the idea that social impact bonds can prove a program’s effectiveness, and help replicate it elsewhere, is more complicated than proponents admit.

A program that works in Oklahoma might not work in Oakland, Calif., he says. Or, what succeeds in helping a 65-year old parolee might not work with a 19-year-old. Assessing whether a program strengthens families or puts young people on a track to success, he says, is not like testing "pills or clinical interventions."

Mr. York also says he has concerns about government paying for programs after the fact. He worries that government leaders who favor fewer social service programs will push the metric of success for social impact bonds, the reduction in number of homeless people seeking emergency services, for example, to unrealistic points. The programs then might never get off the ground.

Christopher Stone, who leads George Soros's Open Society Foundations, agrees, calling social impact bonds "a bubble." Newly elected politicians who face the prospect of paying off investors who've arranged bond deals with their predecessors in office will have every incentive to say a social program didn't work, he says.

Advocates, though, say many of these challenges will be overcome in the design of individual "deals."

Ms. Rodin says concerns around the role of profit in social programs are "highly legitimate." But she says market-based approaches to financing social programs are not exploitative.

"Yes, someone is making money, but they are not making money off the backs of the poor," she says. "They are making money by the poor or the person who is homeless or who has just been released from jail having a higher probability of getting a proven and effective program, of getting cared for in the most effective way rather than thrown back into society and ignored."

Ms. Palandjian sees it as a "philosophical divide." In her view, social impact bonds are a way to begin to rewrite the "social contract" with government, in which the for-profit world takes on a bigger role in easing social problems.

Traditional ways of raising money have their own drawbacks, said Ms. Gaynes of the Osborne Association.

"Frankly, the old model of charity throwing dimes at people on the street, the Lady Bountiful model, isn't any more respectful of the lives of the people we're serving," she says. "Or what about philanthropists who are using their money to tell you what to do? This is a tough business."

On Rikers Island, a new model for financing charity is in its early days.

As the afternoon session wraps up, one of the youths, his attention drifting, is tasked with collecting Crayola markers and pencils the teenagers have used to create sympathy cards. Ms. Gendler adds their cards to a pile from earlier classes.

Most of the cards bear messages like "Get Well" and "Stay Healthy." One young man has written, in skinny blue-and-red letters, a message to other teenagers like him: "Stay out of Jail."

Goldman Sachs, Mayor Bloomberg's foundation and all of philanthropy will have to wait until 2016 — when the program's results are revealed — to learn how many of the young men decide to follow that advice.

THE CHRONICLE OF HIGHER EDUCATION

Based in Washington, D.C., *The Chronicle of Higher of Education* is a national resource for news, information and jobs for college and university faculty members and administrators.

In the article “How Pay-For-Success Funding Might Help Low-Income Students,” author, Megan Golden, answers the question:

Could pay-for-success financing work in higher education?

How Pay-for-Success Funding Might Help Low-Income Students

By Megan Golden
Published: October 6, 2014

Job Krause for The Chronicle

Policy makers, college administrators, and parents are all searching for ways to help needy students graduate. They have offered a variety of solutions to accomplish this: freezing tuition, reducing student-loan interest, allowing graduates to refinance, increasing community-college enrollment, improving freshman advising, ranking colleges on the basis of graduation rates. But one option is missing from the debate: pay-for-success financing.

Under pay-for-success financing, which started in Britain in 2010, the government pays for outcomes that programs achieve rather than for the services themselves. Here is how it works:

1. Private investors—individuals, corporations, or foundations—provide money to develop cost-effective programs on a large scale.

2. The government agency responsible for the outcomes signs contracts to pay back the investors, with a premium, if the programs achieve agreed-upon results.

3. An impartial evaluator determines whether outcomes are achieved. If so, the investor is repaid with interest.

4. An intermediary manages the project, contracting with the investors, the government, and the service providers.

This type of philanthropic financing is emerging as an important way for investors to make a difference. According to J.P. Morgan and the Rockefeller Foundation, which are involved in such financing, the estimated size of the impact-investing market is $400-million to $1-trillion over 10 years.

New York City started the first pay-for-success project in the United States in 2012, aimed at reducing recidivism among 16- to 18-year-olds.

Goldman Sachs invested $9.6-million, recoverable if the evaluation shows that the intervention—a behavioral therapy offered by two nonprofit organizations—keeps the target group out of jail at rates exceeding those of a matched comparison group. Interim results will become available in the summer of 2015 and final results a year later. Since then, three other jurisdictions have launched pay-for-success projects. Many more are in the works, in fields like early-childhood services, work-force development, and pregnancy prevention.

Could pay-for-success financing work for higher education?

The general idea of tying financing to performance is already a subject of much discussion among colleges. Driven by growing demand for public accountability, a majority of states are now experimenting with performance-based funding for two- or four-year public colleges. In those models, states reserve some percentage of annual funds for higher education according to a performance formula decided by the legislature. Some states report positive results, with graduation rates exceeding expectations.

But without a focus on graduating low-income students, colleges can achieve the desired outputs by simply changing the inputs. That is, they can select students most likely to succeed, usually those with money and college-educated parents. Moreover, those efforts do not bring in investors to cover the upfront costs, and they do not have a way to capture the longer-term savings from increased college-graduation rates and shift them into the higher-education system.

Pay-for-success would work differently. First, the program would provide support services to a specific cohort: those students described by Paul Tough in a recent New York Times Magazine article as "high-achieving students from low-income families who want desperately to earn a four-year degree but who run into trouble along the way." An impartial evaluator would compare that group's graduation rate with that of students who are just like them but who didn't participate in the program.

Second, private investors would pay the upfront costs that are now standing in the way of students' graduating. These could be tuition and expenses not covered through scholarships, or the cost of programs to keep students enrolled. Investors would assume much of the risk of the students' not graduating at a higher rate. Although investors may earn modest returns, they can make a positive impact on society and prepare a strong work force—one on which the success of their own industry may rely.

Third, states would fund colleges that produce higher graduation rates, much as is already so in pay-for-performance states. However, the pool of funds for outcome payments would include the savings that accrue from other positive outcomes, including reduced costs for social services and the criminal-justice system, and increased tax revenues from greater employment at higher wages, a result of more residents' having college degrees.

Although there are differences between higher education and other services in which pay-for-success has been tried (for example, lenders, including the federal government, already pay much of the upfront cost of higher education, and graduates pay it back with interest), the idea is well worth exploring.

Cost, access, and attainment are complex problems requiring a range of solutions and involving a number of stakeholders, from the White House to banks to financial-aid counselors to my own 10th-grader. Pay-for-success is one more strategy. But as the nation moves toward performance-based funding for higher education, we must strive for access and equity. Pay-for-success is a financing mechanism that can infuse new dollars into higher education to support students who need the most help to graduate. Our society and our economy will benefit.

Corporation for NATIONAL & COMMUNITY SERVICE | Social Innovation Fund

Additional Pay for Success Resources

⇒ “How social impact bonds put private profit ahead of public good” PBS News Hour—Making Sense. February 2014

⇒ "Is Your Organization Ready for Pay for Success?" Third Sector Capital Partners, Inc. 2013

⇒ “Social Finance: A Primer” Understanding Innovation Funds, Impact Bonds and Impact Investing.” Center for American Progress. November 2013

⇒ “Social Impact Bonds: Phantom of the Nonprofit Sector” Nonprofit Quarterly. July 2014

⇒ “SSIR: Assessing Nonprofit Risk in PFS Deals” Stanford Social Innovation Review. July 2014

⇒ “With a Few Pay-for-Success Plans Under Way, the Idea Is Gaining Currency and Criticism” The Chronicle of Philanthropy. July 2014

Corporation for NATIONAL & COMMUNITY SERVICE | Social Innovation Fund

To learn more about the Social Innovation Fund, its Pay For Success grantees and to read the full version of the enclosed reports, visit nationalservice.gov/SIF.

Continue the conversation with us on Twitter using the hashtag #SIFund!

@SIFund