

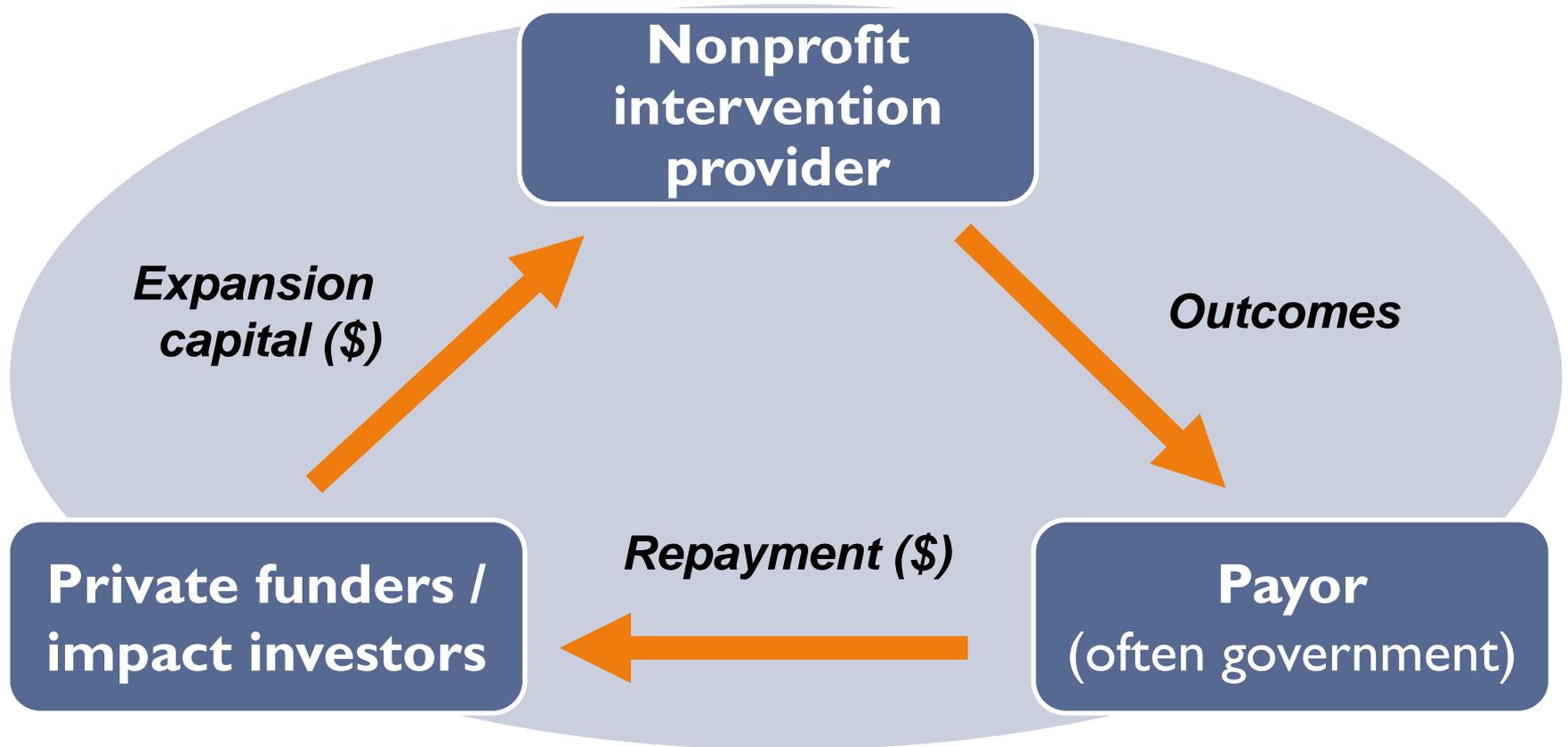


# REINVENTING OUR COMMUNITIES: STRATEGIES FOR OUTCOMES BASED FINANCING

OCTOBER 2018

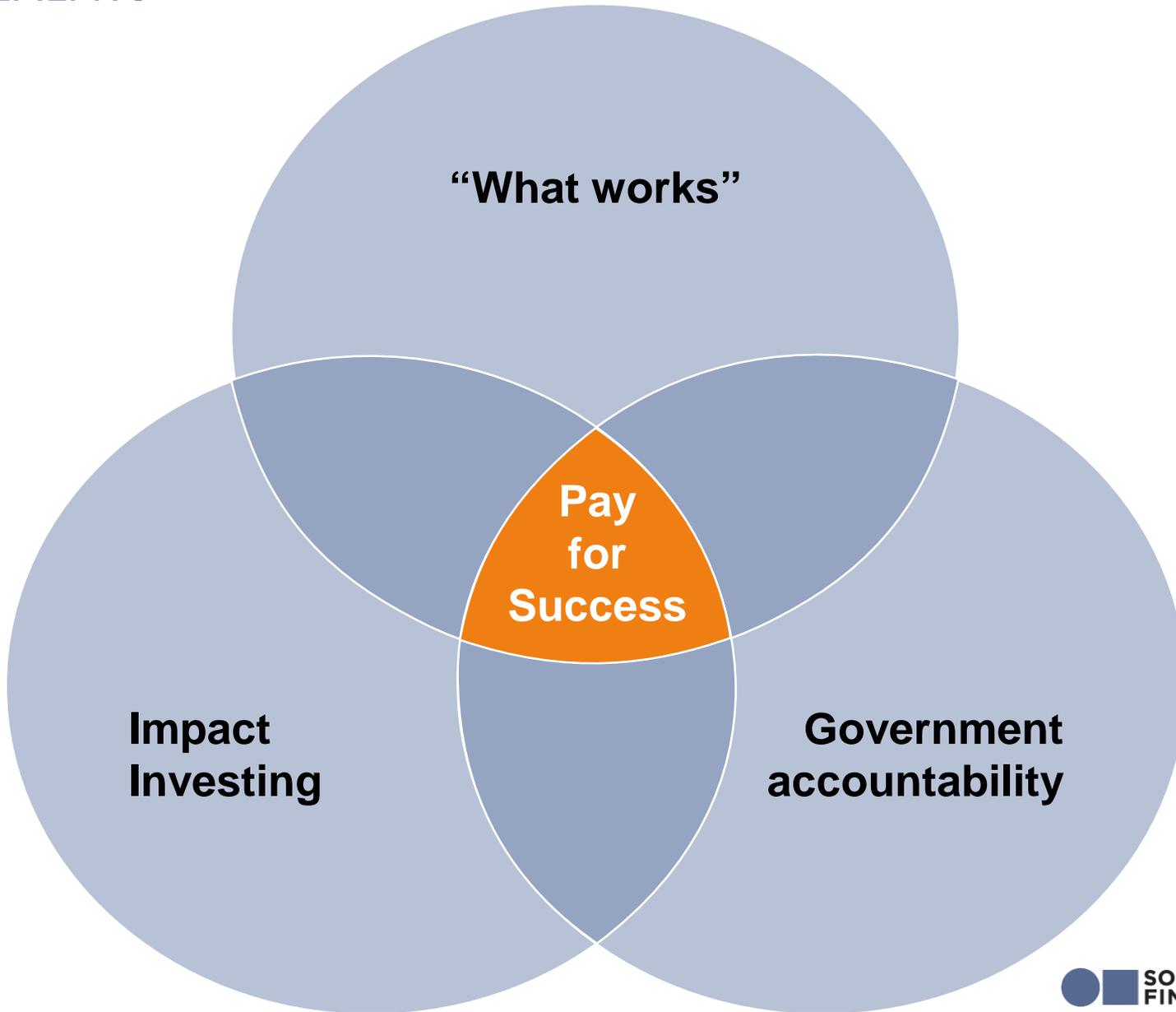
Navjeet K. Bal

▶ WHAT IS PAY FOR SUCCESS?



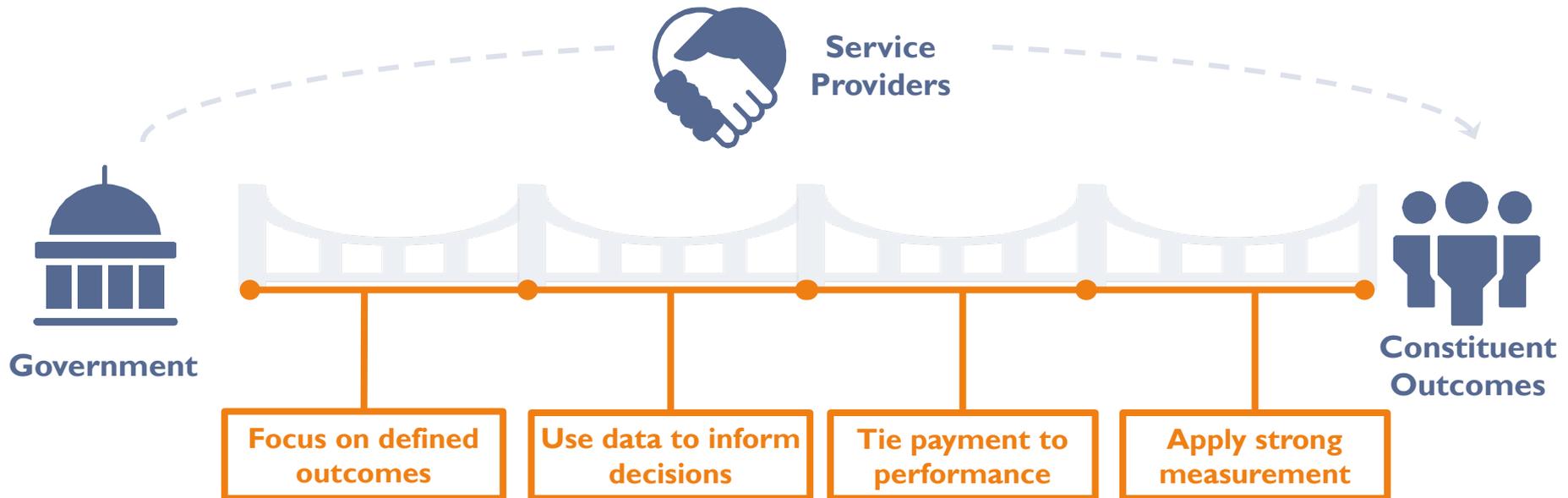
**Pay for Success** is about measurably improving the lives of **people most in need** by driving government resources toward **more effective programs**

▶ PAY FOR SUCCESS SITS AT THE INTERSECTION OF THREE POWERFUL MOVEMENTS



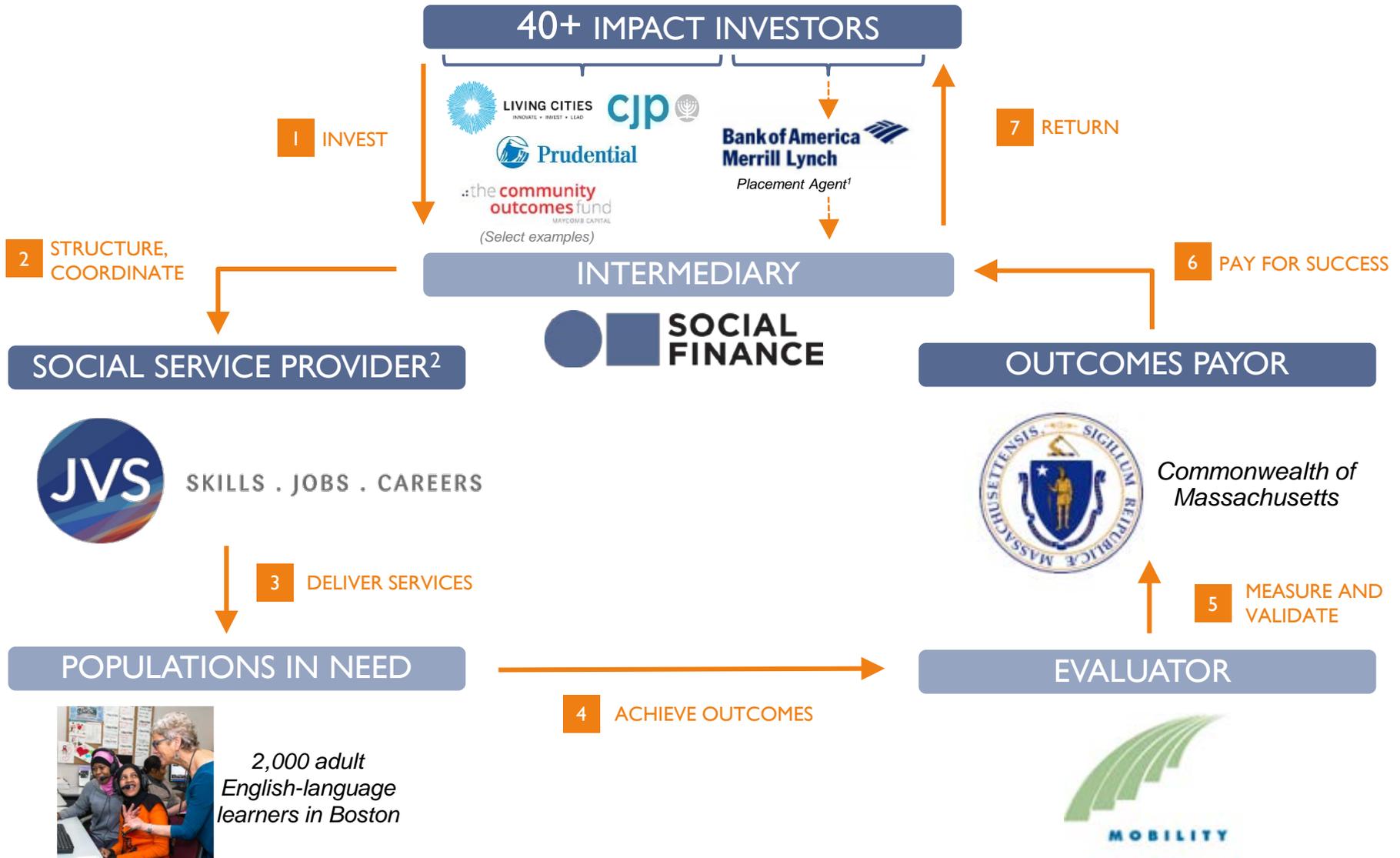
## ▶ OUTCOMES-BASED FUNDING OPTIONS

Pay for Success is a set of principles and tools that governments can use to effectively contract with providers and bridge service delivery gaps



Reallocation of Existing Funding	Outcomes-Based Contract	Outcomes Rate Card	Prevention Fund	Social Impact Bond
<i>Payor updates existing contracts to procure outcomes</i>	<i>Payor contracts for outcomes, metrics, and pricing</i>	<i>Payor pre-specifies outcomes, metrics, and pricing (fully or partially contingent on outcomes)</i>	<i>Philanthropic funders provide working capital with no repayment</i>	<i>Private funders provide working capital at full cost of services</i>

# ▶ PFS EXAMPLE: MA PATHWAYS TO ECONOMIC ADVANCEMENT



**Notes:**

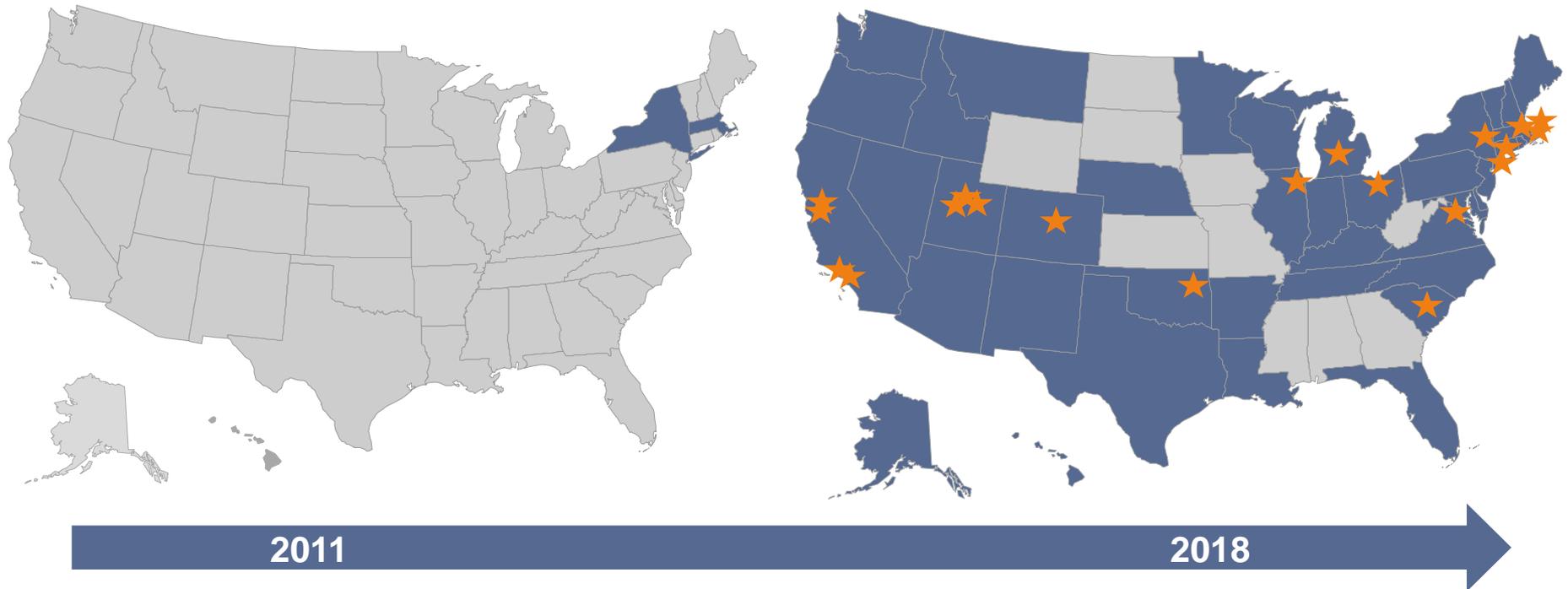
- 1) Bank of America Merrill Lynch acted as the placement agent for certain qualified high net-worth and institutional investors
- 2) Jobs for the Future (JFF) will be providing technical assistance services to JVS to implement the evaluation of their English for Advancement (EFA) program track

▶ 20 PAY FOR SUCCESS DEALS HAVE REACHED THE MARKET TO DATE  
 ...and more are on their way

Criminal Justice	Early Childhood Education	Homelessness & Family Stability	Health	Environment / Sustainability	Workforce Development
 <ul style="list-style-type: none"> <li>1 New York City</li> <li>2 Massachusetts</li> <li>3 New York State</li> <li>4 Salt Lake Cty</li> <li>5 Oklahoma</li> <li>6 Alameda County</li> <li>7 Ventura County</li> </ul>	 <ul style="list-style-type: none"> <li>8 Salt Lake Cty</li> <li>9 Chicago</li> </ul>	 <ul style="list-style-type: none"> <li>10 Cuyahoga Cty</li> <li>11 Massachusetts</li> <li>12 Santa Clara Cty</li> <li>13 Denver</li> <li>14 Connecticut</li> <li>15 Salt Lake Cty</li> <li>16 LA County</li> </ul>	 <ul style="list-style-type: none"> <li>17 South Carolina</li> <li>18 Michigan</li> </ul>	 <ul style="list-style-type: none"> <li>19 Washington, DC</li> </ul>	 <ul style="list-style-type: none"> <li>20 Massachusetts</li> </ul>

**Additional projects in development:**

# ▶ THE PAY FOR SUCCESS LANDSCAPE IS EVOLVING QUICKLY

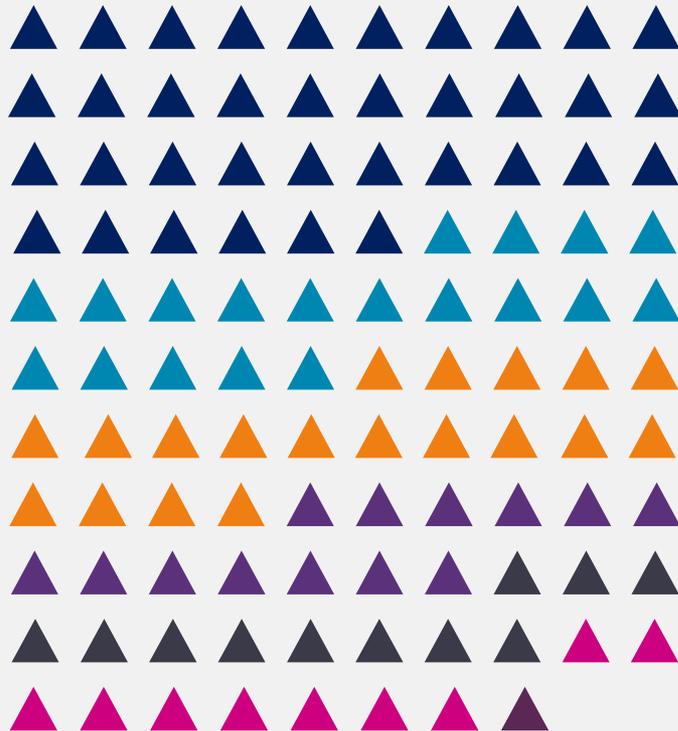
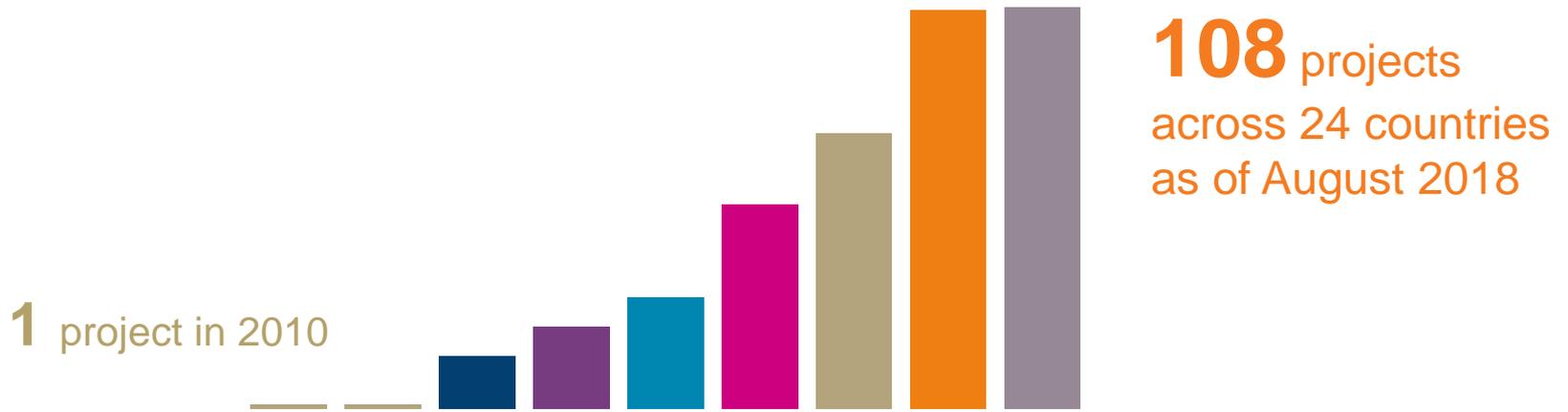


■ Taken steps to explore PFS\*

★ Launched PFS project

\* States are shaded where a state or local government has taken at least one of the following steps to explore PFS: introduced legislation, initiated procurement, commissioned a feasibility study, or entered into project development.

# ▶ GLOBAL MOMENTUM IN SOCIAL IMPACT BONDS



- 36** Employment
- 19** Homelessness
- 19** Health
- 13** Child and Family Welfare
- 11** Criminal Justice
- 9** Education
- 1** Environment

# ▶ EXAMPLE: GREATER MANCHESTER YOUTH ENGAGEMENT FUND

## Key Facts

**1,600:** Number of disadvantaged young people

**3 years:** Duration of the SIB

**£0.9M:** Capital raised

## Investors

Bridges Ventures, Esm2e  
Fairbairn Foundation, Impetus-PEF

**Service Provider**  
*Teens and Toddlers*

**Target Population**  
*1,680 young people*

**Intermediary**  
*Social Finance UK*

**Outcomes Payor**  
*Cabinet Office, Dept for Work and Pensions, Ministry of Justice*

**Evaluator**

## Overview

Roughly 13.6% of young people in England are not in employment, education or training (NEET). This can have damaging effects on a young person's life. By the age of 21, young people who have been NEET for at least six months are more likely than their peers to be unemployed, earn less, have a criminal record, and suffer from poor physical and mental health.

Teens and Toddlers pair young people with toddlers from local primary schools who are in need of extra support, to act as a mentor and role model. Teens work with the toddlers over 18 weekly sessions in order to build confidence, responsibility, and hands-on work experience. Trained facilitators also lead young people in group sessions to develop their personal, social and communication skills, and to discuss the importance of applying themselves in school for achieving their life goals.

## ▶ THE SOCIAL IMPACT PARTNERSHIPS TO PAY FOR RESULTS ACT

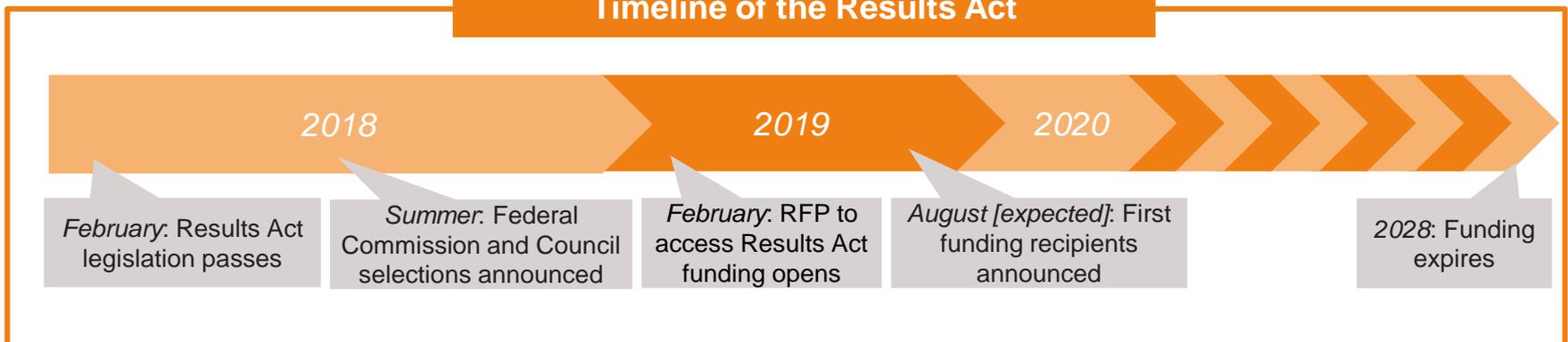
New legislation allocates \$100M in Federal funding to outcomes, feasibility studies, and evaluations

### Overview of the Results Act

The Results Act, also known as SIPBRA, appropriates **\$100 million** to the U.S. Department of the Treasury to support the launch of **state and local Pay for Success initiatives**. The Results Act creates an opportunity for state and local governments to **leverage federal resources to tangibly advance policy initiatives** while building a foundation for outcomes-based decision making.

Results Act funding can be used across the spectrum of Pay for Success project development to improve twenty priority outcomes, including those in the following issue areas: **child welfare, family stability, homelessness, education, health, employment, recidivism, and veterans**.

### Timeline of the Results Act





**SOCIAL  
FINANCE**