REINVENTING OUR COMMUNITIES: STRATEGIES FOR OUTCOMES BASED FINANCING

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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

“What works”

Pay for Success

Impact Investing

Government accountability
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.

- **Focus on defined outcomes**
- **Use data to inform decisions**
- **Tie payment to performance**
- **Apply strong measurement**

### Reallocation of Existing Funding
- Payor updates existing contracts to procure outcomes

### Outcomes-Based Contract
- Payor contracts for outcomes, metrics, and pricing

### Outcomes Rate Card
- Payor pre-specifies outcomes, metrics, and pricing (fully or partially contingent on outcomes)

### Prevention Fund
- Philanthropic funders provide working capital with no repayment

### Social Impact Bond
- Private funders provide working capital at full cost of services
PFS EXAMPLE: MA PATHWAYS TO ECONOMIC ADVANCEMENT

1. INVEST
   - Social Finance, Inc.
   - 40+ Impact Investors
   - LIVING CITIES, CJP, Prudential
   - Bank of America Merrill Lynch (Placement Agent)

2. STRUCTURE, COORDINATE
   - Social Service Provider
   - JVS (Skills, Jobs, Careers)

3. DELIVER SERVICES
   - Populations in Need
   - 2,000 adult English-language learners in Boston

4. ACHIEVE OUTCOMES

5. MEASURE AND VALIDATE
   - Commonwealth of Massachusetts
   - Evaluators

6. PAY FOR SUCCESS

7. RETURN

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

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<th>Criminal Justice</th>
<th>Early Childhood Education</th>
<th>Homelessness &amp; Family Stability</th>
<th>Health</th>
<th>Environment / Sustainability</th>
<th>Workforce Development</th>
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Additional projects in development:

Photographs courtesy of Center for Employment Opportunities, Chicago Public Schools, FrontLine Services, and NFP.
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

108 projects across 24 countries as of August 2018

1 project in 2010

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

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.

Investors
Bridges Ventures, Esm2e, Fairbairn Foundation, Impetus-PEF

Service Provider
Teens and Toddlers

Target Population
1,680 young people

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

Intermediary
Social Finance UK

Evaluator
The Results Act, also known as SIPPRA, 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.