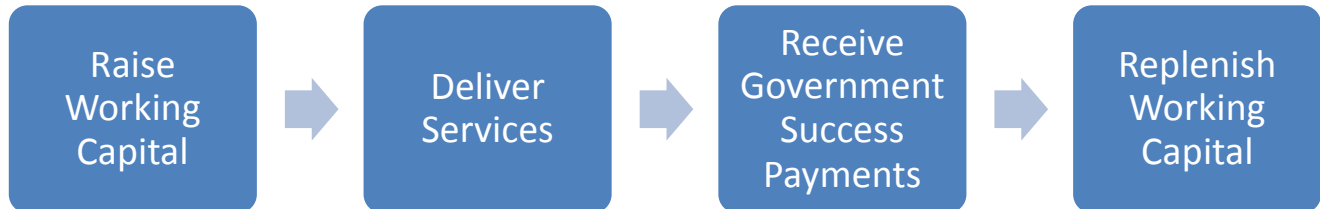


Pay for Success & Social Innovation Finance

Pay for Success (PFS) promotes social innovation and directs resources towards superior performance through the use of performance-based contracts between government and social service providers. Under these programs, impact is measured rigorously, taxpayers save money and government makes “success payments” only when results are achieved, as opposed to providing payments up front.



Social Innovation Finance (SIF) is a financing approach that bridges the timing gap between government payments and upfront capital needed for service providers to run PFS programs. Financing capital is raised from philanthropy, impact funders and commercial sources. **Social Impact Bonds (SIBs)** are a form of SIF.

Criteria for PFS

- **Government leadership** drive a public/private innovation
- **Social needs** that are sizable, unmet and high-priority
- **Target populations** that are well defined and can be measured with scientific rigor
- **Administrative data** that is credible, readily available and inexpensive to collect
- **Interventions** that are highly likely to achieve impact
- **Proven service providers** that can scale with quality
- **Cost-effective programs** that can demonstrate fiscal savings for government
- **Safeguards** to protect the well-being of participants

Promising PFS Opportunities

- Addressing Homelessness • Reducing Recidivism
- Dropout Prevention • Workforce Development
- Improving Foster Care Outcomes • Preventative Health Care • Early Childhood Education

Key Steps of a PFS/SIF Pilot

1. Government, intermediary and funders **agree on targeted outcomes** for a societal dilemma – for example, reducing recidivism or homelessness.
2. Government and intermediary enter a **multi-year contract**, in which the government agrees to pay intermediary if targeted outcomes are achieved.
3. Private and philanthropic funders **provide the necessary up-front capital** to fund the program.
4. One or more service provider(s) deliver the social intervention.
5. Independent evaluator **monitors performance** against agreed-upon benchmarks.
6. Intermediary receives government payments only if targeted social outcomes are achieved, then repays funders or reinvests in the programs.

Third Sector Capital Partners is a nonprofit that collaborates with government, funders, and providers to create **Pay for Success** and **Social Innovation Finance** solutions.