



The Pay for Success Initiative: Scaling Outcomes-Based Governance

Cannon House Office Building • May 14, 2015



Source: Richard Ross, *Juvenile in Justice*

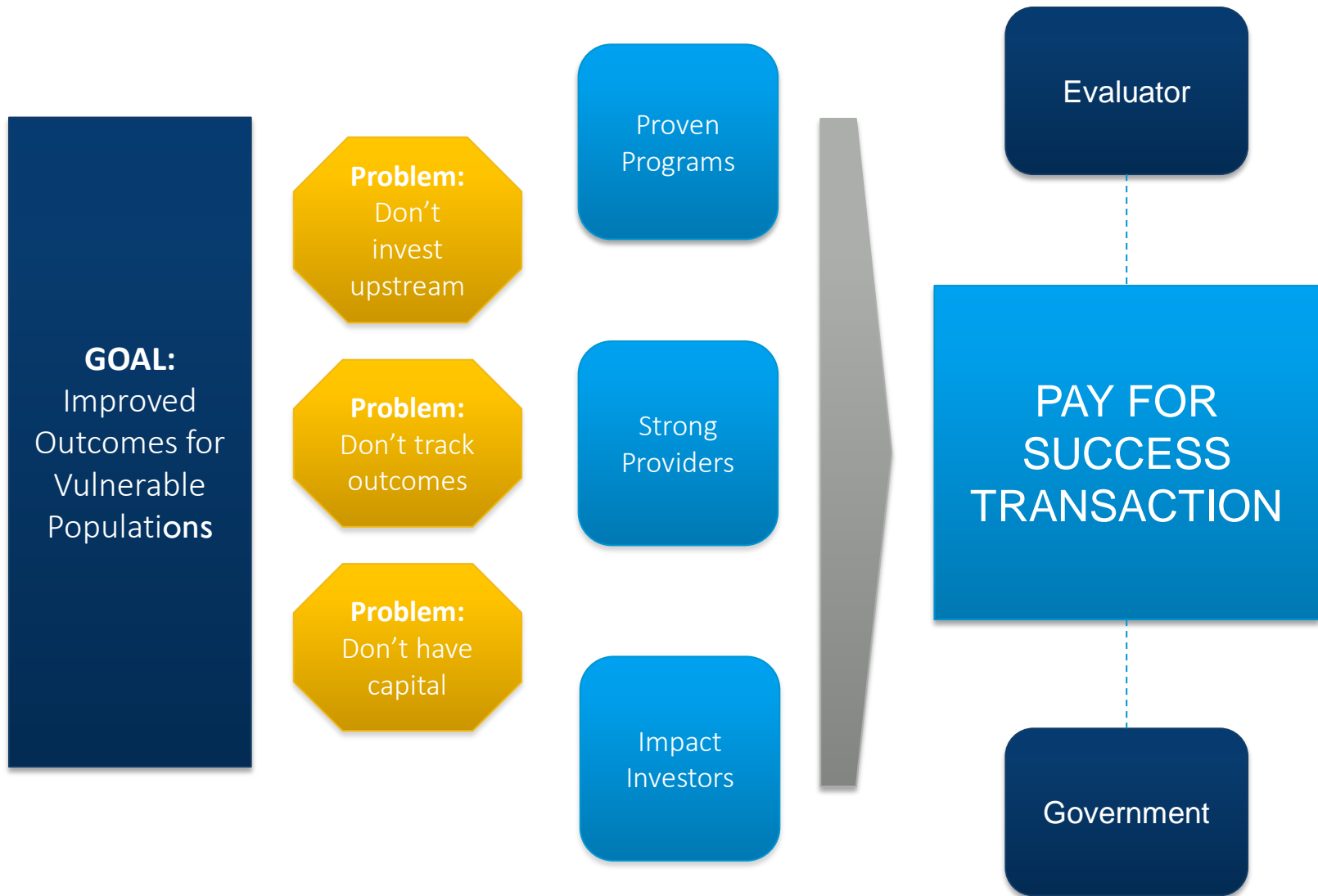
Pay for Success represents an approach to addressing fundamental issues with service provision

Problem: Lack of infrastructure (social services, digital infrastructure, human capital) because some social programs are underfunded:

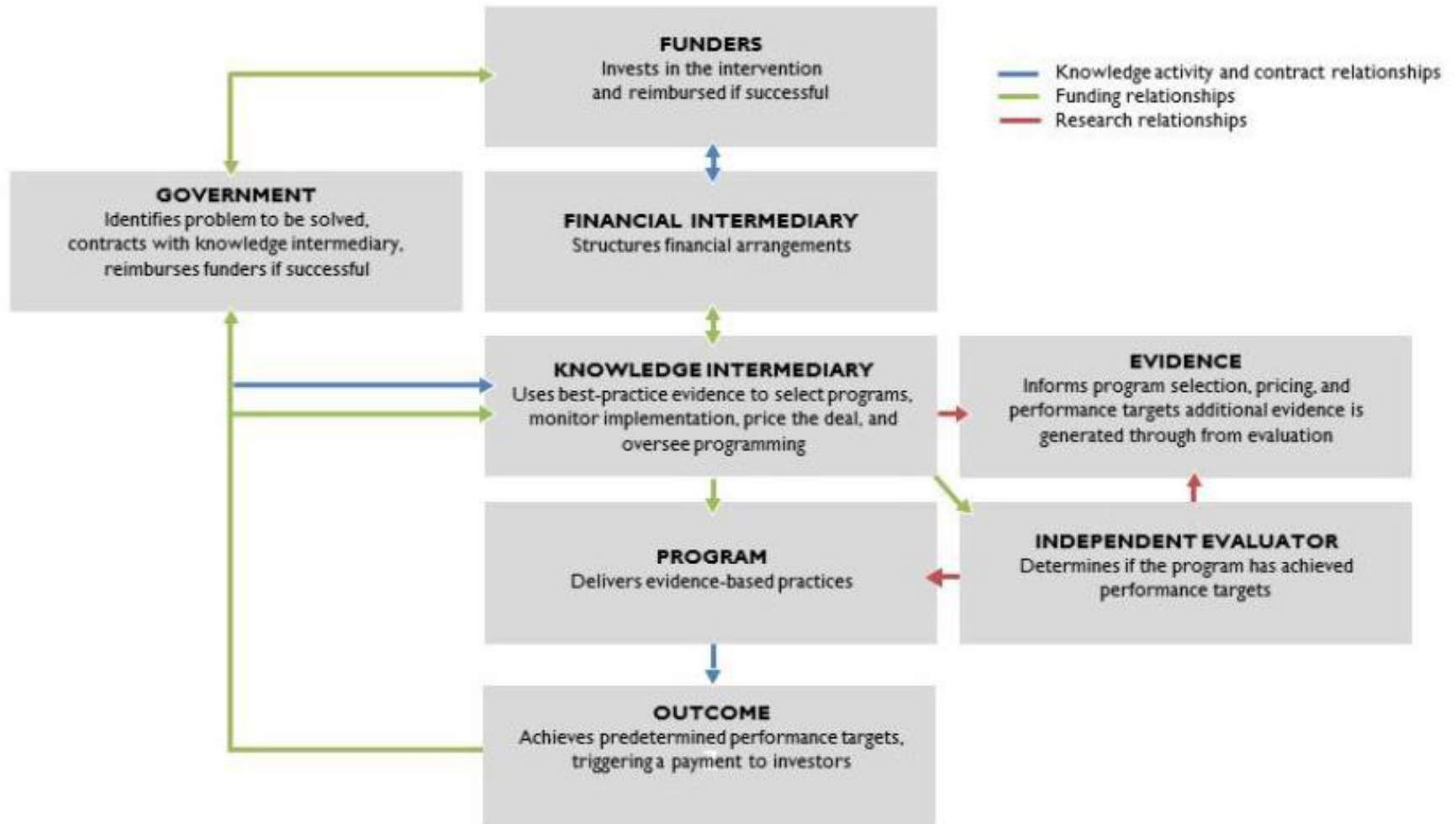
- Programs with large up-front costs
- Programs that serve large numbers of people
- Operationally or politically risky programs

Solution: Use private capital to finance these projects, and share the savings from evidence-based prevention programs between private sector and government.

What is Pay for Success?



Pay for Success Model Framework



There are a range of actors involved in a Pay for Success transaction

Governments

- Identify problems to target and pay for the successful attainment of project goals

Funders

- Provide program capital on the promise of a return if the program is successful

Financial Intermediaries

- Structure the financial deal and solicits investors

Knowledge Intermediaries

- Use evidence to find high-performing programs, price the PFS instrument, and oversee implementation

Independent Evaluators

- Determine if the project meets its targets

Why Pay for Success?

Outcomes really matter – taxpayers only pay for interventions that demonstrate impact

Focuses spending on prevention

Allows for scaling proven programs – and for building evidence base for promising programs

Multiple years of committed funding for service delivery

Potential to produce financial returns for private investors, who assume the risk while achieving a public good

The US now has the largest PFS market in the world with close to \$100 million in total investment

Federal

- Corporation for Community and National Service
- Department of Justice
- HUD, HHS, Treasury

State

- Massachusetts
- New York

City + County

- New York City
- Chicago
- Salt Lake City
- Cuyahoga County

What is the Urban Institute 's Pay for Success Initiative?

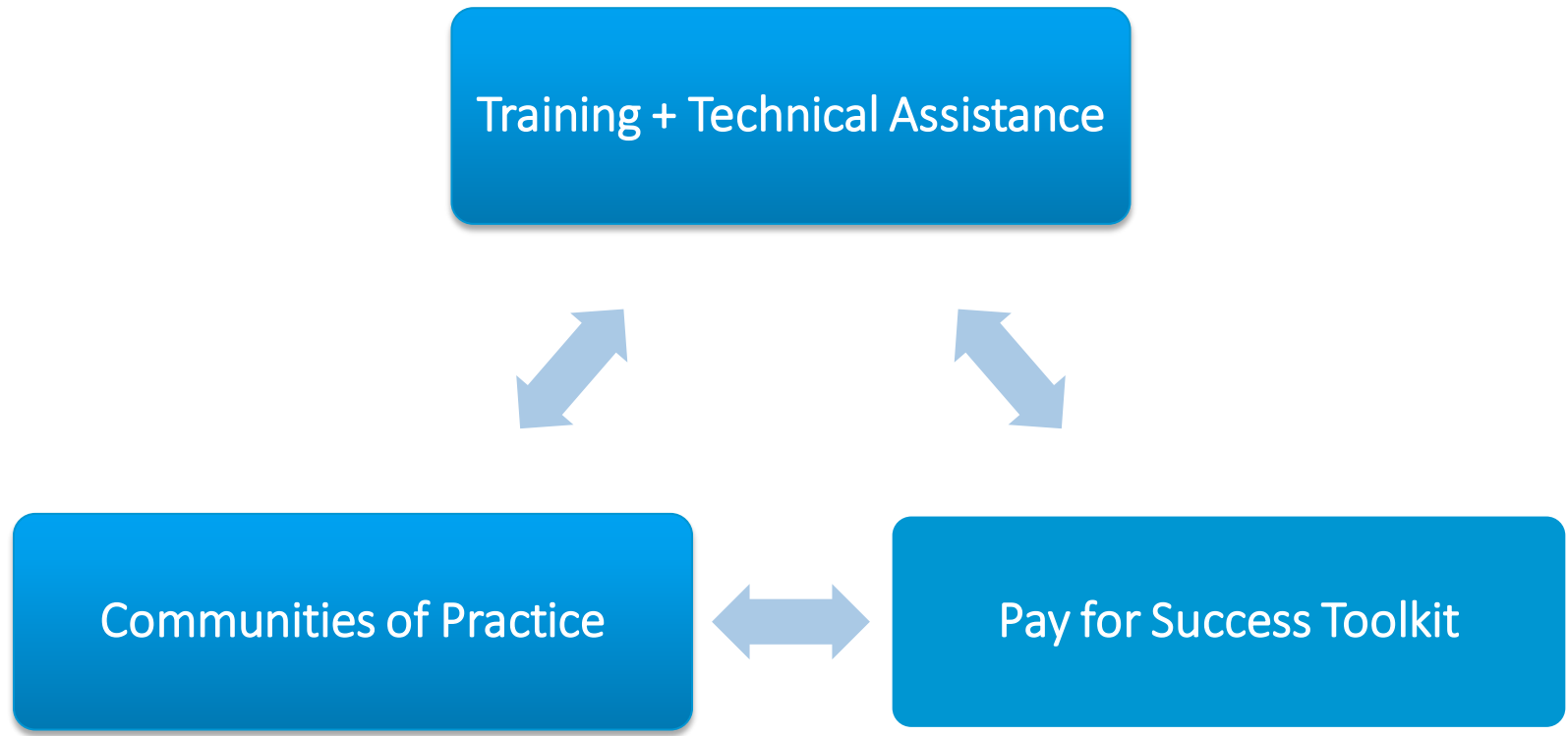
Over the next three years, Urban researchers will help guide, design, and assess PFS transactions across the country.

We will create tools to support PFS efforts and share lessons learned with governments at all levels, as well as other key stakeholders including researchers, service providers, funders, and local and national public leaders.

Urban's PFS Initiative attempts to leverage Urban subject matter expertise to accelerate the growth of this potentially disruptive innovation in the public and financial sectors.

Rather than focus on the mechanics of the deals, we are elevating attention to integrating outcomes and scaling evidence within the transactions.

The Pay for Success Initiative will focus on three areas of work to support current, emerging and future PFS deals



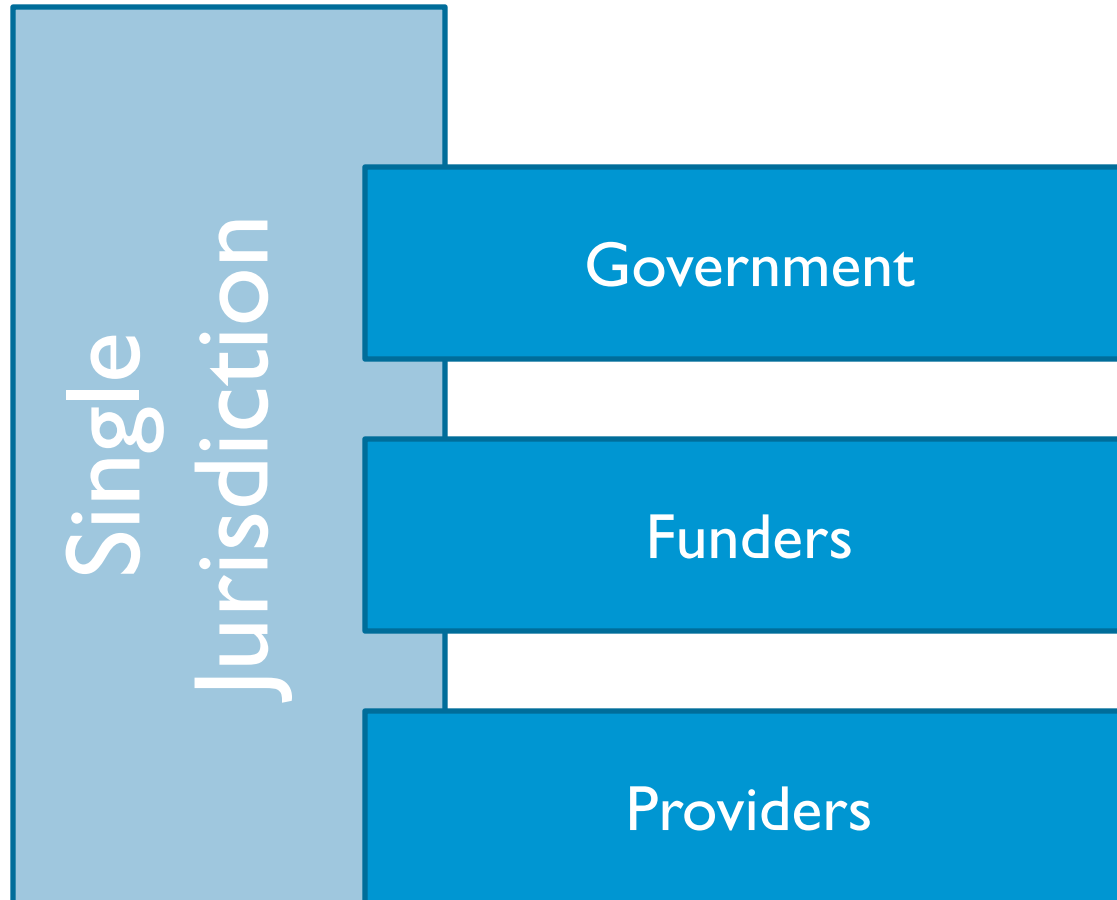
Area #1: Training and Technical Assistance

- Help desk
- Strategic Planning Process
- Evaluation Assistance
- Financial Intermediary and Funder Support
- PFS 'Emergency Response'

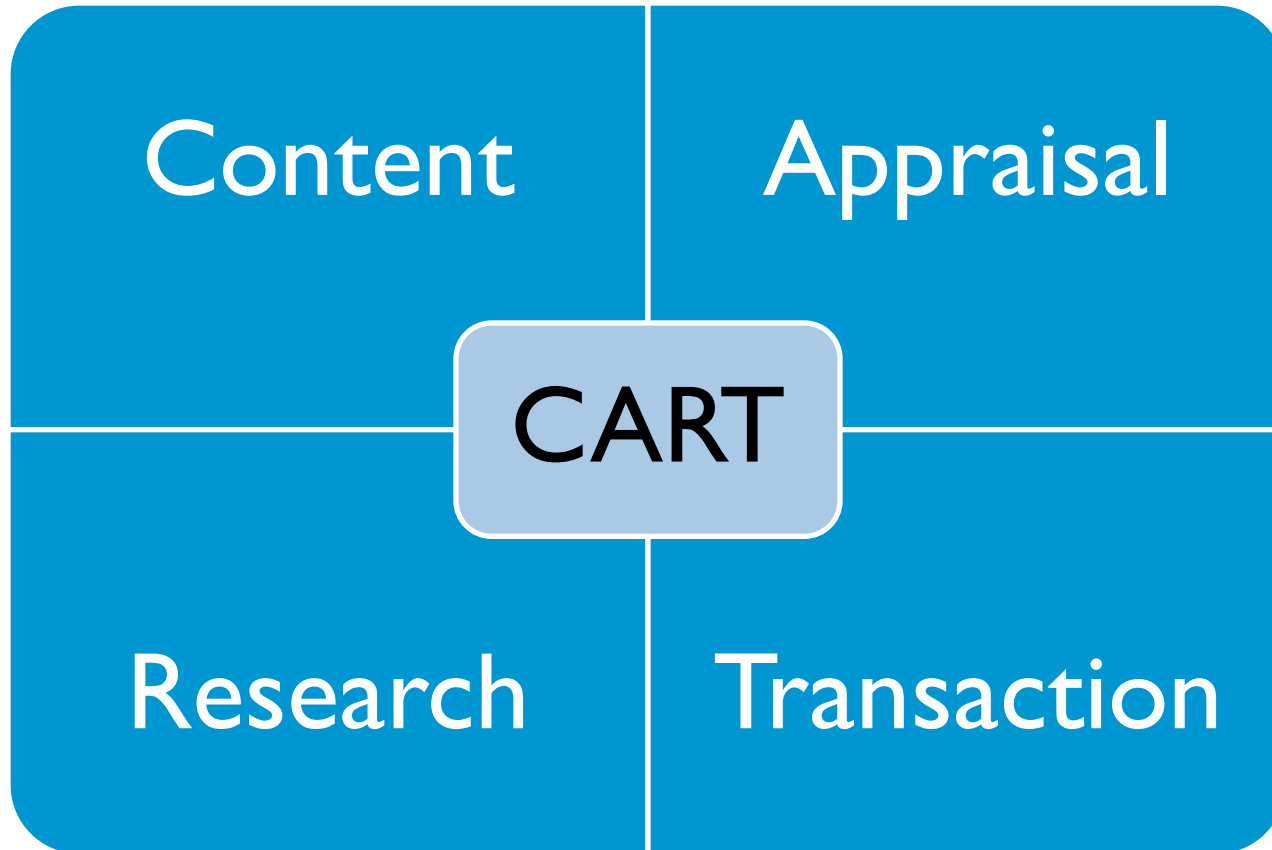
Area #2: Toolkit

- Pay for Success Suitability Assessment Tool
- Cost-benefit pricing tools
- Transportable deal templates
- Other policy briefs

Area #3: Communities of Practice



The Pay for Success Initiative will leverage the breadth and depth of expertise at the Urban Institute



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