



Overview of Pay for Success & Social Impact Financing

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Systematic Challenges

Funding What Does Not Work



US \$10 Billion Annual Expenditures

Drive Innovations



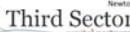
Silos – Limiting Effective Coordination



Services That Build Sustainable Outcomes

Housing First Programs





The Mechanics - Pay For Success Construct

In its basic form, Pay for Success is constructed along the following:

1. Government contracts for social service programs to address a societal need.
2. Philanthropic funders provide the financial resources to pay for the program.
3. Government, service providers and philanthropic funders agree upon targeted social outcomes.
4. Independent evaluators monitor program performance.

Should the program achieve the agreed metrics

- The government reimburse the initial funders for their “invested capital”
- The government and investors have the opportunity to reinvest in the program to maintain and expand its impact.
- *If the program fails to meet the targeted outcomes, the government agencies are not obligated to repay the investors.*





- ### Representative Terms & Conditions
- **Borrower:** Special Purpose Vehicle, non recourse
 - **Program Description:** To fund a 6 year intervention program for 1,000 “aging out” youth
 - **Target Metrics:** 50% reduction in re-arrests
 - **Use of funds:** To support the initial capital and working capital needs
 - **Amount:** \$8 million
 - **Tenor:** 6 years, 3yr drawdown, repayment in yrs 5 & 6
 - **Conditions Precedent:**
 - Pay for Success contract with established evidence-based service provider
 - Budget allocated Pay For Success performance contract with State government
 - Assignment of PFS contract to Lenders
 - \$2 million grant capital
 - \$1 million State government committed capital
 - **Historical Performance Coverage:** 1.5x
- Third Sector capital partners 4

Funding Construct and Sources & Uses

Sources & Uses (in Thousands)			
Use of Funds	Source of Funds		
Program Delivery	\$17,778	2% Coupon Social Impact Bond	\$8,000
Launch Expenses	\$250	Non-Recouvrable Grant	\$2,000
Evaluation Expenses	\$1,000	State Grant for Evaluation	\$1,000
Intermediary Expenses	\$1,200	PFS Payments	\$18,000
Other	\$476	Other	\$283
Subtotals	\$20,704		\$29,283
Repayment of SIBs	\$8,578		
Totals	\$29,283		\$29,283

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Key Risk Considerations

- Delays in Start-up and associated costs
- Cost over runs in service delivery
- Failure to achieve outcome metricse

Risk Mitigants

- Working with Established Providers
 - Demonstrated ability to scale
 - Proven operational capabilities
- Established Evidence-Based Service Delivery
- Setting Achievable Performance Metrics
- Overcapitalized/Capital Layering
