Pay for Success

Target population and desired outcomes are clearly identified.

- Pays for successful outcomes after services are delivered and results are evaluated. (Initial service delivery could be financed through a social financing mechanism.)
- Outcomes-based intervention(s) are identified and high quality providers deliver services aimed at desired outcomes.

Payor

Manages project and all stakeholders.

Project Manager/Intermediary

SERVICE PROVIDER

Third party evaluator

Independently identifies metrics and evaluates outcomes, reporting data to provider and payor.

Types of payors

- Government
- Private investors/philanthropy
- Financial institutions/CDFIs
- Private entities

Pay for Success

A type of pay for performance-based contracting between government and service providers in which impact is measured rigorously and government makes “success payments,” or increases a provider’s market share, only when results are achieved within a specific timeframe.

Social Innovation Financing

A tool designed to address the payment delays and uncertainties inherent in Pay for Success contracting. In Social Innovation Financing, private funders, using various financial instruments, provide working capital to service providers with Pay for Success contracts to deliver social, health, housing, community development, and similar services, and those private funders take on the financial risk that the service provider will not meet the level of success necessary to trigger performance payments. Social Impact Bonds are one form of Social Innovation Financing (but are not actually bonds in a traditional sense).