



# Foundational Concepts and Terms of Pay for Success

*John K. Roman, Matthew Eldridge, and Rayanne Hawkins*

*December 2015*

**This brief asks and answers questions that governments and social service providers often pose as they consider constructing, negotiating, and executing a pay for success project. As a mechanism for using private capital to shift risk and bring evidence-based innovations and proven programs to scale, pay for success is an ongoing enterprise. This document provides a foundational understanding of this dynamic and evolving field.**

## Getting Started with Pay for Success

### **What Is Pay for Success?**

Pay for success, or PFS, is an innovative financing mechanism that shifts risk from a traditional funder (usually a government) to a new funder (usually a private organization or nonprofit). That funder expands (or “scales”) an evidence-based social program to improve outcomes for a vulnerable population. If an independent evaluation shows that the program achieved the agreed outcomes, then the traditional funder repays the new funder’s investment with interest.

By prioritizing evidence, outcomes, performance management, and the strategic deployment of resources, PFS could improve delivery of social services to vulnerable populations, yielding benefits to individuals, governments, and society at large.

### **What Is the Pay for Success Initiative?**

With support from the [Laura and John Arnold Foundation](#), the Urban Institute has launched the [Pay for Success Initiative](#) to strengthen PFS projects. Through this initiative, Urban is building tools to scale the

PFS sector; guiding, designing, assisting, and assessing PFS projects; and sharing lessons learned with key stakeholders through communities of practice.

## How Do Pay for Success and Social Impact Bonds Differ?

Colloquially, “pay for success” and “social impact bonds” are used interchangeably to describe innovative social financing. But PFS includes other concepts along a continuum from performance-based contracting to benefit corporations.<sup>1</sup> “Pay for success” is preferred because the transactions do not perform as a traditional bond structure would predict.

## What Are the Benefits of Pay for Success?

Pay for success has eight primary potential benefits:

- **raises up-front funding** for proven, model, promising, and potential social service programs
- **shifts the risk** of innovating or scaling social services to private or nonprofit investors
- **emphasizes government investment in outcomes** over other priorities
- **encourages adoption of evidence-based solutions** to serve the public interest
- **addresses the time lag problem** where, in many cases, investments in social programs must occur long before the social and economic benefits accrue from these programs
- **overcomes barriers** where the government agency tasked with funding a program is not the primary beneficiary
- **focuses on preventive programs** that maximize public benefits over budget costs
- **conserves resources** that can then be used for other investments in the public’s interest

## What Are the Risks, Challenges, and Limitations of Pay for Success?

Although it is too early in the adoption of PFS to comprehensively identify recurring issues, governments and other stakeholders should consider the following potential risks, challenges, and limitations before pursuing a PFS project:

- First-generation PFS transactions are complex arrangements requiring significant legal, empirical, institutional, and financial expertise. Part of this complexity stems from the fact that PFS requires an institutional behavioral shift within government to align activities with outcomes.
- Procurement rules at all levels of government limit the collaborative negotiations of a PFS project.
- Private investors assume substantial risk in these transactions and may prefer to support low-risk, low-need populations rather than the high-risk populations that governments target.

- Private investors may prefer programs that yield the highest rates of return rather than those that address the most pressing social concerns. That preference in turn may shape what outcomes service providers focus on as they seek to attract capital.
- The behavior of private investors, particularly banks subject to the requirements of the [Community Reinvestment Act](#), may change. Rather than bringing new money to support social goods, PFS could end up maintaining investment levels if Community Reinvestment Act funds are reallocated from current activities.
- Pay for success transfers the delivery of services from the public sector to private or nonprofit service providers. This responsibility shift could raise accountability, transparency, quality, and sustainability concerns.

## Pay for Success Stakeholders

### Who Are the Main Stakeholders in a PFS Project, and What Are Their Roles?

Five actors are essential to a PFS program: governments, private funders, financial intermediaries, knowledge intermediaries, and independent evaluators.

- **Governments** identify service problems to target and pay for success if the program achieves agreed outcomes.
- **Private and philanthropic funders** provide up-front financial support and receive a return if the project is successful.
- **Financial intermediaries** structure the project and raise up-front funding. A single organization or multiple organizations with different responsibilities may fill this role.
- **Knowledge intermediaries** identify and recommend high-performing programs, help structure the project, provide course correction during implementation, and, with the independent evaluators, conduct ongoing research.
- **Independent evaluators** determine if the program has met its agreed outcomes.

### Why Are Governments Interested in PFS?

Today, governments bear all the risk of programs intended to serve the public interest. Pay for success transfers the risk of program innovation to private and nonprofit funders.

Pay for success ensures that the government pays only for programs that improve social outcomes. Additionally, PFS can help advance evidence-based policymaking and strategic thinking more broadly within government systems.

## Who Invests in PFS Projects?

So far, many funders in PFS have been high-net worth individuals and families collaborating with large investment banks. Other funders include national and community philanthropic organizations and venture capital. Pay for success investments offer the opportunity for aligned social and financial returns while diversifying investors' portfolios.

## What Are Financial Intermediaries?

Financial partners have the legal and fiscal capabilities to facilitate new markets for innovative PFS products. They are central for negotiating partnerships among governments, social service providers, and investors, and they help with contract terms, due diligence, feasibility assessment, raising up-front funding, and more. Financial intermediaries can also be knowledge intermediaries on the same project.

## What Are Knowledge Intermediaries?

Knowledge intermediaries help PFS partners understand the research and evidence base and translate that evidence into more rigorous and objective projects. Knowledge intermediaries can be parties outside the project or the financial intermediary with the same project. The Urban Institute is a knowledge intermediary.

## What Is the Difference between Outcome Evaluation and Ongoing Monitoring and Evaluation?

Outcome evaluation is a one-time process at the conclusion of the project that determines, by applying a rigorous evaluation methodology to data, whether the project met its targets. An outcome evaluation is used to determine if the funder receives payment and how much, in accordance with predetermined thresholds.

Ongoing monitoring and evaluation is a continuous process in which the PFS parties assess program data in real time to track progress and inform midcourse corrections. Ongoing monitoring and evaluation ensures that the program is being implemented as intended and that necessary adjustments are made to improve the program's likelihood of success.

## What Characteristics and Experience Should a PFS Social Service Provider Have?

Pay for success rewards innovation, results, and proven programs. In general, providers with a rigorous, transparent, and objective evidence base for their programs will be in greater demand as PFS partners.

Social service providers in PFS projects should exhibit the following characteristics:

- **subject-matter expertise** in the topic area and with the target population
- a sound **theory of change** guiding their practice

- **experience** successfully implementing the specific program in a similar context
- **sufficient capacity** or a clear plan to rapidly increase capacity to meet the demands of implementation
- experience with **evaluation and transparent reporting** of results to independent validators
- **operational policies for procurement and subcontracting** that meet government standards
- **systems for data collection** and performance measurement and management
- a **track record** of delivering and documenting positive outcomes

### Who Benefits from PFS Programs?

Service users (individuals, families, or communities) are direct beneficiaries of PFS programs. More broadly, vulnerable and/or underserved people and places benefit directly.

## Current Pay for Success Projects

### How Many PFS Projects Are There?

There are eight current and one recently concluded PFS projects in the United States and more than 40 additional projects abroad, primarily in the United Kingdom.

### Where Can I Learn about Existing PFS Projects and Outcomes?

The Urban Institute has produced a number of papers and blog posts describing PFS projects, their potential, and their limitations.<sup>2</sup> In addition, the Nonprofit Finance Fund continually updates information about PFS projects and activities.<sup>3</sup> The Harvard Kennedy School Social Impact Bond Lab offers various resources for potential PFS partners.<sup>4</sup>

## Bringing Pay for Success to Your Community

### Will PFS Work where I Live?

Pay for success is designed to work for communities interested in targeting a social issue by committing to implement an evidence-based program.

Before deciding to pursue a PFS project, communities should consider several factors, including the following:

- **Engagement and enthusiasm from government and political leaders.** Since PFS projects can be complicated to construct and implement (including coordination among various government

bodies), they must have key government champions (e.g., office of the executive of the jurisdiction, head of implementing agency, budget officials). Since the time horizons for PFS transactions can exceed political terms of office, all parties need to be confident about repayment (e.g., institutional mechanisms, clean record of not defaulting on obligations of past administrations).

- **Legal framework.** Many jurisdictions lack the ability to engage in PFS projects. Although the required legislative fix is relatively simple, it may pose a hurdle.
- **Strength of service provider.** The service provider's demonstrated ability to successfully implement the social program is critical for attracting funding interest.
- **Performance and outcome tracking.** Jurisdictional systems should be able to estimate the costs of current services as well as the costs and potential benefits of implementing the PFS project. Systems should also be able to track outcomes in the target population.
- **Local context.** A program considered for PFS may be backed by strong evidence, but it may not be successful in all contexts. Jurisdictions should consider their unique cultural, societal, geographic, and other factors that might affect the program's effectiveness.

## How Can I Prepare My Program for PFS?

Stakeholders must first identify a cost driver, target problem, and evidence-based solution. Then stakeholders should ensure that the intervention exhibits the following characteristics:

- **Evidence.** The proposed program is evidence based, meaning it has been evaluated (multiple times) and the results indicate that the program achieves its goals. Resources like the Pew-MacArthur Results First Clearinghouse and the Washington State Institute for Public Policy's comprehensive benefit-cost database help connect governments with evidence-based social programs,<sup>5</sup> and our four evidence-base levels (potential, promising, model, and strong) help interpret the evidence.
- **Evaluability.** The program has measurable outcomes and positive social benefits, and the data and tracking systems in place can adequately measure performance.
- **Implementation fidelity.** Stakeholders have a plan to ensure that the program is implemented as intended.
- **Safeguards.** Protections are in place to ensure that neither the treatment population nor funders are harmed by the program.
- **Instrument appropriateness and financial viability.** Stakeholders have determined that PFS is the most cost-effective way to implement the program and that both funders and the government can attain savings using PFS.

# Putting Together a Pay for Success Project

## What Is the “Wrong Pockets Problem,” and Why Is It Critical to Understanding the Need for PFS?

The wrong pockets problem describes a situation where the entity that bears the cost of implementing a practice or program does not receive the primary benefit. If the costs of the program outweigh the benefits for that entity, it is unlikely to fund it, even if the net benefits for the government (and society) are strongly positive.

Pay for success can help solve the wrong pockets problem. Find out more in Roman (2015).

## How Long Should PFS Projects Last?

In general, PFS projects should last long enough to deliver (and measure) the impact of program efforts and potentially realize cost savings. Most early projects have established a three- to five-year term for the transaction. The program should employ a robust monitoring and evaluation framework with mutually agreed outcomes that are appropriate for the time frame selected.

## What Are the Main Steps of a PFS Project?

Most PFS deals begin at the state or local level.

- First, a government engages in strategic planning. Through a comprehensive analysis, it identifies inefficiencies in social service programs that lead to disadvantage (Roman et al. 2014).
- Second, a government identifies the potential barriers to greater efficiency in reducing disadvantage and determines if those problems have evidence-based solutions.
- Third, the government compares the evidence-based intervention against PFS suitability criteria, such as those described below.
- Fourth, once an intervention is selected, the government contracts with an intermediary to raise up-front funding that becomes the multiyear financing for the program. As part of this process, the government and funders agree on outcomes.
- Fifth, an evaluator monitors the progress of the intervention, and an independent validator determines whether the program meets its agreed outcomes, affecting if and how much the government should repay funders.

## What Types of Programs May Be Poor Candidates for PFS Projects?

Programs that are probably less-than-ideal candidates include the following:

- **new programs** that have not yet been rigorously evaluated and that do not have a clear theory of change or access to data for a strong evaluation
- **core government activities** (e.g., standard policing tactics) that cannot be transferred to a nonprofit partner
- **programs that can easily reach scale** through conventional financing mechanisms—for example, programs with clear benefits and costs that are self-contained and can be entirely funded by one department

## What Characteristics and Experience Should a PFS Nonprofit Provider Have?

Social service providers in PFS projects should exhibit three characteristics:

- **subject-matter expertise** in the topic area (especially with the target population)
- **a track record** of successfully delivering and documenting positive outcomes
- **experience implementing** the specific intervention

## How Are Risks Assessed and Managed in a PFS Project?

In designing and implementing a PFS project, partners may encounter a number of risks. Four primary examples are an insufficient evidence base for a proposed intervention, unclear or unmeasurable outcomes, implementation inconsistent with the original plan and evidence of what works, and inadequate government budgets for the success payouts.

- **Evidence risk.** If an intervention supported by the PFS is unproven (i.e., has a weak evidence base), then the risk cannot be accurately priced and accounted for. This risk is managed by ensuring that interventions are chosen only if they have a sufficient evidence base of successful implementation.
- **Outcome measurement risk.** If target outcomes are unclear and open to interpretation, rely on questionable or difficult-to-obtain data, or can be measured in multiple ways, parties may dispute the program's success. This risk can be mitigated by developing a thorough and transparent monitoring and evaluation framework, grounded in well-selected outcomes supported by available, strong data and used by an independent evaluator.
- **Implementation fidelity risk.** The service provider may encounter difficulty managing the project's scale, or it may take longer than anticipated to reach the required capacity. In some cases, this risk can be avoided by ensuring that provider selection meets high standards and that multiple providers are used if necessary. However, if this risk still arises, the government

should work with the provider to allocate additional resources and ensure that the provider subcontracts roles it cannot adequately perform. A strong and clear service contract will outline this process.

- **Counterparty credit or payout risk.** In any financial transaction, a counterparty is the entity on the other end of the transaction (e.g., a buyer and a seller). In PFS projects, the funder and the government are counterparties. In some PFS projects, the government may not make adequate arrangements to pay funders. In some jurisdictions, funds must be reappropriated every year with the risk that one year the government may fail to do so. Clearly identifying the source of outcome payment and including this source in the contract mitigates this risk. Governments have addressed this challenge in multiple ways. Massachusetts backed its PFS project with the full faith and credit of the Commonwealth,<sup>6</sup> while others have passed multiyear appropriations, set up sinking accounts funded each year, or written a ratings agency trigger into the PFS contract.<sup>7</sup>

## How Are Potential Costs and Savings Estimated in a PFS Project?

Parties should undertake a cost-benefit analysis, which helps determine the following:

- service infrastructure and capital needs
- performance targets
- probability of program success
- potential government savings (both recoverable and nonrecoverable)

Meta-cost-benefit analysis models provide the best estimates; resources like the Pew-MacArthur Results First Clearinghouse and the Washington State Institute for Public Policy's comprehensive benefit-cost database are examples.<sup>8</sup>

## What Should Stakeholders Consider when Pricing a PFS Agreement?

Parties should consider the following factors when building a financial model to price a PFS deal:

- **current costs** of services to the government
- **operational and capital costs** associated with implementation of the program
- **cost savings** as a result of the proposed program and the ability to quantify of those cost savings financially ("cashability")
- **risk**, which is broadly a function of general factors (e.g., robustness of the evidence base) and context-specific factors (e.g., unique aspects of the target population, features and capacity of the implementing agency, composition and ambition of the outcomes)

## What Information Should a PFS Contract Include?

Structuring clear and transparent PFS contracts is vital to ensure that all parties are aware of their roles and responsibilities and agree on what a successful project looks like and how it should be measured. Depending on the PFS project, there may be separate contracts between the relevant parties.

Contractual agreements should clearly identify the following:

- social problem, intervention design, target population, enrollment process, and evaluation design
- financial information (e.g., costing, budget) and source of the outcome payment
- time frame for implementation
- implementation commitments, including authorized budget and planned activities by implementing agency or party
- handling and selection of subcontractors
- monitoring and evaluation framework that clearly details process and procedures for measuring and evaluating outcomes
- termination criteria

## Evidence, Evaluation, and Pay for Success

### What Is Evidence?

Evidence is the result of the application of scientific methods. The scientific method requires that every effort is made to disprove the hypothesis that an intervention is effective. The more intense the effort to prove that an intervention does not work, the more confidence one can have in the evidence.

### How Does PFS Use Evidence?

Evidence is central to PFS and plays a prominent role in three main stages of PFS projects: finding evidence-based programs, implementing programs in a manner consistent with past evidence and responsive to evidence emerging in real time, and generating evidence through evaluation to assess achievement of outcomes and (if applicable) payment.

Identifying programs that might be good candidates for PFS requires the ability to recognize and interpret evidence and distinguish strong evidence from weak. We identify four categories of evidence in ascending order of strength: potential, promising, model, and strong. Intuitively, programs with the strongest evidence have a stronger likelihood of success and lower risk. Conversely, programs with the

weakest evidence bases carry greater risk, and funders will likely expect higher returns. For characteristics of high-quality evaluations, please consult [Poulin, Orchowsky, and Trask \(2011\)](#).

- **Potential evidence.** A program at this level should have an underlying theory of change that is rooted in the literature and clearly demonstrates (through evidence, including observational studies, from other interventions) how the intervention might cause the intended outcome. The program's theory of change should link the intervention to a specific, defined outcome, but it lacks a high-quality program evaluation that confirms causality.
- **Promising evidence.** A program at this level meets three conditions. First, it clearly identifies the outcome the program is designed to change, the specific risk and/or protective factors targeted to produce change, the population for which it is intended, and how the components of the intervention work to produce this change. This condition is sometimes referred to as intervention specificity. Second, evaluations of the program trials produce valid and reliable findings through a minimum of (a) one high-quality randomized controlled trial or (b) two high-quality quasi-experimental evaluations. Third, the preponderance of evidence from the high-quality evaluations indicates significant positive change in intended outcomes that can be attributed to the program, and there is no evidence of harmful effects.<sup>9</sup>
- **Model evidence.** A program at this level meets all the "promising evidence" qualifications and two more. First, the program has undergone a minimum of (a) two high-quality randomized controlled trials or (b) one high-quality randomized controlled trial and one high-quality quasi-experimental evaluation. Second, the evaluations demonstrate positive intervention impact for a minimum of 12 months after the program intervention ends.<sup>10</sup>
- **Strong evidence.** A program at this level meets the criteria of "model evidence" and has sufficient evidence to conduct a meta-analytic review. This review should yield evidence of statistically significant effect sizes.

## What Is Meta-Analysis?

In essence, meta-analysis is a statistical method to create a single estimate of effects from multiple studies with conflicting results. For example, a drug regulator considering approval of a painkiller may review 20 studies, 5 of which show negative side effects and 15 of which don't. Meta-analysis aggregates findings from across the studies and informs the regulator's decision about whether the drug needs a warning label.

When combined with local cost data, meta-analysis allows PFS partners to share a more precise estimate of expected effects while constructing the project. An example of meta-analysis in practice for social programs is the cost-benefit analysis tool developed by the Urban Institute for the District of Columbia Crime Policy Institute.<sup>11</sup>

## How Are Operational Data Systems Built?

Given the importance of evidence to PFS projects, having reliable, high-quality, timely, and comprehensive data is necessary to identify the target population, successfully implement the program, and measure results. Implementing integrated data systems involves strategic identification of the data needed, inventory and quality review of data resources across multiple sources that could meet these needs, development of new data sources as needed and/or identification of alternatives, and best-practice management of data collection and review.

Integrated data systems are one area where the potential impact of PFS extends far beyond the individual project. By introducing or elevating the importance of data and evidence-driven decisionmaking and the value of integrating strong data systems, PFS can promote improved public administration and service delivery more broadly.

## How Is the Success of a PFS Project Evaluated?

Pay for success projects are evaluated by a rigorous research process, in which the independent evaluator determines if the project has achieved the agreed outcomes. These evaluations determine the impact of an intervention and whether the government should pay the investors; they also build the evidence base about effective interventions for disadvantaged populations.

A key part of the evaluation process is making sure evaluations develop and provide results in a way that promotes transparency among everyone involved. Ensuring that all parties agree with the result of the evaluation and certify its legitimacy is important to preserving the integrity of the payment process and building the consistency, stability, and viability of PFS.

## What Are Common Evaluation Methodologies?

Stakeholders should carefully select the evaluation methodology that will measure the social outcomes of the PFS project. Some of the most common methodological approaches are randomized controlled trials (RCTs), regression discontinuity designs, difference-in-differences comparisons, and historical baselines. The approaches aim to compare the outcomes of the treatment (program) group to a group representing the counterfactual (what would have happened to them if they hadn't received the treatment?). Creating a valid counterfactual is the only way to attribute the impact of the intervention on the change in outcomes with confidence. Two primary evaluation groups create this counterfactual: a randomly assigned control group (in RCTs) and a non-randomly assigned comparison group (in quasi-experimental designs).

Because RCTs use random assignment and are therefore a true experimental research design, they are often considered the “gold standard” methodology and are typically the most effective and efficient way to evaluate a program or practice. In rare cases, RCTs may not be the best evaluation methodology, and quasi-experimental methodologies can be considered. However, parties in a PFS project should aim

to select the most rigorous evaluation methodology; because this most often means an RCT, conversations should start there.

(For a more detailed review of methodologies, see section 4.1.3 of So and Jagelewski 2013, from which this overview is partially drawn.)

- **What is a randomized controlled trial, or RCT?**

Within the clearly defined target population, individuals (or groups, if a clustered RCT) are randomly assigned to treatment (program) and non-treatment (control) groups. The outcomes of each group are then compared to determine the impact of the treatment.

- **What is a regression discontinuity design?**

Outcomes are compared from two groups: those who score just above, and those who score just below, the eligibility threshold. This approach is based on the judgment that the difference between one scoring 51 and another scoring 49 (with a threshold of 50 out of 100) is negligible. This approach is suitable only for programs with quantitative eligibility thresholds.

- **What is a difference-in-difference comparison?**

Two populations are examined with similar characteristics (including risk factors) except one participates in the program and the other does not. This approach then compares the difference in outcomes experienced by each group over the course of program delivery.

- **What is the historical baseline approach?**

Outcomes experienced by the target population receiving the program treatment are compared with outcomes for a similar population in the past. Without a control or direct comparison group, it's difficult to identify with much confidence whether the outcomes would have occurred in the absence of the program.

## **What Is Effect Size?**

Aggregating across studies produces an average outcome (the effect) and then variation around that expected effect. Measures of effect size help compare the magnitude of results from different evaluations and are often used in meta-analyses. Effect sizes also help determine the practical significance of statistically significant results. If that effect size does not include 0, stakeholders can be confident they can achieve the outcome in the expected direction. For more information, see Coe (2002).

## What Is a Comparison Group?

The goal of a high-quality evaluation is to estimate the effect of the treatment on those receiving it. To estimate effects well, there needs to be something to compare the treatment group against.

In effect, the comparison group approximates the counterfactual (how the treatment group would have fared without the intervention). The more similar that comparison group is to the treatment group, the stronger the evaluation can be. Comparison groups are selected in RCTs through random assignment, which is the closest applied way to replicate that counterfactual.

## What Are the Most Important Limits to High-Quality Evaluation?

For characteristics of high-quality evaluations, please consult the Blueprint for Healthy Youth Development's criteria under "Evaluation Quality."<sup>12</sup>

Here are four common limits to achieving a high-quality evaluation:

1. A lack of data that accurately describe the comparison group is generally the biggest impediment. This might be because data systems do not communicate or because high-quality data are collected only for program participants. Information on the comparison group is extremely important because this group is the evaluation's counterfactual. An objective knowledge intermediary can often help remediate this issue, as can integrated data systems.
2. Evaluations should choose a limited number of measurable outcomes (or, ideally, one). Multiple outcomes with different levels of success may create confusion about whether to pay for the results.
3. Evaluations require data systems that are reliable, high-quality, timely, and comprehensive. Governments, service providers, intermediaries (particularly knowledge intermediaries), and evaluators need to coordinate efforts to identify, maintain, and analyze data sources that meet those needs.
4. Questions over research design costs and complexities may lead stakeholders to opt for less rigorous evaluation designs. This decision is often the result of lack of answers, underscoring the importance of knowledge intermediaries that can inform stakeholders, particularly on the merits and risks of comparative models.

## What Is a Quasi-Experimental Evaluation Method?

Evaluations require a comparison group to determine effect size. While RCTs randomly assign the comparison (control) group and are a true experimental design, other designs develop a comparison that is not randomly assigned. This latter category is known as quasi-experimental design.

## How Do Partners Set Outcome Targets for a PFS Project?

One of the most important characteristics of PFS is its grounding in performance and articulation of specific measurable outcomes that define success. Intermediate metrics should be adopted to allow for midcourse corrections, and outcome targets should be ambitious yet achievable.

Targets should be chosen to reflect meaningful outcome impacts for beneficiaries and, if possible, correspond to savings for the government. Therefore, the selection of outcome targets should flow from the initial discussions about the government's desired objective.

Ensuring that all parties in the PFS agreement understand and agree with how success is being measured is essential to avoid confusion, complication, and disputes when the project is concluded and evaluated.

## Notes

1. For more information on performance-based contracting, see Pettijohn and Boris (2013). For more information on benefit corporations, see <https://www.bcorporation.net/what-are-b-corps>.
2. This research is collected on "Understanding Social Impact Bonds and Pay for Success," Urban Institute, accessed December 8, 2015, <http://www.urban.org/features/understanding-social-impact-bonds-and-pay-success>.
3. "Pay for Success U.S. Activity," Nonprofit Finance Fund, accessed December 8, 2015, <http://www.payforsuccess.org/pay-success-deals-united-states>.
4. See <http://siblab.hks.harvard.edu/>.
5. See <http://www.pewtrusts.org/en/multimedia/data-visualizations/2015/results-first-clearinghouse-database> (last updated June 23, 2015) and <http://www.wsipp.wa.gov/BenefitCost> (last updated July 2015).
6. "Chapter 143: An Act Establishing the Social Innovation Financing Trust Fund and Authorizing the Lease of the Henderson Boat House," available at <https://malegislature.gov/Laws/SessionLaws/Acts/2012/Chapter143>.
7. Ellen Ward, "4 Ps of Pay for Success: Policy," Living Cities blog, April 8, 2015, <https://www.livingcities.org/blog/809-4-ps-of-pay-for-success-policy>.
8. See <http://www.pewtrusts.org/en/multimedia/data-visualizations/2015/results-first-clearinghouse-database> (last updated June 23, 2015) and <http://www.wsipp.wa.gov/BenefitCost> (last updated July 2015).
9. "Program Criteria," Blueprints for Healthy Youth Development, accessed December 8, 2015, <http://www.blueprintsprograms.com/programCriteria.php>.
10. "Program Criteria," Blueprints for Healthy Youth Development.
11. See <http://www.dccrimepolicy.org/costbenefitanalysis/>.
12. "Blueprints Database Standards," accessed December 8, 2015, [http://www.blueprintsprograms.com/resources/Blueprints\\_Standards\\_full.pdf](http://www.blueprintsprograms.com/resources/Blueprints_Standards_full.pdf).

## References

- Coe, Robert. 2002. "It's the Effect Size, Stupid: What Effect Size Is and Why It Is Important." Paper presented at the annual conference of the British Educational Research Association, University of Exeter, Exeter, UK, September 12–14.
- Pettijohn, Sarah L., and Elizabeth T. Boris. 2013. *Nonprofit-Government Contracts and Grants: Findings from the 2013 National Survey*. Washington, DC: Urban Institute.
- Poulin, Mary, Stan Orchowky, and Jason Trask. 2011. *Is This a Good Quality Outcome Evaluation Report? A Guide for Practitioners*. Washington, DC: Justice Research and Statistics Association.
- Roman, John K. 2015. "Solving the Wrong Pockets Problem: How Pay for Success Promotes Investment in Evidence-Based Best Practices." Washington, DC: Urban Institute.
- Roman, John K., Kelly A. Walsh, Sam Bieler, and Samuel Taxy. 2014. *Five Steps to Pay for Success: Implementing Pay for Success Projects in the Juvenile and Criminal Justice Systems*. Washington, DC: Urban Institute.
- So, Ivy, and Adam Jagelewski. 2013. *Social Impact Bond Technical Guide for Service Providers*. Ontario, CAN: MaRS Centre for Impact Investing.

## About the Authors

**John K. Roman** is a senior fellow in the Policy Advisory Group and the Justice Policy Center at the Urban Institute, where his research focuses on evaluations of innovative policies and programs.

**Matthew Eldridge** is the research products manager for the Pay for Success Initiative at the Urban Institute, where he manages the development of tools, papers, and other resources to improve the pay for success knowledge base.

**Rayanne Hawkins** is the business operations manager in the Policy Advisory Group, where she manages the Pay for Success Initiative's project timeline and budget and is launching the first PFS online support center.

# Acknowledgments

This brief was funded by the Laura and John Arnold Foundation. We thank our funders, who make it possible for Urban to advance its mission.

The views expressed are those of the authors and should not be attributed to the Urban Institute, its trustees, or its funders. Funders do not determine our research findings or the insights and recommendations of our experts. Further information on the Urban Institute's funding principles is available at [www.urban.org/support](http://www.urban.org/support).



2100 M Street NW  
Washington, DC 20037  
[www.urban.org](http://www.urban.org)

## ABOUT THE URBAN INSTITUTE

The nonprofit Urban Institute is dedicated to elevating the debate on social and economic policy. For nearly five decades, Urban scholars have conducted research and offered evidence-based solutions that improve lives and strengthen communities across a rapidly urbanizing world. Their objective research helps expand opportunities for all, reduce hardship among the most vulnerable, and strengthen the effectiveness of the public sector.

Copyright © December 2015. Urban Institute. Permission is granted for reproduction of this file, with attribution to the Urban Institute.