

# Pay for Success Contracts and Social Impact Bonds

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# Recent Developments

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- 2010 First SIB launched in Peterborough.
- 2012 New York City created first U.S. SIB, providing services to youth jailed at Rikers Island.
- 2012 Massachusetts issued 2 RFRs for pay for success contracts and enacted legislation authorizing \$50 million in SIBs.
- 2012-2013 New York State issued two RFPs and enacted legislation authorizing \$30 million in SIBs.
- 2013 SIB Lab holds national competition for technical assistance.
- 2013 Colorado, Illinois, Michigan, and South Carolina issued RFIs in the past couple of months.
- 2013 U.S. DOL awarded first two federal grants for pay for success.

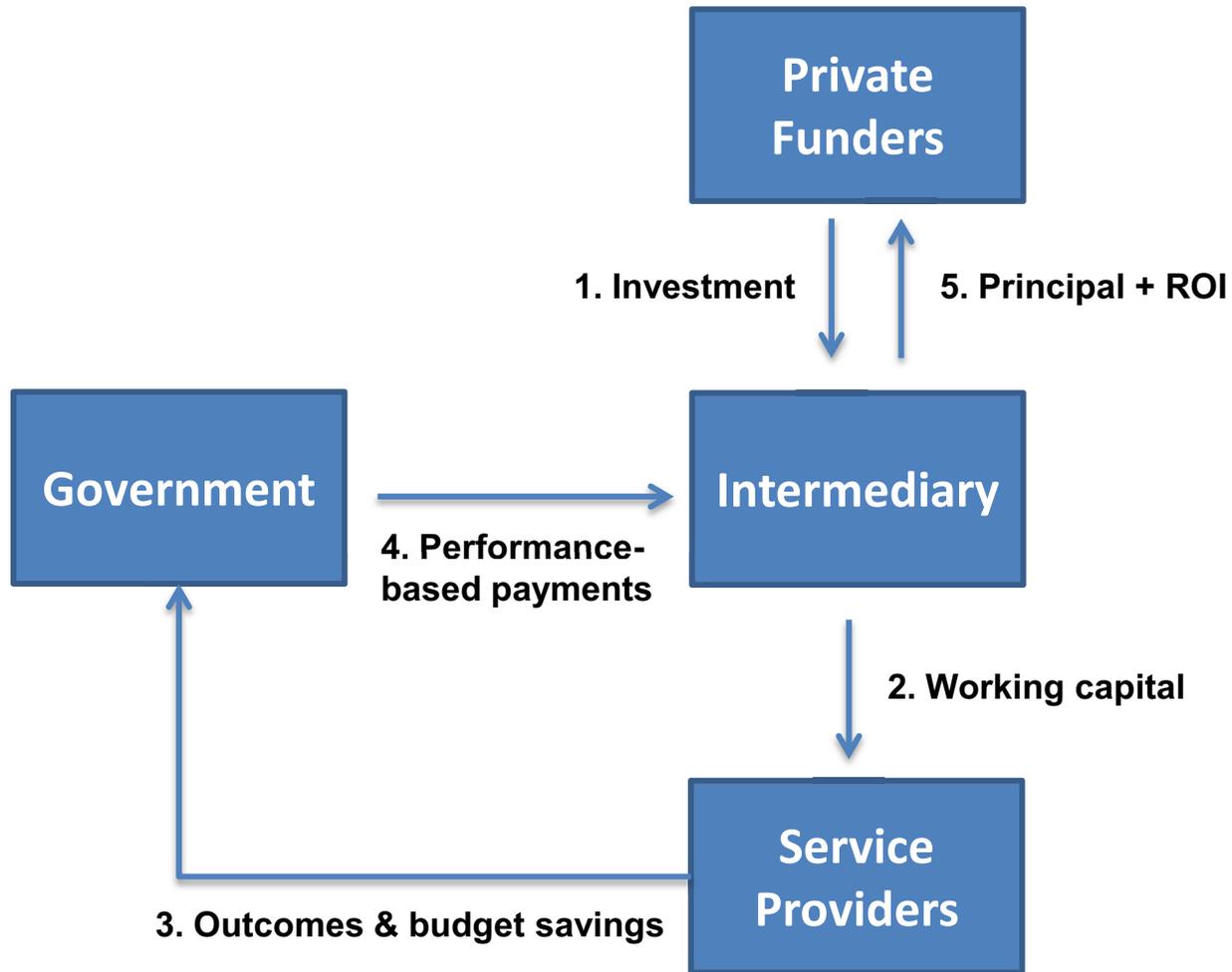
# Motivation for Using this New Funding Tool

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1. We have limited knowledge about whether our existing social service spending is effective.
2. Given fiscal constraints, it is very hard to invest in prevention.
3. Government needs to do a better job of partnering with private sector.

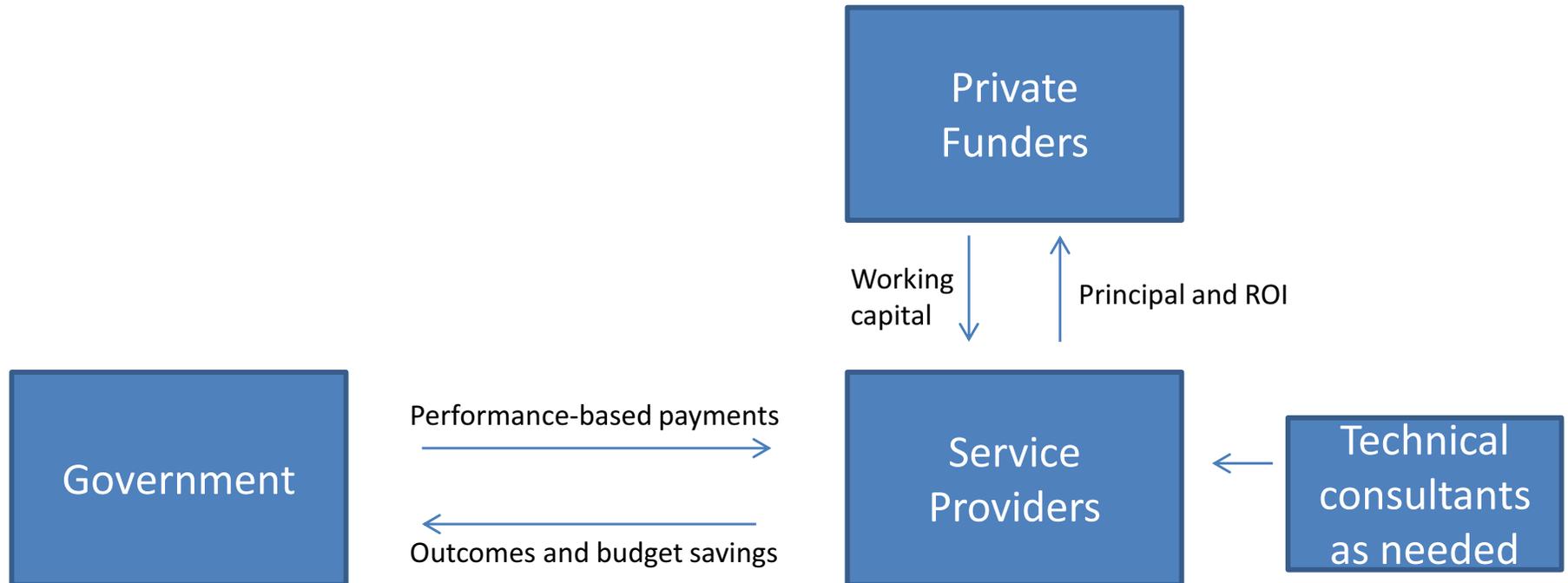
# “Classic” Model

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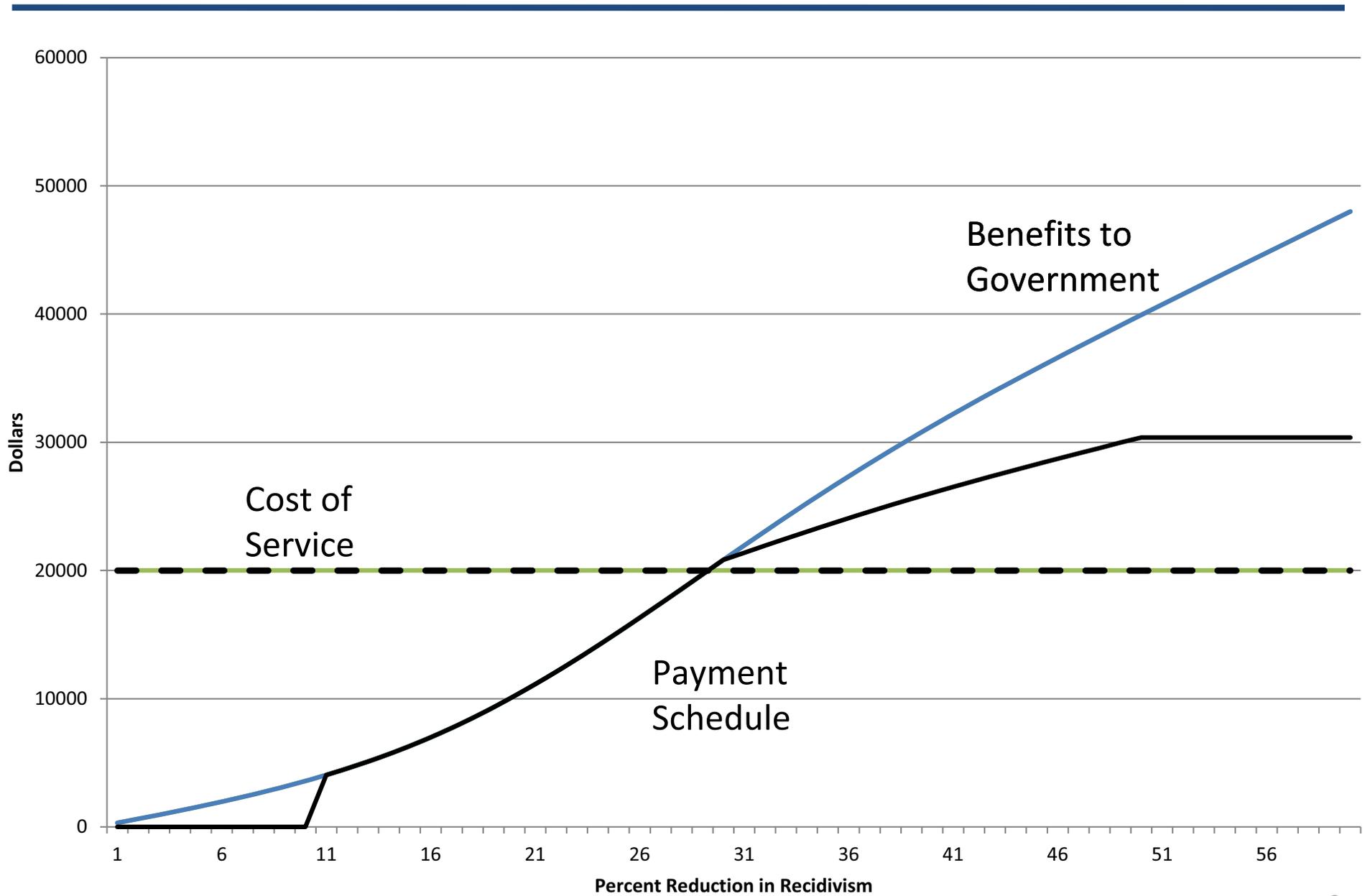


# Another Possible Structure

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# Payment Schedule



# Criteria for Successful Application of this Approach

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1. A potential for a broad, scalable impact
2. A potential for high net benefits (cashable savings or social benefit)
3. Measurable outcomes
4. A well-defined treatment population
5. A reliable comparison group or counterfactual
6. Safeguards against harming treatment population
7. Issue ranks high among government's priorities

For further details, see “Social Impact Bonds: A Guide for State and Local Governments” available at [www.hks-siblab.org](http://www.hks-siblab.org).

# Illustrative Potential Areas of Application

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- Services for at-risk youth such as those aging out of the foster care and juvenile justice systems.
- Services to reduce out-of-home care for children.
- Pre-natal, early childhood, and pre-school services.
- Homelessness prevention.
- Adult corrections.
- Employment/work-force development services.
- Preventive health care interventions (asthma, diabetes).
- Keeping elders out of nursing homes with home-based services.
- Comprehensive interventions in distressed neighborhoods