
The Potential and Limitations of Impact Bonds

LESSONS FROM THE FIRST FIVE YEARS OF
EXPERIENCE WORLDWIDE

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I. INTRODUCTION

1.1 Intractable Social Challenges

Governments, nonprofit, nongovernmental, and multilateral organizations have long invested resources to develop strategies and implement programs to address pressing social issues, such as the large number of children who are still out of school across the world, the high rates of youth and adult unemployment, prison recidivism, and the burden of preventable and treatable diseases. While some advances have been made in these areas, enormous challenges remain that inhibit economic and human development, leading to the persistence of social inequities.

In the case of education, for example, momentum from the Millennium Development Goals led to substantial improvement in the number of children enrolled in primary school.¹ Nevertheless, it is estimated that 58 million primary school children worldwide are still out of school. Furthermore, education quality remains low, with at least 250 million children of primary school age failing to learn the basics.² The consequences can be huge—in Nigeria, for example, it is estimated that more than 7 percent of GDP is lost due to forgone primary education.³

Problems with such deep consequences span sectors and affect societal well-being in a number of ways. For example, while malaria is both preventable and curable, the World Health Organization estimates that in 2012 there were about 207 million cases of malaria (90 percent of them in sub-Saharan Africa) and an estimated 627,000

deaths.⁴ Direct costs of malaria related to illness, treatment, and premature death are estimated to be \$12 billion per year.⁵ One study found that, between 1965 and 1990, economies of countries with high malaria prevalence grew 1.3 percentage points less per year than other countries.⁶

1.2 Inadequate Resources and Delivery Failure

Low levels of education and the prevalence of malaria result from the inability of governments to equitably deliver high-quality services in the education and health sectors. This inability may arise from lack of resources, ineffective use of such resources, or both. In developing countries, for instance, limited tax revenue may lead to inadequate and unstable financing for development objectives, as the ratio of tax to GDP in poor countries is only half of what it is in the developed world.⁷ However, even when governments do have resources and spend on services, performance is mixed. For example, while studies on cost-effectiveness of preventive and primary curative interventions indicate that the death of a child under the age of 5 could be avoided for as little as \$10, cross-national analysis indicates that a developing country at average income levels spends \$50,000 to \$100,000 per child death averted.⁸ Data such as these suggest that government failure is not simply a function of insufficient resources for populations in need. It may also reflect undue focus on more expensive curative or crisis-driven interventions, resources not reaching frontline service providers, weak incentives for service providers to

provide quality services, and insufficient demand for services.⁹ Also, interventions for needy populations can often be very human relations-intensive, requiring close connections with communities, social ties, and trust. Government systems that can be bureaucratic and distant from reality on the ground are not always the best suited to provide these types of social services. In short, insufficient attention to performance and to measuring and being held accountable for results can lead to poor outcomes even with abundant funding. These failures are often inextricably linked to political and institutional constraints. Election cycles, budget silos, and complex or rigid government appropriation systems can all hamper governments' ability to deliver.

Nonprofits or nongovernmental organizations attempting to fill the gaps where governments fail may face problems of their own related to financing constraints or ineffective use of resources. These types of organizations are often ill-equipped to deliver quality programs at the scale needed to reach all of the needy population. Their dependence on volatile external resources or government funding, for the reasons described above, can add to the challenges they face.

1.3 A New Approach to Address Social Challenges: Impact Bonds

The persistence and enormity of social problems, despite attempts to address them, suggest a need for diverse and innovative solutions that address the weaknesses of traditional approaches. The social impact bond (and the related development impact bond), a mechanism that harnesses private capital for social services and encourages outcome achievement by making repayment contingent upon success, has been proposed as one way to address some of these challenges.¹⁰

Social impact bonds (SIBs) combine some components of results- or performance-based financing and public-private partnerships, which have been used to fund public services for many

decades. However, impact bonds differ in several ways. First, in an impact bond, financing is provided upfront rather than when results are attained. Second, results in social impact bonds are usually related to outcomes as opposed to outputs. Third, impact bonds can focus on the delivery of human services as opposed to the traditional physical infrastructure that has often been the center of both public-private partnerships and performance contracts. Finally, in contrast to programs such as Program for Results (P4R) or results-based financing (RBF) being used by the World Bank, impact bonds bring in private sector rigor and performance management to drive results.¹¹

To date, 44 SIBs are being utilized in developed countries to, among other social issues, provide high-quality preschool education, reduce prison recidivism, avoid foster care placement, and increase youth employment. One impact bond has been contracted in a developing country, and several projects are underway to establish development impact bonds in various areas including health and education.¹²

1.4 Contribution of This Study

This study aims to examine critically the potential for this innovative financing mechanism to address the financing and quality service delivery issues described above. As there has been considerable fervor around impact bonds in recent years, we identified the need to provide an impartial and independent perspective with respect to the potential benefits of impact bonds.

The research for this study consisted of a systematic review of the literature, more than 70 structured and informal interviews, and online surveys of 30 individuals. The interviews and surveys captured multiple representatives of the actors involved in every SIB contracted as of March 1, 2015, as well as interviews with other key players in this area (see Appendix 1 for a detailed description of research methodology and list of survey participants, interviewees, and other contributors).

This study provides:

- Clear definitions of the concepts, key players, and development processes of impact bond transactions
- A comprehensive inventory of all active 38 active SIBs (contracted as of March 1, 2015) as well as some of the social and development impact bonds in the development stage
- An inventory of key policy actions and legislation to support the impact bond ecosystem
- An analysis of the stakeholder motivations, key facilitating factors, and biggest challenges faced in the 38 impact bond transactions
- A critical examination of 10 positive claims made about impact bonds
- An analysis of the future potential of impact bonds and any potential derivatives with a particular focus on developing country contexts.

2. IMPACT BOND 101

Impact investing, a way of investing that seeks both financial and social return, has become increasingly popular over the past decade. In 2014, in a survey of 125 investors,¹³ the global market was estimated to be valued at \$46 billion, of which \$32 billion was invested in developing countries.¹⁴ While these numbers don't capture the entire impact investing market—in particular they miss those impact investors based in the Global South—they demonstrate that the market is fairly substantial in absolute terms. The survey also documents the rapid growth of impact investing over the past decade and expectations of its continued growth. More and more, investors have an interest in achieving both financial and social returns on their investments, as shown in a study of millennial investors.¹⁵ As a fraction of total assets under management, which were estimated to be \$64 trillion in 2012 and expected to exceed \$100 trillion by 2020, impact investing still represents a small portion of the market. This shows that there is still a lot of room to grow.

A particular class of impact investing, **social impact bonds** (SIB), also called pay-for-success (PFS) in the United States and social benefit bonds (SBB) in Australia, has gained particular attention in recent years. In this model, private investors put up capital to fund a social intervention and governments repay the investor only if an agreed-upon outcome is achieved.¹⁶

Development impact bond (DIB) is a term used for a SIB that is implemented in low- and middle-income countries where a donor agency or a

foundation is the outcome funder as opposed to the government (although some combination of government with third party is also possible).¹⁷

2.1 Impact Bond Feasibility Criteria

Four basic criteria are necessary for impact bonds to come to fruition (see Figure 1). In addition to these criteria, there must be a set of actors who possess the expertise, will, and dedication required to carry out the transaction.

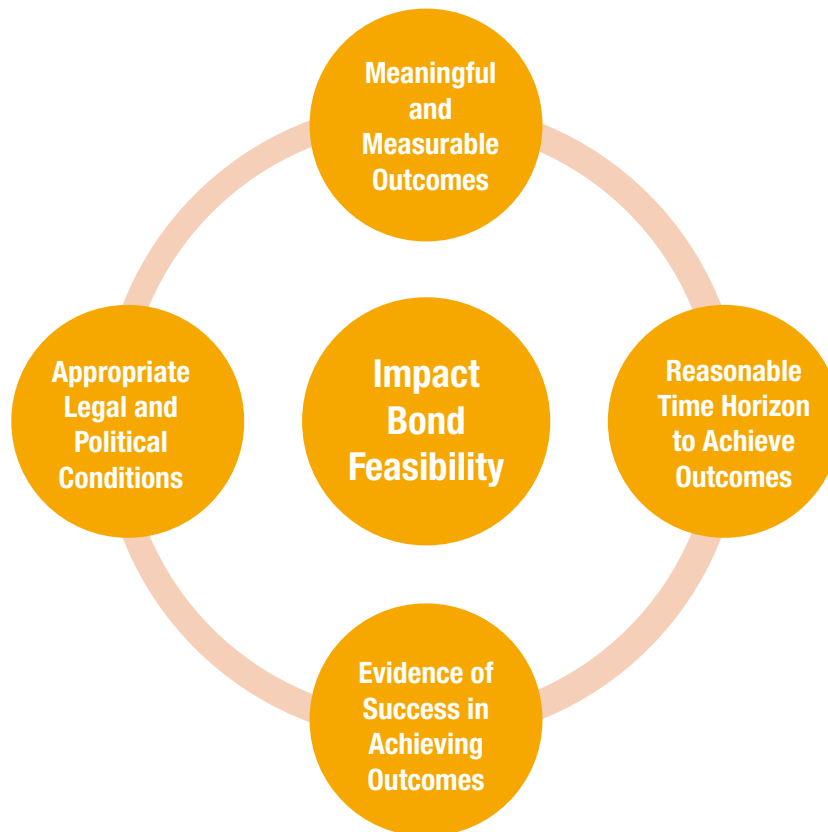
Meaningful and measurable outcomes: Meaningful outcomes should minimally be indicative of outcomes that are predictive of the life trajectory of an individual. If an outcome has no evidence that demonstrates that it will lead to better outcomes later on, paying for it doesn't make a great deal of sense. While interventions should by no means be limited to the outcomes that are interesting to outcomes funders, when choosing outcomes for repayment in a SIB, ultimately the outcome must be attractive to them. This likely means that the outcome metric should be a meaningful proxy for longer-term economic outcomes or be aligned with a broader political agenda of some kind.¹⁸ Outcomes may represent cost avoidance or potentially fiscal savings. The term often used to describe this is that outcomes are "monetizable." Measurable outcomes are outcomes that can be measured in a specific context, particularly given resource constraints. In other words, not only must you have the tools with which to measure the outcomes, but systems must also be in place to accurately and consistently measure them. For that

reason, the simpler the outcomes to measure, the better they are for the success of an impact bond. Hence, the use of administrative data, where available, makes good sense as an outcome measure. There is potentially even more promise with the collection of real-time data that can be used to manage programs and make course corrections along the way.

Reasonable time horizon to achieve outcomes: A time horizon for achieving outcomes is reasonable if there is substantial evidence from previous evaluations that the specified outcomes will occur within this time frame. At the same time, a reasonable time horizon is one in which outcomes are measurable and therefore indicative of future life-long opportunities for the individuals. A reasonable time horizon will also be one in which investors and outcome funders are able and willing to make and receive payments given, for instance, legal and political conditions in a country.

Evidence of success in achieving outcomes: Evidence of success in achieving outcomes should come from evaluations of interventions that closely mirror the services and how they are delivered in an intervention supported by an impact bond. These evaluations are best if they come from a context similar to the one in which an impact bond is planned, though this is not absolutely necessary. At the very least, evidence should probably be available at the country level for an impact bond to be considered feasible. In our view, rigorous evaluations are recommended, such as randomized control trials or other techniques that compare outcomes for a group receiving a service with another group that does not receive a service, while also accounting for differences between the groups compared. Ultimately, however, the extent to which evidence must be rigorous is very dependent on the risk appetite of the investors and the requirements of outcome funders.

Figure 1. Impact Bond Feasibility Criteria



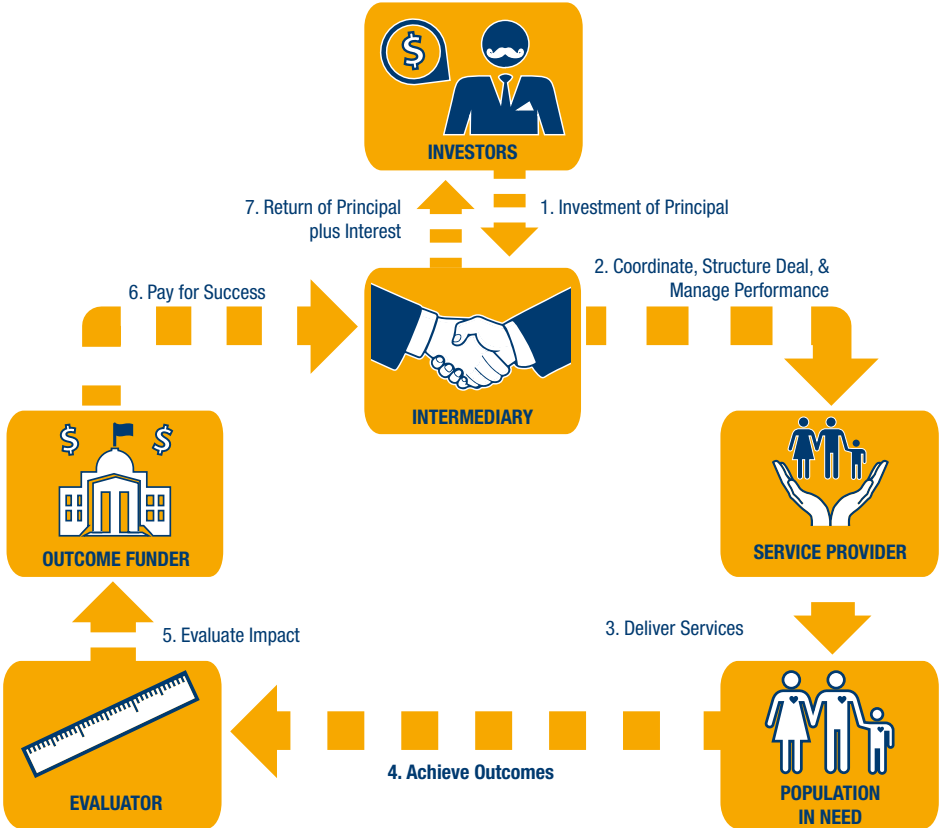
Appropriate legal and political conditions: Appropriate political conditions are those that demonstrate support for the services delivered in an impact bond by relevant stakeholders, including local, state, and national governments, as well as investors. Support for a particular service may be found in a policy framework or strategy document or may be demonstrated in previous funding allocated to services. In addition, appropriate legal conditions will enable governments (in their role as outcome funders) to pay for outcomes beyond the fiscal year in which a contract is made and for that matter to pay for outcomes at all. This is often necessary since most public expenditure is committed on a yearly basis. It may also be necessary for legal conditions to support the ability of the government to direct funds to an intermediary in a transaction and for the intermediary to have the authority to make certain decisions, such as selecting a service provider. Legal conditions will also facilitate a transaction such that investors

have contract protections and are incentivized to provide capital for the impact bond. Other relevant issues that may influence the feasibility of an impact bond include how governments treat hybrid investments, which include debt and equity components, and how they treat various stakeholders involved in a deal that may be located outside of a country.¹⁹

2.2 Basic Impact Bond Structure and Mechanics

The basic impact bond structure and mechanics are shown in Figure 2. In this basic model four major types of actors are usually involved in an impact bond transaction, in addition to the **population in need**. **Investors** provide capital for a **service provider** to deliver social services to a population in need. The **outcome funder** (government, or in the case of a development impact bond, a third party) agrees to repay the investors

Figure 2. Impact Bond Mechanics



if pre-determined outcomes are achieved. The **intermediary** can play multiple roles but often has the responsibility of raising capital and bringing the stakeholders together to determine and agree upon the transactional details. In addition to these four players, an **evaluator** may be used to evaluate the outcomes.

2.3 Variations on the Impact Bond Structure and Mechanics

The design of an impact bond can vary greatly in terms of the composition of the players involved, their roles, and the timeline and process of putting the deal together based on what we see across the 38 SIBs included in this study.

The development process for an impact bond transaction is unique to each deal, though four major stages of the process are fairly consistent across deals: a feasibility study, structuring the deal, implementation, and evaluation and repayment.²⁰ Within those stages, as shown in Figure 3, there are some basic components of each deal process. These include the identification of a so-

cial challenge; an assessment of feasibility for developing an impact bond based on a set of criteria (see Figure 1); the raising of capital from senior and/or subordinate lenders or grant makers; the defining of the intervention, outcomes metrics, and evaluation methodology; the procurement of a service provider (which can occur through various different processes²¹); the negotiation of contracts between stakeholders; the provision of the services; performance management (in some cases); and evaluation. The order in which these components take place can vary greatly across deals. For example, in some cases a service provider is identified early on in the process, allowing inclusion of service provider-specific data in the feasibility analysis; in other cases, the service provider is procured after the identification of an intervention and after a feasibility analysis is conducted. Similarly, the capital can be raised before or after securing an outcome funder depending on the circumstances. We describe these differences in more detail in the third section of this study where we analyze the process of deal development across all 38 transactions included in our study.

Figure 3. Four Stages and Components of Impact Bond Development Process

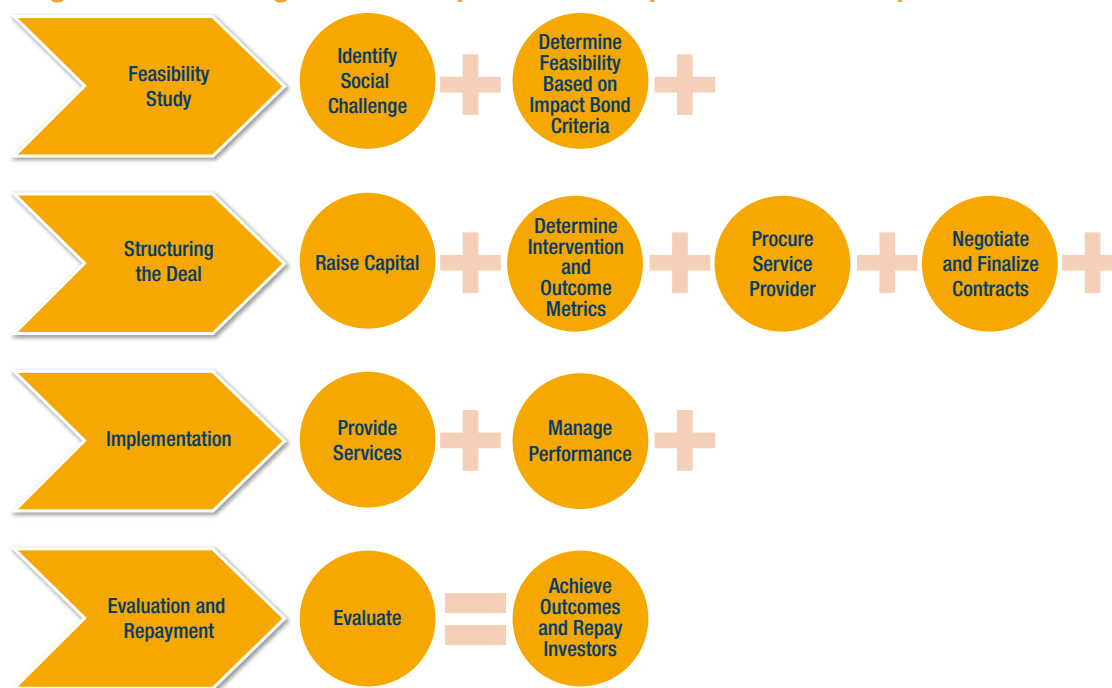


Table 1 provides a more varied description of the potential roles that each of the parties can hold in this process and offers examples of the types of entities that can take on each responsibility. The table also includes additional actors: lawyers, who

provide the necessary legal advice and contracting for these deals to take place; technical assistance providers, who can provide guidance to both governments and service providers in these transactions; and validators, who validate the

Table 1. Impact Bond Actors and Roles

IMPACT BOND ACTOR	ROLE	EXAMPLES OF POTENTIAL TYPES OF ENTITIES
Service provider	<p>Provide social service in transaction</p> <p>Possible: Provide capital for social service</p> <p>Provide data related to service provision and outcomes</p>	Nonprofit or nongovernmental organization, public sector service provider, cooperative, non-profit or for-profit social enterprise, for-profit business ²⁵
Investors	<p>Provide capital to service providers upfront or over the duration of the contract</p>	Individual, trust, foundation, (impact) investment firm, commercial bank, credit union, community development financial institution (CDFI), public sector entity, nonprofit entity (including service providers themselves), government agency (other than outcome funder)
Senior lenders	<i>Investors with highest priority in repayment if outcomes are met</i>	
Subordinate lenders	<i>Investors with lower ranking priority in repayment if outcomes are met</i>	
Grant makers	<p><i>Investors who are not repaid regardless of outcomes being met</i></p> <p>Possible: Establish company (SPV/LLC²⁶) to manage capital and conduct performance management (this can include participating as board members), receive outcome payments and pay investors</p>	
Intermediaries	<p>Possible: Raise capital, structure deal, establish company (SPV/LLC), manage partners, receive outcome payments and pay investors, conduct performance management of service provision</p>	Nonprofit (financial structuring entity or social policy research organization), commercial bank, impact investment firm, government agency, for-profit business
Outcome Funders	<p>Pay for outcomes</p> <p>Possible: Determine outcome metrics and repayment terms</p>	Government agency, foundation, development agency
Evaluators	Assess outcomes of program	Independent evaluation firm, research institution, university, government agency
Validators	Validate rigor of evaluation to assess outcomes	Independent evaluation firm, research institution, university, government agency
Lawyers	Advise on structure of deal, represent various actors involved in deal	Law firm
Technical Assistance Providers	Advise outcome funders (governments) and service providers on design and implementation of deal	Nonprofit or nongovernmental organization, university, development agency

Source: Authors' research.

rigor of the outcome evaluation. The bolded text in column two indicates the basic impact bond model role (as seen in Figure 2) and the un-bolded text describes additional roles that this actor can assume. The third column demonstrates the wide variation in types of entities that can take on the different functions. There is considerable flexibility in terms of the roles that different entities can play, provided that the necessary expertise is present in the organization.

Today, there are two general models in which impact bonds are developed; as an **individual transaction impact bond** for one outcome payment contract, or as an **impact bond fund** for multiple outcome payment contracts around the same social issue. In the latter model, a rate card²² is issued that establishes the payment per individual outcome. Partnerships of service providers and intermediaries then bid for a contract at a discounted rate of the outcome payments. The outcome funder (government) selects winning bidders based on the discount on the payments and other criteria. Through a fund, the outcome funder is able to set up many SIBs at once. (See Box 1 for more on impact bond funds.)

Across the individual transaction impact bonds and impact bonds within funds, the contract structures can be divided into three rough categories based on the actor that holds the contract with the outcome funder and thus has the greatest responsibility in the deal.²³ Often a special purpose vehicle

(SPV)²⁴ is created as a conduit for funds in the deal and the outcome payment contract is with the SPV. In these cases, the structure distinctions are based on the actor with majority control (the most board seats or greatest leadership role) of the SPV. In the first type of contract structure, a **managed impact bond structure**, the outcome funder holds the contract with the intermediary, or a majority intermediary-controlled SPV, and plays an important leadership role throughout the process of the deal and is responsible for performance management of the service provision. In the second type, an **intermediated impact bond structure**, the outcome funder holds a contract with the investors or a majority investor-controlled SPV. The intermediary often still plays a large role in developing the deal and is contracted by the SPV for performance management. Finally, in a **direct impact bond structure**, the service provider contracts directly with the outcome funder. The service provider takes on a more central role, including in-house performance management. The difference in “ownership” of the SPV is significant because outcome payments often flow into the SPV from the outcome funder, and what remains in the SPV after investors have been repaid is kept by the “owner” of the SPV.

Table 2 provides a full description of the actors responsible for each role by type of impact bond structure, where white arrows indicate the defining differences between types.

Table 2. Types of Impact Bond Structures and Actor Roles

ROLE	ACTOR RESPONSIBLE BY TYPE OF IMPACT BOND STRUCTURE		
	Managed	Intermediated	Direct
Identify Social Challenge	Outcome funder and/or intermediary and/or service provider and/or technical assistance provider	Outcome funder and/or intermediary	Outcome funder and/or intermediary
Determine Feasibility Based on Impact Bond Criteria	Intermediary	Intermediary and/or service provider and/or investor	Outcome funder and/or intermediary and/or service provider
Raise Capital	Intermediary	Intermediary	Intermediary and/or service provider and/or investor
Define Outcome Metrics	Outcome funder and/or service provider and/or investor	Intermediary and/or outcome funder	Outcome funder and/or service provider and/or investor
Procure Service Provider	Intermediary and outcome funder	Outcome funder and/or intermediary and/or investor	Outcome funder or intermediary
→ Contracting with Outcome Funder	Intermediary or majority intermediary-controlled SPV	Investors or majority investor-controlled SPV	Service provider or majority service provider-controlled SPV
Provide Services	Service provider	Service provider	Service provider
→ Manage Performance	Intermediary	Intermediary (commissioned by investors or majority investor-controlled SPV)	Service provider
Measure/Validate Outcome Achievement	Evaluator or outcome funder	Evaluator or outcome funder	Outcome funder or external validator

Source: Adapted from Goodall (2014).

3. A LANDSCAPE OF EXISTING SOCIAL IMPACT BOND TRANSACTIONS

The first SIB was implemented in 2010 in the United Kingdom for the purpose of reducing prison recidivism among short-term male prisoners. This was followed by several more in the U.K. and by the first SIB outside of the U.K., one in the United States, also for prison recidivism. After five years, the social impact bond market has grown to include 44 transactions.²⁷ Table 3 lists the 38 SIB transactions included in our study or those contracted before March 1, 2015, our inclusion cutoff date (see Appendix 2 for detailed fact sheets of each deal). Later in March and in May of 2015, a new fund that includes four deals and two additional individual deals were announced in the U.K. Many more transactions are in development. In addition, one development impact bond (DIB) was signed in April, 2015 in Rajasthan, India for girls' education. The last subsection here discusses other DIBs that are currently in development.

3.1 Geographic Distribution

SIBs have thus far developed on three continents—Europe, North America, and Australia. The highest number of impact bonds can be found in their origin country of the U.K., which has 24 SIBs.²⁸ The high number of transactions in the U.K. is driven in part by two SIB funds that were established by government: the Innovation Fund, which comprises 10 SIB deals (six in Round 1 and four in Round 2) in employment, and the Fair Chance Fund, which comprises seven SIBs in social welfare (see Box 1 for more on these impact bond funds). The country with the second-highest

number of SIBs is the United States, with seven as of March 1, 2015. Continental Europe's first SIBs were established in Germany and the Netherlands, followed by Belgium and Portugal. Australia has implemented two SIBs, and Canada has developed one SIB.

The development of the SIB market has been accelerating, as demonstrated in Figure 4. After the first SIB was launched in the U.K. in 2010, there was a two-year long period with no new SIBs, followed by the first and second rounds of the first SIB fund in the U.K. at the end of 2012. The first SIB was launched in the U.S. in January of 2013, followed by the two additional SIBs in the U.S., two SIBs in Australia and the first two SIBs in mainland Europe at the end of 2013. The number of deals grew consistently through 2014, followed by a huge jump at the end of 2014 with the second SIB fund in the U.K. and two more deals in the U.S.

3.2 Social Issue Area and Beneficiary Age Range

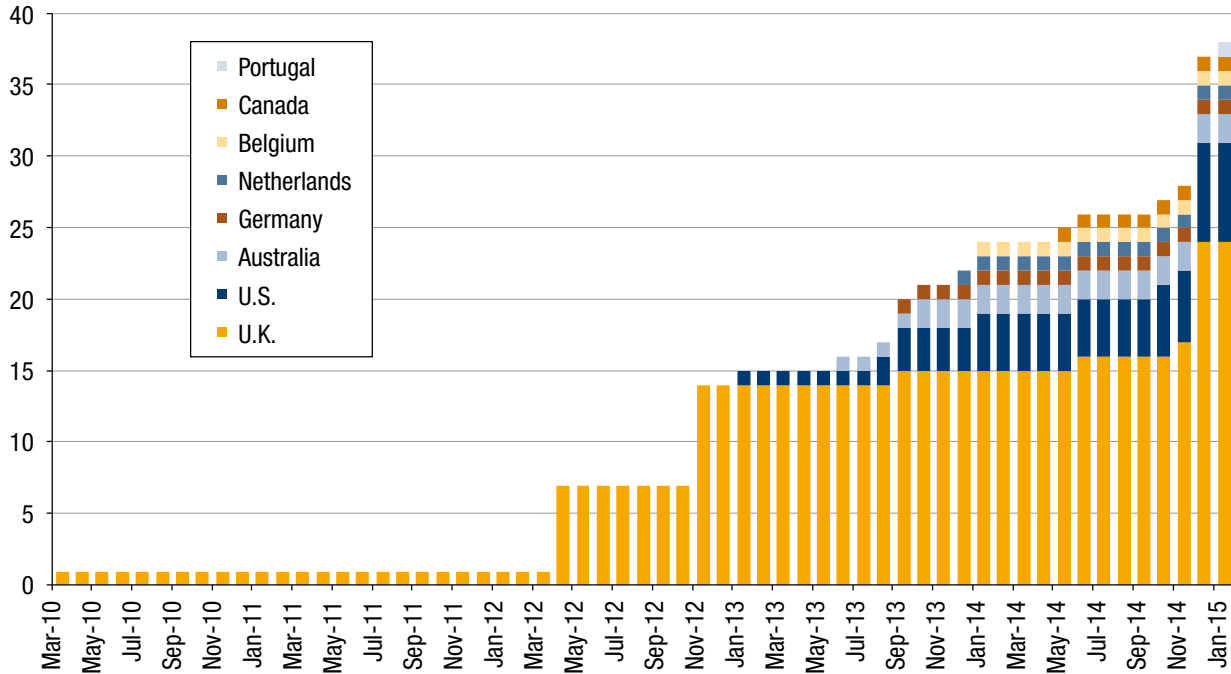
Among the 38 SIBs included in this study are four broad social issue areas in SIB transactions to date: education, employment, criminal justice, and social welfare.²⁹ While many of the first SIBs were in the social issue area of criminal justice (four SIBs), other areas have since gained traction. In particular, the social welfare (18 SIBs) and employment (13 SIBs) have come to represent the largest social issue areas in the SIB market in terms of numbers of deals (see Figure 5). Social welfare,

Table 3. Active SIBs as of March 1, 2015

PROGRAM NAME	SECTOR	COUNTRY	YEAR OF CONTRACT SIGNING
ONE Service	Criminal Justice	United Kingdom	2010
Triodos New Horizons	Employment	United Kingdom	2012
ThinkForward	Employment	United Kingdom	2012
Links 4 Life Programme	Employment	United Kingdom	2012
Advance Programme	Employment	United Kingdom	2012
Nottingham Futures	Employment	United Kingdom	2012
Living Balance	Employment	United Kingdom	2012
T&T Innovation	Employment	United Kingdom	2012
3SC Capitalise Programme	Employment	United Kingdom	2012
Energise Innovation	Employment	United Kingdom	2012
Prevista	Employment	United Kingdom	2012
Street Impact	Social Welfare	United Kingdom	2012
Thames Reach Ace	Social Welfare	United Kingdom	2012
Essex Family Therapy	Social Welfare	United Kingdom	2012
It's All About Me (IAAM)	Social Welfare	United Kingdom	2013
Local Solutions	Social Welfare	United Kingdom	2014
Your Chance	Social Welfare	United Kingdom	2014
Home Group	Social Welfare	United Kingdom	2014
Fusion Housing	Social Welfare	United Kingdom	2014
Ambition East Midlands	Social Welfare	United Kingdom	2014
Aspire Gloucestershire	Social Welfare	United Kingdom	2014
Rewriting Futures	Social Welfare	United Kingdom	2014
Manchester City Council Vulnerable Children	Social Welfare	United Kingdom	2014
Outcomes for Children Birmingham	Social Welfare	United Kingdom	2014
NYC ABLE Project for Incarcerated Youth	Criminal Justice	United States	2013
Utah High Quality Preschool Program	Education	United States	2013
Increasing Employment and Improving Public Safety	Criminal Justice	United States	2013
Juvenile Justice Pay for Success Initiative	Criminal Justice	United States	2014
Child-Parent Center Pay for Success Initiative	Education	United States	2014
Partnering for Family Success Program	Social Welfare	United States	2014
Chronic Individual Homelessness Pay for Success Initiative	Social Welfare	United States	2014
Newpin Social Benefit Bond	Social Welfare	Australia	2013
Benevolent Society Social Benefit Bond	Social Welfare	Australia	2013
Social Impact Bond Rotterdam	Employment	The Netherlands	2013
Eleven Augsburg	Employment	Germany	2013
Duo for a Job	Employment	Belgium	2014
Sweet Dreams Supported Living Project	Social Welfare	Canada	2014
Junior Code Academy	Education	Portugal	2015

Source: Authors' research.

Figure 4. SIB Development Over Time

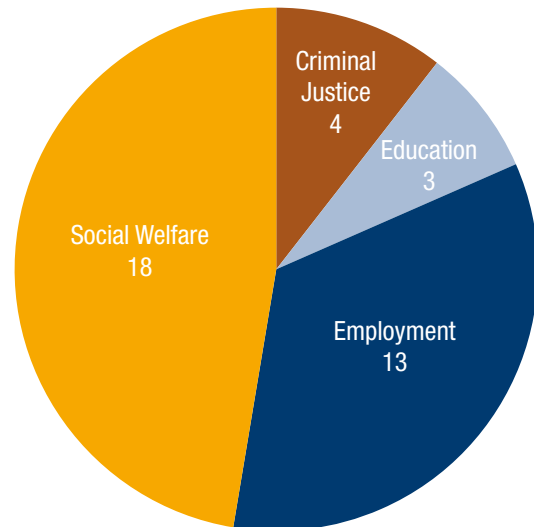


Source: Authors' research.

as the largest share of all SIB deals, includes a broad range of issues including adoption or long-term foster care placement, family strengthening to avoid foster care, homelessness, and holistic support of disadvantaged young people. Of the three education SIBs, two are for preschool education and one is for information technology education for primary school students. It is important to highlight that the likely reason that SIBs started in the area of criminal justice is that the sector closely aligns with the SIB feasibility criteria. The criminal justice system has clearly defined and monetizable outcomes, and there is high political commitment due to the large number of negative outcomes and resulting community pressure.

Though the sectors in Figure 5 cover traditional sectors of government service provision, the interventions used in the existing SIBs are almost always not included in core government services or provide unique combinations of government services. Core government services include primary education, law enforcement, and social protection for the elderly, among many others. In particular,

Figure 5: Active SIBs by Sector



Source: Authors' research.

Note: Social welfare includes adoption or long-term foster care placement, family strengthening to avoid foster care, homelessness, and holistic support of disadvantaged young people.

SIBs have been used as a tool to fund interventions where inputs are fairly complex but outcomes are simple to measure. For example, pre-primary education, mentoring for youth, and family therapy

are all high-impact, cross-sector interventions that fall outside core government services and where service provision by nongovernmental organizations is common, if not the norm.

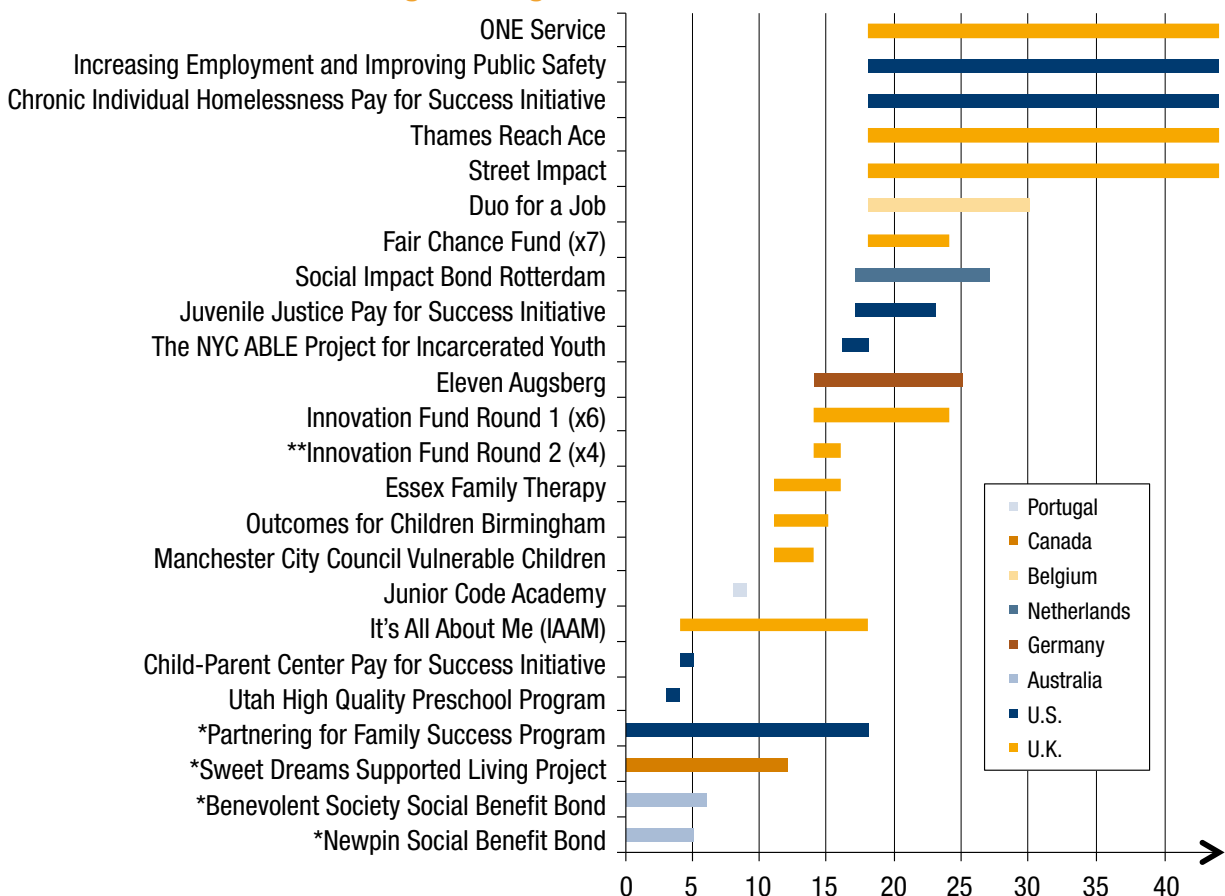
The sector of the SIB is closely related to the population that the program serves. Figure 6 shows the distribution of ages of the target populations of the active SIBs. Five SIBs in the areas of homelessness and criminal recidivism work with adult populations and have no maximum age limit. Twenty-two SIBs focus on young adults, working on criminal recidivism or broad employment support programs. Six of the family support and adoption SIBs focus on children, with two focusing exclusively on older children and two in Australia focusing exclusively on younger children. The three SIBs in the education sector focus on children around age 4 and those

ages 8 to 9. All existing SIBs focus on vulnerable populations with income and other vulnerability criteria used for targeting.

3.3 Capital Size and Beneficiary Number

It is a challenge to accurately capture the investment size of the different SIBs because the investment structures differ greatly across deals. First, the capital committed can be drawn upfront or in partial amounts over time. Second, in many deals, particularly in the U.K., funds are recycled through the program by reinvesting early payments from the outcome funder back into the program to fund operating costs. In these cases, the payments from the outcome funder to the program are much greater than the payments the investors receive.

Figure 6. Age of SIB Beneficiaries



Source: Authors' research.

*Program works with parents, but the intended beneficiaries are the children

**Think Forward in the Innovation Fund Round 2 works with 14- to 18-year-olds, rather than 14- to 16-year-olds.

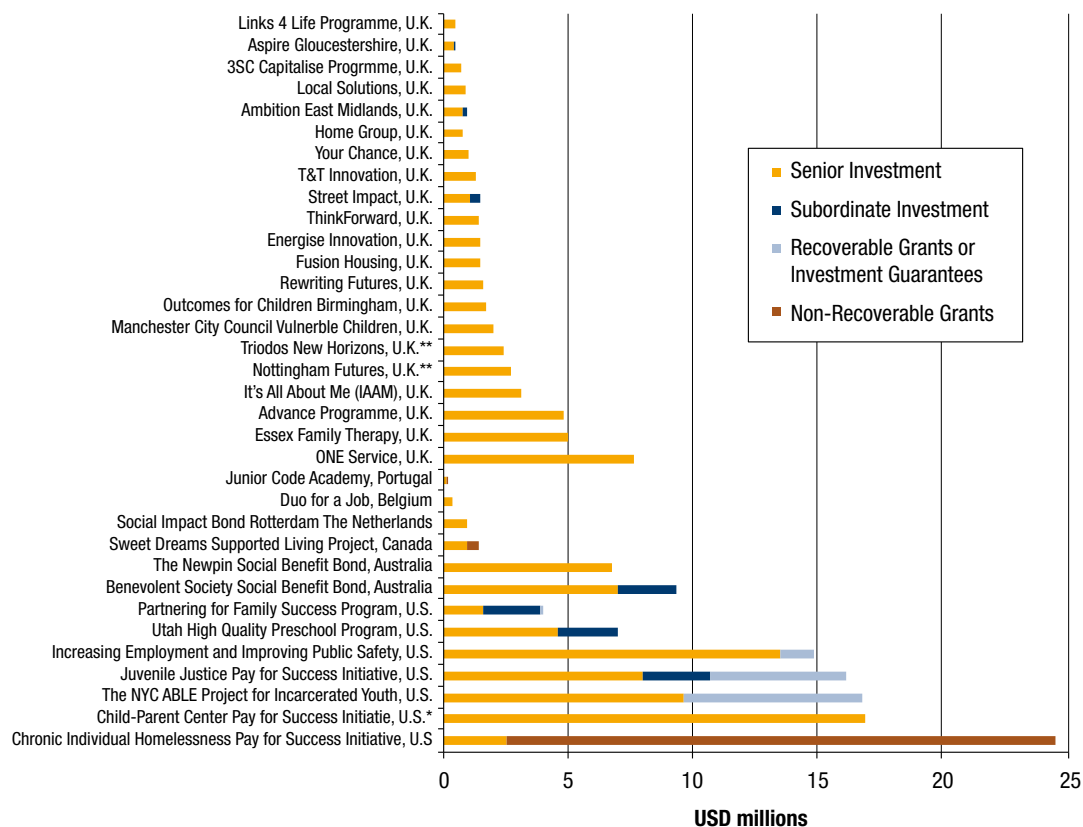
The investment structures in the 38 existing SIBs vary in their similarity to debt, a more conservative investment with a fixed repayment timeline and interest rate, and equity, a riskier investment where repayment and interest are dependent on the recipient's performance. Most of the deals have characteristics of both debt and equity. All deals offer variable returns based on outcomes, as in an equity investment. Many of the deals have caps on returns and set interest rates for given outcomes, which is more like a debt investment. In the U.S., deals have tended to be structured more like debt, while U.K. deals have tended to be structured more like equity.

which may include senior investment, subordinate investment, recoverable grants, non-recoverable grants, or investment guarantees. Subordinate investment is repaid after senior investment, making it more risky. Subordinate investment is often structured as an equity investment, while senior investment is often structured as debt. Non-recoverable grants are not repaid, and investment guarantees are triggered to pay investors only if the program is unsuccessful. Investment and repayment structures are discussed further later in this section, and detailed information of the investment and repayment terms can be found in the fact sheets in Appendix 2.

As Figure 7 demonstrates, various SIB deals have been financed by layered capital structures,

Figure 7 shows that the upfront capital commitment in the U.S. has tended to be higher than in

Figure 7. Upfront Capital Commitment in SIBs



Source: Authors' research.

No publicly available information for Thames Reach Ace, Prevista, Living Balance, and Eleven Augsberg.

*Division of investment between senior and subordinate investors is not public

**Approximate

Box 1: Impact Bond Funds

As of March 1, 2015 there were two active impact bond funds in the world, the Innovation Fund and the Fair Chance Fund, both in the U.K. The Innovation Fund aims to improve education and employment outcomes for youth and was launched in two rounds: the first six SIBs in April of 2012 and next four SIBs in November of 2012. The Fair Chance Fund, including seven SIBs aiming to improve housing, education, and employment for homeless youth, was launched in December of 2014. Since this study's cut-off, the U.K. launched the Youth Engagement Fund in mid-March of 2015, including four SIBs for youth education and employment.

To establish these impact bond funds, the commissioning government department (the Department for Work and Pensions in the case of the Innovation Fund and Youth Engagement Fund, and the Department for Communities and Local Government in the case of the Fair Chance Fund) produced a list of outcomes and prices it was willing to pay for each outcome, called a rate card. The list and prices were developed through extensive research on the cost savings of reduced remedial assistance, such as unemployment benefits, that each outcome will yield.

Table 4: Innovation Fund Round 1 Rate Card

OUTCOME	PAYMENT PER INDIVIDUAL
Improved behavior at school (Measured by a letter from a teacher)	£800
Stop persistent truancy (absent for over 10% of school days per year)	£1,300
Achievement of First National Qualifications Framework (NQF) Level 2 qualification	£2,200
Achievement of First NQF Level 1 qualification	£700
Entry into first employment including a training element	£2,600
Entry into sustained employment	£1,000
Completion of first NQL Level 3 training/ vocational qualifications	£3,300
Successful completion of an ESOL course	£1,200
Entry into education at NQF level 4	£2,000

Source: Centre for Social Impact Bonds (2013).

Note: Outcomes can only be claimed once per individual. Total payments per individual are capped at £8,200 and each SIB contract has a maximum payment cap across all individuals.

The commissioning department (the outcome funder) then committed a pool of funding to pay for outcomes. In the case of the Fair Chance Fund, the commissioning department's funding was supplemented by funding from the U.K. Cabinet Office, and in the Youth Engagement Fund, funding was supplemented by the U.K. Cabinet Office and Ministry of Justice. Partnerships of service providers, investors and, in some cases, intermediaries were invited to bid for contracts within the fund, bidding at a discount to the rates in the rate card. Contracts were then awarded to bidders based on a number of factors, including the discount of their bid.

After service provision began, the service provider or intermediary may submit claims of outcomes, using various forms of administrative data, on a monthly or quarterly basis to the commissioner. The outcome payments are then reinvested, or "recycled," to continue funding service provision. Capital recycling allows for lower upfront capital commitment than SIBs where outcome payments are not recycled.

In the U.K. funds (see Box 1), outcomes can be claimed only once per individual. In the family support deals in the U.K., there are either one-time or weekly payments for children's participation in the program (essentially funding the service) and additional one-time payments for positive outputs or outcomes.

In the second category of outcome metrics and payment structures, outcomes are measured for the group of participants in comparison to a control group and are paid at one, two, or four intervals over the contract. The SIB contracts include agreed-upon payments for each percentage change in the outcome metric or metrics. The deals in this category include the one deal for criminal justice in the U.K., the three deals for criminal justice in the U.S., the one deal for family support in the U.S., the two deals for family support in Australia, the one deal for youth employment in Belgium, and the one deal for youth information technology education in Portugal. Two of the three deals in the U.S. for recidivism reduction also have outcomes at an individual level, as in the first category of metrics. The Newpin Social Benefit Bond has slightly different metrics for the payments from the outcome funder to the service provider and from the service provider to investors; it is the only SIB with two sets of outcome metrics. The SIBs in Germany, the Netherlands, and Canada do not fall particularly neatly into either of the two categories. In Canada, payments are made per individual outcome at the end of the program. In Germany, investors are paid their principal and 3 percent interest at the end of the program if 20 of approximately 100 participants achieve the outcome. The payment structure for the SIB in the Netherlands is not public, though is based on reduction in participants' months of unemployment benefits.

Six of the SIB deals that pay based on group outcomes also have set outcome thresholds that must be met for payments to begin, increasing the risk to investors. In the SIB for criminal justice in the U.K., interim payments for each of the three

cohorts are paid if that cohort achieves a reduction in recidivism of 10 percent or more, in comparison with the control group. If none of the cohorts meet these ambitious interim targets, payments will be made at the end of the project if all three cohorts achieve a reduction in recidivism of 7.5 percent or more. Similarly in the three SIBs in the U.S. for criminal justice, payments occur only if the percentage change in comparison to the control group is above an established threshold. In the SIBs in Germany and Canada, payments occur only if a set number of participants achieve the given outcome.

In contrast to the threshold levels, capital protection and early termination opportunities act as protection mechanisms for investors in SIBs with group-based outcomes. In six SIBs, investors are not placing 100 percent of their capital at risk. The investments for two of the SIBs for criminal justice in the U.S. are protected at 9 percent and 75 percent, respectively; this means that the investor will recoup that share of the investment regardless of program results. In the SIBs in Australia, senior capital in one deal is 100 percent protected and in the second deal is 75 percent protected for years one to three and 50 percent protected after that. For the SIB in the Netherlands, 33 percent of the investment is protected, and for the Home Group SIB in the U.K., 10 percent of the investment is protected.

Nearly all of the SIBs have some stipulations in the contract releasing parties from their obligations if any party is unable to complete the minimum agreed-upon responsibilities, but three SIBs have additional early termination opportunities for investors. In the SIB in New York City for criminal justice, the investor had the opportunity to terminate the deal after three years. In the Benevolent Society SIB in Australia, the investment is structured similarly to traditional bond issuance, and the bonds are readily salable at any time. In the Newpin SIB in Australia, the investors have the opportunity to terminate the deal each year in years three through seven if the restoration rate

of children with their families is below 45 percent. To date, two SIB contracts have been reduced in duration. There was a contract duration reduction of two-years in the ONE Service SIB in Peterborough, U.K. due to a new national program in the U.K. that provides the intervention the SIB is based upon.³² There was also a contract duration reduction in the SIB for criminal justice in New York City because targets were not reached by year three of the contract. The change has brought up a number of important questions about the alteration of SIB contracts in changing government contexts.³³

3.6 Evaluation Type

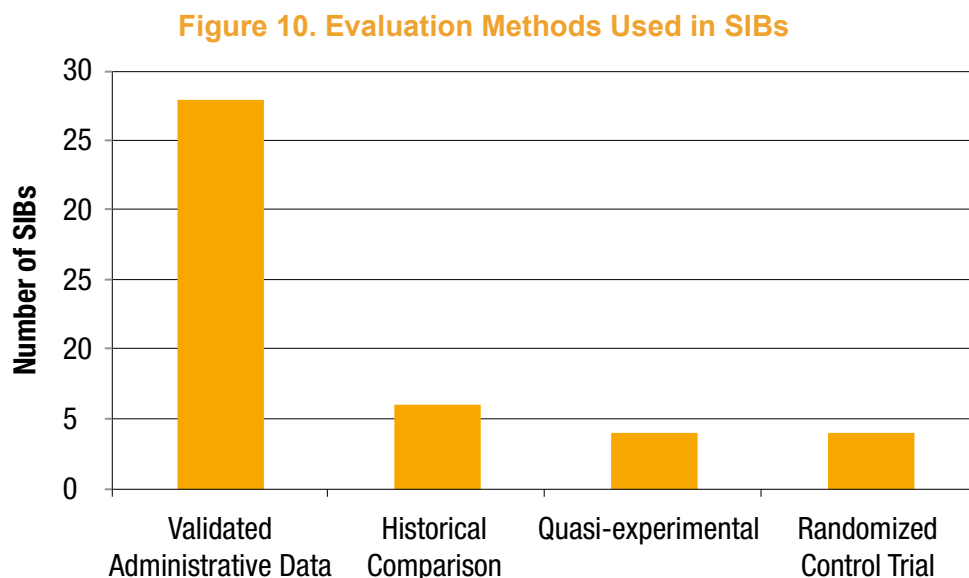
The type of evaluation method used to determine outcome payments depends on the outcome metrics being measured and the requirements of the stakeholders involved. For the SIBs with set payments for outcomes per individual, administrative data are often used to determine outcome payments. Figure 10 shows that in most cases outcome payments are determined by a validation of service provider or government administrative data. Examples of the administrative data include

use of special education, placement in out-of-home care (residential or foster care), employment status, and incarceration.

In the SIBs where payments are based on the comparison of the program beneficiaries to other comparable groups, more complex evaluations are required. As a note, some SIBs use a combination of outputs or outcomes at an individual level and outcomes in comparison with other groups. In six SIBs, outcomes are measured in comparison to a historical baseline. Concurrent control or comparison groups were used for comparison in eight SIBs, of which four used matched comparison groups—a quasi-experimental evaluation method—and four used a randomized control trial (RCT).

3.7 Maximum Payments and Payments to Date

As all returns in the existing SIBs are variable depending on outcomes and each has its own risk profile, it is impossible to make direct comparisons in the returns to investors across deals. However, all deals do establish a maximum potential return



Source: Authors' research.

Note: The evaluation method for the NYC ABLE Project for Incarcerated Youth SIB and Child-Parent Center Pay for Success Initiative are not publicly available.

for investors or a maximum amount of money that the outcome funder will pay, also known as a maximum contract value. The only deal with no maximum contract value is the It's All About Me SIB for adoption in the U.K., where outcome funders can elect to join the program (see Section 4.3).

Of the 12 programs that had a public maximum average annual return to investors, six of the rates of return were less than 7.5 percent. The maximum average annual return in Germany was the lowest, at 3 percent. The SIB in Canada and the SIB for adult homelessness in the U.S. have maximum average annual returns of 5 percent and 5.33 percent, respectively. The SIB for juvenile criminal recidivism in Massachusetts and the SIB for family support in Ohio in the U.S. have set maximum average annual returns of 5 percent for senior investors and 2 percent for subordinate investors, but investors have the opportunity to earn significant additional success fees.³⁴ In the Utah and Chicago SIBs for preschool in the U.S., investors can earn up to 7.26 percent and 6 percent average annual return, respectively. The five SIBs with a maximum average annual return over 7.5 percent are in Australia (two), Belgium, the Netherlands, and the U.K.³⁵ where maximum average annual return for senior investors ranges from 9 percent to 30 percent and for subordinate investors (only the Benevolent Society SIB) is a maximum of 10 percent average annual return.

Three SIBs have disclosed a target or maximum internal rate of return (IRR), a more holistic measure of returns that takes into account all cash flows over the period of the investment. The approximate IRR for the SIB in Portugal is 2 percent. The maximum IRR for the SIB in Peterborough in the U.K. is 13 percent, and the maximum implied annual IRR for the SIB in New York state in the U.S. is 12.5 percent.

Performance-based payment to service providers merits its own discussion. Service providers have the opportunity to earn success fees in three of the SIBs in the U.K. Innovation Fund and have

the opportunity to earn success fees and deferred service fees in one of the SIBs for criminal recidivism in the U.S. In two of the Fair Chance Fund SIBs and the two London Homelessness SIBs in the U.K., service providers have made equity investments alongside senior fixed-interest loans and stand to gain any additional payments once the senior loans have been paid. In the four family support SIBs in the U.K., recurring payments for participation and one-time outcome payments (discussed in the outcome metrics section above) are divided between investors and the service provider based on established terms. This arrangement essentially provides operating costs for the service provider when an individual begins to participate in the program.

So far, few deals have completed at least one set of payments to investors. In the ONE Service SIB in Peterborough U.K., interim payments, as noted previously, are made for each of three cohorts if the percentage difference in outcomes between the treatment and control groups is greater than 10 percent, or a payment is made at the end of the program if the percentage difference between the treatment and control group exceeds 7.5 percent across all of the three cohorts. To date, one of the cohorts has reached evaluation, achieving an impressive reduction in recidivism of 8.4 percent relative to a comparable national baseline. This percentage change does not meet the interim payment target, but is on track for the overall payment at the end of the program.³⁶

Government payments for outcomes in the first round of the Innovation Fund in the U.K., which comprises six SIBs, will complete payments in the summer of 2015, and the second round, which has four SIBs, will complete payments a few months later. Of the 10 total SIBs, at least two have already fully repaid investors and will pay investors the additional outcomes payments through the rest of the year as a return on the investment.

The Newpin Social Benefit Bond in Australia has disclosed that investors received a 7.5 percent

interest payment in the first year of the program, which is in the middle of the range of interest that investors can receive.³⁷

Finally, the SIB for criminal justice in New York City, fell short of targets in year three of the intervention leading to a loss for the senior investor, Goldman Sachs, of \$1.2 million.³⁸

3.8 Social and Development Impact Bonds in the Development Stage

In addition to the 38 existing SIBs surveyed in our study, the recently announced six SIBs in the U.K. and one DIB in India, dozens of SIBs and DIBs are being developed across the world.

In the United States, the Social Innovation Fund within the Corporation for National and Community Service (see Box 2) has led the effort of supporting SIB development through eight grants to ecosystem builders; these organizations, in turn, have agreed to provide 43 sub-grants to state and local governments for technical assistance. The deals being developed through this fund cover social welfare (including early childhood development, child welfare, homelessness, and housing), health (including teen pregnancy prevention and asthma prevention), criminal recidivism, education, and resource management. At a recent conference hosted by ReadyNation and the Institute for Child Success, 33 delegations from across the U.S. discussed their efforts to develop SIBs for early childhood development interventions.

In Ontario, Canada, a process has begun to develop SIBs in the areas of social welfare (housing and at-risk youth) and employment. In Portugal, a 150 million euro (\$165 million³⁹) social innovation fund to support SIBs has been established. Several countries in Scandinavia have also expressed interest in exploring the use of SIBs. The U.K. continues to rapidly develop SIBs and will likely produce many more in the next few years.

A number of other SIBs are under exploration across Asia and the Pacific. In Malaysia, the government has started to explore the possibility of utilizing SIBs as a way to provide social services. The Seoul Metropolitan Government in South Korea signed a memorandum of understanding with a private investor for a SIB for child welfare.⁴⁰ In New Zealand, the Ministry of Health⁴¹ is leading work to pilot SIBs in the country, and in Australia there is interest in expanding the existing impact bond market.

Exploration and design of potential SIBs and DIBs are also occurring across Africa. In South Africa, an impact bond innovation fund at an advanced stage of development will support the provision of early childhood services for children up to age 2. Three other DIBs are in development in South Africa, in the areas of criminal justice, business development services for small and medium-size enterprises, and tuberculosis prevention. In Mozambique, several private investors are exploring the possibility of establishing an impact bond for malaria. In Uganda, impact bonds for Rhodesian sleeping sickness, education, and family planning are also in development. In addition, DIBs are in exploratory phases in Swaziland related to HIV and tuberculosis prevention, in Morocco for youth job creation, and in Ghana for a funding facility for small and medium-size enterprises and workforce training programs.⁴² In the Middle East, the World Bank is working on a DIB for workforce development and employment in Palestine.⁴³

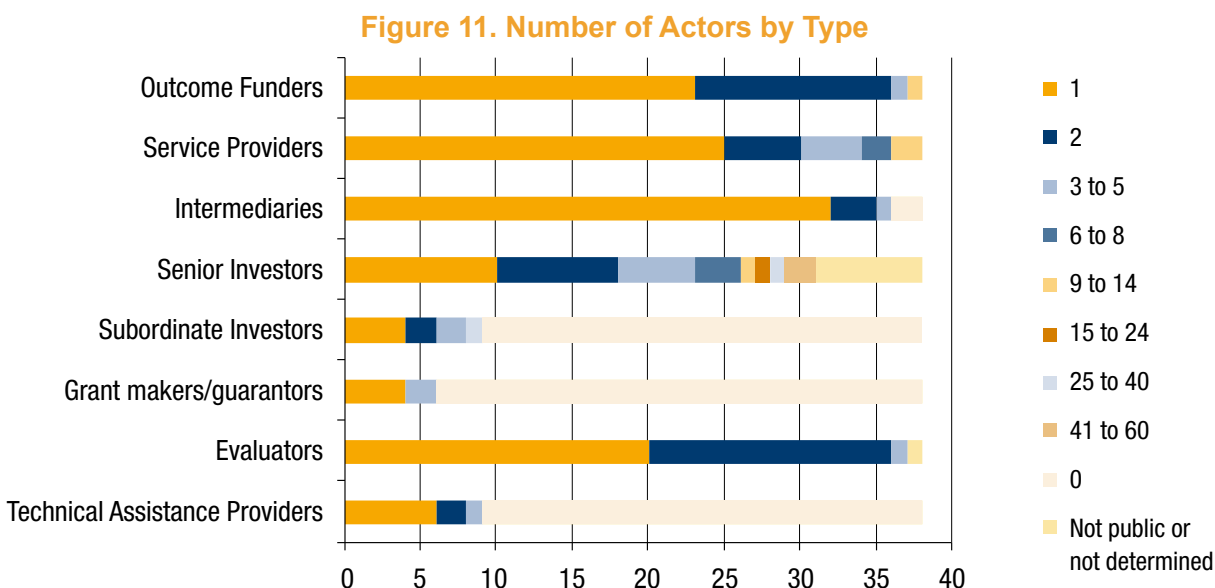
In the Latin America and the Caribbean region, the Multilateral Investment Fund, a member of the Inter-American Development Bank Group, launched an effort in March of 2014 to support SIBs in the region. The commitment includes \$2.3 million in grants to support the ecosystem for SIBs in the region and \$3 million in investment capital to facilitate the launch of up to three SIBs. Several other impact bonds are in early stages of discussion in the region.

4. WHAT DOES IT TAKE TO GET THE DEAL TOGETHER?

At this early stage, the process of developing a SIB contract can be more complex than other forms of government contracting. The process is also unique in each deal depending on the individuals and organizations involved and the roles that each plays. This section will first discuss the characteristics of the actors in the 38 deals included in our study, their motivations for coming to the table, and their roles in these transactions. The second subsection will explain the process and analyze the greatest challenges and facilitating factors in this process across the 38 deals.

4.1 Who Are the Stakeholders?

As the SIBs 101 section of this study explains, the simplified version of the SIB structure comprises four actors: investor, service provider, outcome funder, and intermediary. In the 38 deals included in this study, these categories are used to define different roles; however, the number of actors within each category varies, actors can fall into multiple categories, the types of entities within each category can differ greatly (see Table 1), and their roles can vary substantially across the deals.



Source: Authors' research.

Note: The number of senior investors is not public in seven deals and the evaluator has not been confirmed in one. Grant makers/guarantors category encompasses both recoverable and non-recoverable grant makers. Evaluators include parallel evaluations outside of the SIB contract. Outcome funders count multiple levels of government and sources of funding, though the funds may finally be channeled through one actor. The It's All About Me SIB has an unlimited number of service providers and outcome funders, but has been counted as 11 for each as that is the number contracted as of April 2015.

Figure 11 shows the variation in the number of actors within each category.

As Figure 11 demonstrates, all deals have outcome funders, service providers, and senior investors. The evaluator has yet to be confirmed in one deal, but all deals will have evaluators. All but two SIBs have an actor that is considered an intermediary body. Technical assistance providers, subordinate investors, and grant makers and guarantors are optional types of actors. Furthermore, organizations often fall under multiple categories. For example, outcome funders also act as evaluators in many deals by validating administrative data. Other cases of crossover include organizations acting as both service providers and investors, intermediaries and investors, senior investors and subordinate investors, intermediaries and evaluators, intermediaries and technical assistance providers, and service providers and evaluators.

Across the deals there are almost always one outcome funder and one intermediary body. Various deals, however, have large numbers of service providers and senior and subordinate investors. In some cases the intermediary will market the investment to a number of investors or an investment bank that manages investments on behalf of their clients. For example, in the case of the Increasing Employment and Improving Public Safety bond in New York state, Bank of America Merrill Lynch managed the investment of 44 individual investors.

4.2 What Are the Stakeholders' Motivations?

One of the stated strengths of impact bonds is that they bring to the table a multitude of stakeholders, each having different motivations for participating. In our research we have found that motivation for entering into an impact bond contract does indeed vary both across and within the existing deals that we have surveyed, although in some areas the value proposition for some stakeholders is common.

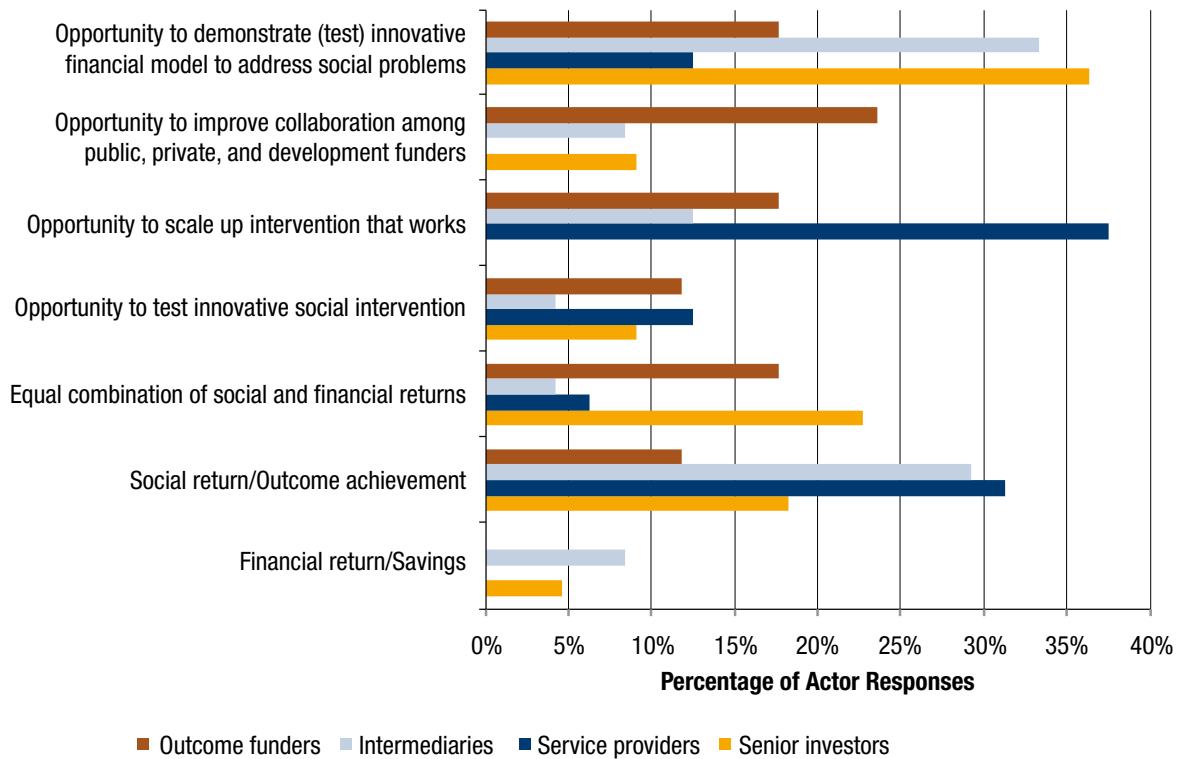
The literature that has been written thus far on

SIBs, which is still a nascent market, states that the outcome funders are motivated to enter a SIB by monetizable savings in remedial services, the reduction in risk if the service is not successful, and the benefit to society if outcomes are successful.⁴⁴ Service providers are said to be motivated to join a SIB because it provides them with a stable, long-term revenue stream, allowing them to achieve outcomes, and because a SIB might allow them to scale a program.⁴⁵ Investors in SIBs are said to be motivated by social and financial return, with some variation across the spectrum in finance-first vs. impact-first motivation.⁴⁶ Investors could experience a loss of principal, a return of principal, or a return of principal plus interest. For-profit investors include commercial investors that prioritize a return on their investment, impact investors that are looking for a balance of social and financial returns, and social investors that are willing to risk their capital completely for social good. The types of foundations that invest in SIBs also vary greatly, from foundations motivated by the opportunity to make program-related investments, which allow them to earn back their money and recycle funding into another grant or investment, to foundations that are comfortable making a non-recoverable investment.⁴⁷ Each of these investors has different motivations, which can lend itself to a layered capital structure.

Figure 12 shows the results of our survey of actors involved in SIBs on their primary motivations for involvement in the SIB. It is important to note that actors participated in our survey after completing the deal development, rather than during the process. However, we believe that the survey responses bring up questions that accurately reflect the thinking and concerns in the field. Figure 12 does not include either subordinate investors or grant makers/guarantors because there are too few of these types of investors across the deals to make robust generalizations.

The survey responses largely confirm what has been said in the literature about actor motivations. The motivations for outcome funders were spread

Figure 12. SIB Actor Primary Motivations



Source: Brookings Institution survey.

Actor respondents: senior investors (12), service providers (12), intermediaries (19), outcome funders (18)

relatively evenly across all of the categories. However, in our survey and in our interviews, the opportunity to scale a promising intervention in the presence of budget constraints was frequently emphasized. Other government motivations outside of those include avoiding budget silos, procurement issues, hurdles in the budgeting process, and political barriers. In comparison to the literature, reducing the risk of service provision was not mentioned as a motivation and savings was a relatively low priority, though this is not exhaustive. One possible explanation is that governments and investors carried out extensive due diligence before the deal was signed and therefore do not consider the service risky.

Figure 13 shows that service providers are largely motivated by the opportunity to scale successful interventions and achieve outcomes, which is consistent with the literature. In our interviews, service providers also mentioned that developing a

culture of monitoring and evaluation, funding for preventive services, and long-term contracts were motivators to enter the SIB.

Our survey demonstrates that the most significant motivations for senior investors are the opportunity to test an innovative financial model for social services and an equal combination of social and financial return. In our interviews, senior investors confirmed that they were motivated by the opportunity to recycle grants after the project; however, it was not just foundations that were interested in this. Other organizations also provide grants as part of their corporate social responsibility work or community involvement, and these organizations indicated interest in recycling these funds. Program-related investment is one of the primary forms of investment, particularly in the United Kingdom where they account for most, if not all, of investments. As mentioned, many of the senior investors are investment institutions that raise in-

vestment from their clients. Client interest in social return was cited as a motivating factor for these institutions to be involved in SIBs. Lastly, publicity was explicitly and implicitly discussed as a motivation for investors to be involved in SIBs. The motivation to invest in a SIB appears to be much higher if it is the first in its country or sector, because of the greater publicity. Our research confirms the literature's assertion that investors are motivated by both social and financial return and adds that investors are interested in SIBs specifically to test an innovative financial model.

The motivations for intermediaries to be involved in SIBs are rarely discussed in what has been written about SIBs. In many of the deals, the intermediary is paid for its contribution through grants external to the SIB, often from a philanthropic entity, but might earn a success fee in the SIB if the program achieves its target outcomes. It is important to note that like investors, various types of organizations serve as intermediaries and their motivations are influenced by the mandate of their organization. Each organization is ultimately trying to fulfill its role as a transaction and project manager. The survey responses indicated that intermediaries are motivated by the opportunity to test innovative financial models to address social problems and to achieve outcomes. Many intermediaries in our interviews noted that they had left careers in finance to use their skills to improve social outcomes. The motivations for intermediaries also depend on the stage of the SIB market.

As the field continues to mature, the motivations for actors to enter the field may change. If there is less publicity around each SIB as more develop, outcome funders and investors may be less motivated to engage in a SIB. Intermediaries and investors both listed the opportunity to test an innovative financial model as one of their greatest motivations; as the model becomes more mainstream, this may be of less importance, though the intermediaries and investors may be driven by the desire to continue to refine and improve the model.

4.3 What Are the Stakeholders' Roles?

In the Impact Bond 101 section, we noted that impact bonds can vary greatly in the composition of actors involved, the actors' roles, and the process of putting the deal together. The actors' overarching roles are defined by whether they are investors, intermediaries, outcome funders, service providers, technical assistance providers, or evaluators, as described in the Impact Bond 101 section. The specific activities that actors take on are largely determined by the structure of the deal and the local context.

To explain the variation in roles, we can start by categorizing the existing SIBs into the two broad impact bond models described in the Impact Bond 101 section: individual transaction impact bonds and impact bond funds with established rate cards. The two funds with rate cards are the Innovation Fund and the Fair Chance Fund in the U.K. The Innovation Fund took place in two rounds, the first with six SIB contracts and the second with four. The Fair Chance Fund awarded seven SIB contracts. The Youth Engagement Fund is the third fund that was launched in the U.K., but because its first four contracts were awarded after March 1, 2015, they are not included in our analysis. In these funds, the government did a great deal of research and issued the tender with a rate card for outcomes. The rate cards include approximately 10 outcomes, and each has a price attached to it that the government is willing to pay (see fact sheets in Appendix 2). Teams of service providers and intermediaries bid at a discount on those outcomes to win the contracts. Though not considered in the same category, the government also issued a rate card for the London Homelessness SIBs, and teams of service providers and intermediaries bid against this rate card. Two contracts were awarded. In Massachusetts, the state government established a Social Innovation Financing Trust Fund for SIB outcome payments in two sectors; however, the government did not issue a rate card for the establishment of outcome metrics and therefore not a "fund model" like the U.K. funds. In the other deals, all parties have identified outcomes and payments together.

Furthermore, the existing SIBs can be categorized into one of three types of deal structures: direct, intermediated, or managed. As mentioned in the Impact Bond 101 section, in direct deals, the outcome funder holds a contract with the service provider or majority service provider-controlled special purpose vehicle; in intermediated deals, the outcome funder holds a contract with the investor or a majority investor-controlled SPV; and in managed deals, the outcome funder holds a contract with the intermediary or majority intermediary-controlled SPV. As mentioned previously, it is challenging to cleanly divide the deals across these categories because the actors can serve multiple roles. In particular, there are many intermediated deals in which the intermediary also invests. Managed deals are distinct from these intermediated deals in that the intermediaries in managed deals have not invested in the SIBs to date. Table 5 categorizes the 38 SIBs included in this study into one of the three SIB structures. Notably, all of the SIBs in the U.S. are managed, while all but two of the SIBs in the U.K. are direct or intermediated, which could be an indicator of the maturation of the U.K. market or simply high government interest.

In most of the direct deals, the government initiated the deal; the intermediary determined the feasibility, structured the deal, and raised the capital; and the service provider was then responsible for implementing the service and managing performance. In a couple of cases, intermediary actors or service providers initiated or helped initiate the deal by bringing the case to government. In one case the service provider led the feasibility study and structuring, and in two cases the service provider was responsible for raising capital. In comparison to the intermediated and managed structures, service providers have the greatest responsibility in the direct structure. Two unique cases within the direct structures are worth mentioning. In the Nottingham Futures deal, part of the Innovation Fund in the U.K., the Nottingham City Council is the “investor” and “intermediary” and also runs the service. This is essentially a pay-for-results contract, as the Nottingham City Council

is funding the service through outcome payments from the national government. The other structure that is unique is that of the It’s All About Me bond for adoption of hard-to-place children, also in the U.K. In this bond, investors have committed a set amount, and the outcome funders (local governments known as Local Authorities) and service providers have the opportunity to join the SIB and receive upfront capital as cases arise of particularly hard-to-place children. Further investment could be raised, based on the success of the program.

In most of the intermediated deals, the government initiated the deal, while the intermediary determined feasibility, structured the deal, raised capital, and provided ongoing performance management. The intermediary also often helps in initiating the deal by identifying service providers that will fit the feasibility criteria.

In the majority of managed deals, the government initiated the deal and the intermediary developed the feasibility study, raised capital, and managed the performance of the program. The only deviation from these roles was in one case where the service provider and technical assistance provider initiated the deal.

Though the categories above help to provide an overview of the roles played by each actor, no deals are carried out in exactly the same way. The relative strengths and interests of the actors and the specifics of the legal structure foster each SIB’s distinctive dynamics. For example, in one direct deal, the service provider led the development of the financial model structure because it had the in-house technical capacity to do so. The diversity of structures and roles demonstrates the potential for this tool to be adapted to specific contexts. One characteristic that is consistent across all of the SIBs is the close collaborative relationship between all players. Collaboration has been particularly critical in this early stage of the market and may evolve as actors become more practiced in this space.

Table 5. Structures of Existing SIBs

PROGRAM/ SIB NAME	COUNTRY	MODEL	STRUCTURE
Nottingham Futures	United Kingdom	Rate Card Fund (Innovation Fund)	Direct
Triodos New Horizons	United Kingdom	Rate Card Fund (Innovation Fund)	Intermediated
ThinkForward	United Kingdom	Rate Card Fund (Innovation Fund)	Intermediated
Links 4 Life Programme	United Kingdom	Rate Card Fund (Innovation Fund)	Intermediated
Advance Programme	United Kingdom	Rate Card Fund (Innovation Fund)	Intermediated
T&T Innovation	United Kingdom	Rate Card Fund (Innovation Fund)	Intermediated
3SC Capitalise Programme	United Kingdom	Rate Card Fund (Innovation Fund)	Intermediated
Energise Innovation	United Kingdom	Rate Card Fund (Innovation Fund)	Intermediated
Living Balance	United Kingdom	Rate Card Fund (Innovation Fund)	Managed
Prevista	United Kingdom	Rate Card Fund (Innovation Fund)	Not publicly available
Aspire Gloucestershire	United Kingdom	Rate Card Fund (Fair Chance Fund)	Direct
Ambition East Midlands	United Kingdom	Rate Card Fund (Fair Chance Fund)	Direct
Home Group	United Kingdom	Rate Card Fund (Fair Chance Fund)	Direct
Local Solutions	United Kingdom	Rate Card Fund (Fair Chance Fund)	Direct
Fusion Housing	United Kingdom	Rate Card Fund (Fair Chance Fund)	Intermediated
Rewriting Futures	United Kingdom	Rate Card Fund (Fair Chance Fund)	Intermediated
Your Chance	United Kingdom	Rate Card Fund (Fair Chance Fund)	Intermediated
Street Impact	United Kingdom	Rate Card Transaction**	Direct
Thames Reach Ace	United Kingdom	Rate Card Transaction**	Direct
It's All About Me (IAAM)	United Kingdom	Individual Transaction	Direct
Manchester City Council Vulnerable Children	United Kingdom	Individual Transaction	Direct
Outcomes for Children Birmingham	United Kingdom	Individual Transaction	Direct
Essex Family Therapy	United Kingdom	Individual Transaction	Intermediated
ONE Service	United Kingdom	Individual Transaction	Managed
Juvenile Justice Pay for Success Initiative	United States	Individual Transaction (part of Massachusetts Social Innovation Financing Trust Fund)	Managed
Chronic Individual Homelessness Pay for Success Initiative	United States	Individual Transaction (part of Massachusetts Social Innovation Financing Trust Fund)	Managed
NYC ABLE Project for Incarcerated Youth	United States	Individual Transaction	Managed
Utah High Quality Preschool Program	United States	Individual Transaction	Managed
Increasing Employment and Improving Public Safety	United States	Individual Transaction	Managed
Child-Parent Center Pay for Success Initiative	United States	Individual Transaction	Managed
Partnering for Family Success Program	United States	Individual Transaction	Managed
Sweet Dreams Supported Living Project	Canada	Individual Transaction	Direct
Newpin Social Benefit Bond	Australia	Individual Transaction	Direct*
Benevolent Society Social Benefit Bond	Australia	Individual Transaction	Direct*
Duo for a Job	Belgium	Individual Transaction	Direct
Social Impact Bond Rotterdam	The Netherlands	Individual Transaction	Intermediated
Junior Code Academy	Portugal	Individual Transaction	Intermediated
Eleven Augsburg	Germany	Individual Transaction	Managed

Source: Goodall (2014) and authors' research.

*Goodall 2014 category is intermediated, though authors' research suggests that this is a direct contract structure with the service provider holding the contract and providing performance management. In the Newpin SIB, in contrast to the other direct structures, the intermediary owns the SPV that controls funds between the service provider and the investors.

**These London Homelessness SIBs are not considered a Fund, though service providers did bid against a rate card for the contracts.

4.4 Determination of Outcome Metrics and Payments

In all types of deals, one of the most critical and complex parts of the process of developing the SIB is to determine the outcomes metrics and corresponding payments. The design of the outcome metrics influences the design of the preferred intervention and selection of provider, which in turn influences the investment needed and funding commitment from the outcome funder. Finding a balance between the metrics, financing, and outcome payments can be a big challenge and often requires collaboration from all actors (see also discussion in Impact Bond 101 on feasibility criteria for impact bonds and Section 4.5). Ultimately, these choices are all intimately linked with implementation risk and the extent to which investors and outcome funders believe in the service providers' ability to achieve a set outcome.

In the deals where rate cards were issued by the government, a great deal of research was necessary early on to determine the value to them of the proposed outcomes and the commercial viability for service providers to achieve the outcome for the set price. As referenced in the discussion of feasibility in the second section of this study, the outcomes had to be both measurable and monetizable. For example, in the Innovation Fund, a very comprehensive review of historical data was conducted in the Department of Education. The outcomes on the rate cards for both funds in the U.K. include outcomes such as entry into employment, which can be measured immediately using data on participants and do not require long evaluations, as in some of the other deals. However, outcomes cannot necessarily be attributed to the intervention, as there is no counterfactual comparison. The payments from the government to the program (or SPV) during the intervention are used to continue funding service provision, a process known as capital recycling. At the end of the program, investors or service providers as investors receive what remains in the program SPV. If

capital is being recycled, less capital is required upfront and investors can make smaller, though riskier, investments. These investments have higher risk because the program does not begin with the capital it needs to run the service throughout the SIB; it must achieve sufficient outcomes each year to fund the following.

In contrast to the process of developing a rate card in the U.K., the process of developing outcome metrics and payments in many of the individual transactions has involved significant input from actors outside the outcome funder. The outcomes in the individual transactions are often more complex and observable only after longer periods of time than in the rate card-based funds, as they frequently involve evaluations with comparisons to control groups or historical data. Although outcomes of these deals may be more challenging to measure, various actors in the deals said that choosing the simplest set of outcomes and metrics possible makes the resulting SIB program significantly easier to operate. Simple metrics provide a clear focus for the service provider and reduce resources needed for evaluation. Although a simple metric may not capture every outcome that matters to all actors, a measure that is a proxy for other meaningful outcomes could be sufficient. Additionally, using administrative data from a single source that can be easily aggregated simplifies the evaluation process and can reduce costs. Lastly, there must be sufficient evidence that the service providers can achieve the given outcomes for investors to support the SIB. The degree of evidence needed varies by deal based on each investor's appetite for risk. Often there is evidence on individual components of interventions or evidence of the intervention with a similar target population, but no evidence of the impact of combined programs with the exact target population of the SIB.

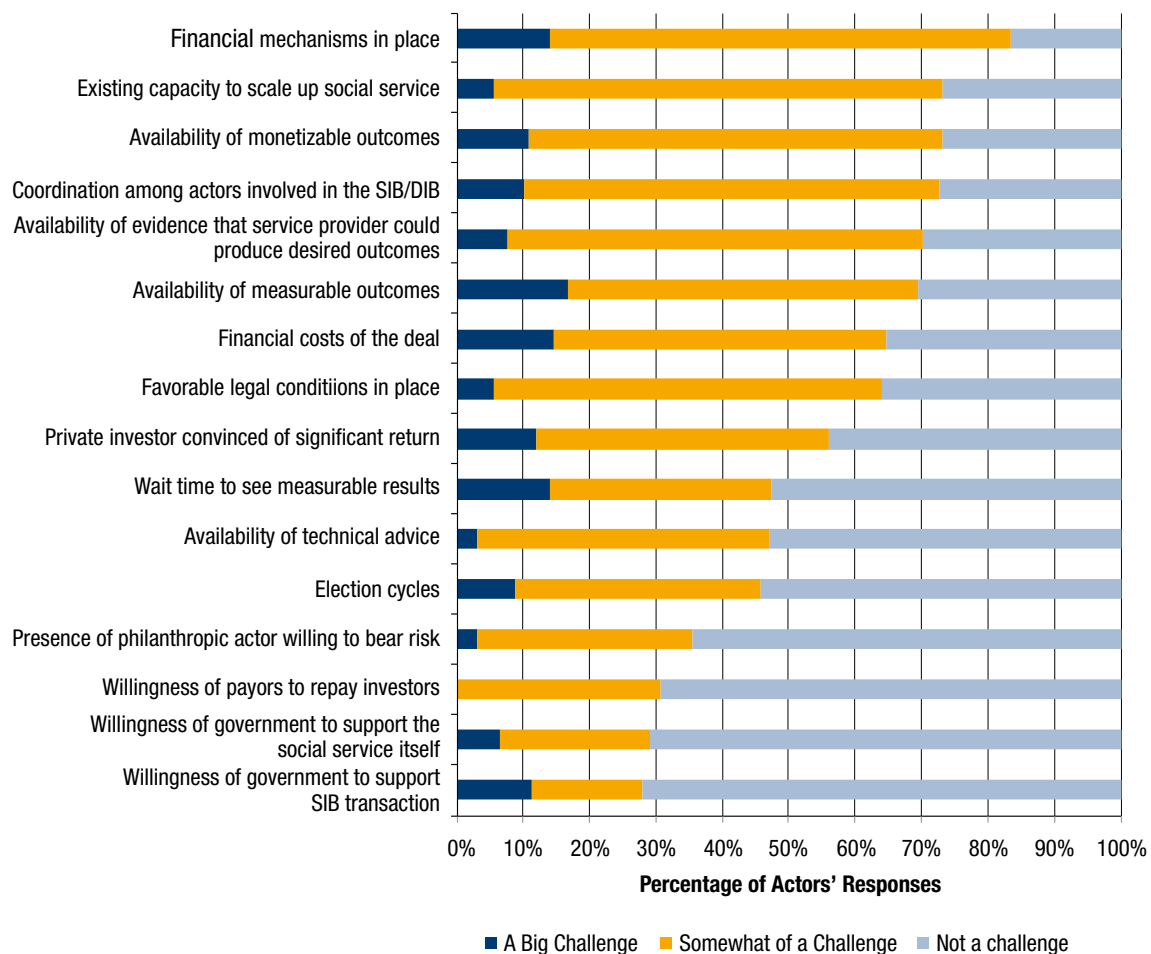
Many SIBs have tiered outcome metrics and payments, where some outcomes are backed by a great deal of evidence and highly likely to occur and others may be less certain to occur but are still of high value to the outcome funder.

4.5 Challenges Faced in Deal Development

The process of trying to agree on the best metrics, financing, and payment structures is complex and is particularly challenging with limited precedent at this early stage in the market. This form of government budgeting requires advanced financial modeling and navigation of procurement regulations, almost always necessitating at least one legal representative for each actor involved. As an example of this complexity, the legal counsel to the intermediary in the Massachusetts recidivism SIB reported that “27 contracts were written and more than 1,100 legal hours were billed” to develop the bond.⁴⁸ Across the 38 deals analyzed in this study, deal development ranged from six months to three

years. Of the actors we interviewed and surveyed, 24 said that complexity of the SIB structure, given the lack of precedent, was the greatest challenge in setting up the SIB. Many also said that they anticipated that the time to develop the deals would decrease as the market matured. That is what we see in the U.K., where deal development is almost always six to nine months. Figure 13 shows the results of our survey on the further challenges in developing a SIB. It confirms that developing the technical aspects of the deal without precedent is one of the greatest challenges; the lack of financial mechanisms in place and lack of favorable legal conditions in place are at least somewhat of a challenge for at least 80 percent and 60 percent of actors, respectively. The financial costs of the

Figure 13. Challenges in Developing SIBs



Source: Brookings Institution survey.

Actor respondents: investors (16), service providers (7), intermediaries (13), outcome funders (6)

deal, the hours required to put the deal together, was also cited as a big challenge or somewhat of a challenge for over 60 percent of actors.

As discussed in the section on the development of outcome metrics, the availability of measurable and monetizable outcomes was a significant challenge for actors in these SIBs. Availability of evidence that the service provider could produce the outcomes was similarly a big challenge or somewhat of a challenge for over 60 percent of actors. It is worth noting, however, that the wait time to see measurable results was cited as a challenge by less than half of actors, although it is often said that this poses a challenge to investor commitment and government interest.

The existing capacity of the service provider to scale the intervention was another challenge identified by the actors. Scaling an intervention is a complex, non-linear process that has been the subject of its own set of literature.⁴⁹

Government support was not a challenge for the actors in these deals, likely because, as the previous section on stakeholder roles indicated, government was often the initiating entity of the SIB.

Two other challenges were raised in our interviews with the SIB actors. First, in addition to the challenges of deciding on outcome metrics, deciding on an evaluation method of the metrics can be a roadblock to the process. A randomized control trial is the most rigorous evaluation method available, but it requires that the intervention be randomly assigned to some members of the target population and not to others in order to create a statistically equivalent control group to compare with the treatment group. In at least two SIBs, the exclusion of the control group from services led to heated debate over evaluation method, almost ending the deal development.

The other challenge that arose was the “wrong pocket problem,” where the government entity saving money from the SIB service was not the gov-

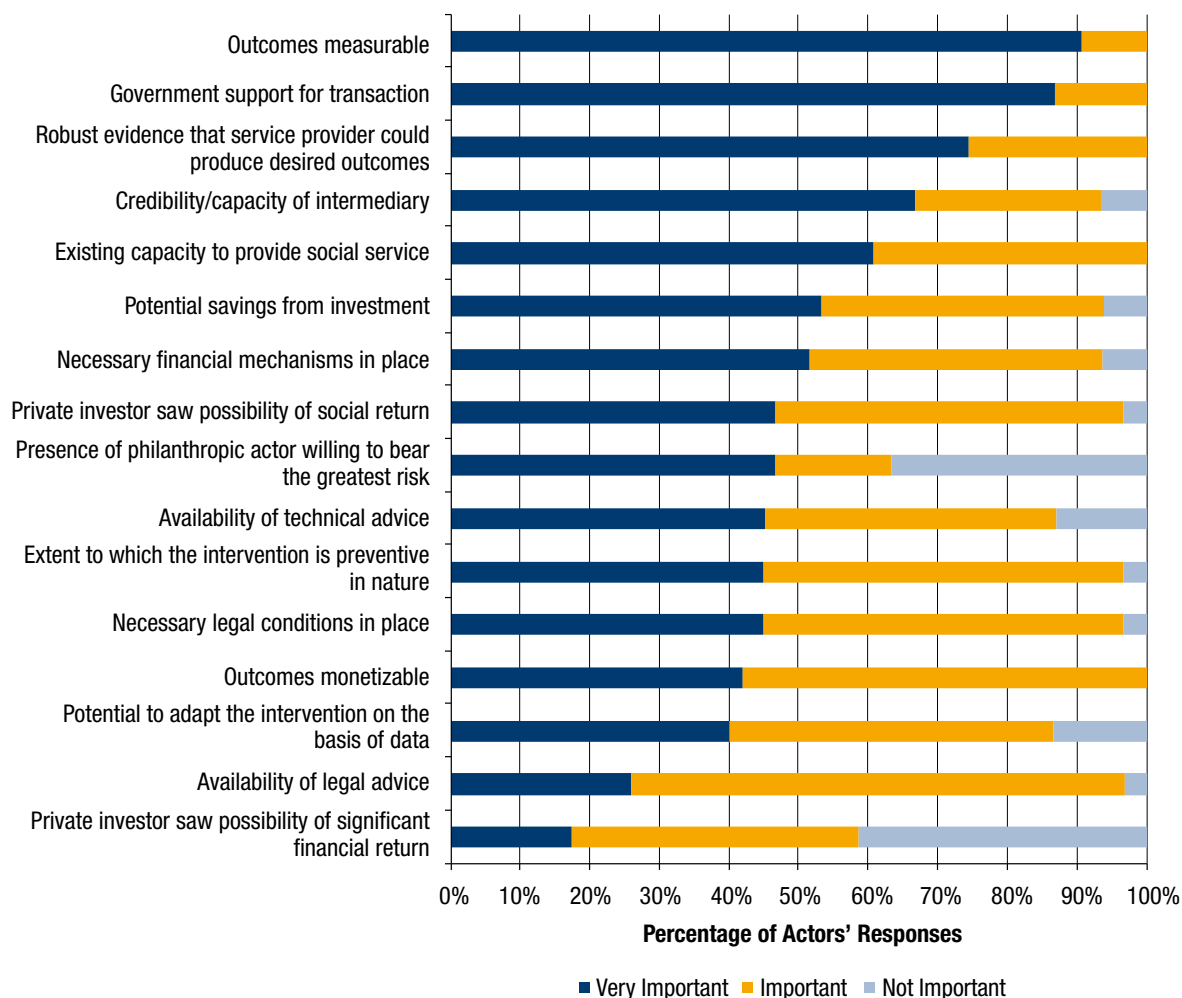
ernment entity paying for outcomes. There are two types of wrong pocket problems—vertical and horizontal. An example of a vertical wrong pocket problem is in the Portuguese SIB where the national government gets the savings from fewer students repeating grades (because they fund municipalities on a per student per year basis), yet the municipal government is the outcome funder in the SIB. A horizontal wrong pocket problem is when costs and savings are experienced by different government agencies at the same level, for example, the Ministry of Justice and the Ministry of Health. In the SIB in the Netherlands, both horizontal and vertical wrong pocket problems exist, as there were incongruences in spending and savings between the municipal and national government and between the Ministry of Education and the Ministry of Social Services. In all of these cases, the SIB was contracted despite the presence of this problem. The Social Outcomes Fund and Commissioning Better Outcomes Fund in the U.K. and federal grants in the U.S. (see Box 2) have helped resolve wrong pocket problems by supplementing outcome funds with grants from the executive offices.

4.6 Facilitating factors in deal development

A number of facilitating factors helped the 38 deals come to fruition. Figure 14 lists the factors that were most significant in facilitating the deal development process.

Consistent with the challenges section, measurable and monetizable outcomes were very important or important for all actors surveyed, though monetizable outcomes were very important in fewer cases than measurable outcomes. The evidence of the service providers’ ability to achieve the outcomes was also very important to actors, evidenced both in the robust evidence category and the existing capacity to provide the social service category. The credibility and capacity of the intermediary and the availability of technical advice were also facilitating factors, likely because these actors can help navigate the complex deal development process.

Figure 14. Facilitating Factors in Developing SIBs



Source: Brookings Institution survey.

Actor respondents: investors (15), service providers (8), intermediaries (16), outcome funders (6)

As a reflection of the responses presented in the previous section indicating that government support was not a challenge, government support was cited as a very important facilitating factor in deal development for 87 percent of the actors surveyed and important for the other 13 percent. The transaction is dependent on coordination with government in order to reach the target population, and outcome payments from government are at the heart of the deal.

Figure 14 also shows that private investors' interest in social return was more helpful for the process than their interest in financial return. The presence of philanthropic or subordinate investors

was said to be very important in the deals where there was this form of investment and not important in the deals where there was no subordinate investment or grants.

Lastly, the figure shows that 97 percent of actors surveyed found the preventive nature of the programs to be a very important or important facilitating factor and that 86 percent found the potential to adapt the program based on data to be a very important or important facilitating factor. Investment in preventive services and program flexibility are two of the commonly stated strengths of SIBs, which will be discussed in the following section.

In our interviews, actors emphasized the importance of individual abilities and relationships in facilitating deal development. Within the team in the government working on the Innovation Fund in the U.K., they developed a team with the right mix of skills, including program implementing, economic and social analysis, marketing, project management, and social investment. In Utah and in Australia, an advocate and a social service provider had backgrounds in finance and economics, respectively, which greatly facilitated deal development. The personality traits of the individuals also matter. Actors also need perseverance and drive to push the SIB deal development process through the complications and challenges to completion. Individual champions who possess many of these traits can be the key to successfully arranging a SIB.

In addition to the characteristics of the individuals, the relationships between individuals are equally important. In Utah, all of the actors involved in the deal had already known each other through local connections. In the small Canadian town of Saskatoon, all of the actors were able to develop close relationships, which facilitated the deal development. Communication between the actors

and clear definition of roles also helped improve the operations of SIBs.

For the Innovation Fund in the U.K., communication of the government request for proposals (RFP) and allowing the investment market sufficient lead time to develop proposals helped in the process. The Department for Work and Pensions even hosted “speed dating” nights for investors, intermediaries, and service providers to meet one another.

The introduction of private sector mentality to social service provision can also be an important facilitating factor. For example, in two of the deals the private sector investor was able to push the government to reform its referral process so that the service provider could improve its planning. Lastly, there has been a great deal of funding that has gone into organizations building the ecosystem for SIBs. In addition to the invaluable grants for intermediary and technical assistance providers, government support of the SIB ecosystem in some parts of the world has been critical (described in Box 2).

Box 2: Government Support of the SIB Ecosystem

Over the past five years, state and national governments have taken multiple steps to develop the enabling conditions for future SIBs by introducing policy frameworks and legislation related to the exploration, design, and implementation of SIBs. A summary of these can be found in Appendix 3.

Governments have demonstrated their commitment to SIBs by developing policy frameworks, which outline strategies for future action, and in introducing legislation, which authorize discrete activities. The U.K. government has one of the most advanced support systems for SIBs. The Prime Minister’s Cabinet Office hosts a Centre for Social Impact Bonds within the Social Investment Finance Team. Its role is to analyze and facilitate the SIB market in the U.K. The Cabinet Office launched a £20 million (\$31 million⁵⁰) Social Outcomes Fund in November of 2012 to add to outcome funds available for SIBs. This central fund is critical in facilitating SIBs where government savings accrue over a number of departments, making it challenging for a single department to fund outcomes. The Big Lottery Fund, which distributes a portion of the funds raised through the U.K. National Lottery, established a similar £40 million (\$62 million⁵¹) Commissioning Better Outcomes Fund to contribute funding for outcome payments.⁵²

In the U.S., the Obama administration is working to establish a similar national fund to support outcome funding for SIBs. The White House has requested funding for SIBs (PFS) in each White House

budget request since the 2012 fiscal year, with the request rising from \$100 million to approximately \$500 million. However, Congress has yet to approve any of these requests. Notably, the budget requests since the 2014 fiscal year have included a request for a \$300 million PFS (SIB) Incentive Fund, which is modeled after the U.K.'s Social Outcomes Fund and intended to smooth savings across levels and departments of government.⁵³ In May 2015 there were two bipartisan PFS (SIB) funding bills in committee in each of the houses of Congress, both called the Social Impact Partnership Act. Sponsors are Representatives Todd Young (R-Ind.) and John Delaney (D-Md.) in the House and Senators Orrin Hatch (R-Utah) and Michael Bennet (D-Col.) in the Senate.⁵⁴

Outside of the appropriations process, the White House has established a Social Innovation Fund (SIF) within the Corporation for National and Community Service, a federal agency. In 2014, SIF awarded grants to eight organizations to facilitate the development of SIBs in the U.S. One of the recipients is the Harvard Kennedy School's Social Impact Bond Technical Assistance Lab, which partners with local and state governments to receive technical assistance in developing PFS projects related to design, implementation, and evaluation of policy initiatives.⁵⁵ Other federal agencies supporting PFS include the Department of Justice through the Second Chance Act, the Department of Labor through the Workforce Innovation Fund and the Workforce Innovation and Opportunity Act, and the Office of Management and Budget through the Performance Partnership Pilots for Disconnected Youth program.⁵⁶ At the state level in the U.S., 10 states have introduced legislation to authorize PFS deals, but only Massachusetts and Utah have passed this legislation.

Outside of the U.S. and the U.K., other countries have established policy frameworks supporting SIB development. For example, the government of the state of New South Wales, Australia, implemented a Social Impact Investment Policy in 2015 outlining 10 actions that the government plans to take to support the growth of social impact investments. These key actions are centered on increasing the number of social impact investment transactions, growing the market and removing barriers, and building the capacity of market participants.⁵⁷ Another example of a country's demonstrated interest in SIBs in future planning is Canada's 2012 Economic Action Plan, which called for greater exploration of the potential of SIBs.⁵⁸

Other legislation has also supported the SIB ecosystem indirectly by creating incentives for investors to finance them. For example, in the U.K., legislation enacted in 2014 calls for tax relief to individuals making investments in qualifying social enterprises.⁵⁹ In the U.S., the Community Reinvestment Act (CRA) of 1977 encourages depository institutions to meet the credit needs of the communities where they do business, including low- and moderate-income neighborhoods. The CRA can be leveraged to encourage banks to invest in SIBs. Federal, state, and local agencies have also implemented other policies to encourage investments in SIBs.

Although the actions required to develop the ecosystem for SIBs vary greatly by context, governments can use these examples of engagement in policy and legislation as they look to furthering their engagement with SIBs.

4.6 Impact Bond Transactions Costs

Beyond the investment amount for the service provision are additional costs to the transaction that include intermediary services and technical assistance, evaluation, and legal fees. These amounts can be structured either within the deal or outside the deal. From our review of the landscape, it is apparent that the first impact bonds have been time-intensive and costly operations. Much of the initial work was done on a pro bono basis, and some of it has been designed with success payments to be paid to intermediaries if the deal is successful in achieving outcomes. As the impact bond market grows, some developments could reduce these costs or at least make them more sustainable. First off, there will be some reduction in transactions costs that result from learnings and standardization of processes. Nevertheless, for new actors in new settings, adaptation of these processes will be necessary. Second, some intermediaries are beginning to conduct initial scoping exercises for impact bond transactions in which they build in the costs for their time. Third, the development of philanthropic and government support for scoping and feasibility exercises will help to make this work possible for actors wanting to engage (see Box 2). A SIB development fund has recently been established, for example, for the development of three SIBs in Utah. This “collaborative financing” model brings together public, philanthropic, and private capital to support the critical development phase for the SIB transactions.⁶⁰

Finally, the development of innovation funds or rate cards (see discussion above), which allow for larger investments over multiple service providers or for the achievement of multiple outcomes, are another way to reduce relative transactions costs.

4.7 Main Takeaways on Deal Development

1. **The impact bond model is evolving and flexible.** There are two main types of SIB models (individual impact bond or fund), and each deal can be structured differently depending on context and the actors involved. This variation seen across all SIBs provides an opportunity to tailor deals to specific contexts.
2. **Developing a SIB can be a complicated process.** Among the reasons are the need for appealing and achievable outcomes, a capable and reliable service provider (and the due diligence necessary to determine this), the enabling legal and financial environment, and the willingness of multiple parties to try something new and collaborate.
3. **It is likely that deal development will become easier.** Over time, systems will be developed for standardization, lessons will be learned, and the model will be refined. Already in five years, there has been a move in some locations toward simplifying the deal structure.

5. 10 COMMON CLAIMS ABOUT IMPACT BONDS

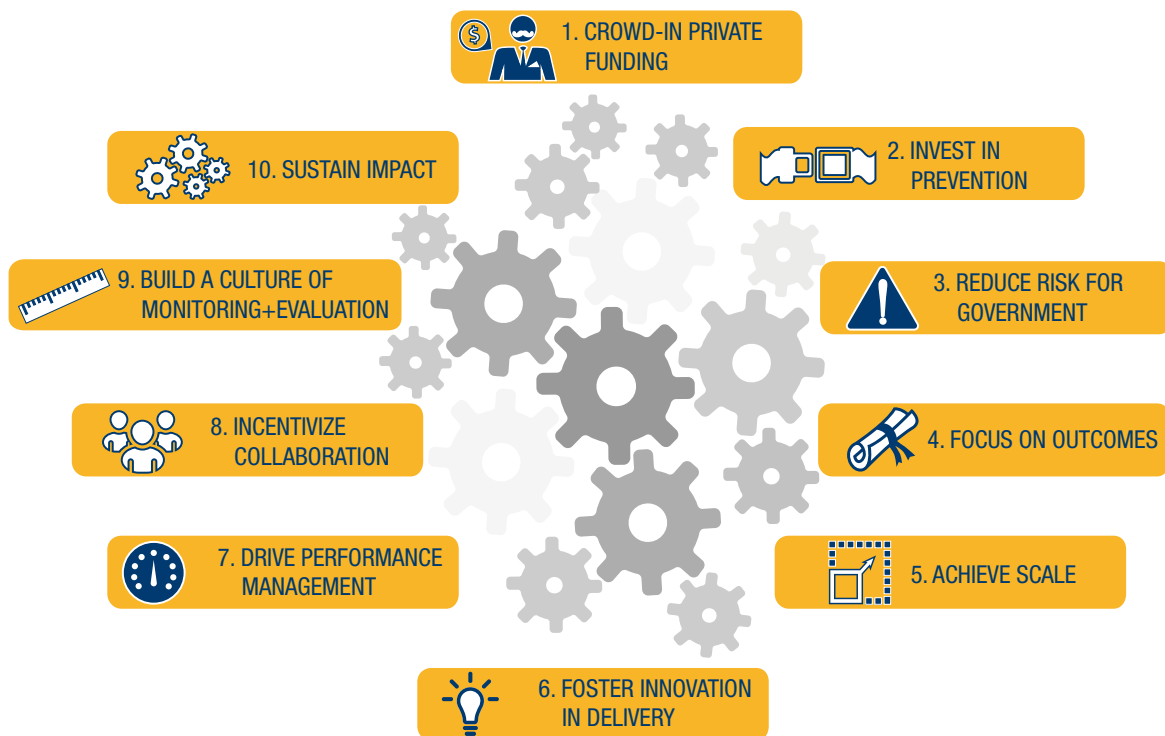
In the past five years, since the first social impact bond was implemented, there has been a great deal of buzz around SIBs as demonstrated by an increasing number of reports and online media discussions on the topic (SIBs made *Harvard Business Review's* List of Audacious Ideas for Solving the World's Problems in 2012⁶¹). Less has been written about development impact bonds, though this area is receiving greater attention of late.⁶²

In this section, based on a comprehensive review of what has been written about impact bonds, we

Social impact bonds have the potential to substantially transform the social sector, support poor and vulnerable communities and create new financial flows for human service delivery by offering an innovative way to scale what works and break the cycle for crisis-driven services.

—Judith Rodin, President
The Rockefeller Foundation

Figure 15. 10 Common Claims about Impact Bonds



identify 10 common claims about what they are able to achieve (see Figure 15). We then compare these claims to the findings from our extensive interviews and online survey of all existing transactions to date and we analyze how these claims stack up to the reality on the ground.



1. IMPACT BONDS CROWD-IN PRIVATE FUNDING

There are two parts to the claim found in the literature that impact bonds crowd in private funding. One is that impact bonds crowd-in funding from the same private investors (mainly foundations) that typically contribute to social services through grants. The second is that impact bonds bring in new and different types of investors, which adds to the total amount of private funding for social services.

Additional capital from traditional private actors

There are several arguments for why impact bonds have the potential to bring in more funding for social services from traditional private actors. First, the opportunity to receive a financial return on a socially beneficial investment may be a convincing proposition to many traditional private funders such as foundations. Program-related investment (PRI), which can be funded by either program or investment funds, are aimed at achieving program goals but with the expectation of at least a modest financial return. To date, PRI capital has been minor for several reasons. Those engaging in PRI have historically been asset-based lenders financing, for example, housing and economic development projects that are income-generating. Impact bonds provide a way for foundations to make PRIs in human capital rather than contributing capital to typical infrastructure investments, but this requires a different analytic mindset and acceptance of credit approval.⁶³ This would also mean that they could use PRI beyond the usual additions to their existing grant programs. Second, community development financial institutions (CDFIs) that have

traditionally had an asset-based approach and have struggled to fund social services can now do so with impact bonds. The prospects of recycling such capital, once outcomes are achieved, could drive more funding into social services via impact bonds. Third, finding good opportunities for philanthropic investments is a costly business, eating up an estimated 15 to 20 percent of grants provided; impact bonds have the potential of reducing such infrastructure costs for the outcome funder, thereby expanding the pool of investable funds. Finally, private funding can leverage public funding by demonstrating the potential of programs to deliver outcomes (and potentially fiscal savings), which may be attractive to the traditional private funders, leading them to invest more.

Fresh capital from new private actors

Impact bonds are also said to be able to attract additional funding by drawing in new types of private funders that otherwise wouldn't have invested in social services (or at least not the specific social service in question). Such new investors include, for example, high-net-worth individuals seeking investments beyond traditional capital markets due to their desire to achieve social good as well as credit unions, commercial investors and banks, and pension funds (See Box 2).⁶⁴

Impact bonds, by design, draw in private funding for investment to advance social goals. Given the growing market for social investing opportunities, it may be fair to say that impact bonds have led to an increase in social financing by mainstream investors. A close look at the private investors involved in the 38 deals to date does seem to indicate that indeed fresh capital has come to some social service sectors from new players. One example is Goldman Sachs, which has invested in four SIBs in the U.S. It is important to note that two of the investments came directly from Goldman Sachs' impact investing business, the Urban Investment Group (UIG), while the other two came from the Goldman Sachs Social Impact Fund, managed by UIG. These investments are part of the investment

banking firm's CRA activities (see Box 2 for more on this topic), which could turn out to be an important driver of the impact bond market in the U.S. ABN AMRO Bank, which invested in reducing time on unemployment benefits in the Netherlands, also drew funds from an innovation fund within the bank but with a different regulatory framework behind it. In addition, there is an observable increase in interest in double bottom line investments, and SIBs provide a concrete way of doing so. As noted earlier, the impact investing market is large and growing, and a recent survey of private investors showed an increased appetite among millennials in achieving social returns together with financial returns. A shift from mainstream investing to social investing may bring additional funds to the social sector.

Our survey demonstrated that 40 percent of investors (of multiple types) who were surveyed were primarily interested in the opportunity to test an innovative financial model to address social problems. About 24 percent responded that they were primarily interested in achieving an equal combination of financial and social returns, while less than 5 percent were motivated by the possibility of achieving financial returns alone. A more nuanced view across different types of investors shows that in the pool of philanthropic investors, SIBs do seem to have attracted larger sums of capital from traditional investors (e.g., J.B. Pritzker and the Pritzker Family Foundation, which have traditionally granted funds to the early childhood sector), though of course it is difficult to know how much these traditional investors would have contributed to the sector in the absence of the SIB. In sum, SIBs have brought funding for addressing social challenges from both traditional investors and new investors.

What private funding does do is address immediate liquidity and potentially political constraints that governments face in allowing for the financing of preventive services. The question is whether these resources represent a shift in assets under management from one sector to another or

if they equate to some additionality in the pool of resources for social challenges. First, it is important to note that in the short run, if outcomes are achieved, outcome funders (governments) will have to pay for the services. Hence, financially, it may be a wash unless government does indeed save more than what it pays investors in that short term. But true additionality could be achieved by private funding if the bigger picture of potential longer-term, cross-sectoral, and societal benefits is considered. Also, SIBs may contribute to additionality by leveraging public sector funds through a demonstration effect around the return on investment for certain kinds of social services. Finally, additionality may be achieved by reducing costs for government procurement of social services and by reducing costs of doing due diligence by foundations if those savings are transferred toward the social services themselves. If they do not equate to additionality from traditional donors but rather represent a shift from grants to loans, this could potentially harm social services.

Do impact bonds crowd-in private funding?

Yes. This does not by definition mean, however, that this constitutes additional capital (though it is possible that it could).

Is there room to grow?

Yes.



2. IMPACT BONDS PRIORITIZE PREVENTION

Impact bonds are said to focus on funding preventive services, rather than the traditional remedial interventions.⁶⁵ Preventive services are services that reduce or eliminate negative social outcomes and potentially high remediation costs for both the public and private sectors in the longer term. The degree to which a service is preventive relates to the timing of its delivery and the outcomes that are being measured. This claim is based on the expectation that outcome funders are, in an

PFS financings monetize the economic value of positive social impact from prevention and early intervention programs while providing a net cost savings to the public sector.

—Godeke Consulting, 2013

impact bond, driven either by the desire to achieve a positive outcome or by the fact that the achievement of that outcome avoids costs in the longer term. This cost avoidance can be reaped by the outcome funder itself, other public sector entities, society as a whole, or all three. Over time, the expectation is that a shift into preventive services will increase the cost-effectiveness of delivering the desired outcomes.

All but one SIB included in our study are explicitly structured around the prevention of some negative outcome such as returning to prison, remaining homeless, needing remedial education, or being unemployed. The one exception is the Portuguese SIB, which aims to improve student problem solving and could indirectly prevent negative outcomes through improved student learning.

Some of the interventions could be considered more preventive than others based on the extent to which they have the potential to prevent multiple negative outcomes across an individual's lifetime and therefore yield potentially larger savings for government and society. There is extensive literature highlighting the importance of intervening early in an individual's life. For example, a study of the Child-Parent Center Education Program in Chicago in the U.S., which provides educational and family support services between the ages of 3 and 9, finds that program participation was linked to higher educational attainment, income, socio-economic status, and health insurance coverage, as well as lower rates of justice system involvement and substance abuse for up to 25 years after the program. A study of the Abecedarian ear-

ly childhood program in the U.S. showed that if the program were to be implemented at full scale—targeting the most disadvantaged 20 percent of children in the county—GDP would be 1.2 percent higher and federal revenue would be \$136 billion greater 75 years from implementation.⁶⁶ A recent longitudinal study of an ECD program in Jamaica found that 20 years later, program participants had 25 percent higher earnings than peers who did not participate in the program.⁶⁷

As shown in Section 3, few programs are financed through SIBs that target the youngest population—of the 38 SIBs studied, four serve children during the early childhood years exclusively, two serve children from birth to teen years, 13 serve adults exclusively, and the remaining SIBs serve children over age four and young adults. Notably, one of the two preschool SIBs in the U.S. utilizes the Child Parent Center model discussed above. While, without a doubt, there are many beneficial preventive interventions for older populations, potential investors and outcome funders might also consider using SIBs to focus on preventive interventions for the youngest age ranges for which there is a higher rate of return on the investment.

Do impact bonds prioritize prevention?

Yes.

Is there room to grow?

Yes. It would be prudent to focus more on younger children to achieve larger societal benefits.



3. IMPACT BONDS REDUCE RISK FOR GOVERNMENT

The theory is fairly simple. Since outcome funders (government) pay for services only when outcomes are achieved, they are able to avoid several types of risk that they might otherwise be exposed to. These risks include budget management risk, or paying for services without getting the outcomes they hope to achieve; fiduciary risk, or paying for

perverse or bad outcomes; and execution risk, which is associated with scaling a known intervention. There are also risks associated with innovative approaches that have not been tested, as well as risks associated with taking promising pilot or small-scale programs to scale. Governments are typically reluctant to take these risks, which leads to limited innovation in public services funded through the traditional budget process. By shifting the risk to the investor and paying only when outcomes are attained, as is done in a SIB, public funds can become instruments for innovative solutions without the risk. In the end, advocates say, impact bonds ensure that taxpayers' money is spent on services that achieve intended objectives.⁶⁸

In a SIB structure, much of the risk associated with financing a social service is shifted from government to investors or guarantors. If outcomes aren't achieved, the government does not have to pay for the intervention. In a DIB, this can be the same, if the government joins a third-party entity as the outcome funder or if the government is completely outside of the transaction, in which case it assumes no risk. Though in a SIB risk is inherently shifted from government, it would be possible to analyze the magnitude of the risk of the programs through potential investor losses. However, because most of the SIBs are still in early stages, we have yet to observe the riskiness of these investments across all of the deals. In the SIB for criminal justice in New York City, the risk was indeed substantially reduced for government when targets were not met by the end of the third year of the SIB contract. In this case, the government did not have to pay for the provision of services.⁶⁹

A much more nuanced perspective on government risk should be considered. In some instances, it is possible that not all of the types of risks described above are removed from government. For example, governments have the risk that they will ultimately bear the costs for any unintended consequences for impact bond beneficiaries. This can occur if service providers are able to choose themselves which beneficiaries are the recipients

of the intervention, thereby “cherry-picking” the easy cases and denying services to those most in need. The most risky beneficiaries may then be left to those least equipped to address their needs, and the results can be costly. Another example is when investors have the possibility to terminate a contract prematurely, resulting in the “stranding” of needy populations. The short and potentially long-term costs of abandoning these individuals midway through an intervention could be very high and would be borne by government as the funder of last resort. This would particularly be true when governments are outsourcing social services. Interestingly, our surveys and interviews indicate that the transfer of risk isn't actually the primary driver for governments to get involved in SIBs. Some outcome funders in the study cited the possibility of circumventing rigid government budget silos and procurement processes and the ability to overcome politics, while most said that the opportunity to scale was the primary driving factor.

Do impact bonds reduce risk for government?

Yes. But not all risks are mitigated.

Is there room to grow?

Risk is likely to be reduced as long as solid due diligence is conducted before entering deals.



4. IMPACT BONDS SHIFT FOCUS TO OUTCOMES

One of the biggest claims made about impact bonds is that they encourage key stakeholders to focus on the achievement of social outcomes. The way impact bonds work is that outcomes are identified by the stakeholders, and the contract between them incentivizes the achievement of those outcomes by paying for success. The determination of outcomes depends on how the impact bond is structured—in the various models the outcomes that trigger payment can be determined jointly, by the intermediary, or by the outcome

funder. This differs greatly from the lion's share of social service financing and provision, which often doesn't consider how effective programs are in delivering outcomes. Even when they do look at performance, it is argued, it is usually related to outputs as opposed to outcomes. With this emphasis on outcomes comes not just a focus on what matters but also transparency in government procurement of service providers.⁷⁰

The concept of outcome-based financing is not new. In fact, it has been around in public financial management circles for a long time. In developed countries and even in some developing countries, as discussed in the introduction, performance-based contracts have been in contracting for public infrastructure projects for decades. In the development arena, we have seen in recent years an increasing interest among donors in results-based financing and output-based aid through such tools as Cash on Delivery (Center for Global Development) and results-based financing (RBF) and Program for Results Lending (P4R) (World Bank). These tools can differ from impact bonds in several ways. First, impact bonds provide upfront capital as opposed to delivering it when outcomes are achieved. Second, they bring private sector discipline into performance management and outcome achievement.

Overall we see that SIBs have led to a substantial shift in thinking around procurement and provision of social services among government and service providers in the deals that we surveyed. For example, one stakeholder involved in the SIB for homelessness in Massachusetts stated that “there has been a complete shift to outcome-driven procurement in this sector.” Service providers are chosen based on their ability to deliver outcomes instead of based on platitudes. One government official in the United States said, “We are just tired of paying for programs that don't work, so this [impact bond] structure helps us get the outcomes that we want.” Service providers are incentivized to deliver outcomes since they face reputational risk if they do not. In some cases, though not the majority,

SIBs have resulted in more flexibility to do what works in service provision by allowing for course adjustment along the way. In our study, we found that the extent to which performance management and thereby course adjustment takes place actually varies a great deal (see discussion under claim 7), so the extent to which services are being delivered differently than they would have otherwise also varies.

Do impact bonds shift the focus to outcomes?

Yes.

Is there room to grow?

Yes.



5. IMPACT BONDS ACHIEVE SCALE

Another one of the most common claims about impact bonds is that they can help to achieve scale. The literature highlights that the majority of nongovernmental service providers operate at very small scale due to financial and capacity constraints. Impact bonds, it is said, can open up access to growth capital and allow these service providers to bring their services to a larger population, including different segments of the population or different geographical areas. The expectation among some impact bond promoters is that impact bonds can play a significant role in addressing some of the enormous social challenges faced globally today.

The term “scale” is a highly relative concept. The question is, scale with respect to what? Do the “impact bond-hypers” mean that impact bonds can really address the outside costs that would be associated with reaching every needy member of the population for a given preventive intervention? For malaria control in Africa alone, the estimated funding gap is \$3.6 billion.⁷¹ Delivering good-quality universal education from preschool through lower secondary levels in low- and lower-middle-income countries is estimated to have an average annual

The social impact bond is a promising new product within the impact investing sector, with potential to become a multibillion-dollar source of growth capital to fund effective social programs.

—Social Finance U.S., 2012

cost of \$239 billion per year between 2015 and 2030, with an estimated average annual financing gap of \$22 billion across the same period.⁷² Very few examples exist of truly reaching scale with social programs in developing country contexts. These include, for instance, two large government programs to address poverty and human development indicators: Oportunidades in Mexico and Bolsa Familia in Brazil, both of which have been successful in achieving their goals through their conditional cash transfers to poor families.⁷³

There is scale relative to the size of the target population, in scaling one intervention to other cities or places, and scale as in a large program. In a lot of the SIBs trying to reach the most vulnerable people, they seem to be reaching a fair size of their target population (Canada, Ohio, and Australia all have very targeted populations), and they wouldn't have been reached otherwise. In the U.K., the Innovation Fund, Fair Chance Fund, and the nationwide adoption deal are good examples of creating structures for scaling services.

A different take on the concept of scale could be that impact bonds can serve as catalysts to achieve scale in that they may encourage a government to take on the funding or service provision in the future. An alternative, perhaps more conservative, view of achieving scale is that impact bonds simply serve to expand services to a larger population than is currently being served. Finally, scale may mean something beyond numbers of people served—it could be related, for example, to putting in place the systemic infrastructure for supervision, training, monitoring, and evaluation.

An examination of the current SIB market shows that in the majority of the deals, the number of individuals reached is fairly small. Of the 38 SIBs, 25 of them serve populations equal to or less than 1,000 individuals. Of those SIBs on which public data exist, the smallest SIB, in Canada, serves 22 people, and the largest SIB targets approximately 9,000 individuals. Another way to examine the question of whether these programs are reaching any kind of scale in terms of reaching all of the needy population would be to look at the proportion of the needy population being served through a given program. In Utah, for example, the goal is to reach about 50 percent of the needy population in the school district with the preschool SIB,⁷⁴ while in Ohio, the focus is less on reaching scale and more on the innovation of combining services.

In developing country contexts with large-scale problems, both in terms of depth and breadth, it is likely that to have any substantial impact will require something larger than an individual impact bond transaction. The fund model may be a promising way to achieve this. Nevertheless, the challenge will be finding sufficient capacity to provide services to such large populations.

Do impact bonds achieve scale?
In absolute terms, no. In relative terms (specific target populations), somewhat.

Is there room to grow?
Possibly through impact bond funds.



6. IMPACT BONDS FOSTER INNOVATION IN DELIVERY

Impact bonds are also said to have the ability to foster innovation in the delivery of social services—something that governments are often unwilling or unable to do because of funding or political constraints. We have seen innovation in delivery to refer to two related but slightly different concepts in the literature on impact bonds. The first is the introduction of a new way to provide

services from the start of an intervention. The second is the ability to innovate or adapt along the way. The latter we will discuss in more detail in the following section on performance management.

While the term “innovation” is defined as something new and different, how innovative something is relates very much to the context in which it is being introduced. In the context of innovation in service delivery, a broader definition of innovation should include a range of options such that an intervention could be considered innovative if it has never been implemented:

- at all
- with a given population
- in a particular service delivery setting
- by a particular service provider
- in a given geographical area
- in combination with other interventions
- some or all of the above

In our landscaping exercise, none of the 38 SIBs falls into the first category of never having being implemented. There is not a single intervention that has never been used before this SIB transaction. We suspect that this relates closely to the risk appetite of investors linking to the third impact bond criteria mentioned in Section 2: There must be evidence of success in achieving outcomes. There may be investors out there who have a large appetite for risk and would be willing to invest in an intervention for which there is very little or no evidence, but in the existing SIBs this was not the case. Other instruments, such as innovation challenges, are likely to be better suited for this purpose.

Nevertheless, quite a few interventions are innovative in that they are being delivered in new and different settings, by different service providers or in combination with other interventions. One example of an intervention that was innovative in multiple aspects is the Rikers Island SIB for reducing prison recidivism in New York. Here, a previously utilized and proven therapy is being used with a younger population than ever before, and it is being

delivered within prison walls, which also had not been done before. In this case the impact bond is heavily backstopped by philanthropic capital. In the Portuguese SIB, an information technology system developed and tested in the United States is being used among young children to help them develop critical thinking skills. In this case, there was a great deal of support from government to focus on innovation, the investment amount was small, and it was backed by philanthropic funding. Other examples of innovation include using new combinations of interventions such as in Cuyahoga County, Ohio, where the aim to reunite children in foster care with their biological parents who were experiencing homelessness required multiple types of services. In the U.K., the Innovation Fund supported 10 initiatives that provided mentorship programs at scale.

At least so far, SIBs have not supported many highly innovative interventions but some have supported interventions that are being delivered in different ways or to different populations. As the market develops, it will be interesting to see the degree to which investors are willing to invest in completely innovative methods of addressing social challenges.

Do impact bonds foster innovation?

Mostly no, but to some extent yes, in that services have been provided in new combinations, to new populations, or in new settings.

Is there room to grow?

Maybe. There is greater scope for work in conjunction with innovation platforms to do the kinds of experimentation that we have seen rather than greenfield investments.



7. IMPACT BONDS DRIVE PERFORMANCE MANAGEMENT

Impact bonds are said to drive performance management, which in turn leads to the achievement

DIBs create a financial incentive to find the most effective and efficient ways of delivering the services and commodities that people need. Because interventions are financed by private investors, there is more flexibility than there would be under traditional public sector contracts to adapt interventions according to feedback loops and changing circumstances on the ground.

—Center for Global Development, 2013

of outcomes as discussed in claim 4. Performance management systems help to ensure that service providers are on track in delivering the necessary components of their intervention. While some providers have the ability to develop and follow performance management strategies in-house, many don't have the capacity or resources to do so. Governments and donor agencies generally do not have this capacity either. Furthermore, government-funded nonprofit service provision is often inflexible and leaves little room to adapt along the way. Impact bonds, it is argued, bring in private sector expertise in performance management and release nonprofits from the hold of rigid government contracts. This ability for adaptation, together with the pay-for-success contract, leads to the delivery of outcomes.

The extent to which performance management and in particular external private sector performance management is taking place in existing deals depends greatly on the type of SIB structure (managed, intermediated, or direct) and on the types of actors involved in the deal—primarily who played the role of performance management if there was any at all. We see a wide variation in the types of organizations that play this role, which also affects both fidelity to the model and the degree to which adaptation actually occurs in practice in these deals. In some deals there was an ideal combination of expertise in the intermediary

party in that the organization had both the finance and nonprofit sector expertise or even social sector-specific expertise. A good example of this was in the SIB in Massachusetts for young men and women in the juvenile justice system. The intermediary in this case happened to have one member of the team with deep knowledge of this sector. In combination with a very strong data management system within the service provider, this allowed for a great deal of flexibility, learning, and adaptation in the process. In other cases there appeared to be very little learning by doing and adaptation in service delivery. Few deals reported using data to make course adjustments along the way.

Do impact bonds drive performance management?

Yes, though it is not clear that much course adjustment is occurring.

Is there room to grow?

Yes. The use of real-time data course adjustment could be increased, which would have implications for outcome achievement and efficiency.



8. IMPACT BONDS STIMULATE COLLABORATION

Another common claim about the promise of impact bonds is their ability to stimulate collaboration across stakeholders. Some of the commentary focuses on the potential to foster cooperation across different types of players in the public and private spheres, while others highlight the possibility for impact bonds to break down silos and bring together players across different government agencies.⁷⁵ Another type of collaboration is across partisan lines where agreement on policy would otherwise be difficult or impossible. When collaboration takes place across agencies or stakeholders and alignment of interests to attain certain outcomes, there is an exchange of information and know-how that leads to increased efficiency and creative solutions.

They [social impact bonds] also provide the incentive for multiple government agencies to work together, capturing savings across agencies to fund investor repayment.

—Social Finance U.S., 2012

From our interviews it was clear that, across stakeholders, many were interested in the possibility of collaboration that SIBs could bring. For the majority of those surveyed, however, that wasn't the primary reason for engaging. Among outcome funders, 25 percent chose collaboration as their primary motivation for involvement in a SIB, while only about 7 or 8 percent of intermediaries and investors, and not a single service provider surveyed, found collaboration to be the most important reason for getting involved in a SIB. When asked about challenges in developing a SIB, collaboration and agreement on the terms of the transaction were notably among the biggest challenges faced.

Nevertheless, the general structure of the SIB clearly generates the necessity to work together to find areas of common ground and to come to agreement (albeit difficult at times) on the contract terms. A DIB can also generate collaboration, but if the government is not the outcome funder, a DIB will not necessarily promote collaboration between the public and private sectors.

Several actors mentioned the frequent communication that took place early on in the process and the importance of building trust. One notable example where collaboration occurred across agencies was in the SIB for unemployment in the Netherlands. One of the stakeholders noted, "Before having the SIB there was a very poor system of referral for young people on unemployment benefits ... now we have a data collection system across agencies which allows us to identify the individuals who need services." The private sector can bring a new perspective to the way social

services are delivered and the way government has been operating. Other examples of collaboration include investors engaging in activities that support the service beneficiaries. This happened in Canada, where, in a program aimed at keeping mothers with their children, the credit union Conexus provided financial education to the mothers.

A good example of collaboration across partisan lines was in the SIB for quality preschool education in Utah in the U.S. Ben McAdams, the mayor of Salt Lake County, said in an interview that "the initial supporters of the SIB structure [Democrats] were able to gain backing from Republicans who were sold by the fact that government would only have to use taxpayer funds to pay for the services if outcomes were achieved. In the end, the legislation, sponsored by Republicans, passed both the House and Senate with overwhelming bipartisan support."

Do impact bonds stimulate collaboration?

Yes. There are very good examples of this. It has also proven to be a big challenge.

Is there room to grow?

Yes. It will likely become easier to collaborate as more experience is gained in this area. However, new players may face some of the same challenges.



9. IMPACT BONDS BUILD CULTURE OF MONITORING AND EVALUATION

Although not discussed as often in the literature, impact bonds are also said to have the potential to bring about a culture of monitoring and evaluation among both nongovernment service providers and the government agencies involved in impact bond transactions. This cultural change in theory would be the result of a combination of the shift toward an outcomes focus, performance management, and the collaboration among multiple stakeholders. The demand for better data and the desire to be able to work across actors would force a change in the cur-

rent systems, which place little emphasis on monitoring and evaluation.

While still very early on in their development, we saw, in our examination of the existing SIBs, a great deal of potential for impact bonds to bring about a culture of monitoring and evaluation. In some cases this change had already begun as the SIB itself forced service providers and government agencies to collect and manage key data related to the outcomes of their beneficiary populations. In fact, in some cases stakeholders stated that the SIB had helped them to solve longstanding problems of data collection in the system. One service provider in particular noted that the motivation for getting involved was to be able to promote a system of monitoring and evaluation. For other stakeholders this was characterized as a difficult and intimidating process. They cited the need for financial and technical support to service providers, capacity building in government, and ensuring privacy of beneficiaries.

As with many of the claims about what a SIB can achieve, this claim is highly dependent on the individual actors involved. It does seem that there must be a champion for the cause who is willing to lead the charge, but the SIB can serve as a catalyst for deeper behavioral change within old institutions.

Do impact bonds build a culture of monitoring and evaluation?

It is too soon to say whether this has created a broad shift in systems across all of the deals, but there is some movement in this direction.

Is there room to grow?

Yes. This is an area with a lot of potential for growth.



10. IMPACT BONDS SUSTAIN IMPACT

Finally, impact bonds are said to lead to sustained impact. This can be interpreted in several ways. First, the impact bond itself can provide

multiyear contracting, which differs from the business-as-usual single-year contracting by allowing for more continuous and reliable services. This may lead to better and more sustainable outcome for the beneficiary population. Second, impact bonds can lead to sustained impact in that they provide a demonstration effect of the benefits of preventive services which can foster longer-term government commitment to this social challenge.⁷⁶ Finally, impact can be sustained as a result of impact bonds if they lead to a major shift in how governments view performance management, achievement of outcomes, and the development of monitoring and evaluation systems as discussed in the previous claims.

The arguments for why SIBs can lead to sustained impact are promising—for long-term impact to occur, there must be a shift in the focus of those that finance and deliver services toward outcome achievement. SIBs seem able to do this, at the very least for the interventions that they finance. The multiyear contracting in itself is one step in the right direction to ensure more consistent care over time. This also helps to protect the provision of social services from politically influenced ebbs and flows of funding. However, for this to have deeper systemic impact, monitoring and evaluation systems must also be put into place. It is too soon to know if impact bonds will have this effect or if they will be a passing fad and things will go back to business as usual after deals are complete. The development of multiple SIBs in some locations, legislation, and political action to support the SIB ecosystem and SIB funds is encouraging.











Do impact bonds sustain impact?

It is too soon to say, but the fact that most SIBs provide multi-year contracting does contribute to the achievement of longer-term impact

Is there room to grow?

Yes.

5.1 Summary of the Analysis of the 10 Common Claims about Impact Bonds

CLAIM	HOW ACCURATE?	ROOM TO GROW?
 1. Crowd-In Private Funding	Yes. This does not by definition mean, however, that this constitutes additional capital (though it is possible that it could).	Yes.
 2. Prioritize Prevention	Yes.	Yes. It would be prudent to focus more on younger children to achieve larger societal benefits.
 3. Reduce Risk for Government	Yes. But not all risks are mitigated.	Risk is likely to be reduced as solid due diligence is conducted before entering deals.
 4. Shift Focus to Outcomes	Yes.	Yes.
 5. Achieve Scale	In absolute terms, no. In relative terms (specific target populations), somewhat.	Possibly through impact bond funds.
 6. Foster Innovation in Delivery	Mostly no, but to some extent yes, in that services have been provided in new combinations, to new populations, or in new settings.	Maybe. There is greater scope for work in conjunction with innovation platforms to do the kinds of experimentation that we have seen rather than greenfield investments.
 7. Drive Performance Management	Yes, though it is not clear that much course adjustment is occurring.	Yes. The use of real-time data course adjustment could be increased, which would have implications for outcome achievement and efficiency.
 8. Stimulate Collaboration	Yes. There are very good examples of this. It has also proven to be a big challenge.	Yes. It will likely become easier to collaborate as more experience is gained in this area. However, new players may face some of the same challenges.
 9. Build a Culture of Monitoring and Evaluation	It is too soon to say whether this has created a broad shift in systems across all of the deals, but there is some movement in this direction.	Yes. This is an area with a lot of potential for growth.
 10. Sustain Impact	It is too soon to say, but the fact that most SIBs provide multiyear contracting does contribute to the achievement of longer-term impact.	Yes.

6. CONCLUSIONS AND FUTURE OF SIB/DIB MARKET

While we have seen considerable progress over the past decade in some indicators of well-being, the gravity of the social challenges the world continues to face today requires serious consideration of innovative ways to finance and deliver services more efficiently and cost-effectively. Some key contributions in recent years have forced those of us working on addressing these challenges to think differently. First, there has been greater emphasis on evidence as a basis for financing, which has led to a movement to evaluate program impact in both the developed and the developing worlds. As part of that movement, we have observed the consequences of such evaluations for both cost-effectiveness and sustainability of service provision.⁷⁷ Second, there has been a greater focus on value for money, leading to the use of performance-based financing and output-based aid programs in both developed countries and by development finance institutions globally. There has been recognition that the private sector can complement the public sector in both financing and delivery of social services. This has resulted in an explosion in the participation of the private sector in financing and driving outcomes through, for example, public-private partnership models. Third, increased appetite for achieving double bottom line returns has led to a growth in impact investing globally.

Impact bonds bring together elements of these various strains of thinking and policy action into one instrument. Over the past five years, since the first SIB was implemented, an exponential growth

in the number of deals has occurred in the developed world. While we are still in the very early stages of this market with much remaining to see and learn, our examination of the 38 existing deals provides grounds for cautious optimism.

Our main findings:

So far, SIBs have focused on a handful of sectors and problems with certain characteristics.

To start, they have focused on areas where the government is already contracting out to nongovernmental agencies to deliver services such as programs that provide job and life skills training. Second, they have focused on areas where service inputs are fairly complex but outcomes are simple to measure, such as homelessness, foster care, and prison recidivism. Third, they have mostly focused on areas that aren't core services under government responsibility such as primary education.

Impact bonds have the potential to contribute to the improvement of social service delivery though thus far the deals have been complex and time- and expertise-intensive.

Deal development has proven to be challenging due to the steep learning curve of this new form of collaboration involving many different types of players and the complexity of multiyear contracts and legal constraints. The need to determine outcome metrics and conduct complex budget analytics and calculate the costs and benefits of interventions adds to the difficulties in putting a deal together.

There is an enormous variation in the deals with respect to the structure, mechanics, and stakeholder roles, which is one reason for optimism in that this demonstrates a great deal of flexibility in how a deal can be structured. Impact bonds have been designed as one of two models—either as an individual transaction focusing on a given intervention or as a fund aiming to achieve a set of outcomes across potentially multiple service providers. Second, impact bonds have followed one of three structures, which are dictated by who plays the important roles of managing the deal, contracting, and performance management. This flexibility in role designation allows a variety of entities to play different roles depending upon their area of expertise and local conditions. Finally, depending on whether a government wishes or is able to engage, impact bonds can take the form of a SIB, where the government is the outcome funder, or a DIB where a third party takes on the role of outcome funder. While only one DIB is contracted to date (though it was not contracted before our study cutoff date), a number of others are in development. This variation in the structure may allow for the initial introduction of this financing model to systems that are not quite ready or able to enter into contracts between government and private partners in this manner.

Across the 38 SIBS we studied, four factors came out as key to getting a deal together: measurable outcomes; evidence of intervention impact; government support; and dedication and collaboration of the stakeholders. However, across these factors there was some variation in the importance of each one. In the majority of the deals, there was administrative data or a system set up for data collection related to intervention impact. In every deal, either outcomes or outputs related to service delivery were identified. In many there was evidence that particular service providers had the capacity to deliver those services and achieve the outcomes in question. There was quite some variation, however, in the robustness of that evidence, and this depended to some extent on the risk appetite of investors.

Government support was crucial in every deal as it would have been impossible to execute without that support. Finally, because these deals take a great amount of time and effort to develop, the stakeholders overwhelmingly highlighted the importance of all of the actors' willingness to put in the necessary time and effort. This included the expertise and work of intermediaries in the process but with some variation by deal as there was a different mix of individuals in each. It also required philanthropic support for the time and effort spent on developing the deals.

Rigorous (experimental or quasi-experimental) evaluations of the interventions in SIB deals were not always necessary for measuring impact and determining repayment. In our examination of the 38 deals, 28 of the deals use validated administrative data, six use historical comparison data, and eight use quasi-experimental and experimental methodologies (four each).⁷⁸ Many of the deals (primarily the impact bond funds in the U.K.) have outputs rather than outcomes as their payment triggers. The choice of evaluation type was dictated in part by the intervention itself and in part by the desire of the investors and outcome funders to have evidence as to the causality of the outcomes.

In our examination of 10 claims about the potential of impact bonds five years into their development, we find that many of these claims do indeed hold true though they almost all deserve more nuanced analysis than the literature has provided to date. Five of the 10 claims in particular capture what we identify as the most promising potential for impact bonds. The most important claim is that impact bonds lead to a shift in focus to outcomes. We find that the existing SIBs have truly transformed the conversation among participating government stakeholders about procurement of social services and the transparency and accountability that go along with that. In essence, instead of paying for services, government pays for outcomes. At the same time, SIBs push service providers to deliver on

these outcomes. A second very important and related claim is that impact bonds drive performance management. Bringing private sector mentality into the provision of services (which often means getting government bureaucracies out) can lead to more efficient and effective delivery of social services. This has been mainly seen through the push toward outcome achievement and fidelity to the service delivery model and less in terms of adaptation of service provision along the way. Third, in the existing deals, this mechanism has held up to the claim that it stimulates collaboration. Fourth, if larger systematic change, such as development of strong monitoring and evaluation systems, continues to happen with impact bond deals, that in itself would be an enormous contribution toward improving many people's lives. Finally, impact bonds can shift the focus of government away from curative or remedial services and toward preventive services. This could have huge economic implications for government and society.

The existing individual impact bond deals are not achieving substantial scale in absolute terms, but impact bond funds can achieve greater scale. Of the 38 deals, 25 serve populations equal to or less than 1,000 individuals. The Innovation Fund in the U.K., which brings together multiple investors to jointly support a set of outcomes to be provided through many service providers in 10 deals, serves more than 16,000 individuals. The other impact bond fund in the U.K. is not as large in scale—it serves about 1,600 beneficiaries. Many of the deals had very specific target populations, so in relative terms the programs were serving an important part of that target population in a given setting.

Prospects are bright for the development of more impact bonds (or some derivative of them) worldwide, though this will take substantial effort on the part of many stakeholders. The challenges are likely to be much larger in developing country contexts. Given the complexity of deal development, the evidence and outcome identification necessary to even begin to

develop a deal, and the willingness of outcome funders to enter into these contracts, the continued development of impact bonds will take substantial effort on the part of many different parties. First, support from philanthropy will continue to be crucial to the field; these contributions have played a key role in the building of the impact bond ecosystem to date. For example, they can help by funding the collection of data and evidence necessary to start the conversations about outcome-based financing with outcome funders. Second, legislation and policy action on the part of government will also be important in the future development of the market. Third, technical assistance or advising governments will be very important to help ensure that the needs of beneficiary populations are taken into account and that the costs and benefits make sense. This will be even more important as new sectors are explored for deal development. Finally, expertise will be crucial in the areas of financial modeling, contracting, and performance management and in conducting due diligence of nonprofits.

It is very likely that the impact bond model development process, structure, and application will continue to be adapted in the future. Thus far we have seen SIBs developed in fields with a complex set of inputs but with simple outcomes. It is likely that there will be more impact bonds developed in these same types of sectors but that future impact bonds will come to include, for example, a wider range of interventions in early childhood development (maternal and child health, parenting, and child welfare), health (in particular preventive care), housing, and water and sanitation. The types of interventions within these sectors that are most probable include services that cater to particularly underserved or marginalized populations as well as to ones that provide improvements in the margin to existing services such as in quality improvements when access is not an issue. Impact bonds could also be used more experimentally where investors are interested, for instance, in testing innovative ideas for service provision or outcome funders would like to test which interventions or service

providers deliver services most effectively. While risky, these propositions could represent high future value for both investors and outcome funders.

Can impact bonds tackle some of the large-scale social issues facing the world today, in particular in developing country contexts? This seems unlikely given the outsize sums of private capital that would be required to fund these services, the availability and capacity of service providers to provide at large scale, and the availability of funds on the outcome funder side to make payments to investors if outcomes are achieved. One way to address some of these issues, as mentioned above, is through the impact bond funds. In developing country contexts, such funds could be supported by multiple large donor agencies, for example, but the problem of capacity may remain. At the same time, enormous scale may not be the purpose of impact bonds. If smaller deals are able to shift how governments and service providers think about service provision and if outcomes become the main focus, this could have important ripple effects on service delivery more broadly. For this reason we feel that it is important that government be part of the conversation in the transactions. DIBs, with third-party outcome funders, may

be easier to get off the ground and may provide an important demonstration effect, though their impact might not be as sustained as under a SIB. This argument will be familiar to those who worry about government ownership of aid programs.

As the impact bond market grows, we expect that some of the challenges faced in the first five years of deal development will be reduced. The main challenge will be the complexity of the deal and the time and costs of development. Already, stakeholders are beginning to think creatively about how to go about this. As discussed above, this will require the contribution of all involved, and it will take some creative thinking and collective effort.

To move forward there must be increased transparency and knowledge sharing. The development of communities of practice, workshops, conferences, and easily accessible online content can foster this movement. More research about how this very nascent field develops will be critical to capture lessons learned, contextualize them within the bigger picture of social sector financing and service provision, and apply them to real-world problems with the populations in need at the center of the discussion.

APPENDIX 1. RESEARCH METHODOLOGY AND STUDY PARTICIPANTS

The research for this study consisted of three components. The first component was a comprehensive review of the literature on impact bonds, including reports, working papers, white papers, articles, blog posts, and opinion editorials. A more shallow review of the broader impact investing literature was also conducted. The second component comprised a series of unstructured interviews with key players in the impact bond arena, including academics, foundations, investors, and intermediaries. The third consisted of structured interviews that were conducted via a survey completed online (using the survey platform Qualtrics), in person, or over the telephone that targeted one representative of each of the key stakeholders (investors, intermediaries, service providers, outcome funders) in each of the 38 social impact bonds included in the study. In some cases, multiple individuals from the same organization were consulted. The individuals who provided the information in these interviews and surveys have all given written authorization for publication of their responses. In addition, we held five private events on impact bonds from which we gathered ideas and viewpoints from a variety of stakeholders. All of the contributors to the study and panelists from the events who gave authorization for the inclusion of their name are listed below.

U.K.

- Liz Armstrong, Chief Executive Officer U.K., Advanced Personnel Management
- Vicki Brown, Social Investment Lead, U.K. Department for Work and Pensions
- Toby Eccles, Development Director, Social Finance U.K.
- Michelle Farrell-Bell, North West Regional Director, Teens and Toddlers
- Peter Gilson, Investment Manager, Northstar Ventures
- Paul Hargreaves, Operational Director, Social

Investment, Action for Children

- Chin Hoong Sin, Director, Office for Public Management Ltd.
- Nigel Jackson, Employment and Skills Manager, Nottingham City Council
- Dave McCloskey, Senior Delivery Manager, 3SC
- Kevin Munday, Investment Director, Impetus Private Equity Foundation
- Jane Newman, International Director, Social Finance U.K.
- Peter Nicholas, Director, Social Finance U.K.
- Pedro Sampaio, Investment Team, Impetus Private Equity Foundation
- Louise Savell, Director, Social Finance U.K.
- Jan Tomlinson, Enterprise Director, Tomorrow's People Trust
- Anonymous, Numbers4Good
- Anonymous, Numbers4Good
- Anonymous, Social Finance U.K.
- Anonymous, Social Finance U.K.

North America

- Sam Aigner-Treworgy, National Policy Manager for School Districts, Ounce of Prevention Fund
- Molly Baldwin, Founder and CEO, Roca Inc.
- Brad Cauthen, The Osborne Association
- Danielle Cerny, Social Innovation Finance Manager, Massachusetts Executive Office for Administration and Finance
- Cathy Clark, Director, Case i3 Initiative on Impact Investing, Duke University
- Jacques de Corby, Executive Vice President, Marketing and Communications, Conexus Credit Union
- Gerald Croan, Senior Fellow, Third Sector Capital Partners

- Janis Dubno, Early Childhood and Education Senior Policy Analyst, Voices for Utah Children
- Lili Elkins, Chief Strategy Officer, Roca Inc.
- Jamie Etkind, Analyst, Goldman Sachs
- Andrew Feldman, Special Advisor for Evidence-Based Policy and Programs, U.S. Department of Education
- Joe Finn, President and Executive Director, Massachusetts Housing and Shelter Alliance
- Megan Golden, Senior Fellow, Institute for Child Success
- Brenda van Gorder, Director of Preschool Services, Granite School District
- David Gorleku, Associate, Goldman Sachs
- Susan Gottesfeld, Associate Executive Director, The Osborne Association
- John Grossman, Co-President and General Counsel, Third Sector Capital Partners
- Jeff Hayward, Chief of External Affairs, United Way of Massachusetts Bay and Merrimack Valley
- Kippy Joseph, Associate Director, The Rockefeller Foundation
- Ashish Karamchandani, Executive Director, Monitor Deloitte India
- Michelle Kirby, Alum of Case3 Initiative on Impact Investing, Duke University
- Jeff Liebman, Malcolm Wiener Professor of Public Policy, Harvard University
- Beth Mascitti-Miller, Chief Officer of Early Childhood Education, Chicago Public Schools
- Ben McAdams, Mayor of Salt Lake County, Utah
- Don Meikle, Acting Executive Director, EGADZ Downtown Youth Center
- Ryan Moser, Managing Director, Eastern Region, Corporation for Supportive Housing
- Tracy Palandjian, Chief Executive Officer and Co-Founder, Social Finance U.S.
- Andrea Philips, Vice President, Goldman Sachs
- Mike Puma, President, Chesapeake Research Associates, LLC
- Caitlin Reimers Brumme, Director, Social Finance U.S.
- Clint Repski, Assistant Deputy Minister, Ministry of Education, Saskatchewan
- Timothy Rudd, Research Associate, MDRC
- Joe Schmidt, Director of Strategic Initiatives, IFF
- Jeff Schoenberg, Advisor, The J.B. and M.K. Pritzker Family Foundation
- Liya Shuster, Senior Associate, Third Sector Capital Partners
- Joe Waters, Vice President, Institute for Child Success

Australia

- Rosemary Addis, Co-Founder and Chair, Impact Investing Australia
- Sally Cowling, Manager, Research and Program Development, UnitingCare Burnside
- Nick Harrington, Associate, Impact Investing, Social Ventures Australia
- Craig Parker, Executive Director, Head of Structured and Asset Finance, Westpac Institutional Bank
- Elyse Sainty, Director, Impact Investing, Social Ventures Australia
- Emma Tomkinson, Delivering the Promise
- Kirrin Winning, Manager, Office of Social Impact Investment, New South Wales Treasury

Continental Europe

- Eric Buckens, Manager Social Impact Fund, ABN AMRO
- Pierre-Louis Christiane, Investment Analyst, Kois Invest
- Joana Cruz Ferreira, Analyst, Laboratório Investimento Social
- Maurice Fransen, Senior Manager, Public Sector, Deloitte
- Ruben Koekoek, Innovation Manager, ABN AMRO
- Leo Van Loon, Director, Buzinezzclub

- Antonio Miguel, Director, Laboratório Investimento Social
- Niklas Ruf, Project Manager, Juvat
- Ralph de Ruijter, Investment Manager, Start Foundation
- Bjorn Vennema, former Associate, ABN AMRO
- Tjalling de Vries, Program Manager Social Impact Bonds, Municipality of Rotterdam

Other


- Paul Atherton, Education Economist, U.K. Department for International Development
- Michael Belinsky, Co-Founder, Instiglio
- Caroline Bressan, Principal, D. Capital Partners
- Gib Bulloch, Founder and Executive Director, Accenture Development Partnerships
- Phyllis Costanza, Chief Executive Officer, UBS Optimus Foundation
- Michael Eddy, Co-Founder and Partner, Instiglio
- Drew von Glahn, Innovative Finance, World Bank
- Avnish Gungadurdoss, Co-Founder and Managing Partner, Instiglio
- Susannah Hares, International Director, Absolute Return to Kids
- Nonni Hlongwane, Principal, Omidyar Network

- Robin Horn, Director, Education, Children's Investment Fund Foundation
- Zachary Levey, Senior Associate, Multilateral Investment Fund, Inter-American Development Bank
- Aunnie Patton, Innovative Finance Lead, Bertha Centre for Social Innovation and Entrepreneurship
- Liesbet Peeters, Founding Partner, D. Capital Partners
- Ferdinando Regalia, Social Protection and Health Division Chief, Inter-American Development Bank
- Faith Rose, Manager, Education Sector Team, Children's Investment Fund Foundation
- Mirjam Schöning, Global Head, Programs and Partnerships, LEGO Foundation
- John Simon, Founding Partner, Total Impact Capital
- Sara Taylor, Investment Executive, CDC Group
- Humphrey Wattanga, Senior Partner, Afcorp Investments
- Susan de Witt, Innovative Finance Programme Coordinator, Bertha Centre for Social Innovation and Entrepreneurship
- Arthur Wood, Founding Partner, Total Impact Capital
- Maya Ziswiler, Program Director, Education, UBS Optimus Foundation

Anonymous: 17

APPENDIX 2. EXISTING SOCIAL IMPACT BOND SUMMARY SHEETS

Fact Sheet Key

SIB FUND NAME	Included for the 17 SIBs in two SIB Funds (Innovation Fund and Fair Chance Fund)			 Sector symbol (Social Welfare, Criminal Justice, Education, or Employment)
SIB NAME	The name of the SIB used by the involved parties. Pay for Success is the term used for SIBs in the U.S. and Social Benefit Bond is the term used in Australia for a SIB.			
LOCATION	City, State/Region, Nation (in the case of the U.K.)	COUNTRY	Country	
START DATE (DATE OF CONTRACT SIGNING)	Date of principal contract signing (there are many contracts)	CONTRACT DURATION	Duration of the contract with the outcome funder, not necessarily equivalent to the duration of service provision.	
SOCIAL ISSUE	Broad definition of the social issue the intervention addresses within the target population			
TARGET POPULATION	Number of beneficiaries and qualifications for the program. The beneficiaries may all participate over the entire course of the program or participate for shorter periods staggered throughout the project duration.			
INTERVENTION	A description of the intervention. For the 8 programs working with children in or at risk of entering state out-of-home care, there are a few definitions worth noting. Out-of-home care applies to all care provided through the state due to an unsafe family environment for the child or a parent voluntarily surrendering their child. Residential care and foster care are two types of out-of-home care.			
SERVICE PROVIDER	The Service Provider provides the intervention.	OUTCOME FUNDER	The Outcome Funder provides outcome payments based on the metric below. The Outcome Funder is also referred to as the commissioner. The structure of outcome funds vary across deals: in some cases it is provided up front, in others it is in escrow, and in others it is appropriated.	
INTERMEDIARY (ROLES IN PARENTHESES)	The Intermediary is any actor the deal participants view as an Intermediary. Generally this is any party that facilitates activities between the other parties. The roles played by this actor are specified in parentheses. In addition, a Special Purpose Vehicles (SPV) is often established as a conduit for funds between parties; these are noted here.	TECHNICAL ASSISTANCE PROVIDER	The Technical Assistance Provider is any actor the deal participants view as a Technical Assistance Provider. The type of support is specified. Many of the other parties also provide technical assistance and this category often overlaps with the intermediary category.	

UPFRONT CAPITAL COMMITMENT (USDM)*	This is a sum of Non-Recoverable Grants, Recoverable Grants and Investment Guarantees, Senior Investment and Subordinate Investment. This number is not comparable across deals as some deals recycle outcome payments year to year to fund service provision. The costs covered by this investment and the draw-down schedules also differ across deals.		NON-RECOVERABLE GRANTS	These are grants or commitments provided by non-Outcome Funder actors to fund the intervention, which the grantor has no opportunity to recover or recycle. The grants included are not perfectly comparable across deals as the interventions may benefit from different forms of support from other government programs or organizations. Pro bono legal, intermediary and technical assistance services have not been included here, though they have been included as a form of subordinate investment if fees were deferred and the provider stands to earn success payments.
	Senior Investors	Subordinate Investors	Recoverable Grants and Investment Guarantees	
INVESTOR NAME	Investors with the highest priority for repayment	This category is added in 7 deals. Investors with a lower repayment priority than senior investors	This category is added in 4 deals. Recoverable Grants include grants that stay with the intermediary and are recycled into future programming. Investment Guarantees include first loss guarantees that are paid to investors in outcomes are not achieved and are recycled into future programs if not used.	
INVESTMENT (USDM)*	Provided in millions of U.S. dollars. Local currency in parentheses.			
MAXIMUM POTENTIAL LOSS (% OF PRINCIPAL)	Percentage of principal that investors stand to lose in a worst case scenario			
OUTCOME METRIC	The outcome metric used to determine payments from the outcome funder.			
OUTCOME EVALUATION METHOD [EVALUATOR IN BRACKETS]	The methods include Validated administrative data (no comparison used), Historical comparison, Quasi-experimental (matched control group), and Randomized Control Trial (RCT). Validated administrative data may be used in any of the other three evaluations. Other parallel evaluations or process evaluations are noted here.			
PAYMENT SCHEDULE	The number and frequency of payments from the outcome funder to the intermediary, SPV, or service provider and the number and frequency of payments to investors, if different.			
THRESHOLD FOR PAYMENTS FROM THE OUTCOME FUNDER	This is a threshold in the metric that must be met for payments from the outcome funder to begin. This applies to payments to the investor where specified. If a portion of the investors' principal is protected, there is no threshold for them to receive this payment.			
PAYMENTS BEYOND THRESHOLD	This describes the determinants and values of payments from the outcome funder and payments to the investors beyond the threshold specified above.			
MAXIMUM RETURN	Average annual return, Internal Rate of Return (IRR) or maximum payments from the outcome funder.			

*Using exchange rate from month of contract signing
Columns are joined where information is the same




Active SIBs as of March 1, 2015

PROGRAM NAME	SECTOR	COUNTRY	YEAR OF CONTRACT SIGNING	PAGE
ONE Service	Criminal Justice	United Kingdom	2010	58
Triodos New Horizons	Employment	United Kingdom	2012	60
ThinkForward	Employment	United Kingdom	2012	62
Links 4 Life Programme	Employment	United Kingdom	2012	64
Advance Programme	Employment	United Kingdom	2012	66
Nottingham Futures	Employment	United Kingdom	2012	68
Living Balance	Employment	United Kingdom	2012	70
T&T Innovation	Employment	United Kingdom	2012	72
3SC Capitalise Programme	Employment	United Kingdom	2012	74
Energise Innovation	Employment	United Kingdom	2012	76
Prevista	Employment	United Kingdom	2012	78
Street Impact	Social Welfare	United Kingdom	2012	80
Thames Reach Ace	Social Welfare	United Kingdom	2012	82
Essex Family Therapy	Social Welfare	United Kingdom	2012	84
It's All About Me (IAAM)	Social Welfare	United Kingdom	2013	86
Local Solutions	Social Welfare	United Kingdom	2014	88
Your Chance	Social Welfare	United Kingdom	2014	90
Home Group	Social Welfare	United Kingdom	2014	92
Fusion Housing	Social Welfare	United Kingdom	2014	94
Ambition East Midlands	Social Welfare	United Kingdom	2014	96
Aspire Gloucestershire	Social Welfare	United Kingdom	2014	98
Rewriting Futures	Social Welfare	United Kingdom	2014	100
Manchester City Council Vulnerable Children	Social Welfare	United Kingdom	2014	102
Outcomes for Children Birmingham	Social Welfare	United Kingdom	2014	104
NYC ABLE Project for Incarcerated Youth	Criminal Justice	United States	2013	106
Utah High Quality Preschool Program	Education	United States	2013	108
Increasing Employment and Improving Public Safety	Criminal Justice	United States	2013	110
Juvenile Justice Pay for Success Initiative	Criminal Justice	United States	2014	112
Child-Parent Center Pay for Success Initiative	Education	United States	2014	114
Partnering for Family Success Program	Social Welfare	United States	2014	115
Chronic Individual Homelessness Pay for Success Initiative	Social Welfare	United States	2014	117
Newpin Social Benefit Bond	Social Welfare	Australia	2013	119
Benevolent Society Social Benefit Bond	Social Welfare	Australia	2013	121
Social Impact Bond Rotterdam	Employment	The Netherlands	2013	123
Eleven Augsburg	Employment	Germany	2013	124
Duo for a Job	Employment	Belgium	2014	125
Sweet Dreams Supported Living Project	Social Welfare	Canada	2014	126
Junior Code Academy	Education	Portugal	2015	128

Source: Authors' research.


U.K. SIB Fact Sheets

SIB FUND NAME	Innovation Fund (Round 1)			
SIB NAME	ONE Service			
LOCATION	Peterborough, East of England	COUNTRY	United Kingdom	
START DATE (date of contract signing)	March 2010	CONTRACT DURATION**	96 months	
SOCIAL ISSUE	Prison recidivism			
TARGET POPULATION	3,000 short-term (sentences of less than 12 months) male prisoners aged 18 and older released from Peterborough Prison.			
INTERVENTION	A package of intensive support services (called ONE Service) including housing assistance, drug and alcohol treatment, employment assistance, parenting assistance, and mental health support.			
SERVICE PROVIDER	Services are organized by the special-purpose entity ONE Service. Direct service providers are St. Giles Trust, Ormiston Children and Families Trust, SOVA, YMCA, Through the Gate Training CIC, Peterborough and Fenland Mind (Mind)	OUTCOME FUNDER	U.K. Ministry of Justice and the Big Lottery Fund	
INTERMEDIARY (roles in parentheses)	Social Finance UK	TECHNICAL ASSISTANCE PROVIDER	N/A	
UPFRONT CAPITAL COMMITMENT (USDM)*	7.61	NON-RECOVERABLE GRANTS	N/A	
Senior Investors				
INVESTOR NAME	Barrow Cadbury Charitable Trust, Esmée Fairbairn Foundation, Friends Provident Foundation, the Henry Smith Charity, the Johansson Family Foundation, the Lankelly Chase Foundation, the Monument Trust, Panahpur Charitable Trust, the Paul Hamlyn Foundation and the Tudor Trust			
INVESTMENT (USDM)*	7.61 (£5 million) (total investment raised)			
MAXIMUM POTENTIAL LOSS (% of principal)	100%			
OUTCOME METRIC	Reduction in the re-offending rate compared to the average of a control group of matched offenders over the 12 months following release from the Peterborough Prison.			
OUTCOME EVALUATION METHOD [Evaluator in brackets]	"Quasi-experimental (matched control group) [QinetiQ and the University of Leicester were selected by the Ministry of Justice to evaluate Cohort 1]"			
PAYMENT SCHEDULE	There is a potential for payment from the outcome funder to the investors for each of the three cohorts. The timing of each payment is based on the length of each cohort and the evaluation process.			
THRESHOLD FOR PAYMENTS FROM THE OUTCOME FUNDER	Reduction in re-offending by 10% for any of the three cohorts of 1,000 ex-prisoners, or 7.5% across all 3,000.			

PAYMENTS BEYOND THRESHOLD	Payment is made per re-conviction event reduced, up to a cap.
MAXIMUM RETURN	Payments are capped at £8 million. This is equivalent to an annual IRR of approximately 13%.

*Using exchange rate from month of contract signing

**See section 3.7 of the study for a discussion of the reduction in duration of this SIB


SIB FUND NAME	Innovation Fund (Round 1)			
SIB NAME	Triodos New Horizons			
LOCATION	Greater Merseyside, North West England, England	COUNTRY	United Kingdom	
START DATE (date of contract signing)	April 2012	CONTRACT DURATION**	36 months	
SOCIAL ISSUE	Unemployment			
TARGET POPULATION	3,900 disadvantaged 14- to19-year-olds across Greater Merseyside			
INTERVENTION	Triodos' "New Horizons" program: coaches deliver structured "Mental Toughness" courses and specialized vocational support			
SERVICE PROVIDER	Greater Merseyside Connexions Partnership	OUTCOME FUNDER	U.K. Department for Work and Pensions Innovation Fund	
INTERMEDIARY (roles in parentheses)	Triodos Bank UK	TECHNICAL ASSISTANCE PROVIDER	N/A	
UPFRONT CAPITAL COMMITMENT (USDM)*	Approximately 2.4	NON-RECOVERABLE GRANTS	N/A	
	Senior Investors			
INVESTOR NAME	Bridges Ventures, ** Big Society Capital, The Esmee Fairbairn Foundation, Charities Aid Foundation, Knowsley Housing Trust, Helena Partnerships, Liverpool Mutual Homes and Wirral Partnership Homes			
INVESTMENT (USDM)*	Approximately 2.4 (Approximately £1.5 million)			
MAXIMUM POTENTIAL LOSS (% of principal)	100%			
OUTCOME METRIC	See payments below			
OUTCOME EVALUATION METHOD [Evaluator in brackets]	Validated administrative data [The Department for Work and Pensions is checking the outcomes data for payments.] The National Centre for Social Research and Insite Research and Consulting will conduct a qualitative evaluation of the program at the end of the contract.			
PAYMENT SCHEDULE	Up to 42 monthly payments made by outcome funder. Repayments to investors as and when approved by project leadership.			
THRESHOLD FOR PAYMENTS FROM THE OUTCOME FUNDER	Achievement of the metrics below			

<p>PAYMENTS BEYOND THRESHOLD</p>	<p>The Department for Work and Pensions pays for one or more outcomes per participant (with a cap of £8,200 per participant) which can be linked to improved employability. Each type of outcome can be claimed only once. Amounts shown in £ <i>are the maximum payments</i> established by commissioner, but bidders to the Innovation Fund were invited to bid to deliver the project for less than these maximum payments. The level of bid discount was factored into the bid scoring mechanism to decide which bidders were awarded contracts.</p> <p>Improvements at school:</p> <ul style="list-style-type: none"> • Improved behavior at school (£800): measured by a letter from a teacher with reference to the standards in Section 91 of the U.K. Education and Inspection Act 2006. • Stop persistent truancy (£1,300): confirmed by the school when persistent truancy stopped to the point where attendance levels have improved to that associated with the average student. <p>Qualifications:</p> <ul style="list-style-type: none"> • Achievement of First National Qualifications Framework (NQF) Level 1 qualification (£700): evidenced by letter of school or copy of certificate. • Achievement of NQF Level 2 qualification (£2,200): evidenced by letter of school or copy of certificate. • Achievement NQL Level 3 training/ vocational qualifications (£3,300): as previous • Entry into education at NQF level 4 [University] (£2,000): evidenced by letter from University. <p>Employment:</p> <ul style="list-style-type: none"> • Entry into first employment including a training element (£2,600): evidenced by letter from employer confirming the young person had worked 16 hours or more per week for a minimum 13 continuous or cumulative weeks. • Entry into sustained employment (£1,000): as previous, but minimum 26 continuous or cumulative weeks. <p>Outcome payments are initially recycled to continue service delivery, before being repaid to investors.</p>
<p>MAXIMUM RETURN</p>	<p>Each type of outcome can only be claimed once, and the total value of outcome payments claimable for support provided to an individual participant is limited to £8,200 for participants in Round 1 of the Innovation Fund.</p> <p>The maximum value of the contract (the maximum that the Department for Work and Pensions is willing to pay in outcome payments) is £4.5 million.</p> <p>The service provider may also receive a performance bonus, contingent on outcomes.</p>

*Using exchange rate from month of contract signing

**Bridges Ventures' Social Entrepreneurs Fund (participants not publicly available)


***The service delivery contract is for 36 months, the outcome payment contract is for 42 months

SIB FUND NAME	Innovation Fund (Round 1)			
SIB NAME	ThinkForward			
LOCATION	Tower Hamlets, Islington, and Hackney, Greater London, England	COUNTRY	United Kingdom	
START DATE (date of contract signing)	April 2012	CONTRACT DURATION**	36 months	
SOCIAL ISSUE	Unemployment			
TARGET POPULATION	1,050 vulnerable 14- to 18-years-old identified by the 11 participating schools in East London as being the 20% most at risk of becoming not in education, employment or training (NEET).			
INTERVENTION	ThinkForward program intervenes early to ensure that young people who are at risk of underperforming at school get the support they need to make a successful transition from school to higher education or sustained work. Think Forward placed ten coaches in ten schools, who coordinated a panel to identify at risk 14-year-olds (assessing referrals from the schools) and provide them with long-term, personalized support to build the employability skills and confidence so they can overcome challenges in and out school.			
SERVICE PROVIDER	Tomorrow's People	OUTCOME FUNDER	U.K. Department for Work and Pensions Innovation Fund	
INTERMEDIARY (roles in parentheses)	ThinkForward, a non-profit organization created by Impetus-Private Equity Foundation (Impetus-PEF) (structuring the SIB, raising funds, performance management, contract arrangements, and relationship management of investors, outcome funder, and service provider)	TECHNICAL ASSISTANCE PROVIDER	N/A	
UPFRONT CAPITAL COMMITMENT (USD)*	1.4	NON-RECOVERABLE GRANTS	N/A	
Senior Investors				
INVESTOR NAME	Big Society Capital and Impetus-PEF			
INVESTMENT (USD)*	1.4 (£0.45 million each investor)			
MAXIMUM POTENTIAL LOSS (% of principal)	100%			
OUTCOME METRIC	See payments below			
OUTCOME EVALUATION METHOD [Evaluator in brackets]	Validated administrative data [The Department for Work and Pensions is checking the outcomes data for payments.] The National Centre for Social Research and Insite Research and Consulting will conduct a qualitative evaluation of the program at the end of the contract.			
PAYMENT SCHEDULE	Up to 42 monthly payments made by outcome funder. Repayments to investors as and when approved by project leadership.			
THRESHOLD FOR PAYMENTS FROM THE OUTCOME FUNDER	Achievement of the metrics below			

<p>PAYMENTS BEYOND THRESHOLD</p>	<p>The Department for Work and Pensions pays for one or more outcomes per participant (with a cap of £8,200 per participant) which can be linked to improved employability. Each type of outcome can be claimed only once. Amounts shown in £ <i>are the maximum payments</i> established by commissioner, but bidders to the Innovation Fund were invited to bid to deliver the project for less than these maximum payments. The level of bid discount was factored into the bid scoring mechanism to decide which bidders were awarded contracts.</p> <p>Improvements at school:</p> <ul style="list-style-type: none"> • Improved behavior at school (£800): measured by a letter from a teacher with reference to the standards in Section 91 of the U.K. Education and Inspection Act 2006. • Stop persistent truancy (£1,300): confirmed by the school when persistent truancy stopped to the point where attendance levels have improved to that associated with the average student. <p>Qualifications:</p> <ul style="list-style-type: none"> • Achievement of First National Qualifications Framework (NQF) Level 1 qualification (£700): evidenced by letter of school or copy of certificate. • Achievement of NQF Level 2 qualification (£2,200): evidenced by letter of school or copy of certificate. • Achievement NQL Level 3 training/ vocational qualifications (£3,300): as previous • Entry into education at NQF level 4 [University] (£2000): evidenced by letter from University. <p>Employment:</p> <ul style="list-style-type: none"> • Entry into first employment including a training element (£2,600): evidenced by letter from employer confirming the young person had worked 16 hours or more per week for a minimum 13 continuous or cumulative weeks. • Entry into sustained employment (£1,000): as previous, but minimum 26 continuous or cumulative weeks. <p>Outcome payments are initially recycled to continue service delivery, before being repaid to investors.</p>
<p>MAXIMUM RETURN</p>	<p>Each type of outcome can only be claimed once, and the total value of outcome payments claimable for support provided to an individual participant is limited to £8,200 for participants in Round 1 of the Innovation Fund.</p> <p>The maximum value of the contract (the maximum that the Department for Work and Pensions is willing to pay in outcome payments) is £3.17 million.</p>

*Using exchange rate from month of contract signing

**The service delivery contract is for 36 months, the outcome payment contract is for 42 months


SIB FUND NAME	Innovation Fund (Round 1)			
SIB NAME	Links 4 Life Programme			
LOCATION	Stratford, Canning Town, Royal Docks and Cathall, Greater London, England	COUNTRY	United Kingdom	
START DATE (date of contract signing)	April 2012	CONTRACT DURATION ***	36 months	
SOCIAL ISSUE	Unemployment			
TARGET POPULATION	740 disadvantaged 14- to 19-year-olds in east London identified by a range of referral organizations (e.g., schools, JCP, YOTs, Newham leaving care team, East Thames Foyer projects) as not in education, employment or training (NEET) or pre-NEET.			
INTERVENTION	Links4Life program, which offers one-on-one mentoring in school work, mental health, substance abuse, family issues, housing, and legal offenses. Each young person will have a key relationship with one of 6 full time link workers, assigned to them on the basis of the most appropriate support identified. The link workers will be experienced youth workers with an individual specialism (drug/substance abuse, mental health, housing, family support, educational welfare and youth justice). Once a person is in EET, their link worker will provide an aftercare service for up to one year and on-going support to help sustain their successful transition.			
SERVICE PROVIDER	Community Links	OUTCOME FUNDER	U.K. Department for Work and Pensions Innovation Fund	
INTERMEDIARY (roles in parentheses)	Stratford Development Partnership	TECHNICAL ASSISTANCE PROVIDER	N/A	
UPFRONT CAPITAL COMMITMENT (USDM)*	0.444	NON-RECOVERABLE GRANTS	N/A	
	Senior Investors			
INVESTOR NAME	Bridge Ventures**, Stratford Development Partnerships N/A			
INVESTMENT (USDM)*	0.444 (£0.37 million)			
MAXIMUM POTENTIAL LOSS (% of principal)	100%			
OUTCOME METRIC	See payments below			
OUTCOME EVALUATION METHOD [Evaluator in brackets]	Validated administrative data [The Department for Work and Pensions is checking the outcomes data for payments.] The National Centre for Social Research and Insite Research and Consulting will conduct a qualitative evaluation of the program at the end of the contract.			
PAYMENT SCHEDULE	Up to 42 monthly payments made by outcome funder. Repayments to investors as and when approved by project leadership.			
THRESHOLD FOR PAYMENTS FROM THE OUTCOME FUNDER	Achievement of the metrics below			

<p>PAYMENTS BEYOND THRESHOLD</p>	<p>The Department for Work and Pensions pays for one or more outcomes per participant (with a cap of £8,200 per participant) which can be linked to improved employability. Each type of outcome can be claimed only once. Amounts shown in £ <i>are the maximum payments</i> established by commissioner, but bidders to the Innovation Fund were invited to bid to deliver the project for less than these maximum payments. The level of bid discount was factored into the bid scoring mechanism to decide which bidders were awarded contracts.</p> <p>Improvements at school:</p> <ul style="list-style-type: none"> • Improved behavior at school (£800): measured by a letter from a teacher with reference to the standards in Section 91 of the U.K. Education and Inspection Act 2006. • Stop persistent truancy (£1,300): confirmed by the school when persistent truancy stopped to the point where attendance levels have improved to that associated with the average student. <p>Qualifications:</p> <ul style="list-style-type: none"> • Achievement of First National Qualifications Framework (NQF) Level 1 qualification (£700): evidenced by letter of school or copy of certificate. • Achievement of NQF Level 2 qualification (£2,200): evidenced by letter of school or copy of certificate. • Achievement NQL Level 3 training/ vocational qualifications (£3,300): as previous • Entry into education at NQF level 4 [University] (£2,000): evidenced by letter from University. <p>Employment:</p> <ul style="list-style-type: none"> • Entry into first employment including a training element (£2,600): evidenced by letter from employer confirming the young person had worked 16 hours or more per week for a minimum 13 continuous or cumulative weeks. • Entry into sustained employment (£1,000): as previous, but minimum 26 continuous or cumulative weeks. <p>Outcome payments are initially recycled to continue service delivery, before being repaid to investors.</p>
<p>MAXIMUM RETURN</p>	<p>Each type of outcome can only be claimed once, and the total value of outcome payments claimable for support provided to an individual participant is limited to £8,200 for participants in Round 1 of the Innovation Fund.</p> <p>The maximum value of the contract (the maximum that the Department for Work and Pensions is willing to pay in outcome payments) is £1.3 million.</p> <p>The service provider may also receive a performance bonus, contingent on outcomes.</p>

*Using exchange rate from month of contract signing

**Bridges Ventures' Social Entrepreneurs Fund (participants not publicly available)


***The service delivery contract is for 36 months, the outcome payment contract is for 42 months

SIB FUND NAME	Innovation Fund (Round 1)			
SIB NAME	Advance Programme			
LOCATION	Birmingham and Solihull, West Midlands, England	COUNTRY	United Kingdom	
START DATE (date of contract signing)	April 2012	CONTRACT DURATION**	36 months	
SOCIAL ISSUE	Unemployment			
TARGET POPULATION	2,897 beneficiaries aged 14- to 24 year-olds who are not in education, employment or training (NEET) or at risk of becoming NEET			
INTERVENTION	An integrated support program that aims to improve school attendance and performance, in order to promote participation in apprenticeships and employment called the "Advance Programme." Young people are referred by schools, Connexions, Youth Offending Services and a range of other services. The young person will be initially assessed to identify learning needs and establish goals. A project worker will then help develop an action plan, which will be used to communicate and monitor progress with delivery staff.			
SERVICE PROVIDER	11 non-profit organizations as part of the Birmingham Employment, Skills and Training Network (BEST Network)	OUTCOME FUNDER	U.K. Department for Work and Pensions Innovation Fund	
INTERMEDIARY (roles in parentheses)	Advanced Personnel Management (APM) UK Ltd. (prime contractor of service providers)	TECHNICAL ASSISTANCE PROVIDER	N/A	
UPFRONT CAPITAL COMMITMENT (USDM)*	4.80	NON-RECOVERABLE GRANTS	N/A	
	Senior Investors			
INVESTOR NAME	APM UK Ltd			
INVESTMENT (USDM)*	4.80 (£3 million)			
MAXIMUM POTENTIAL LOSS (% of principal)	100%			
OUTCOME METRIC	See payments below			
OUTCOME EVALUATION METHOD [Evaluator in brackets]	Validated administrative data [The Department for Work and Pensions is checking the outcomes data for payments.] The National Centre for Social Research and Insite Research and Consulting will conduct a qualitative evaluation of the program at the end of the contract.			
PAYMENT SCHEDULE	Up to 42 monthly payments made by outcome funder. Repayments to investors as and when approved by project leadership.			
THRESHOLD FOR PAYMENTS FROM THE OUTCOME FUNDER	Achievement of the metrics below			

<p>PAYMENTS BEYOND THRESHOLD</p>	<p>The Department for Work and Pensions pays for one or more outcomes per participant (with a cap of £8,200 per participant) which can be linked to improved employability. Each type of outcome can be claimed only once. Amounts shown in £ <i>are the maximum payments</i> established by commissioner, but bidders to the Innovation Fund were invited to bid to deliver the project for less than these maximum payments. The level of bid discount was factored into the bid scoring mechanism to decide which bidders were awarded contracts.</p> <p>Improvements at school:</p> <ul style="list-style-type: none"> • Improved behavior at school (£800): measured by a letter from a teacher with reference to the standards in Section 91 of the U.K. Education and Inspection Act 2006. • Stop persistent truancy (£1,300): confirmed by the school when persistent truancy stopped to the point where attendance levels have improved to that associated with the average student. <p>Qualifications:</p> <ul style="list-style-type: none"> • Achievement of First National Qualifications Framework (NQF) Level 1 qualification (£700): evidenced by letter of school or copy of certificate. • Achievement of NQF Level 2 qualification (£2,200): evidenced by letter of school or copy of certificate. • Achievement NQL Level 3 training/ vocational qualifications (£3,300): as previous • Entry into education at NQF level 4 [University] (£2,000): evidenced by letter from University. <p>Employment:</p> <ul style="list-style-type: none"> • Entry into first employment including a training element (£2600): evidenced by letter from employer confirming the young person had worked 16 hours or more per week for a minimum 13 continuous or cumulative weeks. • Entry into sustained employment (£1,000): as previous, but minimum 26 continuous or cumulative weeks. <p>Outcome payments are initially recycled to continue service delivery, before being repaid to investors.</p>
<p>MAXIMUM RETURN</p>	<p>Each type of outcome can only be claimed once, and the total value of outcome payments claimable for support provided to an individual participant is limited to £8,200 for participants in Round 1 of the Innovation Fund.</p> <p>The maximum value of the contract (the maximum that the Department for Work and Pensions is willing to pay in outcome payments) is £3.3 million.</p>

*Using exchange rate from month of contract signing


**The service delivery contract is for 36 months, the outcome payment contract is for 42 months

SIB FUND NAME	Innovation Fund (Round 1)			
SIB NAME	Nottingham Futures			
LOCATION	Nottingham, East Midlands, England	COUNTRY	United Kingdom	
START DATE (date of contract signing)	April 2012	CONTRACT DURATION**	36 months	
SOCIAL ISSUE	Unemployment			
TARGET POPULATION	Over 3,000 16- to 24-year-old Nottingham residents who are either not in employment, education or training (NEET) or whose status is not known			
INTERVENTION	Jobs and skills advice, training , apprenticeships, and support for young people who need help preparing for work or training.			
SERVICE PROVIDER	Nottingham Futures (a nonprofit owned by Nottingham City and County Councils). The Employer Hub delivers a coordinated, personalized training and recruitment service and works in partnership with Nottingham Futures.	OUTCOME FUNDER	U.K. Department for Work and Pensions Innovation Fund	
INTERMEDIARY (roles in parentheses)	Nottingham City Council (making the bid, managing the deal, performance management of service providers)	TECHNICAL ASSISTANCE PROVIDER	N/A	
UPFRONT CAPITAL COMMITMENT (USDM)*	Approximately 2.72	NON-RECOVERABLE GRANTS	N/A	
	Senior Investors			
INVESTOR NAME	Nottingham City Council (The City Council is funding the service and receives payments)			
INVESTMENT (USDM)*	Approximately 2.72 (Approximately £1.7m)			
MAXIMUM POTENTIAL LOSS (% of principal)	100%			
OUTCOME METRIC	See payments below			
OUTCOME EVALUATION METHOD [Evaluator in brackets]	Validated administrative data [The Department for Work and Pensions is checking the outcomes data for payments.] The National Centre for Social Research and Insite Research and Consulting will conduct a qualitative evaluation of the program at the end of the contract.			
PAYMENT SCHEDULE	Up to 42 monthly payments made by outcome funder. Repayments to investors as and when approved by project leadership.			
THRESHOLD FOR PAYMENTS FROM THE OUTCOME FUNDER	Achievement of the metrics below			

<p>PAYMENTS BEYOND THRESHOLD</p>	<p>The Department for Work and Pensions pays for one or more outcomes per participant (with a cap of £8,200 per participant) which can be linked to improved employability. Each type of outcome can be claimed only once. Amounts shown in £ <i>are the maximum payments</i> established by commissioner, but bidders to the Innovation Fund were invited to bid to deliver the project for less than these maximum payments. The level of bid discount was factored into the bid scoring mechanism to decide which bidders were awarded contracts.</p> <p>Improvements at school:</p> <ul style="list-style-type: none"> • Improved behavior at school (£800): measured by a letter from a teacher with reference to the standards in Section 91 of the U.K. Education and Inspection Act 2006. • Stop persistent truancy (£1,300): confirmed by the school when persistent truancy stopped to the point where attendance levels have improved to that associated with the average student. <p>Qualifications:</p> <ul style="list-style-type: none"> • Achievement of First National Qualifications Framework (NQF) Level 1 qualification (£700): evidenced by letter of school or copy of certificate. • Achievement of NQF Level 2 qualification (£2,200): evidenced by letter of school or copy of certificate. • Achievement NQL Level 3 training/ vocational qualifications (£3,300): as previous • Entry into education at NQF level 4 [University] (£2,000): evidenced by letter from University. <p>Employment:</p> <ul style="list-style-type: none"> • Entry into first employment including a training element (£2,600): evidenced by letter from employer confirming the young person had worked 16 hours or more per week for a minimum 13 continuous or cumulative weeks. • Entry into sustained employment (£1,000): as previous, but minimum 26 continuous or cumulative weeks. <p>Outcome payments are initially recycled to continue service delivery, before being repaid to investors.</p>
<p>MAXIMUM RETURN</p>	<p>Each type of outcome can only be claimed once, and the total value of outcome payments claimable for support provided to an individual participant is limited to £8,200 for participants in Round 1 of the Innovation Fund.</p> <p>The maximum value of the contract (the maximum that the Department for Work and Pensions is willing to pay in outcome payments) is GBP £2,854,000. The total amount paid out since 2012 is £2,445,750.</p>

*Using exchange rate from month of contract signing


**The service delivery contract is for 36 months, the outcome payment contract is for 42 months

SIB FUND NAME	Innovation Fund (Round 1)			
SIB NAME	Living Balance			
LOCATION	Perth and Kinross, Mid Scotland and Fife, Scotland	COUNTRY	United Kingdom	
START DATE (date of contract signing)	April 2012	CONTRACT DURATION**	36 months	
SOCIAL ISSUE	Unemployment			
TARGET POPULATION	90 young disengaged school pupils ages 14 to 17 , 60 pupils ages 16 to 17 are currently not in education, training or employment (NEET), and 150 young people ages 18 to 24 who are NEET.			
INTERVENTION	Living Balance program: up to 6 months of intensive personal and social development for up to 25 hours a week, including motivating and engaging projects that aim to lift aspiration and self-esteem			
SERVICE PROVIDER	YMCA Perth	OUTCOME FUNDER	U.K. Department for Work and Pensions Innovation Fund	
INTERMEDIARY (roles in parentheses)	Indigo Project Solutions (preparing all documentation for submission to make the case for the award of contract from Department for Works and Pensions (DWP), raising the capital and managing the investor relationship, providing performance management support to the delivery partner, marketing the SIB including organizing regular awareness raising events, responding to all DWP queries and meeting with them regularly, making all claims for outcomes delivered to DWP, undertaking security and data protection)	TECHNICAL ASSISTANCE PROVIDER	N/A	
UPFRONT CAPITAL COMMITMENT (USDM)*	Not publicly available	NON-RECOVERABLE GRANTS	N/A	
	Senior Investors			
INVESTOR NAME	12 businesses, individuals, a Church, and a funding body (investment raised by Indigo)			
INVESTMENT (USDM)*	Not public information			
MAXIMUM POTENTIAL LOSS (% of principal)	100%			
OUTCOME METRIC	See payments below			
OUTCOME EVALUATION METHOD [Evaluator in brackets]	Validated administrative data [The Department for Work and Pensions is checking the outcomes data for payments.] The National Centre for Social Research and Insite Research and Consulting will conduct a qualitative evaluation of the program at the end of the contract.			
PAYMENT SCHEDULE	Up to 42 monthly payments made by outcome funder. Repayments to investors as and when approved by project leadership.			

THRESHOLD FOR PAYMENTS FROM THE OUTCOME FUNDER	Achievement of the metrics below
PAYMENTS BEYOND THRESHOLD	<p>The Department for Work and Pensions pays for one or more outcomes per participant (with a cap of £8,200 per participant) which can be linked to improved employability. Each type of outcome can be claimed only once. Amounts shown in £ <i>are the maximum payments</i> established by commissioner, but bidders to the Innovation Fund were invited to bid to deliver the project for less than these maximum payments. The level of bid discount was factored into the bid scoring mechanism to decide which bidders were awarded contracts.</p> <p>Improvements at school:</p> <ul style="list-style-type: none"> • Improved behavior at school (£800): measured by a letter from a teacher with reference to the standards in Section 91 of the U.K. Education and Inspection Act 2006. • Stop persistent truancy (£1,300): confirmed by the school when persistent truancy stopped to the point where attendance levels have improved to that associated with the average student. <p>Qualifications:</p> <ul style="list-style-type: none"> • Achievement of First National Qualifications Framework (NQF) Level 1 qualification (£700): evidenced by letter of school or copy of certificate. • Achievement of NQF Level 2 qualification (£2,200): evidenced by letter of school or copy of certificate. • Achievement NQL Level 3 training/ vocational qualifications (£3,300): as previous • Entry into education at NQF level 4 [University] (£2000): evidenced by letter from University. <p>Employment:</p> <ul style="list-style-type: none"> • Entry into first employment including a training element (£2,600): evidenced by letter from employer confirming the young person had worked 16 hours or more per week for a minimum 13 continuous or cumulative weeks. • Entry into sustained employment (£1,000): as previous, but minimum 26 continuous or cumulative weeks. <p>Outcome payments are initially recycled to continue service delivery, before being repaid to investors.</p>
MAXIMUM RETURN	<p>Each type of outcome can only be claimed once, and the total value of outcome payments claimable for support provided to an individual participant is limited to £8,200 for participants in Round 1 of the Innovation Fund.</p> <p>The maximum value of the contract (the maximum that the Department for Work and Pensions is willing to pay in outcome payments) is £1.2 million.</p>

*Using exchange rate from month of contract signing

**The service delivery contract is for 36 months, the outcome payment contract is for 42 months


SIB FUND NAME	Innovation Fund (Round 2)			
SIB NAME	T&T Innovation			
LOCATION	Greater Manchester, North West England, England	COUNTRY	United Kingdom	
START DATE (date of contract signing)	November 2012	CONTRACT DURATION ***	36 months	
SOCIAL ISSUE	Unemployment			
TARGET POPULATION	A minimum of 1,152 disadvantaged 14- to 15-year-olds adolescents across Manchester			
INTERVENTION	Teens and Toddlers Innovation program, which partners a 14- to 15-year-old with a toddler in a local nursery to encourage responsibility, empathy and self-confidence for an intensive 18 week period. This is followed by ongoing monthly support sessions until young people take their GCSE exams.			
SERVICE PROVIDER	Teens and Toddlers	OUTCOME FUNDER	U.K. Department for Work and Pensions Innovation Fund	
INTERMEDIARY (roles in parentheses)	Social Finance UK (including capital raising, mobilization, and ongoing contract and performance management)	TECHNICAL ASSISTANCE PROVIDER	N/A	
UPFRONT CAPITAL COMMITMENT (USDM)*	1.28	NON-RECOVERABLE GRANTS	N/A	
	Senior Investors			
INVESTOR NAME	Bridges Ventures**, Impetus - PEF, The Esmee Fairbairn Foundation, CAF Venturesome, The Barrow-Cadbury Trust			
INVESTMENT (USDM)*	1.28 (£0.8 million) (total investment raised)			
MAXIMUM POTENTIAL LOSS (% of principal)	100%			
OUTCOME METRIC	See payments below			
OUTCOME EVALUATION METHOD [Evaluator in brackets]	Validated administrative data [The Department for Work and Pensions is checking the outcomes data for payments.] The National Centre for Social Research and Insite Research and Consulting will conduct a qualitative evaluation of the program at the end of the contract.			
PAYMENT SCHEDULE	Up to 42 monthly payments made by outcome funder. Repayments to investors as and when approved by project leadership.			
THRESHOLD FOR PAYMENTS FROM THE OUTCOME FUNDER	Achievement of the metrics below			

<p>PAYMENTS BEYOND THRESHOLD</p>	<p>The Department for Work and Pensions pays for one or more outcomes per participant (with a cap of £11,700 per participant) which can be linked to improved employability. Each type of outcome can be claimed only once. Amounts shown in £ <i>are the maximum payments</i> established by commissioner, but bidders to the Innovation Fund were invited to bid to deliver the project for less than these maximum payments. The level of bid discount was factored into the bid scoring mechanism to decide which bidders were awarded contracts.</p> <p>Improvements at school:</p> <ul style="list-style-type: none"> • Improved attitude towards school (£700): measured by a letter from the teacher • Improved behavior at school (£1,300): measured by a letter from a teacher with reference to the standards in Section 91 of the U.K. Education and Inspection Act 2006. • Stop persistent truancy (£1,400): confirmed by the school when persistent truancy stopped to the point where attendance levels have improved to that associated with the average student. <p>Qualifications:</p> <ul style="list-style-type: none"> • Entry Level Qualification (£900) • Achievement of First National Qualifications Framework (NQF) Level 1 qualification (£1,100): evidenced by letter of school or copy of certificate. • Achievement of NQF Level 2 qualification (£3,300): evidenced by letter of school or copy of certificate. • Achievement NQL Level 3 training/ vocational qualifications (£5,100): as previous <p>Employment:</p> <ul style="list-style-type: none"> • Entry into first employment including a training element (£3,500): evidenced by letter from employer confirming the young person had worked 16 hours or more per week for a minimum 13 continuous or cumulative weeks. • Entry into sustained employment (£2,000): as previous, but minimum 26 continuous or cumulative weeks. <p>Outcome payments are initially recycled to continue service delivery, before being repaid to investors.</p>
<p>MAXIMUM RETURN</p>	<p>Each type of outcome can only be claimed once, and the total value of outcome payments claimable for support provided to an individual participant is limited to £11,700 for participants in Round 2 of the Innovation Fund.</p> <p>The maximum value of the contract (the maximum that the Department for Works and Pensions is willing to pay in outcome payments) is £3.3 million.</p> <p>The service provider may also receive a performance bonus, contingent on outcomes.</p>

*Using exchange rate from month of contract signing

**Bridges Ventures' Social Impact Bond Fund and Social Entrepreneurs Fund (contributors to both funds include Big Society Capital, the European Investment Fund, Deutsche Bank Social Investments, J.P. Morgan Social Finance, Bridges Charitable Trust, The Prince's Charities, Omidyar Network, Panahpur, Esme Fairbairn Foundation, Highwood Foundation, the U.K. Cabinet Office, Nesta, Trust for London, Greater Manchester Pension Fund, Merseyside Pension Fund)


***The service delivery contract is for 36 months, the outcome payment contract is for 42 months

SIB FUND NAME	Innovation Fund (Round 2)			
SIB NAME	3SC Capitalise Programme			
LOCATION	Cardiff and Newport, South Wales, Wales	COUNTRY	United Kingdom	
START DATE (date of contract signing)	November 2012	CONTRACT DURATION**	36 months	
SOCIAL ISSUE	Unemployment			
TARGET POPULATION	720 youth aged 14 to 16 who are on course to become NEET (not in education, employment or training) or have the potential to earn higher educational qualifications with cognitive behavior and/or learning support.			
INTERVENTION	3SC Capitalise program: a program of specialized individual cognitive behavior and additional learning support (Cognitive Behavior will be provided by Include and additional support by Dyslexia Action).			
SERVICE PROVIDER	Dyslexia Action and Include (a subsidiary of Catch 22)	OUTCOME FUNDER	U.K. Department for Work and Pensions Innovation Fund	
INTERMEDIARY (roles in parentheses)	3SC (working with the service providers to develop the bid, raising capital, performance management)	TECHNICAL ASSISTANCE PROVIDER	N/A	
UPFRONT CAPITAL COMMITMENT (USDM)*	0.676	NON-RECOVERABLE GRANTS	N/A	
	Senior Investors			
INVESTOR NAME	3SC and Big Society Capital			
INVESTMENT (USDM)*	0.676 (£0.42 million approximately. Initial investment by 3SC was approximately £0.28 million and by Big Society Capital was approximately £0.1 million. Big Society Capital has since purchased approximately £0.1 million of 3SC's share)			
MAXIMUM POTENTIAL LOSS (% of principal)	100%			
OUTCOME METRIC	See payments below			
OUTCOME EVALUATION METHOD [Evaluator in brackets]	Validated administrative data [The Department for Work and Pensions is checking the outcomes data for payments.] The National Centre for Social Research and Insite Research and Consulting will conduct a qualitative evaluation of the program at the end of the contract.			
PAYMENT SCHEDULE	Up to 42 monthly payments made by outcome funder. Repayments to investors as and when approved by project leadership.			
THRESHOLD FOR PAYMENTS FROM THE OUTCOME FUNDER	Achievement of the metrics below			

<p>PAYMENTS BEYOND THRESHOLD</p>	<p>The Department for Work and Pensions pays for one or more outcomes per participant (with a cap of £11,700 per participant) which can be linked to improved employability. Each type of outcome can be claimed only once. Amounts shown in £ <i>are the maximum payments</i> established by commissioner, but bidders to the Innovation Fund were invited to bid to deliver the project for less than these maximum payments. The level of bid discount was factored into the bid scoring mechanism to decide which bidders were awarded contracts.</p> <p>Improvements at school:</p> <ul style="list-style-type: none"> • Improved attitude towards school (£700): measured by a letter from the teacher • Improved behavior at school (£1,300): measured by a letter from a teacher with reference to the standards in Section 91 of the U.K. Education and Inspection Act 2006. • Stop persistent truancy (£1,400): confirmed by the school when persistent truancy stopped to the point where attendance levels have improved to that associated with the average student. <p>Qualifications:</p> <ul style="list-style-type: none"> • Entry Level Qualification (£900) • Achievement of First National Qualifications Framework (NQF) Level 1 qualification (£1,100): evidenced by letter of school or copy of certificate. • Achievement of NQF Level 2 qualification (£3,300): evidenced by letter of school or copy of certificate. • Achievement NQL Level 3 training/ vocational qualifications (£5,100): as previous <p>Employment:</p> <ul style="list-style-type: none"> • Entry into first employment including a training element (£3,500): evidenced by letter from employer confirming the young person had worked 16 hours or more per week for a minimum 13 continuous or cumulative weeks. • Entry into sustained employment (£2,000): as previous, but minimum 26 continuous or cumulative weeks. <p>Outcome payments are initially recycled to continue service delivery, before being repaid to investors.</p>
<p>MAXIMUM RETURN</p>	<p>Each type of outcome can only be claimed once, and the total value of outcome payments claimable for support provided to an individual participant is limited to £11,700 for participants in Round 2 of the Innovation Fund.</p> <p>The maximum value of the contract (the maximum that the Department for Work and Pensions is willing to pay in outcome payments) is £1.9 million.</p>

*Using exchange rate from month of contract signing


**The service delivery contract is for 36 months, the outcome payment contract is for 42 months

SIB FUND NAME	Innovation Fund (Round 2)			
SIB NAME	Energise Innovation			
LOCATION	Thames Valley, South East England, England	COUNTRY	United Kingdom	
START DATE (date of contract signing)	November 2012	CONTRACT DURATION**	36 months	
SOCIAL ISSUE	Unemployment			
TARGET POPULATION	1,500-2000 14- to 15-year-olds who are disadvantaged or at-risk			
INTERVENTION	Energise Innovation program - intensive Adviser-based support; a bespoke action plan is developed for each young person based on their individual support needs. Advisers can choose from a menu of support options, including one-on-one sessions, group work, residentials, activity days and mentoring.			
SERVICE PROVIDER	Adviza	OUTCOME FUNDER	U.K. Department for Work and Pensions Innovation Fund	
INTERMEDIARY (roles in parentheses)	Social Finance UK (including capital raising, mobilization, and ongoing contract and performance management)	TECHNICAL ASSISTANCE PROVIDER	N/A	
UPFRONT CAPITAL COMMITMENT (USDM)*	1.45	NON-RECOVERABLE GRANTS	N/A	
	Senior Investors			
INVESTOR NAME	Big Society Capital, Barrow Cadbury Trust, Esmee Fairbairn Foundation, Bracknell Forest Homes, Berkshire Community Foundation, Buckinghamshire County Council.			
INVESTMENT (USDM)*	1.45 (£0.9 million) (total investment raised)			
MAXIMUM POTENTIAL LOSS (% of principal)	100%			
OUTCOME METRIC	See payments below			
OUTCOME EVALUATION METHOD [Evaluator in brackets]	Validated administrative data [The Department for Work and Pensions is checking the outcomes data for payments.] The National Centre for Social Research and Insite Research and Consulting will conduct a qualitative evaluation of the program at the end of the contract.			
PAYMENT SCHEDULE	Up to 42 monthly payments made by outcome funder. Repayments to investors as and when approved by project leadership.			
THRESHOLD FOR PAYMENTS FROM THE OUTCOME FUNDER	Achievement of the metrics below			

<p>PAYMENTS BEYOND THRESHOLD</p>	<p>The Department for Work and Pensions pays for one or more outcomes per participant (with a cap of £11,700 per participant) which can be linked to improved employability. Each type of outcome can be claimed only once. Amounts shown in £ <i>are the maximum payments</i> established by commissioner, but bidders to the Innovation Fund were invited to bid to deliver the project for less than these maximum payments. The level of bid discount was factored into the bid scoring mechanism to decide which bidders were awarded contracts.</p> <p>Improvements at school:</p> <ul style="list-style-type: none"> • Improved attitude towards school (£700): measured by a letter from the teacher • Improved behavior at school (£1,300): measured by a letter from a teacher with reference to the standards in Section 91 of the U.K. Education and Inspection Act 2006. • Stop persistent truancy (£1,400): confirmed by the school when persistent truancy stopped to the point where attendance levels have improved to that associated with the average student. <p>Qualifications:</p> <ul style="list-style-type: none"> • Entry Level Qualification (£900) • Achievement of First National Qualifications Framework (NQF) Level 1 qualification (£1,100): evidenced by letter of school or copy of certificate. • Achievement of NQF Level 2 qualification (£3,300): evidenced by letter of school or copy of certificate. • Achievement NQL Level 3 training/ vocational qualifications (£5,100): as previous <p>Employment:</p> <ul style="list-style-type: none"> • Entry into first employment including a training element (£3,500): evidenced by letter from employer confirming the young person had worked 16 hours or more per week for a minimum 13 continuous or cumulative weeks. • Entry into sustained employment (£2,000): as previous, but minimum 26 continuous or cumulative weeks. <p>Outcome payments are initially recycled to continue service delivery, before being repaid to investors.</p>
<p>MAXIMUM RETURN</p>	<p>Each type of outcome can only be claimed once, and the total value of outcome payments claimable for support provided to an individual participant is limited to £11,700 for participants in Round 2 of the Innovation Fund.</p> <p>The maximum value of the contract (the maximum that the Department for Work and Pensions is willing to pay in outcome payments) is £3.7 million.</p> <p>The service provider may also receive a performance bonus, contingent on outcomes.</p>

*Using exchange rate from month of contract signing


**The service delivery contract is for 36 months, the outcome payment contract is for 42 months

SIB FUND NAME	Innovation Fund (Round 2)			
SIB NAME	Prevista			
LOCATION	West London, Greater London, England	COUNTRY	United Kingdom	
START DATE (date of contract signing)	November 2012	CONTRACT DURATION**	36 months	
SOCIAL ISSUE	Unemployment			
TARGET POPULATION	Young people aged 14 to 16, who have been identified as being at risk of being not in education, employment or training (NEET)			
INTERVENTION	Not publicly available			
SERVICE PROVIDER	Catalyst Gateway, Fit for Sport, Twist, Positive Arts, Arrival Education	OUTCOME FUNDER	U.K. Department for Work and Pensions Innovation Fund	
INTERMEDIARY (roles in parentheses)	Prevista	TECHNICAL ASSISTANCE PROVIDER	N/A	
UPFRONT CAPITAL COMMITMENT (USDM)*	Not publicly available	NON-RECOVERABLE GRANTS	N/A	
	Senior Investors			
INVESTOR NAME	Not publicly available			
INVESTMENT (USDM)*	Not publicly available			
MAXIMUM POTENTIAL LOSS (% of principal)	100%			
OUTCOME METRIC	See payments below			
OUTCOME EVALUATION METHOD [Evaluator in brackets]	Validated administrative data [The Department for Work and Pensions is checking the outcomes data for payments.] The National Centre for Social Research and Insite Research and Consulting will conduct a qualitative evaluation of the program at the end of the contract.			
PAYMENT SCHEDULE	Up to 42 monthly payments made by outcome funder. Repayments to investors as and when approved by project leadership.			
THRESHOLD FOR PAYMENTS FROM THE OUTCOME FUNDER	Achievement of the metrics below			

<p>PAYMENTS BEYOND THRESHOLD</p>	<p>The Department for Work and Pensions pays for one or more outcomes per participant (with a cap of £11,700 per participant) which can be linked to improved employability. Each type of outcome can be claimed only once. Amounts shown in £ <i>are the maximum payments</i> established by commissioner, but bidders to the Innovation Fund were invited to bid to deliver the project for less than these maximum payments. The level of bid discount was factored into the bid scoring mechanism to decide which bidders were awarded contracts.</p> <p>Improvements at school:</p> <ul style="list-style-type: none"> • Improved attitude towards school (£700): measured by a letter from the teacher • Improved behavior at school (£1,300): measured by a letter from a teacher with reference to the standards in Section 91 of the U.K. Education and Inspection Act 2006. • Stop persistent truancy (£1,400): confirmed by the school when persistent truancy stopped to the point where attendance levels have improved to that associated with the average student. <p>Qualifications:</p> <ul style="list-style-type: none"> • Entry Level Qualification (£900) • Achievement of First National Qualifications Framework (NQF) Level 1 qualification (£1,100): evidenced by letter of school or copy of certificate. • Achievement of NQF Level 2 qualification (£3,300): evidenced by letter of school or copy of certificate. • Achievement NQL Level 3 training/ vocational qualifications (£5,100): as previous <p>Employment:</p> <ul style="list-style-type: none"> • Entry into first employment including a training element (£3,500): evidenced by letter from employer confirming the young person had worked 16 hours or more per week for a minimum 13 continuous or cumulative weeks. • Entry into sustained employment (£2,000): as previous, but minimum 26 continuous or cumulative weeks. <p>Outcome payments are initially recycled to continue service delivery, before being repaid to investors.</p>
<p>MAXIMUM RETURN</p>	<p>Each type of outcome can only be claimed once, and the total value of outcome payments claimable for support provided to an individual participant is limited to £11,700 for participants in Round 2 of the Innovation Fund.</p>

*Using exchange rate from month of contract signing


**The service delivery contract is for 36 months, the outcome payment contract is for 42 months

SIB NAME	Street Impact			
LOCATION	London, Greater London	COUNTRY	United Kingdom	
START DATE (date of contract signing)	November 2012	CONTRACT DURATION**	36 months	
SOCIAL ISSUE	Homelessness			
TARGET POPULATION	416 persistent rough sleepers (individuals sleeping without shelter) in London			
INTERVENTION	A program that aims to get people off the streets and into stable accommodation, thereby increasing prospects of employment or training and stabilizing health. Participants have individual intervention plans, personalized budgets, and personal navigators responsible for connecting them with the most appropriate programs for their circumstances. In comparison to existing services, the approach is much more flexible and provides a more focused, longer-term relationship with a single advocate.			
SERVICE PROVIDER	St. Mungo's Broadway	OUTCOME FUNDER	U.K. Department for Communities and Local Government, commissioned by the Greater London Authority	
INTERMEDIARY (roles in parentheses)	Triodos Bank UK (advise on structure, raise capital) There is an SPV which holds the risk of program underperformance.	TECHNICAL ASSISTANCE PROVIDER	N/A	
UPFRONT CAPITAL COMMITMENT (USDM)*	1.43	NON-RECOVERABLE GRANTS	N/A	
	Senior Investors		Subordinate Investors	
INVESTOR NAME	CAF Venturesome, the Orp Foundation, and other individuals		St. Mungo's Broadway	
INVESTMENT (USDM)*	1.05 (£0.65 million)		0.38 (£0.237 million)	
MAXIMUM POTENTIAL LOSS (% of principal)	100%			
OUTCOME METRIC	<p>Per person administrative data outcomes:</p> <ul style="list-style-type: none"> • Move to accommodation/sustained over 12 months and 18 months • Move to another country of familial or local connections/sustained over 6 months • Volunteering/National Vocational Qualification (NVQ) level 2 qualification/part-time employment/full-time employment for 13/26 weeks. <p>Comparison to set threshold by government (for the cohort as a whole):</p> <ul style="list-style-type: none"> • Reduction in use of accident and emergency services • Reduction in rough sleeping (unsheltered sleeping) 			
OUTCOME EVALUATION METHOD [Evaluator in brackets]	Historical comparison and validated administrative data [CHAIN, National Health Service Hospital Episode Statistics, other outcomes evidenced by providers and audited by the Greater London Authority]			
PAYMENT SCHEDULE	Outcome payments from the outcome funder are claimed quarterly in arrears; equity investors (St Mungo's Broadway) are paid at completion whilst external investors (debt) are paid at program completion (before equity), although there is the right for debt holders to early repayment in certain circumstances per the investment agreements			

THRESHOLD FOR PAYMENTS FROM THE OUTCOME FUNDER	Any positive change in metric	St. Mungo's Broadway will be paid after the senior investors' loan is paid back.
PAYMENTS BEYOND THRESHOLD	<p>The Department for Communities and Local Government pays for one or more outcomes per participant. Each type of outcome can be claimed only once. Amounts shown in £ <i>are the maximum payments</i> established by commissioner, but bidders were invited to bid to deliver the project for less than these maximum payments. The level of bid discount was factored into the bid scoring mechanism to decide which bidders were awarded contracts.</p> <p>Per person administrative data outcomes:</p> <ul style="list-style-type: none"> • 12 months accommodation (£7,000) • 18 months accommodation (£3,000) • Initial reconnection (move to another country) (£800) • 6 months reconnection (£6,100) • Achievement of NQF level 2 equivalent qualification (£400) • Volunteering/self-employment 13 weeks (£200), 26 weeks (£600) • Part-time employment 13 weeks (£500), 26 weeks (£1,500) • Full-time employment 13 weeks (£1,300), 26 weeks (£4,000) <p>Comparison to set threshold by government (for the cohort as a whole):</p> <ul style="list-style-type: none"> • Payment per individual above given baseline not seen rough sleeping in given quarter (£3,800 for first four quarters and £2,400 thereafter) • Payment per accident and emergency service use avoided beyond baseline per year (£100) Initial accommodation (£700)" 	
MAXIMUM RETURN	The investment from the senior investors is a debt investment with a set interest rate (not publicly available)	St. Mungo's Broadway made an equity investment and will be paid what is in the SPV after the senior investors have been repaid. Maximum payments from the Department for Communities and Local Government (total contract value) is £2.4 million.

*Using exchange rate from month of contract signing


**The service delivery contract is for 36 months

SIB NAME	Thames Reach Ace			
LOCATION	London, Greater London	COUNTRY	United Kingdom	
START DATE (date of contract signing)	November 2012	CONTRACT DURATION**	36 months	
SOCIAL ISSUE	Homelessness			
TARGET POPULATION	415 persistent rough sleepers (individuals sleeping without shelter) in London			
INTERVENTION	A program that aims to get people off the streets and into stable accommodation, thereby increasing prospects of employment or training and stabilizing health. Participants have individual intervention plans, personalized budgets, and personal navigators responsible for connecting them with the most appropriate programs for their circumstances. In comparison to existing services, the approach is much more flexible and provides a more focused, longer-term relationship with a single advocate.			
SERVICE PROVIDER	Thames Reach	OUTCOME FUNDER	U.K. Department for Communities and Local Government, commissioned by the Greater London Authority	
INTERMEDIARY (roles in parentheses)	Social Finance UK (advised Greater London Authority on the feasibility and design of the SIBs)	TECHNICAL ASSISTANCE PROVIDER	N/A	
UPFRONT CAPITAL COMMITMENT (USDM)*	Not publicly available	NON-RECOVERABLE GRANTS	N/A	
	Senior Investors		Subordinate Investors	
INVESTOR NAME	Big Issue Invest, Department of Health Social Enterprise Investment Fund, and other individuals		Thames Reach	
INVESTMENT (USDM)*	Not publicly available		Not publicly available	
MAXIMUM POTENTIAL LOSS (% of principal)	100%			
OUTCOME METRIC	<p>Per person administrative data outcomes:</p> <ul style="list-style-type: none"> • Move to accommodation/sustained over 12 months and 18 months • Move to another country of familial or local connections/sustained over 6 months • Volunteering/National Vocational Qualification (NVQ) level 2 qualification/part-time employment/full-time employment for 13/26 weeks. <p>Comparison to set threshold by government (for the cohort as a whole):</p> <ul style="list-style-type: none"> • Reduction in use of accident and emergency services • Reduction in rough sleeping (unsheltered sleeping) 			
OUTCOME EVALUATION METHOD [Evaluator in brackets]	Historical comparison and validated administrative data [CHAIN, National Health Service Hospital Episode Statistics, other outcomes evidenced by providers and audited by the Greater London Authority]			
PAYMENT SCHEDULE	Outcome payments from the outcome funder are claimed quarterly in arrears; equity investors (Thames Reach) are paid at completion whilst external investors (debt) are paid at program completion (before equity).			
THRESHOLD FOR PAYMENTS FROM THE OUTCOME FUNDER	Any positive change in metric		Thames Reach will be paid after senior investors have been paid principal and interest.	

<p>PAYMENTS BEYOND THRESHOLD</p>	<p>The Department for Communities and Local Government pays for one or more outcomes per participant. Each type of outcome can be claimed only once. Amounts shown in £ <i>are the maximum payments</i> established by commissioner, but bidders were invited to bid to deliver the project for less than these maximum payments. The level of bid discount was factored into the bid scoring mechanism to decide which bidders were awarded contracts.</p> <p>Per person administrative data outcomes:</p> <ul style="list-style-type: none"> • 12 months accommodation (£7,000) • 18 months accommodation (£3,000) • Initial reconnection (move to another country) (£800) • 6 months reconnection (£6,100) • Achievement of NQF level 2 equivalent qualification (£400) • Volunteering/self-employment 13 weeks (£200), 26 weeks (£600) • Part-time employment 13 weeks (£500), 26 weeks (£1,500) • Full-time employment 13 weeks (£1,300), 26 weeks (£4,000) <p>Comparison to set threshold by government (for the cohort as a whole):</p> <ul style="list-style-type: none"> • Payment per individual above given baseline not seen rough sleeping in given quarter (£3,800 for first four quarters and £2,400 thereafter) • Payment per accident and emergency service use avoided beyond baseline per year (£100) Initial accommodation (£700) 	
<p>MAXIMUM RETURN</p>	<p>Not publicly available</p>	<p>Thames Reach made an equity investment and will be paid what is in the SPV after the senior investors have been repaid. Maximum payments from the Department for Communities and Local Government (total contract value) is £2.4 million.</p>

*Using exchange rate from month of contract signing

**The service delivery contract is for 36 months

SIB NAME	Essex Family Therapy			
LOCATION	Essex County, East of England	COUNTRY	United Kingdom	
START DATE (date of contract signing)	November 2012	CONTRACT DURATION ***	36 months	
SOCIAL ISSUE	Children at risk of requiring out-of-home care			
TARGET POPULATION	380 11- to 16-year-olds at the edge of out-of-home care or custody in Essex County and their families			
INTERVENTION	Multi-Systemic Therapy (MST): evidence-based programmed that delivers family therapy in the home through highly qualified therapists over three to five months with the aim of keeping families together and avoiding out-of-home care.			
SERVICE PROVIDER	Action for Children	OUTCOME FUNDER	Essex County Council	
INTERMEDIARY (roles in parentheses)	Social Finance UK (feasibility study, supporting Action for Children's bid for the contract, capital raise, performance management)	TECHNICAL ASSISTANCE PROVIDER	N/A	
UPFRONT CAPITAL COMMITMENT (USDM)*	4.99	NON-RECOVERABLE GRANTS	N/A	
Senior Investors				
INVESTOR NAME	Bridges Ventures,** Big Society Capital, Barrow Cadbury Trust, Tudor Trust, Esmee Fairbairn Foundation, King Baudouin Foundation, Charities Aid Foundation, Social Ventures Fund			
INVESTMENT (USDM)*	4.99 (£3.1 million) (total investment raised)			
MAXIMUM POTENTIAL LOSS (% of principal)	100%			
OUTCOME METRIC	Average care days saved (versus a historical comparison group) over a 30-month period for each child.			
OUTCOME EVALUATION METHOD [Evaluator in brackets]	Historical comparison [The Essex Country Council will determine outcome payments based on data from the state care system.] There is also an evaluation being carried out outside of the SIB contract by OPM (an independent consultancy) evaluating the impact of funding through social investment rather than traditional means)			
PAYMENT SCHEDULE	The outcome funder will pay for outcomes quarterly, and payments are divided between the service provider and investor as described below.			
THRESHOLD FOR PAYMENTS FROM THE OUTCOME FUNDER	Positive change in metric			
PAYMENTS BEYOND THRESHOLD	The outcome funder (commissioner) will pay for the outcomes through success payments only (amounts not public). The contract for the transaction specifies the percentages of cost savings realized by the commissioner which form each outcome payment. In SIB structures such as these, the commissioner often shares a higher percentage of their cost savings realized in the early years, with this percentage dropping as the investor approaches their capital repayment, such that if the project is very successful, the commissioner retains a larger proportion of the savings achieved. This profile reduces the overall project cost, by reducing the overall amount of capital which needs to be raised, and repaying this capital earlier whilst retaining the ability of the commissioner to keep the majority of cost savings achieved in the later years.			


MAXIMUM RETURN

Outcome payments are recycled into the running of the service. If the interventions deliver successful outcomes, the investors might expect returns in the range of 8 to 12% per annum.

*Using exchange rate from month of contract signing

**Bridges Ventures' Social Entrepreneurs Fund (participants not publicly available)


***Service delivery will last 60 months but the total contract duration is 96 months

SIB NAME	It's All About Me (IAAM)			
LOCATION	Country-wide (United Kingdom)	COUNTRY	United Kingdom	
START DATE (date of contract signing)	September 2013	CONTRACT DURATION	120 months	
SOCIAL ISSUE	Barriers to adoption			
TARGET POPULATION	650 or more children in state care (Looked After Children), particularly those who have been waiting for an adoptive family for over a year (likely ages 4 to 18)			
INTERVENTION	Voluntary adoption agencies will actively seek families for harder to place children and offer training in therapeutic parenting and 24-hour support during the first two years after adoption placement.			
SERVICE PROVIDER	Any number of service providers could join the SIB contract, the first were Action for Children; Adoption Matters NW; After Adoption; Caritas Care; Family Futures and PACT	OUTCOME FUNDER	Local Authorities. Local Authorities are invited to join the SIB contract at any time. As of April 2015, 11 Local Authorities were involved in the program. The Cabinet Office's Social Outcomes Fund will contribute £10,000 in outcomes payment, for the first 100 children registered under the SIB, in order to reduce investor and provider risk	
INTERMEDIARY (roles in parentheses)	IAAM Scheme (contractor of service providers)	TECHNICAL ASSISTANCE PROVIDER	N/A	
UPFRONT CAPITAL COMMITMENT (USDM)*	3.10	NON-RECOVERABLE GRANTS	N/A	
Senior Investors				
INVESTOR NAME	Bridge Ventures**, Big Society Capital			
INVESTMENT (USDM)*	3.10 (£2 million)			
MAXIMUM POTENTIAL LOSS (% of principal)	100%			
OUTCOME METRIC	There are four milestones that payments are based upon: 1. Child enters program (registration) 2. Child placed with family 3. 1st anniversary of a placement 4. 2nd anniversary of placement			
OUTCOME EVALUATION METHOD [Evaluator in brackets]	Validated administrative data [The outcomes are determined by the judiciary system.] There is a separate, concurrent longitudinal study on other outcomes for the children, but it is not a part of the SIB contract.			
PAYMENT SCHEDULE	The outcome funder pays investors as outcomes occur			
THRESHOLD FOR PAYMENTS FROM THE OUTCOME FUNDER	N/A			

PAYMENTS BEYOND THRESHOLD	<ol style="list-style-type: none"> 1. Child enters program (registration): £8,000 2. Child placed with family: £23,000 3. 1st anniversary of a placement: £6,800 4. 2nd anniversary of placement: £15,800
MAXIMUM RETURN	The investors have made an equity investment and there is a high degree of capital recycling in this program, therefore the returns to investors could vary enormously.

*Using exchange rate from month of contract signing


**Bridges Ventures' Social Impact Bond Fund and Social Entrepreneurs Fund (contributors to both funds include Big Society Capital, the European Investment Fund, Deutsche Bank Social Investments, J.P. Morgan Social Finance, Bridges Charitable Trust, The Prince's Charities, Omidyar Network, Panahpur, Esmee Fairbairn Foundation, Highwood Foundation, the U.K. Cabinet Office, Nesta, Trust for London, Greater Manchester Pension Fund, Merseyside Pension Fund)

SIB FUND NAME	Fair Chance Fund			
SIB NAME	Local Solutions			
LOCATION	Liverpool and Knowsley, North West England, England	COUNTRY	United Kingdom	
START DATE (date of contract signing)	December 2014	CONTRACT DURATION**	36 months	
SOCIAL ISSUE	Youth homelessness			
TARGET POPULATION	<p>In order to be eligible for the program, individuals must meet all of the following criteria:</p> <ul style="list-style-type: none"> • Age 18 to 24 (21 to 24 if the individual spent time in state out-of-home care while under age 18) • Not in education, employment or training (NEET) • Homeless as defined in homelessness legislation, but not in homeless priority need. Young people who are deemed intentionally homeless may also be supported at the discretion of the Local Authority. • A priority for Local Authority support but unable to be accommodated in a supported housing scheme <p>Approximately 130 young people are expected to participate in the program.</p>			
INTERVENTION	The intervention is based around intensive one-on-one support provided by support workers, helping clients to progress in accommodation, education/training and employment/volunteering. The project will also be delivered in close collaboration with a local educational college.			
SERVICE PROVIDER	Local Solutions	OUTCOME FUNDER	U.K. Department for Communities and Local Government and the Cabinet Office	
INTERMEDIARY (roles in parentheses)	Social Finance UK (supported Local Solutions to develop its bid for the project, and raised capital for the program)	TECHNICAL ASSISTANCE PROVIDER	N/A	
UPFRONT CAPITAL COMMITMENT (USD M)*	0.86	NON-RECOVERABLE GRANTS	N/A	
	Senior Investors			
INVESTOR NAME	Not publicly available			
INVESTMENT (USD M)*	0.86 (£0.55 million) (total investment raised)			
MAXIMUM POTENTIAL LOSS (% of principal)	100%			
OUTCOME METRIC	See payments below			
OUTCOME EVALUATION METHOD [Evaluator in brackets]	Validated administrative data [The Department for Communities and Local Government will validate data submitted by the service providers]			
PAYMENT SCHEDULE	Quarterly payments made by the outcome funder. Repayments to investors as and when approved by project leadership.			
THRESHOLD FOR PAYMENTS FROM THE OUTCOME FUNDER	Achievement of the metrics below			

<p>PAYMENTS BEYOND THRESHOLD</p>	<p>Department for Communities and Local Government pays for one or more outcomes per participant (with a cap of £17,000 per participant). Each type of outcome can be claimed only once. Amounts shown in £ <i>are the maximum payment</i> established by commissioner, but bidders to the Fair Chance Fund were invited to bid to deliver the project for less than these maximum payments. The level of bid discount was factored into the bid scoring mechanism to decide which bidders were awarded contracts.</p> <p>Assessment fees:</p> <ul style="list-style-type: none"> • Initial assessment fee: (£500) • Second assessment fee: (£500) • Third assessment fee: (£200) <p>Accommodation:</p> <ul style="list-style-type: none"> • Move into accommodation: (£500) • Accommodation sustained for 3 months: (£1,500), 6 months: (£1,500), 12 months: (£1,500), 18 months: (£1,500) <p>Education / Training:</p> <ul style="list-style-type: none"> • Entry into education / training: (£500) • First entry level qualification: (£1,500) • Achievement of National Qualifications Framework (NQF) Level 1 qualification: (£2,500) • Achievement of first NQF Level 2 qualification: (£3,500) <p>Employment / volunteering:</p> <ul style="list-style-type: none"> • 6 Weeks volunteering: (£500), 13 weeks: (£500), 20 weeks: (£250), 26 weeks: (£250) • Entry into employment: (£500) • 13 Weeks part-time employment: (£3,000), 26 weeks: (£2,000) • 13 Weeks full-time employment: (£4,500), 26 weeks: (£3,500) <p>Outcome payments are initially recycled to continue service delivery, before being repaid to investors.</p>
<p>MAXIMUM RETURN</p>	<p>Each type of outcome can only be claimed once, and the total value of outcome payments claimable for support provided to an individual participant is limited to £17,000. There is also a cap on total outcome payments from the Department for Communities and Local Government for each project.</p>

*Using exchange rate from month of contract signing


**The service delivery contract is for 36 months

SIB FUND NAME	Fair Chance Fund			
SIB NAME	Your Chance			
LOCATION	Manchester, Oldham and Rochdale, North West England and Greenwich, Greater London, England	COUNTRY	United Kingdom	
START DATE (date of contract signing)	December 2014	CONTRACT DURATION**	36 months	
SOCIAL ISSUE	Youth homelessness			
TARGET POPULATION	<p>In order to be eligible for the program, individuals must meet all of the following criteria:</p> <ul style="list-style-type: none"> • Age 18 to 24 (21 to 24 if the individual spent time in state out-of-home care while under age 18) • Not in education, employment or training (NEET) • Homeless as defined in homelessness legislation, but not in homeless priority need. Young people who are deemed intentionally homeless may also be supported at the discretion of the Local Authority. • A priority for Local Authority support but unable to be accommodated in a supported housing scheme <p>Approximately 180 young people are expected to participate in the program.</p>			
INTERVENTION	The intervention is based around intensive one-on-one support provided by support workers, helping clients to progress in accommodation, education/training and employment/volunteering.			
SERVICE PROVIDER	Depaul UK	OUTCOME FUNDER	U.K. Department for Communities and Local Government and the Cabinet Office	
INTERMEDIARY (roles in parentheses)	Social Finance UK (supported Depaul UK to develop its bid for the project, and raised capital for the program and supported Depaul UK to mobilize service delivery. Social Finance UK now plays an ongoing advisory role in the project)	TECHNICAL ASSISTANCE PROVIDER	N/A	
UPFRONT CAPITAL COMMITMENT (USDM)*	0.97	NON-RECOVERABLE GRANTS	N/A	
Senior Investors				
INVESTOR NAME	Not publicly available			
INVESTMENT (USDM)*	0.97 (£0.62 million)			
MAXIMUM POTENTIAL LOSS (% of principal)	100%			
OUTCOME METRIC	See payments below			
OUTCOME EVALUATION METHOD [Evaluator in brackets]	Validated administrative data [The Department for Communities and Local Government will validate data submitted by the service providers]			
PAYMENT SCHEDULE	Quarterly payments made by the outcome funder. Repayments to investors as and when approved by project leadership.			
THRESHOLD FOR PAYMENTS FROM THE OUTCOME FUNDER	Achievement of the metrics below			

<p>PAYMENTS BEYOND THRESHOLD</p>	<p>Department for Communities and Local Government pays for one or more outcomes per participant (with a cap of £17,000 per participant). Each type of outcome can be claimed only once. Amounts shown in £ <i>are the maximum payments</i> established by commissioner, but bidders to the Fair Chance Fund were invited to bid to deliver the project for less than these maximum payments. The level of bid discount was factored into the bid scoring mechanism to decide which bidders were awarded contracts.</p> <p>Assessment fees:</p> <ul style="list-style-type: none"> • Initial assessment fee: (£500) • Second assessment fee: (£500) • Third assessment fee: (£200) <p>Accommodation:</p> <ul style="list-style-type: none"> • Move into accommodation: (£500) • Accommodation sustained for 3 months: (£1,500), 6 months: (£1,500), 12 months: (£1,500), 18 months: (£1,500) <p>Education / training:</p> <ul style="list-style-type: none"> • Entry into education / training: (£500) • First entry level qualification: (£1,500) • Achievement of National Qualifications Framework (NQF) Level 1 qualification: (£2,500) • Achievement of first NQF Level 2 qualification: (£3,500) <p>Employment / volunteering:</p> <ul style="list-style-type: none"> • 6 Weeks volunteering: (£500), 13 weeks: (£500), 20 weeks: (£250), 26 weeks: (£250) • Entry into employment: (£500) • 13 Weeks part-time employment: (£3,000), 26 weeks: (£2,000) • 13 Weeks full-time employment: (£4,500), 26 weeks: (£3,500) <p>Outcome payments are initially recycled to continue service delivery, before being repaid to investors.</p>
<p>MAXIMUM RETURN</p>	<p>Each type of outcome can only be claimed once, and the total value of outcome payments claimable for support provided to an individual participant is limited to £17,000. There is also a cap on total outcome payments from the Department for Communities and Local Government for each project.</p>

*Using exchange rate from month of contract signing


**The service delivery contract is for 36 months

SIB FUND NAME	Fair Chance Fund			
SIB NAME	Home Group			
LOCATION	Newcastle, Northumberland, South Tyneside, North Tyneside, Gateshead, Durham and Sunderland, North East England, England	COUNTRY	United Kingdom	
START DATE (date of contract signing)	December 2014	CONTRACT DURATION**	36 months	
SOCIAL ISSUE	Youth homelessness			
TARGET POPULATION	<p>In order to be eligible for the program, individuals must meet all of the following criteria:</p> <ul style="list-style-type: none"> • Age 18 to 24 (21 to 24 if the individual spent time in state out-of-home care while under age 18) • Not in education, employment or training (NEET) • Homeless as defined in homelessness legislation, but not in homeless priority need. Young people who are deemed intentionally homeless may also be supported at the discretion of the Local Authority. • A priority for Local Authority support but unable to be accommodated in a supported housing scheme <p>Approximately 230 young people are expected to participate in the program.</p>			
INTERVENTION	Providing accommodation, education, volunteering and employment			
SERVICE PROVIDER	Home Group	OUTCOME FUNDER	U.K. Department for Communities and Local Government and the Cabinet Office	
INTERMEDIARY (roles in parentheses)	Numbers4Good (advising the service provider to prepare bid, structuring the deal, raising funds)	TECHNICAL ASSISTANCE PROVIDER	N/A	
UPFRONT CAPITAL COMMITMENT (USDM)*	0.779	NON-RECOVERABLE GRANTS	N/A	
	Senior Investors			
INVESTOR NAME	Northstar Ventures			
INVESTMENT (USDM)*	0.779 (£0.498 million)			
MAXIMUM POTENTIAL LOSS (% of principal)	90%			
OUTCOME METRIC	See payments below			
OUTCOME EVALUATION METHOD [Evaluator in brackets]	Validated administrative data [The Department for Communities and Local Government will validate data submitted by the service providers]			
PAYMENT SCHEDULE	Quarterly payments made by the outcome funder. Repayments to investors as and when approved by project leadership.			
THRESHOLD FOR PAYMENTS FROM THE OUTCOME FUNDER	Achievement of the metrics below			

<p>PAYMENTS BEYOND THRESHOLD</p>	<p>Department for Communities and Local Government pays for one or more outcomes per participant (with a cap of £17,000 per participant). Each type of outcome can be claimed only once. Amounts shown in £ <i>are the maximum payment</i> established by commissioner, but bidders to the Fair Chance Fund were invited to bid to deliver the project for less than these maximum payments. The level of bid discount was factored into the bid scoring mechanism to decide which bidders were awarded contracts.</p> <p>Assessment fees:</p> <ul style="list-style-type: none"> • Initial assessment fee: (£500) • Second assessment fee: (£500) • Third assessment fee: (£200) <p>Accommodation:</p> <ul style="list-style-type: none"> • Move into accommodation: (£500) • Accommodation sustained for 3 months: (£1,500), 6 months: (£1,500), 12 months: (£1,500), 18 months: (£1,500) <p>Education / Training:</p> <ul style="list-style-type: none"> • Entry into education / training: (£500) • First entry level qualification: (£1,500) • Achievement of National Qualifications Framework (NQF) Level 1 qualification: (£2,500) • Achievement of first NQF Level 2 qualification: (£3,500) <p>Employment / volunteering:</p> <ul style="list-style-type: none"> • 6 Weeks volunteering: (£500), 13 weeks: (£500), 20 weeks: (£250), 26 weeks: (£250) • Entry into employment: (£500) • 13 Weeks part-time employment: (£3,000), 26 weeks: (£2,000) • 13 Weeks full-time employment: (£4,500), 26 weeks: (£3,500) <p>Outcome payments are initially recycled to continue service delivery, before being repaid to investors.</p>
<p>MAXIMUM RETURN</p>	<p>Each type of outcome can only be claimed once, and the total value of outcome payments claimable for support provided to an individual participant is limited to £17,000. There is also a cap on total outcome payments from the Department for Communities and Local Government for each contract. The investment is an equity investment, so the returns could range widely.</p>

*Using exchange rate from month of contract signing


**The service delivery contract is for 36 months

SIB FUND NAME	Fair Chance Fund			
SIB NAME	Fusion Housing			
LOCATION	Kirklees, Calderdale and Wakefield, Yorkshire and the Humber, England	COUNTRY	United Kingdom	
START DATE (date of contract signing)	December 2014	CONTRACT DURATION**	36 months	
SOCIAL ISSUE	Youth homelessness			
TARGET POPULATION	<p>In order to be eligible for the program, individuals must meet all of the following criteria:</p> <ul style="list-style-type: none"> • Age 18 to 24 (21 to 24 if the individual spent time in state out-of-home care while under age 18) • Not in education, employment or training (NEET) • Homeless as defined in homelessness legislation, but not in homeless priority need. Young people who are deemed intentionally homeless may also be supported at the discretion of the Local Authority. • A priority for Local Authority support but unable to be accommodated in a supported housing scheme <p>Approximately 261 young people are expected to participate in the program.</p>			
INTERVENTION	The intervention is based around intensive one-on-one support provided by support workers, helping clients to progress in accommodation, education/training and employment/volunteering.			
SERVICE PROVIDER	Depaul UK	OUTCOME FUNDER	U.K. Department for Communities and Local Government and the Cabinet Office	
INTERMEDIARY (roles in parentheses)	Social Finance UK (supported Depaul UK to develop its bid for the project, and raised capital for the program and supported Depaul UK to mobilize service delivery. Social Finance UK now plays an ongoing advisory role in the project)	TECHNICAL ASSISTANCE PROVIDER	N/A	
UPFRONT CAPITAL COMMITMENT (USDM)*	0.97	NON-RECOVERABLE GRANTS	N/A	
Senior Investors				
INVESTOR NAME	Not publicly available			
INVESTMENT (USDM)*	0.97 (£0.62 million)			
MAXIMUM POTENTIAL LOSS (% of principal)	100%			
OUTCOME METRIC	See payments below			
OUTCOME EVALUATION METHOD [Evaluator in brackets]	Validated administrative data [The Department for Communities and Local Government will validate data submitted by the service providers]			
PAYMENT SCHEDULE	Quarterly payments made by the outcome funder. Repayments to investors as and when approved by project leadership.			
THRESHOLD FOR PAYMENTS FROM THE OUTCOME FUNDER	Achievement of the metrics below			

<p>PAYMENTS BEYOND THRESHOLD</p>	<p>Department for Communities and Local Government pays for one or more outcomes per participant (with a cap of £17,000 per participant). Each type of outcome can be claimed only once. Amounts shown in £ <i>are the maximum payments</i> established by commissioner, but bidders to the Fair Chance Fund were invited to bid to deliver the project for less than these maximum payments. The level of bid discount was factored into the bid scoring mechanism to decide which bidders were awarded contracts.</p> <p>Assessment fees:</p> <ul style="list-style-type: none"> • Initial assessment fee: (£500) • Second assessment fee: (£500) • Third assessment fee: (£200) <p>Accommodation:</p> <ul style="list-style-type: none"> • Move into accommodation: (£500) • Accommodation sustained for 3 months: (£1,500), 6 months: (£1,500), 12 months: (£1,500), 18 months: (£1,500) <p>Education / training:</p> <ul style="list-style-type: none"> • Entry into education / training: (£500) • First entry level qualification: (£1,500) • Achievement of National Qualifications Framework (NQF) Level 1 qualification: (£2,500) • Achievement of first NQF Level 2 qualification: (£3,500) <p>Employment / volunteering:</p> <ul style="list-style-type: none"> • 6 Weeks volunteering: (£500), 13 weeks: (£500), 20 weeks: (£250), 26 weeks: (£250) • Entry into employment: (£500) • 13 Weeks part-time employment: (£3,000), 26 weeks: (£2,000) • 13 Weeks full-time employment: (£4,500), 26 weeks: (£3,500) <p>Outcome payments are initially recycled to continue service delivery, before being repaid to investors.</p>
<p>MAXIMUM RETURN</p>	<p>Each type of outcome can only be claimed once, and the total value of outcome payments claimable for support provided to an individual participant is limited to £17,000. There is also a cap on total outcome payments from the Department for Communities and Local Government for each project.</p>

*Using exchange rate from month of contract signing

**The service delivery contract is for 36 months


SIB FUND NAME	Fair Chance Fund			
SIB NAME	Ambition East Midlands			
LOCATION	Leicestershire and Derbyshire, East Midlands, England	COUNTRY	United Kingdom	
START DATE (date of contract signing)	December 2014	CONTRACT DURATION**	36 months	
SOCIAL ISSUE	Youth homelessness			
TARGET POPULATION	<p>In order to be eligible for the program, individuals must meet all of the following criteria:</p> <ul style="list-style-type: none"> • Age 18 to 24 (21 to 24 if the individual spent time in state out-of-home care while under age 18) • Not in education, employment or training (NEET) • Homeless as defined in homelessness legislation, but not in homeless priority need. Young people who are deemed intentionally homeless may also be supported at the discretion of the Local Authority. • A priority for Local Authority support but unable to be accommodated in a supported housing scheme <p>Approximately 340 young people are expected to participate in the program.</p>			
INTERVENTION	The intervention is based around intensive one-on-one support provided by support workers, helping clients to progress in accommodation, education/training and employment/volunteering. The project will also be delivered in close collaboration with a local educational college.			
SERVICE PROVIDER	P3 (People Potential Possibilities), The Y in Leicester, YMCA Derbyshire	OUTCOME FUNDER	U.K. Department for Communities and Local Government and the Cabinet Office	
INTERMEDIARY (roles in parentheses)	Triodos Bank UK (Raised capital and structured deal, will provide 6 months of project management to the SPV)	TECHNICAL ASSISTANCE PROVIDER	N/A	
UPFRONT CAPITAL COMMITMENT (USD\$)*	0.938	NON-RECOVERABLE GRANTS	N/A	
	Senior Investors		Subordinate Investors	
INVESTOR NAME	Key Fund, Big Issue Invest and retail investors		P3, The Y in Leicester, YMCA Derbyshire	
INVESTMENT (USD\$)*	0.86 (£0.55 million) (total investment raised)		0.188 (£0.12 million)	
MAXIMUM POTENTIAL LOSS (% of principal)	100%			
OUTCOME METRIC	See payments below			
OUTCOME EVALUATION METHOD [Evaluator in brackets]	Validated administrative data [The Department for Communities and Local Government will validate data submitted by the service providers]			
PAYMENT SCHEDULE	Outcome payments are claimed quarterly in arrears. External investors (debt) are repaid at program completion, although there is the right for debt holders to early repayment in certain circumstances per the investment agreements.		Equity investors are 'repaid' at completion (after senior/debt investors)	
THRESHOLD FOR PAYMENTS FROM THE OUTCOME FUNDER	Achievement of the metrics below		P3, The Y in Leicester, YMCA Derbyshire will be paid after the senior investors' loan is repaid.	

<p>PAYMENTS BEYOND THRESHOLD</p>	<p>Department for Communities and Local Government pays for one or more outcomes per participant (with a cap of £17,000 per participant). Each type of outcome can be claimed only once. Amounts shown in £ <i>are the maximum payment</i> established by commissioner, but bidders to the Fair Chance Fund were invited to bid to deliver the project for less than these maximum payments. The level of bid discount was factored into the bid scoring mechanism to decide which bidders were awarded contracts.</p> <p>Assessment fees:</p> <ul style="list-style-type: none"> • Initial assessment fee: (£500) • Second assessment fee: (£500) • Third assessment fee: (£200) <p>Accommodation:</p> <ul style="list-style-type: none"> • Move into accommodation: (£500) • Accommodation sustained for 3 months: (£1,500), 6 months: (£1,500), 12 months: (£1,500), 18 months: (£1,500) <p>Education / Training:</p> <ul style="list-style-type: none"> • Entry into education / training: (£500) • First entry level qualification: (£1,500) • Achievement of National Qualifications Framework (NQF) Level 1 qualification: (£2,500) • Achievement of first NQF Level 2 qualification: (£3,500) <p>Employment / volunteering:</p> <ul style="list-style-type: none"> • 6 Weeks volunteering: (£500), 13 weeks: (£500), 20 weeks: (£250), 26 weeks: (£250) • Entry into employment: (£500) • 13 Weeks part-time employment: (£3,000), 26 weeks: (£2,000) • 13 Weeks full-time employment: (£4,500), 26 weeks: (£3,500) <p>Outcome payments are initially recycled to continue service delivery, before being repaid to investors.</p>
<p>MAXIMUM RETURN</p>	<p>Each type of outcome can only be claimed once, and the total value of outcome payments claimable for support provided to an individual participant is limited to £17,000. There is also a cap on total outcome payments from the Department for Communities and Local Government for each project.</p>

P3, The Y in Leicester, YMCA Derbyshire made an equity investment and will be paid what is in the SPV after the senior investors have been repaid, so returns could vary widely.

*Using exchange rate from month of contract signing


**The service delivery contract is for 36 months

SIB FUND NAME	Fair Chance Fund			
SIB NAME	Aspire Gloucestershire			
LOCATION	Gloucestershire, South West England, England	COUNTRY	United Kingdom	
START DATE (date of contract signing)	December 2014	CONTRACT DURATION**	36 months	
SOCIAL ISSUE	Youth homelessness			
TARGET POPULATION	<p>In order to be eligible for the program, individuals must meet all of the following criteria:</p> <ul style="list-style-type: none"> • Age 18 to 24 (21 to 24 if the individual spent time in state out-of-home care while under age 18) • Not in education, employment or training (NEET) • Homeless as defined in homelessness legislation, but not in homeless priority need. Young people who are deemed intentionally homeless may also be supported at the discretion of the Local Authority. • A priority for Local Authority support but unable to be accommodated in a supported housing scheme <p>Approximately 150 young people are expected to participate in the program.</p>			
INTERVENTION	The service providers help place the young people with external housing providers and connect them with employment and education services.			
SERVICE PROVIDER	P3 and CCP (People Potential Possibilities and County Community Projects)	OUTCOME FUNDER	U.K. Department for Communities and Local Government and the Cabinet Office	
INTERMEDIARY (roles in parentheses)	Triodos Bank UK (Raised capital and structured deal, will provide 6 months of project management to the SPV)	TECHNICAL ASSISTANCE PROVIDER	N/A	
UPFRONT CAPITAL COMMITMENT (USD M)*	0.484	NON-RECOVERABLE GRANTS	N/A	
	Senior Investors		Subordinate Investors	
INVESTOR NAME	CAF Venturesome and retail investors		P3 and CCP	
INVESTMENT (USD M)*	0.390 (£0.25 million) (This comprises £0.205 million from CAF and £0.045 million from retail investors (benefitting from Social Investment Tax Relief (SITR)). The SITR investment takes the form of a loan/debt instrument ranking behind the CAF loan but ahead of the P3 and CCP equity.)		0.094 (£0.060 million)	
MAXIMUM POTENTIAL LOSS (% of principal)	100%			
OUTCOME METRIC	See payments below			
OUTCOME EVALUATION METHOD [Evaluator in brackets]	Validated administrative data [The Department for Communities and Local Government will validate data submitted by the service providers]			
PAYMENT SCHEDULE	Outcome payments are claimed quarterly in arrears. External investors (debt) are repaid at program completion, although there is the right for debt holders to early repayment in certain circumstances per the investment agreements.		Equity investors are 'repaid' at completion (after senior/debt investors)	

THRESHOLD FOR PAYMENTS FROM THE OUTCOME FUNDER	Achievement of the metrics below
PAYMENTS BEYOND THRESHOLD	<p>Department for Communities and Local Government pays for one or more outcomes per participant (with a cap of £17,000 per participant). Each type of outcome can be claimed only once. Amounts shown in £ <i>are the maximum payment</i> established by commissioner, but bidders to the Fair Chance Fund were invited to bid to deliver the project for less than these maximum payments. The level of bid discount was factored into the bid scoring mechanism to decide which bidders were awarded contracts.</p> <p>Assessment fees:</p> <ul style="list-style-type: none"> • Initial assessment fee: (£500) • Second assessment fee: (£500) • Third assessment fee: (£200) <p>Accommodation:</p> <ul style="list-style-type: none"> • Move into accommodation: (£500) • Accommodation sustained for 3 months: (£1,500), 6 months: (£1,500), 12 months: (£1,500), 18 months: (£1,500) <p>Education / Training:</p> <ul style="list-style-type: none"> • Entry into education / training: (£500) • First entry level qualification: (£1,500) • Achievement of National Qualifications Framework (NQF) Level 1 qualification: (£2,500) • Achievement of first NQF Level 2 qualification: (£3,500) <p>Employment / volunteering:</p> <ul style="list-style-type: none"> • 6 Weeks volunteering: (£500), 13 weeks: (£500), 20 weeks: (£250), 26 weeks: (£250) • Entry into employment: (£500) • 13 Weeks part-time employment: (£3,000), 26 weeks: (£2,000) • 13 Weeks full-time employment: (£4,500), 26 weeks: (£3,500) <p>Outcome payments are initially recycled to continue service delivery, before being repaid to investors.</p>
MAXIMUM RETURN	Each type of outcome can only be claimed once, and the total value of outcome payments claimable for support provided to an individual participant is limited to £17,000. There is also a cap on total outcome payments from the Department for Communities and Local Government for each project.

*Using exchange rate from month of contract signing


**The service delivery contract is for 36 months

SIB FUND NAME	Fair Chance Fund			
SIB NAME	Rewriting Futures			
LOCATION	Birmingham, Coventry, Solihull, Walsall, and Wyre Forest, West Midlands, England	COUNTRY	United Kingdom	
START DATE (date of contract signing)	December 2014	CONTRACT DURATION**	36 months	
SOCIAL ISSUE	Youth homelessness			
TARGET POPULATION	<p>In order to be eligible for the program, individuals must meet all of the following criteria:</p> <ul style="list-style-type: none"> • Age 18 to 24 (21 to 24 if the individual spent time in state out-of-home care while under age 18) • Not in education, employment or training (NEET) • Homeless as defined in homelessness legislation, but not in homeless priority need. Young people who are deemed intentionally homeless may also be supported at the discretion of the Local Authority. • A priority for Local Authority support but unable to be accommodated in a supported housing scheme <p>Approximately 300 young people are expected to participate in the program.</p>			
INTERVENTION	The intervention is based around intensive one-on-one support provided by support workers, helping clients to progress in accommodation, education/training and employment/volunteering.			
SERVICE PROVIDER	St Basils	OUTCOME FUNDER	U.K. Department for Communities and Local Government and the Cabinet Office	
INTERMEDIARY (roles in parentheses)	Social Finance UK (supported St Basils to develop its bid for the project, and raised capital for the program and supported St Basils to mobilize service delivery. Social Finance UK now plays an ongoing advisory role in the project.)	TECHNICAL ASSISTANCE PROVIDER	N/A	
UPFRONT CAPITAL COMMITMENT (USDM)*	1.61	NON-RECOVERABLE GRANTS	N/A	
Senior Investors				
INVESTOR NAME	Not publicly available			
INVESTMENT (USDM)*	0.86 (£0.55 million) (total investment raised)			
MAXIMUM POTENTIAL LOSS (% of principal)	100%			
OUTCOME METRIC	See payments below			
OUTCOME EVALUATION METHOD [Evaluator in brackets]	Validated administrative data [The Department for Communities and Local Government will validate data submitted by the service providers]			
PAYMENT SCHEDULE	Outcome payments are claimed quarterly in arrears. External investors (debt) are repaid at program completion, although there is the right for debt holders to early repayment in certain circumstances per the investment agreements.			
THRESHOLD FOR PAYMENTS FROM THE OUTCOME FUNDER	Achievement of the metrics below			

<p>PAYMENTS BEYOND THRESHOLD</p>	<p>Department for Communities and Local Government pays for one or more outcomes per participant (with a cap of £17,000 per participant). Each type of outcome can be claimed only once. Amounts shown in £ <i>are the maximum payment</i> established by commissioner, but bidders to the Fair Chance Fund were invited to bid to deliver the project for less than these maximum payments. The level of bid discount was factored into the bid scoring mechanism to decide which bidders were awarded contracts.</p> <p>Assessment fees:</p> <ul style="list-style-type: none"> • Initial assessment fee: (£500) • Second assessment fee: (£500) • Third assessment fee: (£200) <p>Accommodation:</p> <ul style="list-style-type: none"> • Move into accommodation: (£500) • Accommodation sustained for 3 months: (£1,500), 6 months: (£1,500), 12 months: (£1,500), 18 months: (£1,500) <p>Education / Training:</p> <ul style="list-style-type: none"> • Entry into education / training: (£500) • First entry level qualification: (£1,500) • Achievement of National Qualifications Framework (NQF) Level 1 qualification: (£2,500) • Achievement of first NQF Level 2 qualification: (£3,500) <p>Employment / volunteering:</p> <ul style="list-style-type: none"> • 6 Weeks volunteering: (£500), 13 weeks: (£500), 20 weeks: (£250), 26 weeks: (£250) • Entry into employment: (£500) • 13 Weeks part-time employment: (£3,000), 26 weeks: (£2,000) • 13 Weeks full-time employment: (£4,500), 26 weeks: (£3,500) <p>Outcome payments are initially recycled to continue service delivery, before being repaid to investors.</p>
<p>MAXIMUM RETURN</p>	<p>Each type of outcome can only be claimed once, and the total value of outcome payments claimable for support provided to an individual participant is limited to £17,000. There is also a cap on total outcome payments from the Department for Communities and Local Government for each project.</p>

*Using exchange rate from month of contract signing


**The service delivery contract is for 36 months

SIB NAME	Manchester City Council Vulnerable Children			
LOCATION	Manchester, North West England	COUNTRY	United Kingdom	
START DATE (date of contract signing)	June 2014	CONTRACT DURATION	60 months	
SOCIAL ISSUE	Barriers to family reunification or long-term foster care placement			
TARGET POPULATION	95 or more young people ages 11 to 14 who are either in the government's residential care and determined to be high need, or in foster placements and at risk of entering government residential care			
INTERVENTION	Multi-Dimensional Treatment Foster Care – Adolescents (MTFC-A) program, which provides support for young people with severe behavioral and emotional issues. Children are placed in foster care for 6 to 12 months where they receive intensive therapy. At the end of the program, children are either reunited with their families or placed in long-term foster care placements. This is a tested program that was originally developed in the U.S.			
SERVICE PROVIDER	Action for Children	OUTCOME FUNDER	Manchester City Council (additional funding from the Cabinet Office's Social Outcomes Fund)	
INTERMEDIARY (roles in parentheses)	Manchester City Council	TECHNICAL ASSISTANCE PROVIDER	The developers of the Multi-Dimensional Treatment Foster Care program have provided technical support related to the program	
UPFRONT CAPITAL COMMITMENT (USD\$)*	2.01	NON-RECOVERABLE GRANTS	N/A	
Senior Investors				
INVESTOR NAME	Bridge Ventures**			
INVESTMENT (USD\$)*	2.01 (£1.2 million)			
MAXIMUM POTENTIAL LOSS (% of principal)	100%			
OUTCOME METRIC	<ol style="list-style-type: none"> Participant engagement in MTFC program Number of weeks participant stays out of residential placement Participant achievement of all well-being outcomes (including school attendance and reductions in anti-social behavior) 			
OUTCOME EVALUATION METHOD [Evaluator in brackets]	Historical comparison (comparison to data on 11- to 14-year-olds in residential care in 2007 to 2008) [Manchester City Council and Action for Children compare program data to the historical baseline.]			
PAYMENT SCHEDULE	The outcome funder will pay for outcomes quarterly, and payments are divided between the service provider and investor as described below.			
THRESHOLD FOR PAYMENTS FROM THE OUTCOME FUNDER	Positive change in the metrics			

PAYMENTS BEYOND THRESHOLD	<p>The outcome funder (commissioner) will pay for the outcomes outlined below. The contract for the transaction specifies the percentages of each outcome payment that go to the service provider and the investors. In SIB structures such as these, the service provider often receives a higher percentage of the attachment fee, relative to the success payments. This is because the service provider often prefers to take on volume or operational efficiency risk, rather than the ultimate outcomes risk, which is often taken primarily by the social investor.</p> <ol style="list-style-type: none"> 1. Attachment fee: participant engagement in MTFC program (no longer in residential care): up to £1,800 per week during the first year of the program 2. Success payment: Number of weeks participant stays out of residential placement: up to £350 per week for 2.5 years post-graduation 3. Success payment: Participant achievement of all well-being outcomes (including school attendance and reductions in anti-social behavior): £9,500 on an annual basis post-completion of the program (partial payment at graduation + 1 year after graduation)
MAXIMUM RETURN	<p>Maximum outcome payment of £148,000 per individual. The investors have made an equity investment and there is capital recycling in this program, therefore the returns to investors could vary enormously.</p>

*Using exchange rate from month of contract signing

**Bridges Ventures' Social Impact Bond Fund and Social Entrepreneurs Fund (contributors to both funds include Big Society Capital, the European Investment Fund, Deutsche Bank Social Investments, J.P. Morgan Social Finance, Bridges Charitable Trust, The Prince's Charities, Omidyar Network, Panahpur, Esmee Fairbairn Foundation, Highwood Foundation, the U.K. Cabinet Office, Nesta, Trust for London, Greater Manchester Pension Fund, Merseyside Pension Fund)


SIB NAME	Outcomes for Children Birmingham			
LOCATION	Birmingham, West Midlands	COUNTRY	United Kingdom	
START DATE (date of contract signing)	August 2014	CONTRACT DURATION	48 months	
SOCIAL ISSUE	Barriers to adoption			
TARGET POPULATION	Approximately 115 looked after young people ages 11 to 15 who are in residential units (Birmingham City Council has approximately 1,800 looked after young people and 180 of them are in residential care)			
INTERVENTION	Core Assets Residential Migration model - structured intensive foster placement approach specifically designed for young people transitioning from residential care to a family placement. This delivery model builds on Core Assets' successful and proven "Team Parenting" approach by supporting a skilled and experienced foster carer with a wrap-around team of professionals			
SERVICE PROVIDER	Outcomes for Children (a social enterprise within Core Assets Group)	OUTCOME FUNDER	Birmingham City Council (additional funding from the Cabinet Office Social Outcomes Fund and Big Lottery Fund's Commissioning Better Outcomes Fund)	
INTERMEDIARY (roles in parentheses)	N/A	TECHNICAL ASSISTANCE PROVIDER	N/A	
UPFRONT CAPITAL COMMITMENT (USD M)*	1.69	NON-RECOVERABLE GRANTS	N/A	
Senior Investors				
INVESTOR NAME	Bridge Ventures**			
INVESTMENT (USD M)*	1.69 (£1 million)			
MAXIMUM POTENTIAL LOSS (% of principal)	100%			
OUTCOME METRIC	<ol style="list-style-type: none"> 1. Successful placement in the Residential Migration Program - for "Milestone Payments" 2. Successful completion of 52 weeks in the Residential Migration Program - for "Graduate Payment" 			
OUTCOME EVALUATION METHOD [Evaluator in brackets]	<p>Validated administrative data (residential care status) [The Birmingham City Council will use data from the judiciary system on placement of children.]</p> <p>The REES Centre at the University of Oxford will conduct a parallel evaluation aiming to capture and evaluate what contributes to successful placements (defined as 52 weeks stability) and what contributes to failure (e.g. disrupted placement, return to residential care, etc.).</p>			
PAYMENT SCHEDULE	Payments from the outcome funder are made weekly for Milestone Payments and at the end of 52 weeks of placement for Graduate Payments. These payments are divided between the service provider and investor (see below).			
THRESHOLD FOR PAYMENTS FROM THE OUTCOME FUNDER	Occurrence of either outcome			

PAYMENTS BEYOND THRESHOLD	<p>The outcome funder (commissioner) will pay for the outcomes outlined below. The contract for the transaction specifies the percentages of each outcome payment that go to the service provider and the investors. In SIB structures such as these, the service provider often receives a higher percentage of the attachment fee, relative to the success payments. This is because the service provider often prefers to take on volume or operational efficiency risk, rather than the ultimate outcomes risk, which is often taken primarily by the social investor.</p> <ol style="list-style-type: none"> 1. Attachment fee/Milestone Payments: weekly payments after successful placement in the Residential Migration Program (amount not publicly available) 2. Success payment/Graduate Payment: Payment at the end of 52 weeks for successful completion of 52 weeks in the Residential Migration Program (amount not publicly available)
MAXIMUM RETURN	Total cap for payments not publicly available


*Using exchange rate from month of contract signing

**Bridges Ventures' Social Impact Bond Fund and Social Entrepreneurs Fund (contributors to both funds include Big Society Capital, the European Investment Fund, Deutsche Bank Social Investments, J.P. Morgan Social Finance, Bridges Charitable Trust, The Prince's Charities, Omidyar Network, Panahpur, Esmee Fairbairn Foundation, Highwood Foundation, the U.K. Cabinet Office, Nesta, Trust for London, Greater Manchester Pension Fund, Merseyside Pension Fund)

United States SIB Fact Sheets


SIB NAME		NYC ABL Project for Incarcerated Youth		
LOCATION	New York City, New York	COUNTRY	United States	
START DATE (date of contract signing)	September 2012	CONTRACT DURATION	Not publicly available	
SOCIAL ISSUE	Prison recidivism			
TARGET POPULATION	Approximately 10,000 detained and sentenced adolescents in the custody of the Department of Correction at Rikers Island Prison			
INTERVENTION	Adolescent Behavioral Learning Experience (ABLE): Cognitive Behavioral Therapy services provided during the regular school day on Rikers and as a one-hour class approximately every week and during school breaks			
SERVICE PROVIDER	Osborne Association and Friends of Island Academy	OUTCOME FUNDER	New York City Department of Correction	
INTERMEDIARY (roles in parentheses)	MDRC (formerly the Manpower Demonstration Research Corporation)	TECHNICAL ASSISTANCE PROVIDER	N/A	
UPFRONT CAPITAL COMMITMENT (USDM)*	9.32	NON-RECOVERABLE GRANTS	N/A	
	Senior Investors		Recoverable Grants and Investment Guarantees	
INVESTOR NAME	Goldman Sachs' Urban Investment Group		Bloomberg Philanthropies investment guarantee	
INVESTMENT (USDM)*	9.6		7.2	
MAXIMUM POTENTIAL LOSS (% of principal)	25%		N/A	
OUTCOME METRIC	Decrease in readmission rate (number of days incarcerated following release from Rikers)		N/A	
OUTCOME EVALUATION METHOD [Evaluator in brackets]	Not publicly available [Vera Institute of Justice]		N/A	
PAYMENT SCHEDULE	Not publicly available		N/A	
THRESHOLD FOR PAYMENTS FROM THE OUTCOME FUNDER	Reduction in readmission rate by 8.5% or more.		N/A	

PAYMENTS BEYOND THRESHOLD	Stepped relationship between payments and re-incarceration as demonstrated in the following table: Project Partners have the opportunity to terminate the deal early after three years	N/A																		
	<table border="1"> <thead> <tr> <th>Reduction in Re-incarceration Rate</th> <th>City Payment to MDRC (\$)</th> </tr> </thead> <tbody> <tr> <td>>20.0%</td> <td>\$11,712,000</td> </tr> <tr> <td>>16.0%</td> <td>\$10,944,000</td> </tr> <tr> <td>>13.0%</td> <td>\$10,368,000</td> </tr> <tr> <td>>12.5%</td> <td>\$10,272,000</td> </tr> <tr> <td>>12.0%</td> <td>\$10,176,000</td> </tr> <tr> <td>>11.0%</td> <td>\$10,080,000</td> </tr> <tr> <td>>10.0% <i>(breakeven)</i></td> <td>\$ 9,600,000</td> </tr> <tr> <td>>8.5%</td> <td>\$ 4,800,000</td> </tr> </tbody> </table>		Reduction in Re-incarceration Rate	City Payment to MDRC (\$)	>20.0%	\$11,712,000	>16.0%	\$10,944,000	>13.0%	\$10,368,000	>12.5%	\$10,272,000	>12.0%	\$10,176,000	>11.0%	\$10,080,000	>10.0% <i>(breakeven)</i>	\$ 9,600,000	>8.5%	\$ 4,800,000
	Reduction in Re-incarceration Rate		City Payment to MDRC (\$)																	
	>20.0%		\$11,712,000																	
	>16.0%		\$10,944,000																	
	>13.0%		\$10,368,000																	
	>12.5%		\$10,272,000																	
	>12.0%		\$10,176,000																	
	>11.0%		\$10,080,000																	
>10.0% <i>(breakeven)</i>	\$ 9,600,000																			
>8.5%	\$ 4,800,000																			
MAXIMUM RETURN	Not publicly available	N/A																		


SIB NAME	Utah High Quality Preschool Program*			
LOCATION	State of Utah (Salt Lake City and surrounding areas)	COUNTRY	United States	
START DATE (date of contract signing)	August 2013	CONTRACT DURATION	60 months	
SOCIAL ISSUE	Limited access to Early Childhood Education			
TARGET POPULATION	Up to 3,500 low income 3- and 4-year-olds across up to five cohorts of around 600 per year. The first cohort included 600 children in the 2013-2014 school year and the second cohort will include 750 children in the 2014-2015 school year.			
INTERVENTION	Utah High Quality Preschool Program, a high impact and targeted curriculum to increase school readiness and academic performance among 3- and 4-year-olds			
SERVICE PROVIDER	Granite School District, Park City School District, Guadalupe School, YMCA of Northern Utah, Children's Express, and Lit'l Scholars.	OUTCOME FUNDER	State of Utah	
INTERMEDIARY (roles in parentheses)	United Way of Salt Lake (oversees the implementation of the project, contracts with and manages payments to and reports from the providers)	TECHNICAL ASSISTANCE PROVIDER	Voices for Utah Children (financial structuring, research and analytic support) Granite School District (training and professional development for service providers)	
UPFRONT CAPITAL COMMITMENT (USD M)*	7.0	NON-RECOVERABLE GRANTS	N/A	
	Senior Investors		Subordinate Investors	
INVESTOR NAME	Goldman Sachs' Urban Investment Group		J.B. Pritzker (individual)	
INVESTMENT (USD M)*	4.6		2.4	
MAXIMUM POTENTIAL LOSS (% of principal)	100%			
OUTCOME METRIC	Years of special education (remedial education) avoided Kindergarten through 6th grade for students "likely to use special education services" (as defined by testing at least two standard deviations below mean on the Peabody Picture Vocabulary test (PPVT) before entering the Pre-Kindergarten program). These students form the "payment cohort."			
OUTCOME EVALUATION METHOD [Evaluator in brackets]	Validated administrative data (special education use by those likely to use special education given historical data) [Utah State University]			
PAYMENT SCHEDULE	Seven annual payments from the outcome funder to the investors for each cohort			
THRESHOLD FOR PAYMENTS FROM THE OUTCOME FUNDER	Any child in the payment cohort not using special education		Subordinate investors are eligible for repayment once senior investors are repaid.	

PAYMENTS BEYOND THRESHOLD	<p>Cohort I: \$2,470 per child in the payment cohort (defined above) for every year, Kindergarten through 6th grade, that the child does not use special education, up to when payments are equal to \$4.6 million plus 5% annual interest. After this, \$1,040 per child per year.</p> <p>Cohort II: \$2,565 per child in the payment cohort (defined above) for every year, Kindergarten through 6th grade, that the child does not use special education, up to a cap.</p> <p>Payments for future cohorts will be determined as funding is appropriated by government.</p>
MAXIMUM RETURN	The maximum return across cohorts I and II combined is capped at 7.26%


*This fact sheet provides information on the second SIB contract for preschool in Utah. In the first contract, the Salt Lake County and other private funders were the outcome funders. The second contract was signed after the Utah State Legislature passed House Bill 96, appropriating funding for outcome payments.


SIB NAME		Increasing Employment and Improving Public Safety		
LOCATION	Rochester and New York City, New York	COUNTRY	United States	
START DATE (date of contract signing)	September 2013	CONTRACT DURATION	66 months	
SOCIAL ISSUE	Prison recidivism			
TARGET POPULATION	2,000 formerly incarcerated individuals in Rochester and New York City aged 18 and older, who are at high risk of reoffending, soon after they are released from prison. The program will be divided into two phases, the second starting two years after the first.			
INTERVENTION	CEO's program model helps people coming home from prison enter the workforce. Specifically, CEO provides life skill education, short-term paid transitional employment, full-time job placement and post-placement services			
SERVICE PROVIDER	Center for Employment Opportunities (CEO)	OUTCOME FUNDER	"Phase I: United States Department of Labor Phase II: New York State Department of Labor"	
INTERMEDIARY (roles in parentheses)	Social Finance US	TECHNICAL ASSISTANCE PROVIDER	Harvard Kennedy School Social Impact Bond Technical Assistance Lab; Legal services for the contract provided by Jones Day	
UPFRONT CAPITAL COMMITMENT (USDM)*	14.7	NON-RECOVERABLE GRANTS	N/A	
	Senior Investors		Recoverable Grants and Investment Guarantees	
INVESTOR NAME	44 impact investors via a private placement offering; Bank of America Merrill Lynch served as the placement agent		Rockefeller Foundation (First loss Guarantee)	
INVESTMENT (USDM)*	13.50		1.32	
MAXIMUM POTENTIAL LOSS (% of principal)	12.18 (90%)		N/A	
OUTCOME METRIC	<ol style="list-style-type: none"> 1. Employment: Percentage point difference between treatment and control group members with positive earnings in the fourth quarter following release from prison. 2. Recidivism: difference between treatment and control group in average number of days incarcerated per person during the observation period. 3. Transitional Jobs: number of treatment group members who start a CEO Transitional job during the observation period. 		N/A	
OUTCOME EVALUATION METHOD [Evaluator in brackets]	Randomized Control Trial (RCT) (random assignment of referrals to CEO) (metrics 1 and 2) and Validated administrative data (metric 3) [New York State Department of Corrections and Community Supervision Research and New York State Department of Labor Research (Independently validated by Chesapeake Research Associates)]		N/A	
PAYMENT SCHEDULE	Payments at year 4 and year 5.5 from outcome funders to investors		N/A	

THRESHOLD FOR PAYMENTS FROM THE OUTCOME FUNDER	1. For employment payments: 5 percentage point increase in employment 2. and 3. For recidivism and transitional job payments: 36.8 day reduction in recidivism	N/A
PAYMENTS BEYOND THRESHOLD	1. Employment: Phase I- \$6,000 per person; Phase II-\$6,360 per person 2. Recidivism: Phase I- \$85 per day; Phase II- \$90.1 per day 3. Transitional jobs: Phase I- \$3,120 per person; Phase II- \$3,307 per person	N/A
MAXIMUM RETURN	Investors can receive up to \$21.54m for payments, which is equivalent to approximately 12.5% annual implied IRR.	N/A


SIB NAME		Juvenile Justice Pay for Success Initiative		
LOCATION	Commonwealth of Massachusetts (Chelsea, Boston and Springfield areas)	COUNTRY	United States	
START DATE (date of contract signing)	January 2014	CONTRACT DURATION	84 months	
SOCIAL ISSUE	Prison recidivism			
TARGET POPULATION	929 at-risk young men aged 17 to 24 who are in the probation system, in the juvenile justice systems, are leaving the custody of the Suffolk, Essex, Hampden, and Middlesex Houses of Correction, or are leaving the custody of Massachusetts Department of Correction.			
INTERVENTION	Two years per participant of active education, life skills and job training, and two years of rigorous follow-up			
SERVICE PROVIDER	Roca Inc.	OUTCOME FUNDER	Commonwealth of Massachusetts (Social Innovation Financing Trust Fund) and the United States Department of Labor	
INTERMEDIARY (roles in parentheses)	Third Sector Capital Partners	TECHNICAL ASSISTANCE PROVIDER	Harvard Kennedy School Social Impact Bond Technical Assistance Lab (assistance to government)	
UPFRONT CAPITAL COMMITMENT (USD M)*	16.1	NON-RECOVERABLE GRANTS	N/A	
	Senior Investors	Subordinate Investors	Recoverable Grants and Investment Guarantees	
INVESTOR NAME	Goldman Sachs' Social Impact Fund	Kresge Foundation and Living Cities (In addition, Roca Inc. and Third Sector Capital could be considered subordinate investors as they have deferred their fees and stand to earn success fees)	Anonymous Foundation, New Profit, and The Boston Foundation	
INVESTMENT (USD M)*	8.0	2.66 (from Kresge Foundation and Living Cities)	5.45	
MAXIMUM POTENTIAL LOSS (% of principal)	100%			
OUTCOME METRIC	<ol style="list-style-type: none"> Decreases in incarceration (treatment vs control groups) Increases in job readiness (number of quarters that a Roca participant engages with a Roca youth worker nine or more times) Increases in employment (number of quarters that a Roca participant is employed as compared to similar young men who are not in the program) 			
OUTCOME EVALUATION METHOD [Evaluator in brackets]	Randomized Control Trial (RCT) (metric 1) and Validated administrative data (metrics 2 and 3) [Urban Institute]			
PAYMENT SCHEDULE	Payments from outcome funders to investors in years 2 to 7		Potential for grant recycle at the end of the program	
THRESHOLD FOR PAYMENTS FROM THE OUTCOME FUNDER	<ol style="list-style-type: none"> 5.2% reduction in incarceration and 3. Any positive increase in job readiness and employment. 		Potential for grant recycle at the end of the program if outcome payments exceed repayment to senior and subordinate investors	

PAYMENTS BEYOND THRESHOLD	1.	Decreases in incarceration: a continuous relationship between	<table border="1"> <thead> <tr> <th>Decrease in Days of Incarceration</th> <th>Incarceration-Based Success Payments</th> </tr> </thead> <tbody> <tr> <td>55.0%</td> <td>\$26 million</td> </tr> <tr> <td>40.0%</td> <td>\$21 million</td> </tr> <tr> <td>25.0%</td> <td>\$10 million</td> </tr> <tr> <td>10.0%</td> <td>\$2 million</td> </tr> <tr> <td>5.0%</td> <td>\$0</td> </tr> </tbody> </table>	Decrease in Days of Incarceration	Incarceration-Based Success Payments	55.0%	\$26 million	40.0%	\$21 million	25.0%	\$10 million	10.0%	\$2 million	5.0%	\$0
	Decrease in Days of Incarceration	Incarceration-Based Success Payments													
	55.0%	\$26 million													
	40.0%	\$21 million													
	25.0%	\$10 million													
	10.0%	\$2 million													
5.0%	\$0														
2.	decreases in incarceration and payments (see example levels in chart														
3.	of total success payments)														
4.	Increases in job readiness: \$1,000 per participant per quarter														
5.	Increases in employment: \$750 per participant per quarter														
MAXIMUM RETURN	Senior lender will receive 5% annually plus approximately \$1m in success fees	<p>Subordinate lenders will receive up to 2% annually + \$500,000 in success fees</p> <p>Roca Inc. will receive up to approximately \$750,000 in additional success fees in addition to their deferred service fees of \$3.26 million. Third Sector will receive deferred service fees.</p> <p>Any remaining PFS payments after senior and subordinate investors, which could be up to \$4.9 million depending on the level of impact achieved, will be used to recycle philanthropic funding.</p>													

SIB NAME	Child-Parent Center Pay for Success Initiative			
LOCATION	Chicago, Illinois	COUNTRY	United States	
START DATE (date of contract signing)	October 2014	CONTRACT DURATION	48 months	
SOCIAL ISSUE	Limited access to Early Childhood Education			
TARGET POPULATION	2,600 low-income 4-year-olds in eight sites. The first cohort for the 2014-2015 school year includes 374 slots.			
INTERVENTION	Child-Parent Center (CPC) program that works with parents and children to improve educational outcomes through a half-day of pre-Kindergarten class.			
SERVICE PROVIDER	Chicago Public Schools	OUTCOME FUNDER	City of Chicago Office of the Mayor and Chicago Public Schools	
INTERMEDIARY (roles in parentheses)	IFF (formerly Illinois Facilities Fund)	TECHNICAL ASSISTANCE PROVIDER	Metropolitan Family Services (assistance with service model) and Harvard SIB Lab	
UPFRONT CAPITAL COMMITMENT (USDM)*	16.9	NON-RECOVERABLE GRANTS	Finnegan Family Foundation covered the evaluation costs	
	Senior Investors		Subordinate Investors	
INVESTOR NAME	Goldman Sachs' Social Impact Fund and Northern Trust Corp.		J.B. and M.K. Pritzker Family Foundation	
INVESTMENT (USDM)*	Not publicly available		Not publicly available	
MAXIMUM POTENTIAL LOSS (% of principal)	100%			
OUTCOME METRIC	<ol style="list-style-type: none"> 1. Decrease in need for special education (remedial education) services Kindergarten through 12th Grade 2. Increase in Kindergarten readiness as measured using a standard assessment tool 3. Increase in 3rd grade reading scores 			
OUTCOME EVALUATION METHOD [Evaluator in brackets]	Not publicly available [Not publicly available]			
PAYMENT SCHEDULE	<ol style="list-style-type: none"> 1. Payments for decreases in special education: annual payments Kindergarten through 12th Grade, from Chicago Public Schools to investors 2. and 3. Payments for Kindergarten and 3rd grade outcomes: once over the four-year project, from the City of Chicago to investors 			
THRESHOLD FOR PAYMENTS FROM THE OUTCOME FUNDER	Any positive change in metric		Subordinate investors are eligible for repayment once senior investors are repaid.	
PAYMENTS BEYOND THRESHOLD	<ol style="list-style-type: none"> 1. Payments for decreases in special education are \$9,100 annually compounding at a rate of 1.0% for each student that avoids special education after attending the CPC Program, paid by Chicago Public Schools 2. Payments for increases in Kindergarten readiness are \$2,900 for each student that is prepared for Kindergarten after attending the CPC Program, paid by the City of Chicago 3. Payments for increases in 3rd grade reading scores are \$750 for each student that scores above the national average on the nationally administered 3rd grade reading test, paid by City of Chicago" 			
MAXIMUM RETURN	Maximum 6% average annual return across all funders			


SIB NAME		Partnering for Family Success Program		
LOCATION	Cuyahoga County, Ohio	COUNTRY	United States	
START DATE (date of contract signing)	December 2014	CONTRACT DURATION	60 months	
SOCIAL ISSUE	Family homelessness and child welfare			
TARGET POPULATION	The intervention will reach 135 families who were recently homeless and their children (approximately 270 children). Children are between the ages of 0 and 18, though historical data suggests that 60% will be between the ages of 0 and 5. Because the project's impact is being evaluated by a randomized control trial, an additional 135 families will form the control group. There are three cohorts of 90 families, split into a treatment subset of 45 families and a control subset of 45 families.			
INTERVENTION	FrontLine's Critical Time Intervention, which will help mothers find appropriate housing, apply for government benefits and employment opportunities and learn other life skills with the aim of reuniting children and mothers and reducing children's length of stay in out-of-home care.			
SERVICE PROVIDER	FrontLine Service (and three housing providers: Cuyahoga Metropolitan Housing Authority, Emerald Development & Economic Network, Famicos Foundation)	OUTCOME FUNDER	Cuyahoga County	
INTERMEDIARY (roles in parentheses)	Third Sector Capital Partners (transaction coordinator and advisor to the SPV) Enterprise Community Partners Inc. (Project Manager, owner of the SPV--a single member LLC, conduit of financial information between the parties)	TECHNICAL ASSISTANCE PROVIDER	Third Sector Capital Partners (government advisor)	
UPFRONT CAPITAL COMMITMENT (USDM)*	4.00	NON-RECOVERABLE GRANTS	N/A	
	Senior Investors	Subordinate Investors	Recoverable Grants and Investment Guarantees	
INVESTOR NAME	The Reinvestment Fund	The George Gund Foundation, Nonprofit Finance Fund, The Cleveland Foundation, Sisters of Charity Foundation of Cleveland	Sisters of Charity Foundation of Cleveland	
INVESTMENT (USDM)*	1.575	2.275	0.150	
MAXIMUM POTENTIAL LOSS (% of principal)	25%			
OUTCOME METRIC	Reduction in out-of-home placement days over the five years of the program versus control group			
OUTCOME EVALUATION METHOD [Evaluator in brackets]	"Randomized Control Trial (RCT) [Case Western Reserve University]"			
PAYMENT SCHEDULE	There will be one payment from the outcome funder to investors at the end (Quarter 21) of the project.			

THRESHOLD FOR PAYMENTS FROM THE OUTCOME FUNDER	Reduction of out-of-home days (versus control group)	Subordinate investors are paid if senior investors have been paid principal and interest	Grants are recovered if both senior and subordinate investors have been paid principal and interest
PAYMENTS BEYOND THRESHOLD	\$75 per reduced out-of-home placement day		
MAXIMUM RETURN	5% annual base interest	2% annual base interest + equal participation in 1m of success fees	Recovery of grants (0% return on investment)

SIB NAME		Chronic Individual Homelessness Pay for Success Initiative		
LOCATION	Commonwealth of Massachusetts (state-wide)	COUNTRY	United States	
START DATE (date of contract signing)	December 2014	CONTRACT DURATION	72 months	
SOCIAL ISSUE	Homelessness			
TARGET POPULATION	Up to 800 chronically homeless adults			
INTERVENTION	The intervention will provide up to 550 units of supportive housing to participants. The supportive housing is affordable for low-income individuals and provides residents with case management services and other community support. The program is modelled on the Home & Healthy for Good program, which is run by the Massachusetts Housing and Shelter Alliance (MHSA) and operating within approximately 20 housing/shelter organizations across Massachusetts. The intervention will expand this model within existing locations and introduce it in new locations .			
SERVICE PROVIDER	MHSA is the lead partner that coordinates providers. Community support is provided by the state's Medicaid program MassHealth. MassHealth Coordinating Entities (MCEs) fund Medicaid programs at the shelters.	OUTCOME FUNDER	Commonwealth of Massachusetts (Social Innovation Financing Trust Fund)	
INTERMEDIARY (roles in parentheses)	The Massachusetts Alliance for Supportive Housing, LLC (MASH) is the special purpose subsidiary of MHSA created to serve as the legal intermediary body for this SIB. United Way of Massachusetts Bay and Merrimack Valley (United Way), MHSA, and the Corporation for Supportive Housing (CSH) sit on its board. MHSA led program development, oversight and service coordination. United Way raised the capital and serves as financial manager. CSH provides technical assistance for the initiative on national best practices.”	TECHNICAL ASSISTANCE PROVIDER	Harvard Kennedy School SIB Lab (assistance for state government during deal development) MHSA, United Way, and CSH all provide technical assistance as described in the intermediary section.	
UPFRONT CAPITAL COMMITMENT (USDM)*	24.5			
NON-RECOVERABLE GRANTS	<p>\$1 million: Grants from UnitedWay and Santander Bank</p> <p>Service providers have been given access to housing and health services for the program participants, estimated to have the following values:</p> <p>\$14 million: The Commonwealth of Massachusetts's Department of Housing and Community Development's (DHCD) is investing shelter resources and housing vouchers for 145 units of supportive housing, worth a total of \$14 million.</p> <p>\$7 million: The MassHealth program committed \$7 million for healthcare of program participants.</p> <p>Service providers may also use other resources at their disposal to support participants, which may include resources from the federal Department for Housing and Urban Development (HUD)”</p>			
	Senior Investors			
INVESTOR NAME	Santander Bank, CSH and United Way			

INVESTMENT (USDM)*	2.5
MAXIMUM POTENTIAL LOSS (% of principal)	100%
OUTCOME METRIC	Participant stays in permanent supported housing or other permanent housing for at least one year
OUTCOME EVALUATION METHOD [Evaluator in brackets]	Validated administrative data [Root Cause validates service provider data] The Massachusetts government will evaluate the impact of the program on use of its other services, but this is not part of the contract.
PAYMENT SCHEDULE	First payment at the end of the first year, quarterly payments thereafter from the outcome funder to investors
THRESHOLD FOR PAYMENTS FROM THE OUTCOME FUNDER	Any participants housed for at least one year.
PAYMENTS BEYOND THRESHOLD	\$3,000 per year per participant housed for at least one year. The payment will be prorated by day after the first year each participant stays in housing. This corresponds to a loss of principal if less than 80% of the participants stay the year, a 3.33% return if 85% stay the year, and a 5.33% return if all the tenants stay the year.
MAXIMUM RETURN	5.33% average annualized return. The payments from the Massachusetts Social Innovation Financing Trust Fund are capped at \$6 million.


Australia SIB Fact Sheets

SIB NAME		Newpin Social Benefit Bond (SBB)		
LOCATION	State of New South Wales	COUNTRY	Australia	
START DATE (date of contract signing)	June 2013	CONTRACT DURATION	87 months	
SOCIAL ISSUE				
Unhealthy family environments for children				
TARGET POPULATION				
<p>Over 700 families (over 1,400 children) divided as follows:</p> <p>350 families with at least one child age 5 or under who has been in government out of home care for at least 3 months</p> <p>175 families with at least one child age 5 or under who has been assessed as at risk of serious harm</p> <p>175 families with at least one child age 5 or under who has been assessed as needing support</p> <p>There will be annual cohorts of families, where each cohort includes a mix of families across the three categories above.</p>				
INTERVENTION				
A long-term, intensive support program to improve parenting so that children can safely live at home. Families attend therapy, parenting courses and parent/child relationship building at centers two to four times a week for approximately 18 months.				
SERVICE PROVIDER	UnitingCare Burnside**	OUTCOME FUNDER	State of New South Wales Department of Family and Community Services (FACS)	
INTERMEDIARY (roles in parentheses)	Social Ventures Australia (assisting with modelling and analysis of structure, marketing bond and securing investors, manage trust between investors and UnitingCare Burnside, sit on formal Working Group with government and UnitingCare Burnside)	TECHNICAL ASSISTANCE PROVIDER	N/A	
UPFRONT CAPITAL COMMITMENT (USDM)*	6.73	NON-RECOVERABLE GRANTS	N/A	
Senior Investors				
INVESTOR NAME	Funds were raised through the SBB. Social Ventures Australia engaged to market the SBB. The 59 investors include UnitingCare Burnside, high net worth individuals, family foundations and superannuation funds.			
INVESTMENT (USDM)*	6.73 (AU\$ 7 million)			
MAXIMUM POTENTIAL LOSS (% of principal)	25% of principal if the SBB is terminated in years 1 to 4; 50% of principal in years 5 to 7			
OUTCOME METRIC	<p>Outcome Payments made by the Outcome Funder to the Service Provider are based upon the number of participating children who are successfully restored to the care of their family (restoration is determined by the judiciary system), net of the counterfactual.</p> <p>Financing payments (principal and interest) made by the Service Provider to Investors are based on the cumulative restoration rate: the proportion of children attending a Newpin Mothers' Centre who are successfully restored to the care of their family.</p>			

OUTCOME EVALUATION METHOD [Evaluator in brackets]	Historical comparison/Quasi-experimental and Validated administrative data (from FACS system) [Deloitte] For the purpose of determining Outcome Payments made by the Outcome Funder to the Service Provider, the counterfactual number of restorations in the first 3 years is 25% of the number of children completing the program (based on historical experience). Thereafter the counterfactual restoration rate will be determined by the outcomes of a matched control group. For the purpose of determining Financing payments from the Service Provider to the Investors, FACS data is used to determine the restoration rate. In addition, a formal evaluation (outside the SIB contract) of the overall program will assess qualitative outcomes and other metrics (e.g. impacts on the lives of the parents in areas of health, justice, employment).
PAYMENT SCHEDULE	7 yearly interest payments from the outcome funder to investors and 50% to 100% of principal repaid at maturity (at the end of the 7 years)
THRESHOLD FOR PAYMENTS FROM THE OUTCOME FUNDER	Outcome based payments from the Outcome Funder to the Service Provider are based upon the net (of counterfactual) number of restorations, and thus have a threshold equivalent to the counterfactual. Interest payments to investors commence above a threshold Restoration Rate of 55% (although a minimum interest rate applies in the first 3 years and 50 to 75% of principal is protected).
PAYMENTS BEYOND THRESHOLD	Interest payments annually based on cumulative restoration rate achieved: <ul style="list-style-type: none"> • Restoration rate <55% - Interest rate 0% (subject to minimum 5% in first 3 years) • Restoration rate 55% - Interest rate 3% (subject to minimum 5% in first 3 years) • Restoration rate 60%-Interest rate 7.5% • Restoration rate 65% - Interest rate 12% • Restoration rate 70%- Interest rate 15% Principal repaid on maturity - between 50% and 100% depending on restoration rate (100% if restoration rate >55%) Investors have the opportunity to terminate the deal early from the end of year 3 if the restoration rate is below 45%.
MAXIMUM RETURN	Maximum annual return of 15%

*Using exchange rate from month of contract signing

**UnitingCare Burnside played a significant role in the development of this SIB, including work on the development of the financial model and SBB structure.


SIB NAME		Benevolent Society Social Benefit Bond (SBB)		
LOCATION	State of New South Wales	COUNTRY	Australia	
START DATE (date of contract signing)	October 2013	CONTRACT DURATION	60 months	
SOCIAL ISSUE	Unhealthy family environments for children			
TARGET POPULATION	Up to 400 families who are expecting a child or have at least one child under six years of age (approximately 636 children), and who have been reported to Department of Family and Community Services as being at risk of significant harm. There will be four annual cohorts, which will be used to calculate payments.			
INTERVENTION	Intensive family support program of 9 to 12 months duration designed to keep children with their families (where safe) and to avoid their entry into out-of-home care.			
SERVICE PROVIDER	The Benevolent Society	OUTCOME FUNDER	State of New South Wales Treasury and New South Wales Department of Family and Community Services	
INTERMEDIARY (roles in parentheses)	Westpac Institutional Bank (helped structure the deal, raise the investment, manage the deal and help the service provider develop a more mathematical understanding of success) Commonwealth Bank of Australia (helped structure the deal and raise the investment) A Special Purpose Vehicle was the legal intermediate body for funding	TECHNICAL ASSISTANCE PROVIDER	N/A	
UPFRONT CAPITAL COMMITMENT (USD M)*	9.32	NON-RECOVERABLE GRANTS	N/A	
	Senior Investors		Subordinate Investors	
INVESTOR NAME	44 total investors in the Senior (“Class P”) and Subordinate (“Class E”) investment groups. Many investors have invested in both tranches. Senior Investors include Benevolent Society, Westpac Foundation, and the Commonwealth Bank of Australia. The Westpac Institutional Bank and Commonwealth Bank of Australia raised funds from their investors, including high net worth individuals, self-managed super funds, trusts, small foundations, and institutions		Subordinate Investors include the Benevolent Society, Westpac Foundation, the Commonwealth Bank of Australia	
INVESTMENT (USD M)*	6.99 (AU\$ 7.5 million)		2.33 (AU\$ 2.5 million)	
MAXIMUM POTENTIAL LOSS (% of principal)	0%		100%	
OUTCOME METRIC	The weighted average of three measures of the youngest child in each family, relative to a matched control group: 1. Number of entries into out-of-home care (weight of 66%) 2. Number of Child Protection Helpline reports (Department for Family and Community Services call-in line for suspected risk of significant harm to children) (weight of 17%) 3. Number of safety and risk assessments (weight of 17%)			

THRESHOLD FOR PAYMENTS FROM THE OUTCOME FUNDER	No threshold for principal repayment, >5% change in the performance metric needed for interest	Principal and returns paid after senior lender has been repaid principal and interest.
PAYMENTS BEYOND THRESHOLD	<p>Performance Improvement 0% to 5% - Interest 0%</p> <p>Performance Improvement 5% to 15% - Interest 5%</p> <p>Performance Improvement 15% to 20% - Interest 6%</p> <p>Performance Improvement 20% to 25% - Interest 7%</p> <p>Performance Improvement 25% to 35% - Interest 8%</p> <p>Performance Improvement 35% to 40% - Interest 9%</p> <p>Performance Improvement >40% - Interest 10%</p> <p>Year one results indicate Class P investors will earn 5% in the payment</p> <p>The bonds are readily saleable at any time.</p>	<p>Improve 0% to 5% - Interest 0%</p> <p>Improve 5% to 15% - Interest 8%</p> <p>Improve 15% to 20%- Interest 10.5%</p> <p>Improve 20% to 25%-Interest 15%</p> <p>Improve 25% to 35%-Interest 20%</p> <p>Improve 35% to 40%-Interest 25%</p> <p>Improve >40% - Interest 30%</p> <p>Year one results indicate Class E investors will earn 8% in the payment</p> <p>The bonds are readily saleable at any time.”</p>
MAXIMUM RETURN	10% average annual return	30% average annual return


*Using exchange rate from month of contract signing


**UnitingCare Burnside played a significant role in the development of this SIB, including work on the development of the financial model and SBB structure.


The Netherlands SIB Fact Sheets

SIB NAME		Social Impact Bond Rotterdam		
LOCATION	Rotterdam, South Holland	COUNTRY	The Netherlands	
START DATE (date of contract signing)	December 2013	CONTRACT DURATION	50 months	
SOCIAL ISSUE	Unemployment			
TARGET POPULATION	160 unemployed young people ages 17 to 27 who receive municipal unemployment welfare			
INTERVENTION	The intervention will consist of workshops, personal coaching, internships and access to a network of entrepreneurs and professionals for young people so that they can start their own companies, find paid employment or enroll in a training program.			
SERVICE PROVIDER	Buzinezzclub	OUTCOME FUNDER	Municipality of Rotterdam	
INTERMEDIARY (roles in parentheses)	In the proces of building the SIB construction, there was no intermediary involved. During the SIB, Deloitte is measuring the results as an objective evaluator. The flows of funds run through a shell foundation, called SIB Rotterdam Foundation.	TECHNICAL ASSISTANCE PROVIDER	N/A	
UPFRONT CAPITAL COMMITMENT (USDM)*	0.924	NON-RECOVERABLE GRANTS	N/A	
	Senior Investors		Subordinate Investors	
INVESTOR NAME	ABN AMRO and the Start Foundation		N/A	
INVESTMENT (USDM)*	0.924 (EUR 0.68 million)			
MAXIMUM POTENTIAL LOSS (% of principal)	66%			
OUTCOME METRIC	Days of unemployment welfare for youth			
OUTCOME EVALUATION METHOD [Evaluator in brackets]	Historical comparison. Oracle developed a comparison model. [Deloitte]			
PAYMENT SCHEDULE	Not publicly available			
THRESHOLD FOR PAYMENTS FROM THE OUTCOME FUNDER	Positive impact on months of unemployment welfare for youth			
PAYMENTS BEYOND THRESHOLD	Yield is variable and based on savings to the government. No further information is public.			
MAXIMUM RETURN	Maximum annual return of 12%			

*Using exchange rate from month of contract signing


SIB NAME	Eleven Augsburg			
LOCATION	Augsburg, Bavaria	COUNTRY	Germany	
START DATE (date of contract signing)	September 2013	CONTRACT DURATION	28 months	
SOCIAL ISSUE	Unemployment			
TARGET POPULATION	Unemployed people less than 25-years-old in the Augsburg region who are not currently attending school, have not completed compulsory education, do not have ongoing or successfully completed apprenticeship, do not have a current occupation, and have not had contact with the employment agency or participated in agency programs for at least two years (approximately 100 participants in the program)			
INTERVENTION	Participants receive intensive support and guidance to find apprenticeships or gainful employment and continued support during the placement in that position.			
SERVICE PROVIDER	Apeiros e.V., Ausbildungsmanagement Augsburg (Education Management Augsburg), Kinder-, Jugend- und Familienhilfe Hochzoll (Child and Youth Services Hochzoll), Joblinge gAG München	OUTCOME FUNDER	Bavarian State Ministry of Labour and Social Affairs, Family and Integration	
INTERMEDIARY (roles in parentheses)	Juvat gemeinnützige GmbH, a non-profit subsidiary of Benckiser Foundation Future (negotiating the contractual agreement with the public sector, obtaining upfront financing from independent financiers, commissioning and providing support to the organizations responsible for implementation of the project, and coordinating the independent evaluation of the project's success)	TECHNICAL ASSISTANCE PROVIDER	N/A	
UPFRONT CAPITAL COMMITMENT (USD M)*	Not publicly available	NON-RECOVERABLE GRANTS	N/A	
Senior Investors				
INVESTOR NAME	BHF-BANK Foundation, BonVenture gGmbH (a non-profit subsidiary of BonVenture social venture capital fund), BMW Foundation Herbert Quandt , Eberhard von Kuenheim Foundation of BMW AG			
INVESTMENT (USD M)*	Not publicly available			
MAXIMUM POTENTIAL LOSS (% of principal)	100%			
OUTCOME METRIC	Number of members of the target group placed into work or apprenticeship for more than 9 months			
OUTCOME EVALUATION METHOD [Evaluator in brackets]	Validated administrative data (e.g. on employment) [Law firm Dr. Mohren & Partner] There is an additional qualitative process evaluation taking place, run by the Faculty of Economic and Social Sciences at the University of Hamburg”			
PAYMENT SCHEDULE	Single repayment of principal plus interest from outcome funders to investors in case of positive success evaluation at the end of the project (estimated 03/2016)			

SIB NAME	Duo for a Job			
LOCATION	Brussels-Capital Region	COUNTRY	Belgium	
START DATE (date of contract signing)	January 2014	CONTRACT DURATION	24 months	
SOCIAL ISSUE	Unemployment			
TARGET POPULATION	180 18- to 30-year-old migrants who are neither EU, US nor Canadian nationals, are legally residing in Brussels, and are registered at Actiris (the Brussels-Capital Region Employment Agency), thus permitted to work in Belgium			
INTERVENTION	Participants will be matched with local retirees who worked in the field of the participant's employment interest, who will give them advice for 6 months and put them in touch with suitable employers. The program will provide individualized and tailored follow-up of participants' job-searching activities.			
SERVICE PROVIDER	Duo for a Job	OUTCOME FUNDER	Actiris (Brussels-Capital Region Employment Office)	
INTERMEDIARY (roles in parentheses)	Kois Invest	TECHNICAL ASSISTANCE PROVIDER	Kois Invest	
UPFRONT CAPITAL COMMITMENT (USDM)*	0.323	NON-RECOVERABLE GRANTS	Pro bono legal services and external foundation grant for technical assistance from Koīs Invest	
	Senior Investors			
INVESTOR NAME	Kois Invest gathered individual investors			
INVESTMENT (USDM)*	0.323 (EUR 0.234 million)			
MAXIMUM POTENTIAL LOSS (% of principal)	100%			
OUTCOME METRIC	The one-year reemployment rate, defined as having accumulated more than 90 days of employment or obtained a permanent employment contract in the year following the program			
OUTCOME EVALUATION METHOD [Evaluator in brackets]	Quasi-experimental (matched comparison group) [Brussels Observatory of Employment (verified by an independent validator)]			
PAYMENT SCHEDULE	Payments from the outcome funder to the investors will take place once at the end of the two year deal			
THRESHOLD FOR PAYMENTS FROM THE OUTCOME FUNDER	A higher reemployment rate among treatment than control			
PAYMENTS BEYOND THRESHOLD	If improvement in reemployment rate (in comparison to control group) is between 0% and 10%, payment gradually increases from 0% to 100% of investment principal. If improvement is beyond 10%, investors earn incrementally higher interest, up to 9%.			
MAXIMUM RETURN	Up to 9% return at the end of the project.			

SIB NAME	Sweet Dreams Supported Living Project			
LOCATION	Saskatoon, Saskatchewan	COUNTRY	Canada	
START DATE (date of contract signing)	AMay 2104	CONTRACT DURATION	60 months	
SOCIAL ISSUE	Unhealthy family environments for children			
TARGET POPULATION	Single mothers of a total of 22 children ages 0-12 who are at risk of requiring services from Child and Family Services (part of the Ministry of Social Services).			
INTERVENTION	Mothers and children will live in the provided Sweet Dreams House. The house provides classes and workshops aiming to improve parenting and increase the chances of mothers gaining employment.			
SERVICE PROVIDER	Saskatoon Downtown Youth Center (known as EGADZ)	OUTCOME FUNDER	Province of Saskatchewan Ministry of Social Services	
INTERMEDIARY (roles in parentheses)	Saskatchewan Executive Council (designed SIB outcome measures and contract, raised investor capital) Saskatchewan Ministry of Social Services (holds direct contracts with investors and the service provider)	TECHNICAL ASSISTANCE PROVIDER	N/A	
UPFRONT CAPITAL COMMITMENT (USDM)*	1.401	NON-RECOVERABLE GRANTS	Additional grants worth 0.488 (\$CA535,000) to Sweet Dreams outside the contract from Government of Canada's Homelessness Partnering Strategy, the City of Saskatoon, and other private donors	
Senior Investors				
INVESTOR NAME	Conexus Credit Union, Wally and Colleen Mah			
INVESTMENT (USDM)*	0.913 (CA\$ 1 million)			
MAXIMUM POTENTIAL LOSS (% of principal)	100%			
OUTCOME METRIC	Percentage of children that are residing with their mothers six months after leaving the Sweet Dreams Project			
OUTCOME EVALUATION METHOD [Evaluator in brackets]	Validated administrative data [Deloitte] (Deloitte will review the child's participation in Child and Family Services and will evaluate the added savings of the program)			
PAYMENT SCHEDULE	One payment at the end of the project from the outcome funder to the investors			
THRESHOLD FOR PAYMENTS FROM THE OUTCOME FUNDER	17 of 22 children with their mothers six months after leaving the project			
PAYMENTS BEYOND THRESHOLD	"Repayment is on a sliding scale from 17 to 22 of the total 22 children with their mothers. 17 children with mothers: Investors paid 75% of principal + 5% interest 22 children with mothers: Investors paid 100% of principal + 5% interest"			
MAXIMUM RETURN	T5% average annual return			

*Using exchange rate from month of contract signing

THRESHOLD FOR PAYMENTS FROM THE OUTCOME FUNDER	20 target group individuals in work or apprenticeship for over 9 months.
PAYMENTS BEYOND THRESHOLD	Payment of principal plus 3% interest is made at the end of the project if 20 or more of the target group individuals are in work or apprenticeship for over 9 months.
MAXIMUM RETURN	3% overall return at the end of the project

SIB NAME	Junior Code Academy			
LOCATION	Lisbon	COUNTRY	Portugal	
START DATE (date of contract signing)	January 2015	CONTRACT DURATION	20 months	
SOCIAL ISSUE	Primary school grade repetition and drop-out			
TARGET POPULATION	65 3rd and 4th year students (8- to 9-years-old) in three different schools, two of which are in traditionally disadvantaged areas.			
INTERVENTION	Junior Code Academy is a 30-week computer programming intervention integrated in the school curriculum over three consecutive school terms (second term of 3rd grade, third term of 3rd grade and first term of 4th grade). Students will learn to use Scratch, a computer program developed by the Massachusetts Institute of Technology where students write code to control a physical robot. This particular school program was set up with the support of University of Aveiro in Portugal. These classes are delivered by two external trainers (recruited and trained by Junior Code Academy), with the supervision of the classroom teacher. The Code academy curriculum integrates other relevant subjects of the national curriculum into the Code Academy classes through activities such as animation of readings.			
SERVICE PROVIDER	Code Academy (a recently created for-profit social enterprise)	OUTCOME FUNDER	Municipality of Lisbon (local level public sector entity, which is accountable for managing the primary education system in Lisbon)	
INTERMEDIARY (roles in parentheses)	Social Investment Lab (social problem analysis, assisting in identifying the outcome metrics and evaluation method, developing the financial model and structuring the SIB, capital raise, assisting in the service provider management and operational due diligence, capital raising)	TECHNICAL ASSISTANCE PROVIDER	University of Aveiro, Portugal	
UPFRONT CAPITAL COMMITMENT (USDm)*	0.148	NON-RECOVERABLE GRANTS	USDm 0.034: Calouste Gulbenkian Foundation has given a grant of EU 28,000 for robots and equipment. Though not included in this category by this study's definition, it is worth noting that the Social Investment Lab and the Nova School of Business offered their intermediary and evaluation services pro bono, valued at a cost combined EU 25,000, split roughly evenly between both entities	
Senior Investors				
INVESTOR NAME	Calouste Gulbenkian Foundation			
INVESTMENT (USDm)*	0.114 (EUR 0.094 million)			
MAXIMUM POTENTIAL LOSS (% of principal)	100%			
OUTCOME METRIC	<ol style="list-style-type: none"> Logical thinking and problem solving skills- difference in score between control and treatment groups on a "Raven Matrices" type of test (weighting 90%) National exams in Portuguese and Mathematics, compulsory for all 4th grade students, two terms after the intervention is finished—difference in score between control and treatment groups (weighting 10%). 			

OUTCOME EVALUATION METHOD [Evaluator in brackets]	Randomized Control Trial (RCT) [Nova School of Business and Economics]																																																				
PAYMENT SCHEDULE	There are two payments from outcome funders to investors: payments for logical thinking and problem solving skill improvements will be paid after one year and payments for performance on national exams will be paid at the end of the 20 months.																																																				
THRESHOLD FOR PAYMENTS FROM THE OUTCOME FUNDER	Positive change in one of the metrics																																																				
PAYMENTS BEYOND THRESHOLD	<table border="1"> <thead> <tr> <th colspan="2">Logical thinking</th> <th colspan="2">School performance</th> </tr> <tr> <th>Outcomes achieved</th> <th>Outcomes payment</th> <th>Outcomes achieved</th> <th>Outcomes payment</th> </tr> </thead> <tbody> <tr> <td>0%</td> <td>- €</td> <td>0%</td> <td>- €</td> </tr> <tr> <td>1%</td> <td>9.900.00 €</td> <td>1%</td> <td>1.100.00 €</td> </tr> <tr> <td>2%</td> <td>19.800.00 €</td> <td>2%</td> <td>2.200.00 €</td> </tr> <tr> <td>3%</td> <td>29.700.00 €</td> <td>3%</td> <td>3.300.00 €</td> </tr> <tr> <td>4%</td> <td>39.600.00 €</td> <td>4%</td> <td>4.400.00 €</td> </tr> <tr> <td>5%</td> <td>49.500.00 €</td> <td>5%</td> <td>5.500.00 €</td> </tr> <tr> <td>6%</td> <td>59.400.00 €</td> <td>6%</td> <td>6.600.00 €</td> </tr> <tr> <td>7%</td> <td>69.300.00 €</td> <td>7%</td> <td>7.700.00 €</td> </tr> <tr> <td>8%</td> <td>79.200.00 €</td> <td>8%</td> <td>8.800.00 €</td> </tr> <tr> <td>9%</td> <td>89.100.00 €</td> <td>9%</td> <td>9.900.00 €</td> </tr> <tr> <td>10%</td> <td>99.000.00 €</td> <td>10%</td> <td>11.000.00 €</td> </tr> </tbody> </table>	Logical thinking		School performance		Outcomes achieved	Outcomes payment	Outcomes achieved	Outcomes payment	0%	- €	0%	- €	1%	9.900.00 €	1%	1.100.00 €	2%	19.800.00 €	2%	2.200.00 €	3%	29.700.00 €	3%	3.300.00 €	4%	39.600.00 €	4%	4.400.00 €	5%	49.500.00 €	5%	5.500.00 €	6%	59.400.00 €	6%	6.600.00 €	7%	69.300.00 €	7%	7.700.00 €	8%	79.200.00 €	8%	8.800.00 €	9%	89.100.00 €	9%	9.900.00 €	10%	99.000.00 €	10%	11.000.00 €
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MAXIMUM RETURN	The IRR of the investment is approximately 2% (excluding the grants)																																																				

APPENDIX 3. LEGISLATION AND POLICY ACTION TO SUPPORT THE IMPACT BOND ECOSYSTEM

Legislation Supporting SIBs

LOCATION	NAME OF LEGISLATION	DETAILS	TYPE OF SUPPORT	STATUS
SIB-Specific Legislation at the National Level				
US	S 1089; Social Impact Partnership Act	This bill would authorize the appropriation of \$300 million for state and local social impact bonds over 10 years and is a companion to HR 1336.	Authorization; Financing	Introduced in Senate in April 2015
US	HR 1336	Introduced by Todd Young (R-Ind.) and John Delaney (D-Md.), this bill would authorize \$300 million through a one-time mandatory appropriation for states and/or local governments that launch pay-for-performance initiatives. This bill would also establish a federal interagency council on social impact partnerships to oversee the initiative and issue-related regulations. This bill would also authorize the Office of Management and Budget to spend up to \$2 million each year for federal technical assistance in the development or support of social impact partnerships and \$10 million to cover up to half of the cost of state/local feasibility studies. The bill reserves up to \$45 million (15 percent of all funds) for evaluations. In addition, the bill would permit bank investments in social impact partnerships to be considered as part of a bank's requirement under the Community Reinvestment Act (CRA) to help meet the credit needs in its community.	Authorization; Financing	Introduced in House in March 2015
US	HR 5	Delaney amended the Elementary and Secondary Education Act to improve teacher training and retention programs by allowing state and local governments to use pay-for-success (PFS) initiatives to improve outcomes and save money.	Authorization	Successfully amended in 2015; bill remains in Committee of the Whole House on the State of the Union

LOCATION	NAME OF LEGISLATION	DETAILS	TYPE OF SUPPORT	STATUS
US	HR 4885	Introduced by Young in June 2014, the Social Impact Bond Act would amend Title XX (Block Grants to States for Social Services and Elder Justice) of the Social Security Act to add a new Part C (Social Impact Bonds). This bill would require the secretary of the treasury to seek proposals from states or local governments for social impact bond projects that produce measurable, clearly defined outcomes that result in social benefit, such as employment for the unemployed, high school graduation, and reduction of teen and unplanned pregnancies as well as reduction of incidences of child abuse and neglect. The bill would require applications to include a feasibility study, funded under this act, which contains specified information. The bill makes appropriations for 10 years to carry out this act. The bill also would require independent evaluation of a state or local government social impact bond project and would establish a federal interagency council on social impact bonds. In addition, the bill would amend the Community Reinvestment Act of 1977 to require the appropriate federal financial supervisory agency to consider, in assessing and taking into account the record of a financial institution in meeting the credit needs of its entire community, its investments in social impact bond projects.	Authorization; Financing	Referred to Committee on Ways and Means and House Financial Services Committee in June 2014
US	Workforce Innovation and Opportunity Act	The reauthorization of the Workforce Innovation and Opportunity Act included a provision allowing local workforce investment boards to redirect up to 10 percent of their federal dollars to PFS contracts.	Authorization	Signed into law in 2014
SIB-specific legislation at the state level				
US – South Carolina	Pay for Success Performance Accountability Act	This bill supports the introduction of a trust fund for performance accountability for the purpose of funding PFS contracts to improve outcomes and lower costs for government services.	Financing	Referred to South Carolina State Senate Finance Committee in 2013
US – California	AB 1837	This bill enacts, until January 1, 2020, the Social Innovation Financing Program. The bill authorizes the Board of State and Community Corrections, upon appropriation of funds by the Legislature for deposit in the Recidivism Reduction Fund, to award grants of \$500,000 to \$2 million to three counties for the purpose of entering into a PFS or social innovation financing contract. The bill limits the total amount of the grants awarded to \$5 million.	Financing	Signed into law in September 2014
US – Connecticut	SB 105	The bill would allow the Office of Policy and Management secretary to authorize any agency to enter into an outcome-based performance contract with a social innovation investment enterprise for the purpose of any type of preventive social program.	Authorization; Financing	Tabled for the calendar in 2014

LOCATION	NAME OF LEGISLATION	DETAILS	TYPE OF SUPPORT	STATUS
US – Hawaii	House Concurrent Resolution No. 119	This bill requested the Department of Budget and Finance conduct a study on the feasibility of using SIBs to fund early learning programs and services. The study was completed in December 2013.	Scoping	Passed in House and Senate in 2013
US – Maryland	HB 517	This bill was introduced in the Maryland House of Delegates to enable the state to issue an RFP for SIBs in an effort to improve public education in grades pre-K to 12.	Authorization	Withdrawn in 2013
US – Nebraska	LR 279	Introduced by Rep. Brad Ashford (D-Neb.) in May 2013, this bill calls for an interim study on how SIBs might benefit juveniles and adults re-entering the community after involvement with the juvenile justice or criminal justice system.	Scoping	Referred to Judiciary Committee in 2013
US – New Jersey	A-2771 New Jersey Social Innovation Act	This bill would have created an initial PFS pilot focusing on the provision of nonprofit health care services to encourage private investment in preventive and early intervention health care. The bill also would have established a study commission to assess the effectiveness of the program.	Pilot	Pocket-vetoed by governor in 2014
US – Oklahoma	SB 1278	This bill established a PFS revolving fund to provide payment to social service providers for the delivery of predefined criminal justice outcomes.	Financing	Signed into law in April 2014
US – Rhode Island	S 2196	This bill was introduced in January 2014 to establish a five-year SIB pilot program and study commission within the Rhode Island Department of Administration.	Pilot; Scoping	Introduced and held on Senate desk in 2014
US – Texas	SB 1788	This bill would set up a committee to advise on the use of SIBs to finance child abuse prevention programs.	Scoping	Referred to Health and Human Services Committee in 2013
US – Utah	HB 96 - School Readiness Initiative	The School Readiness Initiative created the School Readiness Board, which provides grants to certain early childhood education programs and allows entry into certain contracts with private entities to provide funding for early childhood education programs for at-risk students.	Authorization; Financing	Signed into law in April 2014
US – Vermont	H 625	This legislation would establish a committee to study SIBs and recommend to the General Assembly opportunities for their use in Vermont.	Scoping	Referred to the Committee on Government Operations in 2012

LOCATION	NAME OF LEGISLATION	DETAILS	TYPE OF SUPPORT	STATUS
US – Washington	HB 2337	This bill would establish the Washington Social Investment Steering Committee, which would develop an implementation plan for at least one pilot that uses social impact bonds or other public-private financing for social or health care services. It would require that the Office of Financial Management issue a request for proposals to implement the pilot or pilots by July 1, 2015, and that the pilot or pilots be implemented by January 1, 2016.	Authorization; Scoping	Introduced in 2014 but did not move beyond the Appropriations Committee
US – Massachusetts	H 4219	This bill established the Social Innovation Financing Trust Fund, which authorized the secretary of administration and finance to enter into PFS contracts, with up to \$50 million in success payments backed by the state.	Authorization; Financing	Signed into law in 2012
US – Pennsylvania	HB 1053; Pay for Success Authorization and Performance Accountability Act	This bill would establish a PFS pilot program to expand access to high-quality early childhood education services by encouraging private investment in early childhood education. It would authorize counties to enter into PFS contracts for early childhood education services. The bill would also establish a PFS trust fund as a special fund in the state treasury.	Authorization; Financing	Referred to House Finance Committee in 2015
US – Colorado	HB 15-1317; Pay for Success Contract Act	The Pay for Success Contracts Act would authorize the Office of State Planning and Budgeting (OPSB) to enter into state PFS contracts with one or more lead contractors for the provision of social services that would reduce the need for the state to provide other social services in the future. The bill would also allow local governments to be additional parties to a PFS contract if the OPSB and the local governing body approve. In addition, the bill would create a PFS contracts fund in the state treasury consisting of money transferred or appropriated by the General Assembly from direct or indirect reductions in state spending resulting from the provision of social services under a PFS contract or from any other source; any money received by the state from a local government that has joined a contract as an additional party for the purpose of making payments to a lead contractor; and fund investment earnings.	Authorization; Financing	Assigned to House Business Affairs and Labor Committee in 2015
US – Colorado	SB 14-185	The bill would authorize the OSPB to enter into state PFS contracts with one or more lead contractors for the provision of early childhood education services that would reduce the need for the state to provide subsequent education support and other social services. The bill also allows school districts to be parties to a PFS contract with the approval of the OSPB and the lead contractor as well as the board of education of the district. In addition, the bill would create a PFS contracts fund of up to \$25 million in the state treasury.	Authorization; Financing	Passed in Senate in 2014; postponed indefinitely by House Committee on Education in 2014

LOCATION	NAME OF LEGISLATION	DETAILS	TYPE OF SUPPORT	STATUS
Non-SIB-Specific Legislation Supporting SIBs at the National Level				
US	Community Reinvestment Act	<p>The Community Reinvestment Act requires depository institutions to help meet the credit needs of the communities in which they operate, including low- and moderate-income neighborhoods, with banking regulators evaluating banks' performance in meeting these goals. CRA banks often work through community development financial institutions, community development corporations, and other intermediaries. These intermediaries can play an important role in the development of the PFS financing market. Transactions that would qualify for CRA credit will most likely involve the provision of community services to low- and moderate-income individuals in the form of community facilities, such as youth programs, homeless centers, soup kitchens, health care facilities, battered women's centers, and alcohol and drug recovery centers.</p>	Incentives for Financing	Signed into law in 1977
US	Tax Reform Act	<p>This act coined the "program-related investment," or PRI, which is any investment by a foundation that meets three tests: its primary purpose is to further the tax-exempt purposes of the foundation; the production of income or property is not a significant purpose; and it is not used to lobby or support lobbying. PRIs are expected to be repaid, and the tax code counts the entire amount of a PRI as a qualifying distribution in the year in which it is made (essentially the same treatment afforded grants). Because grants can usually be made only to nonprofit organizations, a for-profit entity that conducts business that advances an exempt purpose, such as building affordable housing, could receive a PRI. Also, when nonprofits are involved in projects that require substantial financial resources, they are frequently able to raise greater sums through loans than otherwise available as grants. PRIs are most frequently loans, but they also include loan guarantees, linked deposits, and equity investments.</p>	Incentives for Financing	Signed into law in 1969

LOCATION	NAME OF LEGISLATION	DETAILS	TYPE OF SUPPORT	STATUS
US	Riegle Community Development and Regulatory Improvement Act of 1994	The Community Development Financial Institutions (CDFI) Fund was established by the Riegle Community Development and Regulatory Improvement Act of 1994, whose purpose is to invest in CDFIs and to build their capacity to serve low-income people and communities that lack access to affordable financial products and services. The CDFI Fund provides two types of monetary awards to CDFIs: financial assistance and technical assistance. CDFIs may use the funds to pursue a variety of goals, including promoting economic development, developing affordable housing and promoting homeownership, and providing community development financial services, such as basic banking services, financial literacy programs, and alternatives to predatory lending. CDFIs can be leveraged for developing the PFS market—in its inaugural funding round for social impact bond intermediaries, the Social Innovation Fund, which is housed at the Corporation for National and Community Service, granted more than 45 percent of its resources to certified CDFIs.	Incentives for Financing	Went into effect in 1994
UK	Social Investment Tax Relief	This measure makes available tax reliefs for qualifying individuals who make qualifying investments in qualifying social enterprises. Income tax relief will be available as a percentage of the amount invested, and capital gains tax on chargeable gains can be deferred in certain circumstances in which the person liable to tax invests money in a social enterprise.	Incentives for Financing	Went into effect in April 2014

Government Actions Supporting SIBs

LOCATION	NAME OF LEGISLATION	DETAILS	TYPE OF SUPPORT
National Level			
US (grants to 37 states and DC)	Social Innovation Fund	The Social Innovation Fund (SIF), a White House initiative and program of the Corporation for National and Community Service, combines public and private resources to grow the impact of innovative, community-based solutions that have compelling evidence of improving the lives of people in low-income communities throughout the United States. The SIF invests in three priority areas—economic opportunity, healthy futures, and youth development—by making grants of \$1 million to \$10 million annually for up to five years to experienced grant-making “intermediaries.” The intermediaries then match the federal funds dollar-for-dollar and hold open competitions to identify high-performing non-profit organizations working in low-income communities that have innovative solutions with evidence of compelling results. Once selected, these nonprofits must also match the funds they receive and participate in rigorous evaluations of the impact of their programs. In addition to funding, significant technical assistance is given to Social Innovation Fund grantees to support implementation of their innovative programs.	Financing; Pilot; Technical Assistance
US	SIB Lab at Harvard Kennedy School	Local and state governments have partnered with the Social Impact Bond Technical Assistance Lab (SIB Lab) at Harvard Kennedy School to receive technical assistance to help develop PFS projects. The technical assistance supports recipients in designing, implementing, and evaluating policy initiatives in areas ranging from early childhood education to prison recidivism and economic self-sufficiency to green infrastructure. During the past three years, the SIB Lab has helped Massachusetts, New York state, and Chicago launch PFS contracts using social impact bonds. Current SIB Lab partners include Colorado, Connecticut, Denver, Illinois, Massachusetts, Michigan, New York, and South Carolina. The winners of the 2014 SIB Lab competition for technical assistance are Arkansas, DC Water (District of Columbia), Nevada, Pennsylvania, and San Francisco.	Pilot; Technical Assistance
US	Second Chance Act implementation by Justice Department	Second Chance Act programs, administered through the Justice Department’s Office of Justice Programs, are designed to help communities develop and implement comprehensive strategies to address the challenges faced by adults and youth when they return to their communities after incarceration. In 2012, the office’s Bureau of Justice Assistance announced that it would support jurisdictions that proposed to plan or implement a PFS model into their re-entry initiative. The agency is making two PFS awards: an implementation award to Cuyahoga County, Ohio, and a planning award to Lowell, Massachusetts, and is funding the Urban Institute’s efforts to develop a blueprint for municipal, state and federal governments to use to pay for evidence-based anti-crime programs.	Financing

LOCATION	NAME OF LEGISLATION	DETAILS	TYPE OF SUPPORT
US	White House Office of Science and Technology Policy	In January 2014, the White House Office of Science and Technology Policy released a request for information (RFI) to understand how “pull mechanisms,” which encompass PFS financing, can advance learning technology.	RFI
US	White House	The president’s FY16 budget allows for \$364 million for PFS efforts. Of that, \$300 million would be allocated for an incentive fund at the Department of Treasury to help empower state, local, and tribal governments to adopt PFS initiatives (this was proposed in FY13 and FY14), and up to \$64 million would be allocated to support PFS initiatives across four programs in the Department of Education, Department of Justice, and the Corporation for National and Community Service.	Financing
US	US Department of Treasury	In October 2013, the US Department of Treasury and an interagency PFS working group released an RFI, “Strategies to Accelerate the Testing and Adoption of Pay for Success (PFS) Financing Model.” The RFI asked respondents to identify the “best use of the authority . . . on state, local and tribal performance-based funding mechanisms.” It also requested information about the current PFS marketplace, the potential impact of a PFS incentive fund, and possible advantages to taxpayers.	RFI
US	US Department of Labor	The Department of Labor awarded nearly \$24 million in PFS grants in September 2013 to New York and Massachusetts to support SIBs that increase employment and reduce recidivism among formerly incarcerated individuals as part of the Workforce Innovation Fund.	Financing; Pilot
Canada	Economic Action Plan 2012	The government of Canada is exploring the potential of social impact bonds.	Scoping
UK	Centre for Social Impact Bonds	The Centre for Social Impact Bonds in the Cabinet Office supports the development of social impact bonds. Its objectives are related to: <ul style="list-style-type: none"> • Building a repository of expert information and guidance on how to develop SIBs • Making available practical tools so that SIBs can be developed easily and cost-effectively • Providing funding for a portion of outcome payments for new SIBs • Showcasing how SIBs are transforming public service delivery and building an evidence base of what works • Stimulating and sharing the latest thinking, research and media coverage on SIBs 	Incubating
Province/State Level			
US – Colorado		On September 3, 2013, the Governor’s Office and the Denver Office of Strategic Partnerships released an RFI regarding social impact bonds and PFS contracts. Both offices are seeking information from providers, intermediaries, and investors on this new way of financing social programs.	RFI

LOCATION	NAME OF LEGISLATION	DETAILS	TYPE OF SUPPORT
US – Connecticut		The Department of Children and Families released an RFI in 2013 and an RFP in 2014 for evaluating the feasibility of PFS contracts and social impact bonds to improve outcomes of children and families involved in the child welfare system who are also affected by substance abuse.	RFI; RFP
US – Illinois		Governor Pat Quinn announced in 2014 that the state would implement its first SIB for at-risk youth who are involved in both the child welfare and juvenile justice systems in Illinois. The first contract awarded will go to One Hope United, in partnership with the Conscience Community Network. This was preceded by the release of an RFP.	RFP
US – District of Columbia		In 2013, the District of Columbia Mayor’s Office of Budget and Finance released an RFP for a feasibility study to assist the District in determining the most appropriate content area to initiate a SIB or PFS project.	RFP
US – South Carolina		In September 2013, the South Carolina Department of Health and Human Services published an RFI concerning its Social Impact Bond Program. The agency was seeking information regarding the design and development of a social impact bond program focused on controlling costs and improving health and other outcomes of mothers and newborns in the state’s Medicaid program.	RFI
US – Oregon		The governor’s 2013-2015 budget proposal included \$800,000 for the Early Learning Division to cover startup costs for a “Pilot Prevention Health and Wellness Demonstration Project for Social Impact Financing.”	Financing
US – Nevada		In early 2014, Nevada released an RFI to identify early childhood education programs, organizations, or initiatives in southern Nevada that utilize an early childhood education strategy or structure that has demonstrated, or can demonstrate, the potential to result in quantifiable cost savings to a public or governmental entity.	RFI
US – Michigan		On September 9, 2013, Michigan’s Department of Technology, Management & Budget and its Procurement Division released an RFI to explore PFS models. The state identified criminal justice and human services as focus areas but is not limiting opportunities to those areas.	RFI
US – Massachusetts		In 2014, Massachusetts released a Request for Response (RFR) related to adult basic education and English for speakers of other languages.	RFR
US – New York		In September 2013, New York state provided supplementary funding in addition to a \$12 million grant from the U.S. Department of Labor for a social impact bond to increase employment and reduce recidivism among 2,000 individuals who had been incarcerated.	Financing

LOCATION	NAME OF LEGISLATION	DETAILS	TYPE OF SUPPORT
Australia – New South Wales	Social Impact Investment Policy	This policy outlines 10 key actions that the government will take to support the growth of social impact investments. These key actions are around delivering more social impact investment transactions, growing the market and removing barriers, and building the capacity of market participants. To support these efforts, the government of New South Wales developed an Office of Social Impact Investment and a Social Impact Investment Expert Advisory Group.	Technical Assistance; Commitment
City/County Level			
US – Philadelphia, Pennsylvania,		In July 2014, the city of Philadelphia released an RFP for a feasibility study to explore PFS programs to reduce recidivism and support at-risk youth.	RFP
US – Pima County, Arizona		In 2014, Pima County authorized the receipt of two grants to explore PFS contracts.	Scoping; Technical Assistance
US – Santa Clara County, California		In 2013, Santa Clara County released an RFP for a mental health PFS project.	RFP
US – Santa Barbara County, California		In 2013, Santa Barbara County released an RFI for a recidivism project.	RFI
US – Cuyahoga County, Ohio		Cuyahoga County issued a RFR on October 29, 2012 for a PFS pilot for human services programs that produce cashable savings for the county.	RFR
US – Salt Lake County, Utah		In June 2013, the Salt Lake County Council voted to allocate \$300,000 to help pay for PFS outcomes.	Financing

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5. CDC (2014).
6. Gallup & Sachs (2001).
7. Pfister (2009).
8. Filmer & Pritchett (1999).
9. World Bank (2003).
10. For clarity, impact bonds, despite the name, are not bonds in the traditional definition of a bond.
11. Burand (2013); Center for Global Development and Social Finance (2013); Bloomgarden, Eddy, & Levey (2014).
12. Conversion rate as of June 1, 2015.
13. This includes only investors with assets under management of \$10 million or above.
14. Saltuk (2014).
15. Liersch (2015).
16. The term “social impact bond” has also been used for issuance of traditional, fixed-yield bonds to raise capital for social programs. This differs from the definition of “social impact bond” used in this study, in that this study defines “social impact bonds” to be arrangements where payments to investors are dependent on and positively correlated with positive outcomes.
17. Center for Global Development and Social Finance (2013).
18. Gustafsson-Wright, Golden, & Aigner-Treworgy (2015).
19. Instiglio, Thomson Reuters Foundation, and Baker & McKenzie (2014); Burand (2013).
20. Instiglio, “Overview,” Personal communication (2013).
21. Tomkinson (2015).
22. Government of the UK (2014).
23. Goodall (2014).
24. A special purpose vehicle (SPV) is a legally independent body established for a specific exchange of assets or liabilities. SPVs are often limited liability companies (LLCs).
25. There are no for-profit business service providers to date; however, there are examples of all of the other types of entities including a for-profit social enterprise service provider
26. Special purpose vehicle/limited liability company
27. Conversion rate as of June 1, 2015.
28. Not including the six impact bonds announced in mid-March 2015.
29. Note that this pie chart could be divided up differently. We use the outcomes of focus as the differentiating factor.
30. For an excellent portrayal of costs included in the deal, see Goodall (2014).
31. The contract for the NYC ABLE Project for Incarcerated Youth is not publicly available.
32. Social Finance U.K. (2014b).
33. Tomkinson (2014a).
34. In the Massachusetts Juvenile Justice SIB, both senior and subordinate investors have the opportunity to earn success fees, while in the SIB in Ohio only the subordinate investors do.
35. Referring to the 8-12% expected annual interest for the Essex Family Therapy SIB
36. Social Finance U.K. (2014a).
37. Thurlow (2015).
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42. Bertha Centre for Social Innovation, University of Cape Town, South Africa, personal communication, 2015.
43. Simon Bell, Sector Manager, World Bank, interview, April 2015.
44. Goodall (2014); Bloomgarden, Eddy, & Levey (2014); Godeke & Resner (2012); Hughes & Scherer (2014); Callanan et al. (2012); Mulgan, Reeder, Aylott, & Bo’sher (2011); Barclay & Symons (2013); Social Finance U.S. (2012); Center for Global Development & Social Finance (2013); Liebman (2011).
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46. Goodall (2014); Social Finance U.S. (2012); Mulgan, Reeder, Aylott, & Bo’sher (2011); Godeke & Resner (2012).
47. Hughes & Scherer (2014); Mulgan, Reeder, Aylott, & Bo’sher (2011).
48. Olson (2014).
49. See, for example, Chandy, Hosono, Kharas, & Linn (2013).

50. Conversion rate as of June 1, 2015
51. Conversion rate as of June 1, 2015
52. Hall (n.d.)
53. Corporation for National and Community Service (2015).
54. Nonprofit Finance Fund (2015); Congressman Todd Young (2015).
55. Harvard University (2015).
56. United States Department of Justice (2012); Corporation for National and Community Service (2015).
57. Government of New South Wales (2015).
58. Government of Canada (2015).
59. Government of the UK (2013).
60. Interview with Liya Schuster, Third Sector Capital. May 14, 2015.
61. Schmidt (2012).
62. See Center for Global Development and Social Finance (2013), which introduces to the field the concept of the development impact bond.
63. Burand (2013); Hughes & Scherer (2014).
64. Social Finance U.S. (2012); Godeke (2013); Ragin (2014).
65. Social Finance U.S. (2012); Godeke (2013).
66. Dickens & Baschnagel (2009)
67. Gertler, Heckman, Pinto, Zanolini, Vermeersch, Walker, Chang, & Grantham-McGregor (2014)
68. Eames & Terranova (2014).
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70. Social Finance U.S. (2012).
71. Malaria No More (2015).
72. UNESCO (2015).
73. Chandy, Hosono, Kharas, & Linn (2013).
74. Interview with subject who requested anonymity, January 2015.
75. Social Finance U.S. (2012).
76. Burand (2013).
77. See discussion of Mexico's Progresas/Oportunidades on page 27 of Jones (2009).
78. Four SIBs use two methods, one SIB uses three methods and two SIBs have not made their evaluation method publicly available.

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