

Outcomes funders—governments, employers, managed care organizations, and others—play a critical role in building strong foundations for Pay for Success (PFS) projects. In this brief, we provide guidance on ensuring key team members are involved from the get-go, defining project first principles, and considering sources for outcomes funding.

## About This Issue Brief Series

This issue brief is the first in a 10-part series written for government officials interested in learning how to use Pay for Success tools and principles.

The series summarizes best practices and lessons learned at Social Finance from a decade of designing, launching, and managing Pay for Success projects. It includes guidance on each step of the process, from deciding whether Pay for Success is a good fit to actively managing a project post-launch.

Access the complete issue brief series [here](#).



## Laying a Solid Foundation

One of the most common questions government leaders ask when they learn about Pay for Success (PFS) is “How does a project get started?” There is no single right answer. The PFS field is still young; the first project worldwide was launched in 2010. Since then, projects have gotten their starts in a variety of different ways, from county agencies issuing RFPs to state agencies applying for federal funding awards to foundations or service providers proposing specific project ideas.

Although there is no right starting place, three early actions can contribute to a project’s success:






- Ensuring that the right team of people is engaged and committed to the project’s goal
- Defining a set of first principles to serve as the north star for the project team and other stakeholders in making key decisions
- Developing an early hypothesis about where outcomes funding will come from (e.g., tapping into a federal funding source or requesting funding during the next legislative session)

These actions should be taken after some consideration has been given to whether PFS is an appropriate fit for the problem at hand. (Issue Brief 3: Assessing Pay for Success Project Fit provides a set of screening criteria to help determine PFS suitability.)

## Critical Roles

Key to beginning the PFS project development process is assembling a strong team. We see five critical roles that should be filled from within the organization serving as outcomes funder. (The exact job titles for these roles will vary from organization to organization; some roles may be played by multiple individuals, and multiple roles may be covered by a single person.)<sup>1</sup>

### CRITICAL PROJECT ROLES FOR OUTCOMES FUNDERS

				
<b>Senior Champion</b>	<b>Agency Lead</b>	<b>Budget Analyst</b>	<b>Oversight Manager</b>	<b>Project Manager</b>
Helps lead the project at the most senior level of the organization and guides it through organizational hurdles.	Provides subject-matter expertise on the project’s area of focus and the ways in which its population is being served.	Identifies and manages toward commitment of outcomes funds and supports value analysis and pricing.	Provides access to and knowledge of relevant output and outcomes data on the focus population.	Drives the project forward day-to-day, manages tasks and deadlines, coordinates across stakeholders.

## Defining First Principles

Throughout a PFS project, teams face complex tradeoffs related to project design and evaluation. To help navigate these tough decisions, project partners—these parties may include individuals from the outcomes funder, service providers, intermediary, and investor organizations—can develop a set of short list of principles that distill their underlying objectives and priorities and act as a guiding framework for decision-making.

1. [Social Finance](#), 2024.

For example, when Social Finance worked with the State of Utah’s Employability to Careers Program to design an outcomes rate card <sup>2</sup>, one of the project’s first principles was to “learn what works,” since there wasn’t yet strong evidence for which interventions and models would prove most effective in the Utah context. This led project partners to structure the project around a broad set of employment outcomes to enable learning about which types of interventions and service providers could most successfully achieve those outcomes.

Below we include a sample list of first principles we’ve commonly used in our projects. Throughout the design and delivery of the work, we often include such a list at the beginning of presentation materials for major project meetings to serve as a reminder of the project’s ultimate goal.

- Do no harm
- Help drive meaningful outcomes for the focus population
- Scale effective services to specific geographies or focus populations
- Establish and maintain strong community partnerships
- Strive for simplicity

## Considering Outcomes Funding Sources

Without a committed pool of funds to pay for outcomes, PFS projects cannot move forward. Outcomes funders don’t necessarily need to confirm the source of funds on day one of designing the project, but having an early hypothesis can significantly streamline the process and help build confidence among stakeholders about the outcomes funder’s commitment to launching the project.

In particular, project teams should set aside time early in the project to discuss (1) where outcomes funding will come from (e.g., from a state’s general fund, or from a federal grant); and (2) the maximum funding that would be needed for outcomes payments if the project achieves its goals. It is the role of the budget analyst to lead the effort on testing, refining, and acting on that hypothesis.

In addition to the source of outcomes payment, project stakeholders should also put thought into the mechanism by which those funds will be held for the duration of the project. [Issue Brief 8—Outcomes-Based Contracting](#) includes a list of options for potential mechanisms.

2. [Social Finance](#), 2024.

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## About Social Finance

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Social Finance is a national nonprofit and registered investment advisor (SF Advisors, LLC). We work with the public, private, and social sectors to create partnerships and investments that measurably improve lives. Our Impact Investment team designs, launches, and manages impact-first investments. Our Advisory team partners with government and philanthropy leaders to implement data-driven programs for social impact. And through the Social Finance Institute, we aim to build the field and change systems through actionable research, communities of practice, and educational outreach. Since our founding in 2011, we have mobilized more than \$350 million in new investments designed to help people and communities realize improved outcomes in workforce and economic mobility, health, and housing.

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