



SIBs: WHAT'S MISSING?

AMBASSADOR INSIGHTS

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Developed collaboratively by the
LEAP OF REASON
AMBASSADORS COMMUNITY

SIBs: WHAT'S MISSING?



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OVERVIEW

A *New York Times* investigative report raising questions about the validity of SIB results announced in Utah has fueled increased controversy around the funding model. Prompted by analysis by Social Innovation Research Center Director Patrick Lester ([“The Other Pay for Success: The Promise and Peril of Paying for Outcomes”](#) and [“Does Pay for Success Work? Define ‘Success’”](#)), Katie Paris of the Leap Ambassadors support team asked ambassadors to weigh in on factors that may not be getting enough attention in the public debate. More than 20 responses followed. (The full text of each contribution to the community discussion is catalogued in the Appendix.)

Many Leap Ambassadors have been advocates for getting government to fund what works for decades. Yet some are deeply skeptical, while others are modestly optimistic, that Social Impact Bonds (SIBs) and Pay for Success (PFS) could catalyze a greater emphasis on performance-based public funding. So far, there is limited evidence that government agencies commissioning SIBs have, as Daniel Stid put it, “the wherewithal to design, negotiate, oversee, and execute these schemes.” However, as Brad Dudding explained, “If SIBs are implemented with rigor, the model could lead to fundamental changes in how government works by placing an emphasis on funding high-performing, evidence-based practices.” At the very least, SIBs are helping move performance to center stage.

TAKEAWAYS

If SIBs are to fundamentally change how government works, ambassadors recommend giving greater emphasis to the following five areas:

- 1) **Developing government agency wherewithal.** PFS funding models aren’t new; SIBs are the latest iteration. Government agencies at every level have struggled to make outcomes-based funding work for decades. We must ensure that those commissioning SIBs have, as Daniel Stid put it, “the wherewithal to design, negotiate, oversee, and execute these schemes.” This long-term proposition will require leadership with, as Daniel wrote in a [paper](#) for a Federal Reserve Bank of San Francisco publication, “the drive and public sector management chops needed to transform how human services are funded and delivered in this country.” Fortunately, there is already evidence that this is possible. Brad Dudding reports that Center for Employment’s (CEO) PFS partnership with the New York State Department of Corrections and Community Supervision “has been downright innovative in how government and service providers can work together in pursuit of a common goal.” Molly Baldwin says Roca has had a similarly positive experience, which she believes will help government move toward greater transparency and stronger partnerships.

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- 2) **Selecting high-performing nonprofit organizations.** Best practices and evidence-based intervention models are only as good as the organizations implementing them. Nonprofits selected to receive SIBs should demonstrate “the ability to deliver—over a prolonged period of time—meaningful, measureable, and financially sustainable results for the people or causes the organization is in existence to serve” (high performance, as defined in [The Performance Imperative](#)). Since leaders, management, and other factors change over time, selection should be based on a forward-looking assessment (e.g., do they have the ability and are they equipped to deliver what is proposed), rather than a rear-view mirror judgment of what they’ve done in the past.
- 3) **Restricting use of the term “impact.”** Following the terminology of evaluators, we should be specific about the definition of the term “impact,” which is often confused with “very long-term outcomes.” As David Hunter explained, for evaluators, outcomes can only be considered impact when there is “a scientifically acceptable level of proof that they are the result of a given intervention and not the result of some other factors.” In other words, outcomes delivered over a long period of time may or not be impactful. We can only know a service or program has had impact when we have proof that it has made a meaningful difference beyond what would have happened anyway.

And thereby, clarifying what constitutes an outcome. Before assessing whether a program or service is having an impact, we must be clear about what we mean by an “outcome.” Too often, leaders fail to draw a clear distinction between outputs (e.g., meals delivered, youth tutored) and outcomes (e.g., meaningful changes in knowledge, skills, behavior, or status). Again, following the lead of evaluators (h/t David Hunter), an outcome is some kind of change that:

- Is meaningful
- Has clear indicators specifying what to assess in order to measure it
- Is observed and measured using valid and reliable methods
- Is sustained over a reasonable length of time and
- Can be logically linked to the activities of the program, service, or intervention under consideration.

This isn’t just semantics. As Molly Baldwin put it, “Anything and everything we can do to disrupt traditional government grants for outputs is critical if we are ever going to change anything.”

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- 4) **Ensuring impact as the payment metric and external evaluation to validate results.** Most SIBs currently operating in the U.S. have outside evaluators (this is not the case outside the U.S.). Investors don't get paid unless evaluators scientifically validate that a program or service has a positive net impact. However, other SIBs under consideration or in development are increasingly trending toward using outcome measures rather than net impacts as the payment metric. To inspire the public's trust, government agencies must show that they want to know to what extent, and for whom, the programs and services in which they are investing public dollars are making a meaningful difference beyond what would have happened anyway. This requires rigorous, independent validation of results to determine net impact. However, it does not mean dismissing administrative data; internal monitoring should always complement outside evaluation.
- 5) **Thinking long-term.** SIBs are not the end game. Getting government to fund high-performing organizations that deliver evidence-based programs is the end game. To this end, Paul Carttar [argues](#), "before endorsing SIB deals, citizens should demand that sponsoring governments unambiguously commit to adopt proven programs and hold themselves accountable for realizing the expected benefits." When CEO's SIB deal is finished, Brad Dudding explains that CEO does not want a new SIB arrangement. "What we really want is for government to double down on what works by creating a new type of performance-contracting vehicle which maintains and further scales the intervention in an ongoing way." If SIBs are to make a lasting difference, supporters should focus as much on post-deal architecture as the original deals.

Like with any new model, there are lovers, haters, and doers. Some SIBs will meet all of the criteria we lay out above; others won't but may still help shift minds toward a culture of performance. As a community, we can contribute by learning from the doers and amplifying their lessons as we work toward high performance for the people and causes we serve.

REFERENCES

Throughout the discussion, ambassadors pointed to several useful references for better understanding of what's at stake in this debate:

- [Learning from Experience: A Guide to Social Impact Bond Investing](#) – MDRC president and Leap Ambassador Gordon Berlin shares insights from implementing the nation's first SIB at Riker's Island and lays out four tensions SIBs architects must address.
- ["Pay for Success Is Not a Panacea."](#) – Daniel Stid's assessment for the Federal Reserve Bank of San Francisco's Community Development Investment Review.

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- [“Using Social Impact Bonds to Spur Innovation, Knowledge Building, and Accountability”](#) – A vision for SIBs that moves beyond saving money by David Butler, Dan Bloom, and Timothy Rudd of MDRC for the Federal Reserve Bank of San Francisco’s Community Development Investment Review.
- [Urban Institute’s Pay for Success Initiative](#) – Announcement of multi-disciplinary team of researchers and practitioners and supported by the Laura and John Arnold Foundation (shared by Mary Winkler).
- Video: [“The Future of Pay for Success with OMB Director Shaun Donovan, Civic Leaders, and Innovators”](#) – Expert panel discussion reflecting on the current state of Pay for Success, lessons learned from the earliest pilots, and the future of this field (pointed to by Mary Winkler).
- [“Assessing Nonprofit Risk in PFS Deals”](#) – A framework to guide nonprofits in effectively assessing risk and opportunity in Pay for Success contracts, by CEO and Executive Director of the Center for Employment Opportunities Sam Schaeffer (shared by Brad Dudding).
- [“After Pay for Success: Doubling Down on What Works”](#) – Article by CEO and Executive Director of the Center for Employment Opportunities Sam Schaeffer, Vice President Advisory Services at Social Finance Jeff Shumway, and Director of Social Finance Caitlin Reimers Brumme (shared by Brad Dudding).
- [Isaac Castillo’s “Who Would You Fund?” exercise](#) Illustration of collecting outcomes with an emphasis on the importance of comparison data (shared by Isaac Castillo).

ACKNOWLEDGMENTS

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APPENDIX

FULL TEXT OF EACH AMBASSADOR'S INDIVIDUAL CONTRIBUTIONS

REQUEST FOR INPUT FROM KATIE PARIS, NOVEMBER 17, 2015

Fellow Ambassadors,

Mario mentioned some time back that I would begin to play a more active role in working with him to facilitate conversations in our community. I have already learned so much from so many of you and consider this a great privilege. In this role, my goal is singular: to help facilitate thoughtful discussion, relevant to our purpose. So let's dive right in, shall we?

Last week the community focused on two major victories that offer to lessen financial barriers to high performance for nonprofits: full cost government funding and the doubling of the overhead rate on project grants from the Ford Foundation. (Awesome to see 16 ambassadors weigh in with support and ideas on both topics!)

Meanwhile, another hot topic that many view as a potential incentive for high performance, Social Impact Bonds (SIBs) and Pay for Success (PFS), has become increasingly contentious. To wit:

- Following Rikers' negative results last summer, a Utah SIB that announced strong results in October for a preschool program aimed at reducing the need for special education, is now being questioned by education experts who say its outcomes metrics were too easy to achieve (see NYT's [investigative report](#) here, and response from the United Way of Salt Lake [here](#)).
- A week before the NYT report, the White House, a consistent champion of SIBs, held an "Adopting an Outcomes Mindset" [event](#) that pushed for expanding SIBs and PFS. A new [report](#) from Georgetown's Beeck Center framing the event did the same.

The jury is still out on whether SIBs/PFS will catalyze greater impact. But in our view, three factors that will help determine their ultimate success or failure aren't getting enough attention:

- **It's the Organizations!** In addition to selecting nonprofits with evidence-based intervention models, what are governments doing to assess if these organizations are best suited to execute those models? Does the organization have a history of demonstrated performance, capacity for sustainable delivery, and the discipline to maintain a high "fidelity to model"? How do we ensure more Rocas and CEOs get selected?



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- **Bridging the Gap Between Outcomes and Impact:** Our friend Patrick Lester at the Social Innovation Research Center voiced concern with recent announcements that appear to be confusing outcomes with impact. He wrote: “Outcomes and impacts are often unrelated, which is why a program that seems to be producing improved outcomes may actually be producing no impact at all. Even worse, sometimes they run in opposite directions, as can happen when a program works with harder-to-serve populations, resulting in seemingly worse outcomes, but higher value-add and greater impact.” In the world of paying for outcomes, what is being done to develop more comprehensive outcomes that, if achieved, offer a greater chance of contributing to longer-term impact? What can be done to bridge the gap, in substance and understanding, between outcomes and impact?
- **Confronting the Political Minefield of Ill-Gotten Gains:** When communities see the same financial institutions that contributed to the sub-prime market collapse and home foreclosures profit off of their vulnerable populations and the nonprofits that serve them, the potential for backlash is intense, raw, and simmering. What, if anything, are architects of SIBs and the financial houses involved doing to understand and navigate this political minefield?

As the stakes continue to rise, we welcome your thoughts.

Thanks in advance,

Katie

ON DEVELOPING GOVERNMENT AGENCY WHEREWITHAL

RESPONSE FROM DANIEL STID, NOVEMBER 18, 2015

Hello all:

I'll offer my two cents worth in a slight different direction about what we might be

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missing on social impact bonds and pay for success schemes more broadly. A lot of the discussion focuses on the availability of and standards for evidence-based solutions, as well as on the role and appropriate compensation for financial intermediaries. There are real issues here as other ambassadors have noted. To my mind though we also cannot afford to gloss over another fundamental question -- do the government agencies commissioning the pay for success schemes, SIBs or otherwise, have the wherewithal to design, negotiate, oversee, and execute these schemes? I came out as a skeptic on SIBs a few years ago because of my substantial doubts on this score. As I noted in an assessment for the Federal Reserve's Community Development Investment Review, "my skepticism is grounded in the challenges that federal, state, and local government agencies have faced in trying to use performance-based contracts during the past two decades—and how SIBs may in fact make several of these challenges worse." In this piece (which you can access here: <http://www.frbsf.org/community-development/files/pay-for-success-not-panacea.pdf>), I considered these challenges and went on to envision how a far-sighted foundation could help address this problem of government capacity. I admit I have not been as close to the issues for the past 2-3 years, but based on what I read in the papers this problem persists and then some. I would welcome feedback on my diagnosis and prescription if fellow ambassadors wrestling with these issues at present see the situation differently.

ON RESTRICTING THE USE OF THE TERM "IMPACT" AND CLARIFYING WHAT CONSTITUTES AN OUTCOME

RESPONSE FROM DAVID HUNTER, NOVEMBER 17, 2015

Thanks for sharing these items, Katie.

In light of your report about Patrick Lester's comments, I would like to draw attention to two ways in which the term "impact" is used.

As Patrick Lester uses this term (and indeed it is often used this way in public discourse), "impact" seems to mean something like "very long-term outcomes"; and he is correct to worry that what seem to be robust results in the shorter term might, in the large scheme of things, have unanticipated, and even paradoxical or negative, longer term consequences.

However, as most evaluators use "impact" it means something else that is much more specific – namely, it refers to outcomes for which there is a scientifically acceptable level of proof that they are the result of a given intervention (service, program, etc.) and not the result of some other factors – such as selection bias, measurement or observer bias, regression to the mean, normally occurring developments, population trends,



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contextual changes, and so forth. In this usage, very long-term outcomes may or may not be impacts, and the burden of proof falls on those who in any given instance would claim them to be.

A lot of misunderstandings could be avoided if people took care to clarify how they are using the term and especially why they have opted for their definition. For me, restricting the use of “impact” to the narrower meaning that reflects the lingo of evaluators makes a lot of sense because it focuses our attention inevitably on the question of data and evidence—and their validity and reliability—good things to focus on when addressing issues of public policy and ways to address identified social needs. The discussion you include regarding SIBs and the controversies about how well they are being designed, implemented, managed, and evaluated, is a strong case in point.

All of which prompts the further clarification of what constitutes an “outcome.” Generally speaking, at least as used by program evaluators, an outcome is:

- Some kind of change
- That is meaningful
- That has clear indicators specifying what to assess in order to measure it
- That is observed and measured using valid and reliable methods
- That is sustained over a reasonable length of time
- And that can be logically linked to the activities of the program, service, or intervention under consideration.

Absent an evaluative effort that seeks to eliminate other factors beyond the program (or service or intervention) that may have caused observed changes, outcomes cannot be considered impacts.

I hope these clarifications will be useful in supporting further discussion of these very important topics.

David Hunter

RESPONSE FROM KRIS MOORE, NOVEMBER 17, 2015

I agree, David, both with these definitions and about the importance of using clear, common terms. Well said! – Kris

RESPONSE FROM PAUL SHOEMAKER, NOVEMBER 17, 2015

That was a VINTAGE David Hunter answer by the way bravo, my friend

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RESPONSE FROM SAM COBBS, NOVEMBER 19, 2015

I usually stay out of these conversations as I really don't want to enter into a debate over email with my bigger brained colleagues and some who have dedicated more time to these issues than I have been alive. However I think this is conversation that I really feel passionate about and see our sector headed down yet another rabbit hole in search of a magic potion to solve all problems. However this is more like Cinderella's slipper and that it does not fit everyone or anyone.

I agree with Daniel and his thoughts about SIB's that they are deeply flawed and may not be a solution at all if the flaws or better yet what we expect them to do is not adjusted. This feels like the excitement around social enterprises at the start of that movement and still by some today. That entering into a business would create enough revenue to fund your social mission. However I would say that only about 10 percent of these organizations who enter into this type of arrangement really ever get to this point. I know that we have some positive outliers but they are just that outliers and yet the sector continues to push this point of view. The best thing about SIB's is the name Social Impact Bonds really sexy right and probably one of the reasons that people have falling in love with a concept that I believe in the end will do more damage than good. Notice I don't include Pay for Performance which is different and I believe could have a huge impact.

Now the bigger threat that I believe is how we consistently interchange the word outcomes and impact in our language. David thanks for your definition, which is spot on. But because I had to read it three times to make sure that I got it I want to give another example of the difference between the two. Organization 1 claims to have a 90% graduation rate for all youth that it serves. However its target population or kids that it works with enter into the organization as Juniors in High School with a Grade Point Average of at least 2.5. And yes 90% of those kids will graduate high school. However organization 2 only graduates 50% of its youth but youth enter in the program 2 grades behind, and doing math at an elementary school level. I would say that organization 2 has the greatest impact. However it does not have the best outcomes, which is where the threat is. If we as a sector are only interested in programs that can be RCT'd. Because of cost and other factors only those programs that lend itself to a clean quick and therefore cheaper evaluation will be able to survive in this world. To me that means that organization 1 continues on but organization 2 dies. The youth that organization 2 serves which are truly more at risk and vulnerable are not getting the help that they need or worst yet are been forced to enter the services of organization 1 which will fail them as this is not its target population.

One of the best thing that I think we can do is help people in our field better understand the difference between outcomes and impacts.

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RESPONSE FROM MIKE BAILIN, NOVEMBER 19, 2015

Nice example, Sam, and I'm glad you did enter this conversation. A valuable perspective. Let's see how our "bigger brained" colleagues challenge or simply help to refine your contribution.

RESPONSE FROM DAVID HUNTER, NOVEMBER 19, 2015

So, to use Sam's fine example to illustrate my earlier clarifications and why we need them: School #1 has an outcome of a 90% graduation rate but, he notes, this likely reflects preexisting conditions in the kids it serves, not its own accomplishments. (Sam's case is an example of selection bias...aka "creaming" or "skimming"—a frequent producer of good looking outcomes that do not pass muster as impacts.) However, it gets worse: **Absent an evaluation using a counterfactual (comparison with kids who have very similar demographic and risk indicators) we don't even know whether the 90% graduation rate is good or not.**

To expand on this a little: An impact evaluation with a well selected and managed counterfactual group might reveal any of the following scenarios:

1. Even for the carefully selected target population this school serves, a 90% graduation rate is an accomplishment because the counterfactual (control or comparison) group only manifests an 80% graduation rate, so School #1 has an impact of improving the graduation rate from 80% to 90%. In this case, School #1, **although superficially appearing to add no value, indeed is having an impact.**
2. School #1's graduation rate is no different than the graduation rate manifested by the counterfactual group. In this case, the 90% graduation rate is **an outcome that is not an impact.** (Another way of saying this is that there is no added value in School #1's performance compared to what is happening at other schools.)
3. It may turn out that even with its carefully selected student body School #1's graduation rate of 90% is less good than the same kinds of kids achieve at other schools - for discussion let's say the kids in the counterfactual group(s) graduate at a 98% rate. In this case, School #1 actually is doing harm. Its impact is negative: a reduction of the graduation rate of 98% to 90%.

I have deliberately not compared the two schools so as to keep the example simple. But I do hope this brief discussion illustrates both the utility of using "impact" (vis-a-vis "outcome") in the restrictive way I advocated, and also makes it clear that without

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evidence deriving from a professionally conducted evaluation there is no way for a program (or its supporters or even its critics) credibly to claim it is having an impact - good or bad, short-term or long-term.

David

RESPONSE FROM ISAAC CASTILLO, NOVEMBER 19, 2015

I love this conversation. And it is timely for me because over the past two days I have worked with three DC Government agencies to help them understand the difference between outputs and outcomes.

And I share this with a smirk as well as with some sadness.

I think all of us that are well steeped and versed in this stuff want SIBs and Pay for Performance to work and become more widely accepted, but there are three things working against us.

1) To Sam's point earlier - I think there are very few (I would argue that Sam's estimate of 10% is very high) nonprofits that are sophisticated enough to be able to really prove the effectiveness of their work. And there are even fewer that can meet the higher standard that David is advocating for.

2) Most of the people on the government side (and this is a generalization) do not know the first thing about what constitutes good or rigorous evaluation. The fact that I have to spend 30 minutes or more helping government officials understand the difference between outputs and outcomes points to how far they need to still travel in their understanding of this stuff.

3) There will always be the tension between high rigor and on-the-ground implementation. I actually think this is the easiest thing to overcome, but there are still disagreements (even within this group I bet) of how much rigor is needed. And even who needs to do the evaluation and what constitutes objectivity.

When I talk about this stuff, I often do an exercise to help illustrate the importance of comparison data. I have posted the slides (and some directions on how to use the example) here: [Isaac's who would you fund example](#)

I came up with the exercise about 10 years ago, and I still continue to use it - especially with groups that need to understand how layered these issues can become (and why if you stop with just outputs, you lose a lot of meaningful information).

ON ENSURING IMPACT AS THE PAYMENT METRIC AND EXTERNAL EVALUATION TO VALIDATE RESULTS

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RESPONSE FROM KATIE PARIS, NOVEMBER 18, 2015

Patrick Lester has another post up this week, [Does Pay for Success Work? Define Success](#), in which a range of experts share varying views about what “success” means for SIBs at this stage. Short of an outside evaluation demonstrating positive net impact, is it possible for a SIB to claim success? Would love to hear others’ thoughts.

RESPONSE FROM DAVID HUNTER, NOVEMBER 18, 2015

Hi Folks,

I think we can agree that SIB inherently means that a return is expected for money invested. What is that return? That depends on the original intent. Is it enough to pay for the production of improved quality of outputs? If this was the original intent, fine. But practically speaking, most of the time the criteria for success likely will be stated in terms of intended impacts. However, regardless of whether the definition of success is stated in terms of improved output quality or demonstrable impact, the proof that success has been achieved must, I believe, be produced through an independent evaluation conducted by an evaluator using well-established professional practice standards. Anything less would hardly inspire public trust in government.

David Hunter

RESPONSE FROM TRIS LUMLEY, NOVEMBER 18, 2015

It’s quite shocking that both the Rikers (the programme wasn’t even implemented as participants weren’t there long enough) and Utah (we don’t know the results of the intervention) SIBs had such low standards in place, and that hasn’t caused more of a debate/outcry in the field. Should the Leap community speak out?

I thought the point of SIBs was that they created the financial incentive to do the job properly?!

Tris

RESPONSE FROM DAVID HUNTER, NOVEMBER 18, 2015

Oh to be sure I think we should speak out...otherwise, of what relevance are we?

David

ON WORKING WITH GOVERNMENT AND THINKING LONG TERM

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RESPONSE FROM BRAD DUDDING, NOVEMBER 25, 2015

Sorry to join the party so late, but I wanted to talk some turkey too before we all retreat to our kitchens or couches:)

Certainly SIBs are not a panacea for all the reasons mentioned in the chain so far. That said, if SIBs are implemented with rigor, the model could lead to fundamental changes in how government works by placing an emphasis on funding high-performing, evidence-based practices. That's what we all want, right? Our friends at Results for America tell us that 99% of public resources dished out across America go to services that cannot demonstrate that they make a difference. The SIB model is potentially disruptive of this state of affairs if it can demonstrate more traction and reveal some interventions that actually work.

Without getting too much into the details of CEO's Pay for Success (PFS) project, we remain very happy with the structure of our deal, now two years old with only preliminary data available. The partnership with our government partner, DOCCS, has been downright innovative in how government and service providers can work together in pursuit of a common goal, in our case to reduce recidivism. CEO and DOCCS have met the first PFS enrollment target with time to spare, and the partnership has dramatically improved the process of onboarding formerly incarcerated persons to reentry providers. Clearly, this project has motivated the agency to perform in ways we had not seen before.

There are two issues that CEO has written about in SSIR over the last year which warrant mention here. First, it is important that nonprofits who are eligible to compete for a SIB be mindful of the [risk components](#) of the deal, such as the performance threshold (what triggers investor payouts), the investment stake of the nonprofit (skin in the game or not), the type government champion (executive or legislative), and the evidence of the geography (new or existing site). For almost every type of risk category CEO was able to select a low or medium risk option which made the deal more attractive and beneficial to us.

Second, and more relevant to this discussion is that CEO views SIBs not as an end game, but as a stepping stone to getting government to fund social services in a new way. In other words, when our four year PFS deal is done and the RCT - fingers crossed, knock on wood, no jinx - confirms that the individuals in the treatment group spend at least 8% fewer days in prison or jail than the control group, we don't want a new SIB arrangement even though there will be plenty of new private investors willing to put up additional capital. What we really want is for government to double down on what works by creating a new type of performance contracting vehicle which maintains and further scales the intervention in an ongoing way. The easiest way to facilitate this type



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of post-deal architecture is to build it into the original SIB deal, something we have called the “[achievement compact](#)” — an intent from government to integrate successful services, providers, and performance-based funding mechanisms into ongoing funding streams or new funding streams to support them.

Yes, this would mean that government would need to “baseline” resources in federal, state and local budgets to fully fund the cost of program services. The rationale is the program has clear evidence that it works (over and above what happens anyway), the evidence is socially significant, and that the cost of the program is materially less than the economic benefits it produces.

No, we are not kidding ourselves here. We know this transition will be not be easy. It will take champions in government to step up and lead the effort. Budget Directors will need to be convinced that performance budgeting, reallocating resources to services that show results, is the new normal. The current struggles to reappropriate the Social Innovation Fund is a case in point of how difficult the political calculus can be to sustain evidence based funding models. But we have some trends in our favor. The data revolution is starting to creep into government policy making and will influence how funding decisions are made, especially as data sets are made more widely available. This is still years (decades??) away from taking hold of course, but better access to data and faster discovery of that data is inevitable and will change the governing process at some point.

Time will tell if the SIB model can scale and ultimately be a tipping point for increasing funding for what really works, but at the moment I don't see a more practical path for getting government to fulfill its responsibilities to effectively and efficiently address social problems while being accountable to taxpayers. Hopefully the Leap Ambassadors will be on the front lines of promoting this line of reasoning.

RESPONSE FROM DAVID HUNTER, NOVEMBER 25, 2015

A very thoughtful, sober, yet modestly optimistic discussion about how SIBs, when done right, have the potential to drive serious reform of government funding practices as well as reward high performance (delivering impacts as intended) by front-line service providers. But let's not underestimate the ways in which many SIBs to date have fallen far short of adequately meeting these and other risk factors. Nevertheless, hats off to Brad for taking the trouble to share what CEO has learned from its experiences to date.



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RESPONSE FROM MIKE BAILIN, NOVEMBER 25, 2015

A great contribution, Brad. Thanks for this sober assessment of what it will take for the SIB/PFS movement to take hold, assuming more of the earlier and current efforts turn out to be as solid as CEO's have been so far.

ON THE "HIGHEST AND BEST USE" OF SIBS

RESPONSE FROM PAUL CARTTAR, DECEMBER 8, 2015

Katie,

Just back from a three weeks out of the country, which inhibited my ability to weigh in on this very dynamic subject. Nice job pulling the summary together, and I concur with the key points expressed by the various contributors.

FYI, I'm doing my next Bridgespan "what works" blog ([posted on 12/16/15](#)) on SIB's but am intending to focus mainly on the "highest and best use" of SIB's and how to position them for success rather than on specific challenges they pose. The essence of my view is that they are distinctively well-suited for a primary, critical purpose -- providing short-term risk capital to enable governments (at various levels and in various geographies) to determine their ability to effectively implement discrete, preventative programs or services that deliver significant, verifiable long-term social benefits, ideally captured in the form of direct budgetary savings to the public. However, a major problem I see at present is that they are being positioned as solutions to other problems (e.g. an alternative source of capital for scaling proven programs) and being focused on problems (e.g. supportive housing) that don't offer compelling financial savings to governments -- which risks their failing to deliver potential value and, ultimately, sustain interest and support.

Thanks for you efforts,

Paul

FOLLOW UP FROM PAUL CARTTAR, DECEMBER 21, 2015

Dear Ambassadors,

Continuing our very robust dialogue about social impact bonds (SIBs), I want to share a link to my most recent blog.

Although SIBs are a substantive innovation with distinctive potential to add value



SIBs: WHAT'S MISSING?

to our society, they appear to be at risk of creating a counterproductive “bubble.” The blog explores this risk and offers thoughts on [how to avoid a bubble](#). The answer, I believe, begins with being very disciplined in focusing SIBs on their “highest and best use” – creating positive conditions for governments to test the effectiveness of discrete preventive programs with high potential to generate significant, direct, on-going budgetary savings to the public.

I welcome your thoughts and feedback – either within the Ambassador group or, even better, shared with the broader nonprofit community in the blog’s “comments” section.

Thanks,

Paul

RESPONSE FROM KATIE PARIS, DECEMBER 21, 2015

Thank you Paul. I’m sure many of you are packing up for travel or preparing for visitors, but I do hope that you are able to take a few moments to read Paul’s post and share your thoughts.

I’m optimistic that programs aimed at reducing recidivism, like Brad’s (CEO) and Molly’s (Roca), may save taxpayer money. But for many of the social problems our leaders contend with, that’s not a realistic outcome. A high-performing nonprofit seeks to do more with less, but generating a positive rate of return from a societal perspective doesn’t necessarily come with monetary savings. Letting people fail is often cheaper than helping.

If we demand that SIBs not only improve lives, but save government money, are we setting an unrealistic expectation? Does this expectation ultimately undermine a larger lesson: that effective work is often expensive, but worth it?

Would value your thinking.

OPPORTUNITIES FOR FURTHER ENGAGEMENT



SIBs: WHAT'S MISSING?

RESPONSE FROM MARY WINKLER, NOVEMBER 19, 2015

Good afternoon,

I have been tracking this conversation with interest, but mostly as a “student” of pay for success. I think many of you may know that Urban Institute has a major Pay for Success Initiative underway, supported by the Arnold Foundation. It brings together a multi-disciplinary team of researchers and practitioners. A link to the press release describing the initiative further is here: <http://www.urban.org/urban-wire/introducing-pay-success-initiative-urban-institute>

We recently hosted a standing room only event that included Anthony Bugg-Levine, Sonal Shah, Shaun Donovan and others and many issues surfaced about the challenges of evidence, outcomes versus impact, etc. Our role is not to serve as an apologist for pay for success, but rather as an intermediary in support of better evidence about what works and the dissemination of good practice in PFS project development and implementation.

I’m wondering how the group feels about me sharing this thread with the PFS Team at Urban for consideration and possible follow-up. I know as part of their outreach they are looking to include additional voices in the conversation.

You can find more information on www.urban.org website, including a variety of blog posts on the subject and I believe a recording of the October event I mentioned above.

RESPONSE FROM INGILD BJORNVOLD, NOVEMBER 25, 2015

Mary Winkler and I have been considering a PerformWell webinar on the topic of SIBs for a while. Given the thoughtful discussion that has been taking place here recently, we thought it would be appropriate to extend an invitation to ambassadors to speak and/or shape the webinar. We have not yet narrowed down the topic.

These are events that typically have several hundred attendees, primarily from the nonprofit sector, but depending on the topic, also a good number of people who work in government.