



DEFINITION OF KEY SIF AND LISC PFS COMPETITION TERMINOLOGY

Applicant: at minimum, a government entity or service provider working in partnership with various partners to structure a PFS transaction and are looking for LISC to provide services as the transaction coordinator. Ideally, at the time of application, all partners to fill necessary roles needed to structure a PFS transaction will be identified; if this is not the case, the application must present a viable plan for filling the remaining roles and demonstrate a strong commitment from the proposed back-end payor.

Back-end Payor (Outcomes Payor): provides outcomes-based payments; typically, but not restricted to, government entities. A Payor (or Outcomes Payor) is an entity that funds Outcomes Payments if, as determined by the Evaluator, outcomes are achieved at pre-set target levels. It is generally, but not always, an entity such as a state or local government, which realizes a budgetary savings or other beneficial social outcomes, upon the achievement of certain programmatic outcomes of a PFS Project.

Consultant: in this competition, this designation is for applicant team members other than the Service Provider who will be receiving federal funds and providing goods and/or services as part of the transaction structuring activities; consultants have a procurement relationship with LISC.

Evaluator: designs a robust methodology to rigorously evaluate whether the agreed-upon intervention has achieved the outcome(s) sought at pre-set target levels and whether the intervention has been a significant factor in achieving the measured outcomes.

High-Performing: High-performing is a characteristic of entities that are well-run and financially healthy with capable leadership, clear goals, and objectives; that diligently collect quality data and use this data to understand which of their efforts work and which do not; and that use this knowledge to make adjustments to their approach to continuously improve.

High-Quality Pay for Success (PFS) Project: A High-Quality PFS Project includes the following components:

- A well-defined problem and associated target population.
- A preventative service delivery strategy that is managed, coordinated, and guided by the service provider, is flexible and adaptive to the target problem and population, and has a robust, rigorous evidence base or a compelling theory of

change with pre- and post-intervention outcomes achieving at least a preliminary level of evidence

- One or more well-defined, achievable potential outcome target(s) that are a significant improvement on the current condition of the target population and have been agreed to by all required project partners
- A plan for rigorous PFS Intervention Evaluation using a randomized controlled trial, quasi-experimental evaluation, or other scientific methodology to be executed by an Evaluator
- A financial model that shows public sector value, including cost savings or efficiency, and tracks effects of the project on relevant federal, state, and local funding sources
- A commitment from an individual or entity to act as an Outcomes Payor (whose Outcomes Payments may be directed to Investors if they have covered, in part or in whole, costs associated with delivering the intervention)
- If needed, a binding commitment of funds from one or more independent Investors to cover all operating costs of the intervention, including administrative and overhead costs of the intermediary
- A PFS Agreement and any associated necessary agreements that incorporate all elements above.

Innovative programs: programs that advance the sector’s knowledge base and aim to result in investment in evidence-based solutions in communities nationwide. Innovation is a new approach to solving old problems that are reasonably expected to be faster, less expensive or more effective in improving outcomes for the public good.

Intervention: a service or program designed to address a social problem; in the case of PFS, interventions are often preventative or early stage, and proven to be effective through randomized control trials or other evaluation methodologies.

Investor: an individual, entity, or group thereof that provides upfront capital to cover the operating costs and other associated costs, in part or whole, of the intervention delivered by the Service Provider.

Levels of Evidence: as defined by CNCS, levels of evidence are defined as:

- Preliminary evidence: Evidence that is based on a reasonable hypothesis and supported by credible research findings. Examples of research that meet the standards include: 1) outcome studies that track participants through an intervention and measure participants’ responses at the end of the intervention, and 2) third-party pre- and post-test research that determines whether participants have improved on an intended outcome.
- Moderate evidence: Evidence from previous studies on the intervention, the designs of which can support causal conclusions (i.e., studies with high internal validity) but have limited generalizability (i.e., moderate external validity). This also can include studies for which the reverse is true—studies

that only support moderate causal conclusions but have broad general applicability.

- Strong evidence: Evidence from previous studies on the intervention, the designs of which can support causal conclusions (i.e., studies with high internal validity), and that, in total, include enough of the range of participants and settings to support scaling up to the state, regional, or national level (i.e., studies with high external validity).

Low-Income Community: a Low-Income community is either a population of individuals or households having a household income that is 200 percent or less of the applicable Federal poverty guideline, or either a population of individuals or households, or a specific local geographic area, with specific measurable indicators that correlate to low-income status, such as, but not exclusive to, K-12 students qualifying for free- or reduced-lunch, long-term unemployment, risk of homelessness, low school achievement, persistent hunger, or serious mental illness.

Outcomes Payments: Outcomes Payments, per the terms of the PFS Agreement, are payments deployed to cover repayment of the principal investment and a return in the case that an investor has covered part or all of the costs of service delivery and/or other associated costs and outcomes have been achieved according to an independent evaluator.

Pay for Success (PFS) Agreement: A PFS Agreement (also commonly called “PFS Contract”) is a multiparty agreement (1) which, when executed, delivers an innovative or evidence-based intervention intended to improve one of more outcomes, in which ultimate payment to the service provider is made only if the outcome(s) are achieved at pre-set target levels, as demonstrated by an Evaluator, and (2) to which the following entities are signatories:

- Service Provider(s);
- Outcomes Payor(s); and may include
- Project Coordinator or legal entity for this Agreement created by the Project Coordinator.

Pay for Success (PFS): a strategy for funding or contracting that enables a government or other funder of social services to test or expand programs while paying for services only once an agreed-upon set of outcomes or level of impact has been achieved and verified.

Pay for Success (PFS) Financing: a third-party investment that provides financial resources necessary for carrying out an intervention during a PFS contract period. PFS financing is often required in a PFS project because service providers will not have the resources to self-finance the costs of implementing a program during the contract period. Third-party investment is typically at-risk, and return of capital and any potential return on investment is dependent, in whole or in part, on the achievement of outcomes identified in the PFS contract.

Social Impact Bond (SIB): one type of PFS financing.

Social Innovation Fund Focus Areas: The 2016 Social Innovation Fund focus areas are: youth development—preparing America’s youth for success in school, active citizenship, productive work and healthy and safe lives; economic opportunity—increasing economic opportunities for economically disadvantaged individuals; and healthy futures—promoting healthy lifestyles and reducing the risk factors that can lead to illness.

Service Recipient: in this competition, this designation is for the applicant team member that will be receiving non-cash contributions, such as staff time in conducting feasibility assessments, building PFS capacity, and / or structuring or enabling PFS Projects, from LISC.

Target Population: the group of individuals for whom a government and/or service provider is looking to provide better social outcomes. In PFS projects, clearly-defined target populations are important. Examples of characteristics that narrow the definition of the target population may include geography, race/ethnic group, age, gender, and education level.

Transaction Coordinator (TC): project manager(s) responsible for overall coordination and development of a PFS project through the feasibility assessment and/or transaction structuring phases of work. In the transaction structuring phase of work, transaction coordinators (TCs) may be responsible for moving a project to contract by overseeing stakeholder engagement, project design, outcomes definition, evaluation design, investment capital raising, investment capital structuring, payor valuation of outcomes and investment repayment schedule, facilitation of project contracts and investment agreements, and oversight of stakeholder negotiation of project contracts. Roles and responsibilities of a TC can be shared amongst more than one organization.

Transformative programs: programs that produce strong impact while also presenting a new solution or novel adaptation or application to a critical local or national challenge where existing solutions have not been proven to be effective, are not achieving outcomes at scale, or are too slow to respond; have the potential (as evidenced by data) to affect how the same challenge is addressed in other communities; address more than one critical community challenge concurrently; produce significant cost savings through gains in efficiency.