THE PAY-FOR-SUCCESS OPPORTUNITY: FROM ACTIVITIES TO OUTCOMES

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CONTENTS

INTRODUCTION

In social services, intuition does not always produce results and long-funded programs do not always achieve what we hope.[1] As we realize the complexity of changing people's lives, evidence has become the watchword. Service providers want to know that their work actually helps those they serve. Governments and other funders want to know that their money accomplishes as much as it can. Measuring outcomes, always a goal, has taken on a new urgency.

Measuring outcomes is, of course, easier to intend than to achieve. To measure the outcomes of a program, a service provider must ask if the program leaves its clients better off than in the program's absence. Answering that question means defining "better off" and estimating what would have happened to the clients had they not made use of the program. The difficulty and expense of these tasks—especially the latter—often discourage the types of evaluations that can distinguish between effective and ineffective programs. For cash-strapped service providers attempting to balance unpredictable funding with rising demand for their programs, evaluation is sometimes beyond reach.

Governments can deploy many tools to help service providers more easily or more convincingly measure their outcomes. For example, the UK's Justice Data Lab, run by the Ministry of Justice, supplies data and analysis to assist service providers attempting to reduce recidivism. A service provider can submit the names of its clients, and the Lab will return the service provider's results compared against a matched group drawn from the Lab's database.[2] Evidence clearinghouses are another option. Clearinghouses identify a program's key outcomes and outline its evaluation history, supplying a starting point for future evaluation. **CrimeSolutions.gov** rates more than 450 programs on the strength of their evidence.[3]

Pay-for-success is another tool that governments are exploring more often. Governments usually pay for a program based on its activities or outputs. Under a pay-for-success agreement, however, the government conditions some or all of its money on the program's outcomes. By writing into the funding contract that dollars will depend on the service provider's results, pay-for-success puts evaluation front and centre.

A pay-for-success agreement clarifies a program's goals and sets out how those goals will be measured. But it does not simplify evaluation. This paper discusses pay-for-success, its objects and its difficulties as one part of a broader conversation on how governments and service providers can fund and deliver effective programs.

1. Baron, J. and Sawhill, I.V. (2010). Federal Programs for Youth: More of the Same Won't Work. Retrieved from Brookings Institution: https://www.brookings.edu/opinions/federal-programs-for-youth-more-of-the-same-wont-work/; Muhlhausen, D.B. (2014). Do Federal Social Programs Work? Retrieved from the Heritage Foundation: http://www.heritage.org/budget-and-spending/report/do-federal-social-programs-work **2.** UK Ministry of Justice. (2016). Justice Data Lab: A Peer Review of existing methodology – Response. Retrieved from https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/506327/methodology-review-response.pdf **3.** All Programs & Practices. (June 1, 2017). Retrieved from https://www.crimesolutions.gov/Programs.aspx

The paper will:

1. Define pay-for-success,

2. Discuss the promises and cautions of pay-for-success, and sketch the close relation between the difficulties that bedevil pay-for-success and those that hinder program evaluation writ large, and

3. Raise a few problems that governments must manage if they wish to foster pay-for-success.

Pay-for-success' expansion will depend in part on the social sector's data infrastructure. A well-designed data infrastructure—made up of elements such as backbone organizations to help analyze data, platforms to share information and user-friendly techniques to rank different kinds of evidence—will ease the execution of pay-for-success projects. Mowat NFP is publishing a set of papers on how Canada can develop a data infrastructure that meets the needs of an outcomes-oriented social sector. To read the papers, visit Mowat NFP's **Enabling Environment** webpage.

RESEARCH APPROACH

This paper draws on academic literature, non-academic literature, service provider interviews and the author's experience. It relies heavily on pay-for-success examples in which the service provider borrows money to run its program and pays the lender back if the program hits its outcome targets (an arrangement known as a social impact bond).

CONTEXT

What is a pay-for-success agreement?

A pay-for-success agreement is a contract between a funder and a service provider to deliver a social program. The contract conditions some or all of the funder's contribution on the degree to which the program meets its outcome targets (agreed to before the program begins).

The term "pay-for-success" means the same as the terms "pay-for-performance" or "payment-by-results." All three terms refer to a social service contract that pays on outcomes. The term "pay-for-success" has risen in prominence alongside the entry of private investors and new ideas on cross-sector collaboration.

The service provider in a pay-for-success agreement may decide to take on a contingent loan, especially if the agreement conditions all of its funding on outcomes. The loan will cover the costs of running the program. The lender will accept the financial risk that the program does not meet its outcome targets. A pay-for-success arrangement that includes a contingent loan is known as a social impact bond.

How does a pay-for-success agreement differ from a conventional funding agreement?

Governments usually pay for social programs based on activities or outputs. For example, a service provider may run an outreach program for youth at risk of criminal activity. Under ordinary practice, the government might pay the service provider based on the number of hours that outreach workers spend in the community or the number of youth who complete the program's curriculum. On their own, however, these activities and outputs do not say if the program actually helps youth avoid crime. Under pay-for-success, the government pays the service provider based on an outcome, such as the number of youth who graduate from high school or the difference in the arrest rate between youth in the program and youth outside the program.

Where has pay-for-success operated in Canada?

The table below summarizes a few pay-for-success projects in Canada.

PROJECT	TARGET POPULATION	PROGRAM	OUTCOME PAYMENT METRIC
Community Hypertension Prevention Initiative[4] (Toronto and Vancouver)	7,000 people age 60+ approaching high blood pressure	The program introduces participants to an online platform designed to encourage healthy behaviours. Real-world supplements, such as coaches and links to community groups, round out the program.	Change in blood pressure
Employment Program[5] of British Columbia (BC)	Unemployed people	The program offers a suite of services to match the needs of the client. Services include employment assessments, skills training and job placements.	Average time to sustained employment
JobsNow[6] (Ontario)	People on income assistance for more than 12 months	The program helped people on income assistance to find and keep jobs. The program connected people to jobs, coached them through the job search process and supported them in employment.	Change in income assistance payments
Pay for Results Program[7] (Emergency Rooms) (Ontario)	Emergency room arrivals	The hospitals supplied ordinary emergency room services.	Length of stay in the emergency room
Sweet Dreams Supported Living Project[8] (Saskatoon)	Single mothers with children at risk of child welfare apprehension (22 children total)	The program houses single mothers and their children in the Sweet Dreams house. The program supplies stable shelter, parenting classes and employment assistance.	Number of children who still live with their mothers six months after the family leaves the Sweet Dreams house

4. Farthing-Nichol, D. and Jagelewski, A. (2016). Pioneering pay-for-success in Canada – A new way to pay for social progress. Retrieved from MaRS Centre for Impact Investing: https://www.marsdd.com/wp-content/uploads/2016/10/MaRS-Pioneering-Pay-For-Success-In-Canada-Oct2016.pdf **5.** Ference & Company. (2016). Evaluation of the Employment Program of BC (EPBC). Retrieved from the Government of British Columbia: https://www2.gov.bc.ca/assets/gov/british-columbians-our-governments/organizational-structure/ministries-organizations/social-development-social-innovation/epbc-evaluation-201603.pdf; Palameta, B., Myers, K. and Conte, N. (2013). Applying performance funding to Essential Skills: State of knowledge review. Retrieved from SRDC: http://www.srdc.org/media/199660/pbf-report.pdf **6.** Goss Gilroy Inc. Management Consultants. (2008). Evaluation of the JobsNow Pilot Program – Final Report. Retrieved from Ontario Ministry of Community and Social Services: http://www.mcss.gov.on.ca/en/mcss/programs/social/ow/jobs_toc.aspx. **7.** Vermeulen, M.J. et al. (2016). The Effect of Pay for Performance in the Emergency Department on Patient Waiting Times and Quality of Care in Ontario, Canada: A Difference-in-Differences Analysis. Annals of Emergency Medicine, 67(4), 496-505. Retrieved from http://www.canadianhealthcarenetwork.ca/files/2015/07/Vermeulen-EmergDepP4P_July2015Final.pdf **8.** Gustafsson-Wright, E., Gardiner, S. and Putcha, V. (2015). The Potential and Limitations of Impact Bonds. Retrieved from Global Economy and Development at Brookings: https://www.brookings.edu/wp-content/uploads/2015/07/impact-bondsweb.pdf

CHALLENGES IN SELECTING AND MEASURING OUTCOMES

In the context of social services, a change in an outcome is a change to the quality of a person's life or, less commonly, a change to a social system.[9] Take, for example, a program that attempts to reduce the number of heart attacks by educating at-risk people on lifestyle changes. An activity might be the number of education sessions and an output might be the number of people who attend those sessions. An outcome might be the number of attendees who suffer a heart attack over the next three years. Whereas the activity and the output only make sense in the context of the program, the outcome refers not to the program but to the person.

Service providers are starting to shift emphasis to outcomes. They want to solve social problems, not simply manage them. But measuring outcomes remains a trial. Many service providers struggle to fund just their programs, let alone measurement capacity. To make matters worse, different funders ask for different data on the same program, and often track activities rather than outcomes.

Pay-for-success aims to let service providers focus squarely on maximizing their outcomes. It orients governments and other funders away from close supervision over activities. It helps illuminate those practices that promote results and those practices that do not. In its best incarnation, pay-for-success supplies the information a service provider needs to improve, the time to figure out how to improve, and the freedom to adjust midstream.[10]

Pay-for-success is not perfect. It may foment a risk-averse outlook that tilts too heavily toward proven programs, at the expense of new ideas.[11] Perverse incentives (such as the incentive to "skim the cream" or, in other words, select program participants most likely to succeed) may push service providers away from where their programs can do the most good.

Yet many of the difficulties in pay-for-success are found in any program evaluation. Some of the concerns about pay-for-success echo common research problems, such as the pressure to omit difficult-to-quantify outcomes, the incentive to focus on what is measured and neglect what is not, and the costs of tracking both a program group and a control group. Other worries, such as the questions that may emerge in the wake of poor results, confront every published study. Though stark in pay-for-success, these obstacles must be overcome in all good evaluations.

9. A change to government costs is a common example of a system-level outcome. For example, Ways to Wellness measures the success of its social prescribing program in part on the degree to which it reduces healthcare costs. Ronicle, J. (2015). Ways to Wellness Social Impact Bond: The UK's First Health SIB. Retrieved from Commissioning Better Outcomes Evaluation: https://www.biglotteryfund.org.uk/research/social-investment/publications
10. See Tan, S. et al. (2015). An evaluation of Social Impact Bonds in Health and Social Care. Retrieved from Policy Innovation Research Unit: http://www.piru.ac.uk/assets/files/Trailblazer%20SIBs%20interim%20report%20March%202015,%20for%20publication%20on%20PIRU%20siteapril%20amendedpdf11may.pdf; Ronicle, J., Fox, T. and Stanworth, N. (2016). Commissioning Better Outcomes Fund Evaluation: Summary Report Targeted at Service Providers. Retrieved from Big Lottery Fund: https://www.biglotteryfund.org.uk/research/social-investment/publications **11.** Callanan, L. and Law, J. (2013). Pay for Success: Opportunities and Risks For Nonprofits. Commnity Development Investment Review. Retrieved from http://www.frbsf.org/community-development/files/pay-for-success-opportunities-risks-nonprofits.pdf

The table below illustrates some of the challenges of pay-for-success, some particular to paying on outcomes and others common to measuring outcomes.

CHALLENGE	CAUTION
Selecting outcomes	In a pay-for-success agreement, the funder and the service provider must decide on one or more outcomes (not more than a few) on which to condition payment. The wrong outcome may not accurately capture the program's goals and may even undermine those goals.[12] For example: · When Maine began to pay for some substance abuse programs on patient outcomes, service providers responded by accepting fewer severe patients into those programs.[13] · When Taiwan began a pay-for-success program for people with diabetes, healthcare providers excluded very ill people.[14] The problem of perverse incentives–most often expressed as an incentive to serve only the people most likely to contribute to an outcome target–is a frequently-cited worry in pay-for-success and a core design question in every project.[15]
Setting targets	In a pay-for-success agreement, the funder and the service provider must decide how much money to tie to what level of success. Outcome targets must hit a careful balance between too ambitious and too easy. Setting good targets requires data on how well a program or similar programs have worked in similar circumstances. Many social programs cannot furnish data at that level of precision, leaving service providers in the dark as to how much they can expect to achieve.[16]
Evaluating results	In a pay-for-success agreement, the funder and the service provider must decide how to evaluate outcomes. Just counting outcomes is often not enough. Good evaluations attempt to attribute a program's outcomes to the program.[17] In seeking attribution, evaluators favour experiments that randomly distribute people in or out of a program. Randomized control trials minimize the differences between groups and so permit an evaluator to say this program caused that outcome. But such trials cost a lot of money and require sizable comparison groups. Alternative methods to reduce bias–matched comparisons, difference-in-differences, instrumental variables[18] –are both difficult for non-evaluators to grasp and imperfect in attributing outcomes. A pay-for-success agreement may simply pay per outcome, such as per youth graduated.[19] But without rigorous attribution, one of the promises of pay-for-success disappears.[20]

12. For a healthcare-focused review of the dangers of paying on outcomes, see Ejikenaar, F. (2013). Key issues in the design of pay for performance programs. The European Journal of Health Economics, 14(1). 117-131. Retrieved from https://www.ncbi.nlm.nih.gov/pmc/articles/PMC3535413/# **13.** Shen, Y. (2003). Selection Incentives in a Performance-Based Contracting System. Health Services Research, 38(2). 535-552. Retrieved from https://www.ncbi.nlm.nih.gov/pmc/articles/PMC1360913/ **14.** See Chen, T-T. et al. (2011). The Unintended Consequences of Diabetes Mellitus Pay-for-Performance (P4P) Program in Taiwan. Health Services Research, 46(1). 47-60. Retrieved from https://www.ncbi.nlm.nih.gov/pmc/articles/PMC3034261/ **15.** See Comptroller and Auditor General. (2015). Outcome-based payment schemes: government's use of payment by results. Retrieved from National Audit Office: https://www.nao.org.uk/wp-content/uploads/2015/06/Outcome-based-payment-schemes-governments-use-of-payment-by-results.pdf **16.** See Gold, J. and Mendelsohn, M. (2014). Better Outcomes for Public Services: Achieving social impact through outcomes-based funding. Retrieved from Mowat Centre: https://mowatcentre.ca/wp-content/uploads/publications/91_better_outcomes_for_public_services.pdf **17.** Blomquist, J. (2003). Impact Evaluation of Social Programs: A Policy Perspective. Retrieved from World Bank: http://siteresources.worldbank.org/SAFETYNETSANDTRANSFERS/Resources/Evaluation_Blomquist.pdf **18.** For an excellent and non-technical review of evaluation methods in social policy, see Blomquist, J. (2003). Impact Evaluation of Social Programs: A Policy Perspective. Retrieved from World Bank: http://siteresources.worldbank.org/SAFETYNETSANDTRANSFERS/Resources/Evaluation_Blomquist.pdf **19.** For an example of payment per outcome, see HM Government. (n.d.). Innovation Fund: Key facts. Retrieved from https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/212328/hmg_g8_factsheet.pdf **20.** For a defence of rigorous evaluation in the social impact bond context, see Berlin, G.L. (2016). Learning From Experience: A Guide to Social Impact Bond Investing. Retrieved from MDRC: http://www.mdrc.org/sites/default/files/Learning_from_Experience_SIB.pdf

CONSIDERATIONS

Pay-for-success asks a lot of funders and service providers, but in return can reveal whether and to what extent a program works. To develop a thoughtful and effective pay-for-success strategy, governments should keep the following points in mind.

Pay-for-success does not fit all social programs

Pay-for-success does not fit every social program. Programs that cannot show any evidence give no material from which to set outcome targets. Programs that attempt to influence diverse and difficult-to-quantify outcomes—such as programs that target a community rather than individuals—may not be able to settle on a few, measurable outcomes.

Pay-for-success is just one of many tools meant to focus attention on outcomes. Service providers can and do set outcome targets and manage against those targets without tying money to their numbers. The right tool depends on the social service system. In some systems, especially in highly complex systems, the risks of adding money to the equation may overwhelm the benefits. Pay-for-success' application in each new system must be closely watched.

Service providers, clients and funders must speak with equal voices when selecting outcomes

Many service providers have spent years working in their communities. They appreciate the nuances behind measuring a program's value. Clients can also give insight into how a program should work and what it should attempt to accomplish. Yet when a program's outcomes are selected and targets set, the perspectives of the service provider and the client sometimes take second place to the priorities of the funder. Service providers worry about pay-for-success contracts in which the targets do not reflect the complexity of their programs and clients. Such targets may be very difficult to achieve.

Pay-for-success falls apart if imposed on one party by the other. Evaluation takes a lot of effort. The service provider must feel that the process will inform and improve its practice. If, instead, it feels the outcomes chosen do not accord to how it measures success, the chances of a high-quality evaluation will quickly shrink. In the Community Hypertension Prevention Initiative (the federal government's first social impact bond), the Public Health Agency of Canada and the Heart and Stroke Foundation of Canada studied and negotiated for months before landing on the program's blood pressure targets.[21]

A balanced negotiation must set aside the time to avoid outcomes that encourage the wrong actions, to select outcome targets within reach, and to pick an evaluation method that will tell stakeholders what they need to know to improve. Starting co-design early in the process will position all involved for greater success.

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21. For a summary of the blood pressure targets and the rest of the Community Hypertension Prevention Initiative, see Farthing-Nichol, D. and Jagelewski, A. (2016). Pioneering pay-for-success in Canada – A new way to pay for social progress. Retrieved from MaRS Centre for Impact Investing: https://www.marsdd.com/wp-content/uploads/2016/10/MaRS-Pioneering-Pay-For-Success-In-Canada-Oct2016.pdf

A shift away from detailed activity reports must accompany pay-for-success

In activity or output-based funding, governments collect a lot of data on how service providers carry out their programs.[22] Governments check the data against funding conditions to keep programs in compliance. Researchers have documented the burden that such detailed reporting puts on service providers.[23] Pay-for-success attempts to escape that burden, freeing time and resources to focus on outcomes.

Yet pay-for-success does not always deliver. Interviewees complained about pay-for-success agreements in which the government, despite paying on outcomes, sought to monitor and influence activities. That attachment to activities threatens pay-for-success's future. Pay-for-success is unlikely to spread far if governments supervise activities. The double strain of completing reports and absorbing financial risk, of putting reputation on the line and adhering to approved activities, will push away service providers who might otherwise appreciate the chance to demonstrate confidence in their outcomes.

A shift away from paying for activities, however, will not come easily. Governments must account to the public for how they spend public money. The publicity attached to misuse of government dollars underscores the pressure that politicians and civil servants feel to enter the exact use of every expense. Line-by-line detail satisfies notions imprinted deep in public sector DNA. A new framework for accountability, one that emphasizes what money accomplishes rather than simply what it buys, must fill the justified drive to ensure every public penny is properly spent.

What might such a framework look like? The Treasury Board of Canada is exploring an answer to that question. Terms and conditions govern each federal funding program. Any time that money exits a funding program, it must follow the program's terms and conditions. The Treasury Board sets the parameters within which departments must write their terms and conditions. Those parameters balance flexibility to address different problems in different places with safeguards to minimize the risk of waste or abuse.[24]

The Treasury Board recently launched a new approach, which it calls "generic terms and conditions."[25] The approach lets departments step outside of a funding program's terms and conditions (few of which easily mesh with pay-for-success) and embrace novel funding tools. The new approach's "incentive-based funding" stream lets departments "pay for outcomes rather than for activities."[26] The five-year pilot signals the federal government's support for new thinking on accountability. To date, the Treasury Board has not published the full generic terms and conditions. Publishing that document would spur ideas from service providers eager to show how much they can achieve under a flexible regime.

> **When service providers are allowed to quit reporting on the day-to-day minutiae, they can spend much more time getting results for the people they serve.**
>
> - Don Meikle, *Executive Director of EGADZ* (the service provider in Saskatoon's Sweet Dreams social impact bond)

Work Programme, UK. The Work Programme aims to move long-unemployed people into lasting work. The Programme relies on employment organizations to deliver services. It expects 80% of its payments to turn on a service provider's success in helping people find and keep work. For example, the Progamme will pay up to £5,110 if a service provider helps an unemployed former inmate land a job and stay in that job. The Programme was designed to permit employment organizations more flexibility in responding to the needs of their clients (though the Programme still monitors service quality).[27]

Reconnections Social Impact Bond, UK. Reconnections attempts to reduce the loneliness of 3,000 people over the age of fifty in Worcestershire. The government funders pay primarily on a change in loneliness, as measured by an accredited tool. The pay-for-success contract sets precise outcomes, but it does not specify detailed activities to meet those outcomes. [28]

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22. See Frumkin, P. and Kim, M.T. (2002). The Effect of Government Funding on Nonprofit Administrative Efficiency: An Empirical Test. Retrieved from Harvard Kennedy School: http://ash.harvard.edu/links/effect-government-funding-nonprofit-administrative-efficiency-empirical-test; Klisures, S., Del Guerico, K. and Kohli, J. (n.d.). Driving Impact for Federal Grant Programs. Retrieved from Monitor Deloitte: https://www2.deloitte.com/us/en/pages/public-sector/articles/driving-impact-federal-grant-programs.html **23.** Frumkin, P. and Kim, M.T. (2002). The Effect of Government Funding on Nonprofit Administrative Efficiency: An Empirical Test. Retrieved from Harvard Kennedy School: http://ash.harvard.edu/links/effect-government-funding-nonprofit-administrative-efficiency-empirical-test **24.** Treasury Board Secretariat. (August 23, 2017). Directive on Transfer Payments. Retrieved from https://www.tbs-sct.gc.ca/pol/doc-eng.aspx?id=14208#appE **25.** Government of Canada. (August 23, 2017). Enabling the innovative use of Transfer Payments. Retrieved from https://www.canada.ca/en/treasury-board-secretariat/services/innovation/enabling-innovative-use-transfer-payments.html **26.** Ibid. **27.** Comptroller and Auditor General. (2014). The Work Programme. Retrieved from National Audit Office: https://www.nao.org.uk/wp-content/uploads/2014/07/The-work-programme.pdf **28.** Ecorys UK and ATQ Consultants. (2016). Reconnections Social Impact Bonds: reducing loneliness in Worcestershire. Retrieved from https://www.biglotteryfund.org.uk/research/social-investment/publications

RECOMMENDATIONS

To design better pay-for-success agreements and to capture the full benefits of paying on outcomes, Canadian governments should:

1. Fashion a collaborative process by which to design outcomes-based agreements. Service providers frequently worry that funders will impose outcomes that do not acknowledge all of the ways they count success. Negotiations toward pay-for-success agreements are often conducted in a black box. Service providers cannot tell if the negotiations included the client's voice or if they treated the service provider as an equal partner. A well-publicized collaborative process could reassure service providers that the government will work hand in hand with its partners to decide outcomes and evaluation methods.[29]

At first blush, the suggestion that governments publicize contract negotiations may raise concerns. But sharing the process does not necessarily mean sharing every detail. The Community Hypertension Prevention Initiative paper does not describe every point of debate, but it does outline how the Public Health Agency of Canada and the Heart and Stroke Foundation of Canada worked together to select the right blood pressure targets.[30] Others have written similar summaries of pay-for-success design.[31] Even better than after-the-fact reports, governments might share the process step by step (perhaps through a blog).

Collaboration, likewise, does not need to be complicated. First, pay-for-success projects should pull the service provider into the process as soon as possible. Second, the government should treat the service provider as a partner in delivering public services and not as a supplicant for public funds. The problem that the pay-for-success project is trying to solve, and not the power balance between the parties, must define the terms of the agreement.

2. Begin to replace activity-based accountability with results-based accountability. Governments, of course, have to explain how they spend public money. But explaining how money was spent does not necessarily mean enumerating each activity purchased; it might instead mean reporting each outcome earned. In 2006, the Independent Blue Ribbon Panel on Grant and Contribution Programs urged "Parliament and the media to look at accountability through the lens of program performance rather than simply control."[32] That advice remains potent. The answer is not so simple as a wholesale switch to outcomes, but governments should begin to explore how accountability rules might better connect to results.

29. For an example of a collaborative process, see Ontario Nonprofit Network. (2016). Learning Together: Five Important Discussion Questions to Make Evaluation Useful. Retrieved from http://theonn.ca/wp-content/uploads/2016/11/ONN-Evaluation-Discussion-Guide.pdf   **30.** Farthing-Nichol, D. and Jagelewski, A. (2016). Pioneering pay-for-success in Canada – A new way to pay for social progress. Retrieved from MaRS Centre for Impact Investing: https://www.marsdd.com/wp-content/uploads/2016/10/MaRS-Pioneering-Pay-For-Success-In-Canada-Oct2016.pdf   **31.** See, for example, Rudd, T. et al. (2013). Financing Promising Evidence-Based Programs: Early Lessons From the New York City Social Impact Bond. Retrieved from MDRC: http://www.mdrc.org/sites/default/files/Financing_Promising_evidence-Based_Programs_FR.pdf   **32.** Independent Blue Ribbon Panel on Grant and Contribution Programs. (2006). From Red Tape to Clear Results. Retrieved from the Government of Canada: http://publications.gc.ca/collections/Collection/BT22-109-2007E.pdf

CONCLUSION

Evidence-driven social policy will take time. It will take tools to collect, organize and understand data easily and systematically. It will take methods to compare evidence and to decide between one program and another. And it will take a culture among governments and service providers that puts those tools and methods to use.

Pay-for-success can help build that culture, but only through commitment. Its tasks—defining metrics and measuring results—ask for careful thought. To some governments and service providers, the tasks are novel, and to all they are difficult. The novelty and the difficulty counsel patience, but should not persuade a retreat in which counting activities is good enough.

In light of both its challenges and its promise, governments should minimize those problems not inherent to pay-for-success but instead a product of their own practice. By starting on more cooperative relationships and new accountability mechanisms, governments can begin to earn the dividends of what works.

ABOUT MARS

MaRS Discovery District is a not-for-profit innovation hub dedicated to driving economic and social prosperity by harnessing the full potential of innovation. MaRS works with entrepreneurs and investors to launch and grow companies that have broad economic and societal impact, and convenes governments and industry stakeholders to enable widespread adoption in complex markets and systems.

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