

Administrative Data	Information collected primarily for non-research purposes. Records are analyzed with a specific decision-making purpose in mind, like deciding if a PFS project should move forward.
Appropriation, and Appropriations Risk	The act of setting aside money for a specific purpose. In PFS the challenges associated with a back-end payor being able to set aside funds for repayment.
Attributable Impact, or Attribution	Using evidence that links participation in services plausibly with observed changes and outcomes.
Back-End Payor; also known as "Payor"	An entity that funds a project based on achievement of certain outcomes. In PFS financing arrangements this is the entity that repays the investors. Most often government, but not always (can also be philanthropists, health insurers etc.).
Baseline	A starting point measurement to use for comparison.
Business Associate Agreement	A contract between a HIPAA covered entity and a HIPAA business associate that protects personal health information in accordance with HIPAA guidelines
Capacity, and Capacity-building	Expertise and experience; the development of such expertise and experience.
Capital Stack	The various layers of investment classes in a PFS project, which are ranked in terms of who gets paid first, if full repayment is not possible. (See "Senior Investor" and "Subordinate Investor.") Different classes may also have different repayment triggers as well as rates of return.
Cashable Savings	Monetized savings due to avoided future need for services as a result of the PFS intervention, which directly benefit the budget of the payor.
Causality	Whether or not the program intervention is responsible for creating the specific outcomes desired.
Commercial Investor	In PFS, a for-profit enterprise that funds the project and expects repayment of principal and a financial return on its investment.
Community Development Financial Institution (CDFI)	Financial institutions dedicated to delivering responsible, affordable lending to help low-income, low-wealth, and other disadvantaged people and communities join the economic mainstream.
Community Reinvestment Act (CRA)	A 1977 United States law that encourages banks to provide credit to low-income communities. PFS presents an opportunity for these institutions to meet their CRA requirements.
Constituent Treatment Group	Individuals targeted to receive certain product or services (typically, the PFS project "intervention").
Construction	The process of developing a PFS project.
Control Group	Individuals who do not receive the product or service (the PFS project "intervention") and who are compared to constituents who did.

Cost-Benefit Analysis	An exercise used to determine whether the financial and economic benefits of a program or intervention outweigh the costs. Success payments are made based on the results of a CBA, which quantifies in financial terms the impacts of certain program outcomes.
Cost of Remediation	The costs associated with addressing negative social outcomes after they have happened (e.g., the costs of emergency room access for the chronically homeless).
Cost-savings	In PFS, expenses that are not incurred because the need for those services is prevented by the intervention.
Counterfactual	In evaluation of PFS projects, these are the observed results of a group not receiving the intervention.
Credit Enhancement	Changes or additions to an investment structure designed to lower the risk of losses for investors. In PFS, most commonly takes the form of a guarantee.
Data	Information that can be captured and used to measure impact of an intervention.
Data Dashboard	An information management tool that visually tracks, analyzes, and displays key performance indicators, like a month-on-month comparison of case workers' activities for a recidivism project.
Data Integration	The technical and business processes used to combine data from disparate sources into meaningful and valuable information.
Data Sharing Agreement	A formal contract between two entities that clearly documents the data to be shared, acceptable uses of the data, and the means by which the sharing will occur.
Data Warehouse	A large store of data accumulated from a wide range of sources used to guide decisions. A PFS recidivism project would collect information from criminal and social justice databases, for example.
Deferred Fees	Delayed payments for the services provided by service providers. Deferred fees are one way of structuring projects so that more stakeholders have a financial interest in ensuring project success.
Due Diligence	Research and analysis done to verify the financial and programmatic capacity of a company or organization in preparation for an agreement or transaction.
Effect Size	A way of quantifying the size of the difference between two groups; the magnitude of an effect.
Enrollment	The act of being included in a group, program, or other association.
Escrow	A legal concept in which a financial instrument, in this case an outcomes-payment, is held by a third party so that investors' financial commitments are safeguarded.
Evaluation	Determination if and to what degree the intervention in a Pay for

	Success project has had an impact on the measured outcome variables over time.
Evaluator	Person or firm charged with determining if and to what degree a project has had the desired impact. Responsibilities include creating the evaluation plan, gathering information, analyzing data, making a determination and producing a report, the results of which are typically used to determine repayment to investors.
Evidence	Data and information that offers proof of something, such as facts that speak to a program's effectiveness.
Evidence-based Programs	A program is judged to be evidence-based if evaluation research shows that it produces the expected positive results. Programs that use scientific or quasi-scientific methods to drive organizational improvement.
Experimental Design	One type of evaluation design available to PFS project administrators that measures causation. Intended to answer if people (or classrooms, communities, etc.) who receive program services experience greater beneficial outcomes than those who do not.
Exploration; Pre-Feasibility	Prior to launching a PFS project or conducting a formal feasibility study, stakeholders may engage in varying degrees of formal or informal conversation, learning, or assessment to determine interest in assessing PFS contracting.
Feasibility	Prior to launching a Pay for Success transaction, stakeholders frequently conduct a formal inquiry regarding the prospective use of PFS financing mechanisms. Outcomes, evidence, and potential savings are assessed with the goal of achieving consensus as to whether and how to proceed with structuring a project.
Fidelity	The degree of exactness with which something is copied or reproduced.
Financial Intermediary	One of three capacities of a Pay for Success Intermediary that specifically manages the project contracts and oversees financial disbursements.
Fixed Cost	Those costs that do not change over a given period and are not usually affected even if the workload changes. For a PFS recidivism project, fixed costs would include expenses such as rent.
Funder	An institution or person who provides money or support to a PFS project. Funders can include private, corporate, and family foundations; commercial banks; community development financial institutions (CDFIs); philanthropic intermediaries (such as the United Way); institutional impact funds; donor-advised funds; high net-worth individuals.

Geographic Analysis	Part of the landscape analysis conducted during the feasibility stage of development, which focuses on the reach of service in a particular geography. For example, a project cannot be for the whole state of New York if the service provider only works in Albany.
Guarantee	A contractual promise to ensure investors are repaid in the case that repayment is not triggered by project outcomes, often expressed as a percent, e.g., a 75% guarantee. Guarantees have been used in early PFS projects to make projects more attractive to investors. See “Credit Enhancement.”
Implementation	The process of putting a decision or plan into effect; in PFS, the stage after project construction when services are delivered.
Implementation Risk	Challenges relating to the ability to deliver services and reach desired outcomes.
Interim Outcome	In PFS, a measurement of success that occurs during the service delivery phase. This measurement is often tied to a repayment trigger.
Intermediary	A project stakeholder who performs the role of Transaction Coordinator, Financial Intermediary and/or Project Manager.
Intervention	In PFS, the preventative program or services provided to a target group with the goal of life improvement such that group members will have less need for services in the future.
Launch	The fourth stage of development in project design after transaction structuring and contracting is completed which includes the formal evaluation of program delivery.
Letter of Intent (LOI)	Letter indicating intent to apply for funding that comes before an application is due. Can also be a document outlining any agreement between two or more partners in a PFS transaction before a final agreement is finalized.
Managing to Outcomes	An approach to performance management in the social sector that focuses on setting outcome targets and ensuring those are achieved.
Marginal Cash Flow Generation	The ability to produce excess cash flow after direct costs are covered. In a PFS project, the expectation is that marginal cash flow will increase due to savings from the intervention.
Marginal Cost	The amount of change in total cost when a unit of output or workload changes. For a PFS recidivism project, marginal costs examples include the savings from expenses such as food, clothing, and medical care that are associated with a small reduction in the inmate population.
Marginal Impact	The change in outcomes as a direct result of the PFS intervention.
Measurable	A measurable indicator is specific, unambiguous, observable,

	unique and time-bound.
Memorandum of Understanding	A nonbinding agreement between two or more parties outlining the terms and details of an understanding, including each parties' requirements and responsibilities. Often the first stage in the formation of a formal contract.
Method	An approach or framework for evaluation that establishes guidelines and process steps.
Metric	A unit of measurement or indicator used to track progress that is ideally measurable, feasible, meaningful, and relevant.
Mission	The purpose of an organization's work. Aspirations that are rooted in an organization's values that begin to define a focus and priorities for the organization's work.
Natural Variability	Differences within and between communities, populations or systems that may influence the success of any PFS intervention.
Non-Disclosure Agreement	A contract in which the parties promise to protect the confidentiality of secret information that is disclosed during a business transaction.
Non-recoverable Grant	In the case of PFS, a grant where there is no repayment even if the project is successful.
Notice of Funding Availability (NOFA)	A public notice informing interested parties that an organization will issue funds. Typically provides information on application requirements.
Notice of Support Availability (NOSA)	A public notice informing interested parties that an organization will offer some sort of support, such as training or technical assistance.
Observational Study	Attempt to understand cause-and-effect relationships, but the researcher is not able to control how subjects are assigned to groups and/or which treatments each group receives.
Organizational Effectiveness	The health, functionality, and efficiency of a project or institution. Focuses on financial, human resource, technology and other elements of a well-run business.
Outcome Payment	A payment by one party (typically government) to another (typically investors) based on achieving predetermined measurable outcomes.
Outcome	The longer-term consequence of an intervention, such as number of people employed within six months of training.
Outcomes-based Funding	Funding based on demonstrated results. PFS is one manifestation of the broader category of outcomes-based funding.
Output	The direct and tangible products from activities of an intervention, such as number of participants, number of workshops held, number of therapy sessions, etc.
Pay for Success	An approach to contracting that ties payment for service delivery to the achievement of measurable outcomes.

Pay for Success Financing, or Social Impact Bonds (SIB)	A public-private partnership in which investors provide upfront capital to scale prevention-focused social interventions. Government re-pays the upfront capital plus a modest return only if the intervention produces measurable social impact.
PFS Enabling Legislation	Laws or policies that allow a government to set aside funds for PFS or otherwise move a project forward.
Performance Management	A dynamic process that is designed to help nonprofits better understand program operations, monitor progress, refine processes and, ultimately, become high performing organizations which produce positive outcomes.
Performance-based Government Contract	Government contracts that award funding only if agreed upon performance targets are achieved.
Pilot Program	A pilot program is used to demonstrate the efficacy of an intervention in a given jurisdiction. This differs from what is often called a pilot period. (See “Ramp-up.”)
Preventive Programs	Social service programs that focus on avoidance of negative social outcomes rather than remediation (e.g., alternatives to incarceration, permanent supportive housing for the chronically homeless).
Principal	The original amount invested or loaned in a PFS project, as opposed to the interest or “return” on the investment.
Process Evaluation	A method of assessing how a program is being implemented, focusing on operations and service delivery.
Procurement	Finding or identifying partners for PFS projects, such as the lead agency or service providers to deliver the selected intervention.
Program Data Collection	The on-going collection of metrics related to a program’s implementation (e.g., operational outputs, near-term outcomes tracking).
Project Manager	One of the intermediaries between investors and service providers during a PFS project. Usually oversees areas such as project operations, governance, risk management, and communications functions.
Quality Assurance	The processes and systems put in place to ensure that a program is being executed in such a way that it will deliver projected outcomes.
Quasi-Experimental Design	One type of evaluation design available to PFS project administrators that measures causation. Quasi-experimental designs seek to create a comparison group that is as identical as possible to the treatment group in the absence of randomization.
Ramp-up	The next step in launching a project if a pilot program is successful and stakeholders want to move forward with an intervention. The ramp-up phase shifts from evaluation to execution on a larger

	scale.
Randomized Controlled Trial (RCT)	A study in which people are allocated at random to either the group receiving the treatment under investigation or to a group receiving standard treatment. RCTs are one of the strongest ways to evaluate program effectiveness, helping to draw conclusions about an intervention’s causal impact.
Rate Card	A practice pioneered in the UK whereby a government agency outlines a list of desired outcomes and identifies a fixed amount it is willing to pay for each individual that verifiably achieves each outcome (e.g., improved attendance in training program, earning of various certifications or degrees, entry into employment, sustained employment, etc.). Synonym of “Tariff.”
Recoverable Grant	A form of project funding that includes an agreement to treat the investment as a grant if the project is not successful, but to repay the investor if the project does achieve predetermined outcomes.
Referral	The method in which the identified target population is identified and directed toward the PFS program.
Regression Analysis	Statistical process for estimating the relationships among variables. The goal is to isolate the program impact by controlling for other factors that might affect the outcome.
Relevance	How important and applicable the assessment result from a given program will be to the overall priorities of a foundation or set of stakeholders.
Reliability	The degree to which an assessment tool produces stable and consistent results.
Remedial Programs	Government programs that address negative social outcomes after they have occurred (e.g., incarceration for criminals, emergency room access for the chronically homeless). (In contrast, see “Preventative Programs.”)
Repayment Trigger	An outcome agreed upon by all stakeholders that, when met, would cause a repayment to investors from the payor.
Replicate	To repeat, duplicate, or reproduce conditions or activities, especially for experimental purposes.
Request for Information (RFI)	Used during the project planning phase when an organization or institution wants more information from potential partners first. Typically followed by an RFP.
Request for Proposal (RFP)	A type of bidding solicitation in which an organization or institution announces that funding is available for a particular project or program, and companies can place bids for the project’s completion.
Request for Responses (RFR)	Sometimes used before an RFI or RFP, a tool intended to gauge interest in a project.

Reversion to the Mean	Theory suggesting that prices, returns or outcomes eventually move back toward the mean or average.
Rigor	In PFS, generally used in relation to evaluation methods and describes the degree of validity of an evaluation design and confidence with which one can assert a cause and effect relationship between the intervention and the outcomes.
Root Cause	An initiator in a causal chain. The source of a defect or problem such that if the source is addressed or removed, the problem will be eliminated.
Scalability	The ability to expand or replicate a program while retaining its efficacy.
Scale	Expanding and replicating programs to reach more constituents. Can take multiple forms such as reaching more constituents through additional sites, extending impact through changes in public policy, or setting best practice for addressing a social problem that other actors adopt.
Sector	A sociological, economic, or political subdivision of society. For organizations pursuing social change work, common examples include health, education, and environment.
Senior Investor	When there are different classes of investors, senior investor claims to repayment stand in front of those of more “junior” investor classes. (See “Subordinate Investor.”)
Service Provider	In PFS, the organization providing the intervention.
Service Provider Landscape Analysis	Part of the feasibility stage of project development, which includes analysis of service provider readiness to participate in PFS, availability of current interventions and administrative data, demographic information on the target population, and outcomes measures.
Sinking Fund	A fund formed by a payor who sets aside money every fiscal year to pay for future obligations if performance targets are achieved.
Social Impact Bond	A form of financing in which investors provide upfront financing for the delivery of services in a Pay for Success contract and are repaid only if the services achieve a pre-agreed upon set of outcomes. (Note: this does not work like traditional financial bonds. The misappropriation of the word "bond" has caused confusion.)
Social Impact	Changes in economic, social, cultural, environmental, and/or political conditions due to specific actions and behavioral changes by individuals and families, communities, organizations, and/or society and systems.
Social Impact Guarantee	A form of financing in which government pays upfront for a social service intervention, evaluators measure impact, and, if impact falls short of goals, private investors repay government.

Social Investor	An investor seeking social impact in addition to financial return.
Social Outcomes	The results of the intervention provided by the service provider that relate to the impact on the individuals served or their communities.
Soundness	Reliable or valid evaluation design or results.
Special Purpose Vehicle	Typically exist in PFS projects and sit at the center of the project performing a fiscal agent role: receiving grants, taking out loans, disbursing funds to project parties, receiving success fees, and disbursing success fees to project participants
SROI	Social Return on Investment. SROI is an outcomes-based measurement tool that helps organizations to understand and quantify the social, environmental, and economic value they are creating.
Stages of Development	For PFS, the stages of development are 1) explore and initiate PFS 2) assess project feasibility and impact 3) develop PFS contract and 4) launch services.
Stakeholder Consultation	A deliberative effort by an evaluator to ensure that the preferences, interests, and perspectives of different stakeholders are given systematic consideration in the evaluation design or implementation.
Stakeholders	The key social actors that are involved – explicitly and implicitly – in an organization's work, and that give shape to the ecology around the organization.
Statistical Significance	A result that is not likely to occur randomly, but rather is likely to be attributable to a specific cause.
Stop-Loss	An order to sell a security when it reaches a certain price to limit loss on the investment.
Strategy	Long-term action plan for achieving a goal.
Subordinate Investor	Investor whose claim to repayment stands behind another investor class. Synonym for “Junior Investor.” (See “Senior Investor.”)
Sustain	To maintain the success and effectiveness of a social change initiative on an ongoing, perhaps indefinite, basis.
Tailored	Customized or highly-suitable to the requirements.
Target Population	The population that is primarily affected by the social problem or is the focus of a program intended to address the social problem.
Tariff	A practice pioneered in the UK whereby a government agency outlines a list of desired outcomes and identifies a fixed amount it is willing to pay for each individual that verifiably achieves each outcome (e.g., improved attendance in training program, earning of various certifications or degrees, entry into employment, sustained employment, etc.). Synonym of “Rate Card.”
Taxpayer Benefits	The benefits of a program or intervention that accrue to taxpayers, including reductions in current government spending (e.g., less

	prison food expenditure in the short-term, closing current prison facility in the long-term), avoidance of future spending (e.g., not building a new prison facility) and increases in tax revenue (e.g., increased earnings of program participants).
Termination Event	An event that occurs during the term of the contract that stakeholders have agreed would end the project. Could include the failure to reach an outcome or an inability to recruit a large enough population.
Total Cost	Fixed costs plus variable costs.
Tranche	Funds provided by investors are grouped into tranches according to the characteristics of the investment. Interest rate, repayment terms and seniority of the loan are some of the characteristics that differentiate tranches.
Transaction Coordinator	Responsible for overall coordination and development of a PFS project. Fulfills three main functions: project coordination and development, financial intermediary and program manager.
Transaction Cost	In PFS, used to describe the expenses that exist by virtue of a project using a PFS contracting and financing approach, and which would not exist in a more traditional philanthropic grant or government contract. Costs often allocated to this category include: evaluation design and implementation; legal services for contract development and review; auditing and accounting of the entity or special purpose vehicle that serves as the fiscal sponsor for PFS financing; transaction coordination in the project development phase; and project management by an intermediary in the project implementation phase. It is difficult to compare transaction costs from project to project because there has been significant variation in what is covered by this cost category versus other sources of funding, and what is provided in-kind.
Transaction Structuring	The stage in PFS when a project is deemed feasible and stakeholders work together to refine project design, negotiate contracts and raise capital.
Validator	A third-party in PFS projects responsible for verifying whether evaluators were impartial and if outcome targets have been met, as well as for providing the documentation to trigger release of funds for payment under the PFS grant agreement.
Validity	Refers to how well a test measures what it is purported to measure.
Variable Cost	Those costs directly related to workload that change immediately as workload increases or decreases. For a PFS recidivism project, variable costs would include staff overtime and supplies.
Wind-Up	Term used in the UK that means liquidation. In PFS, can indicate the end of the project.

“Wrong Pockets” Problem	Describes a situation where the entity that bears the cost of implementing a practice – including an evidence-based best practice – does not receive a commensurate benefit. In PFS projects, if the benefit or savings from an intervention accrues to an entity other than the likely end payor, project development can be more challenging.
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