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2 States Launch Social Impact Bond Programs.

Two states announced Tuesday that they would experiment with an unusual method of financing human service programs that allows governments to pay nothing unless the programs are successful.

The approach recruits private companies and philanthropies to provide millions of dollars up front for efforts aimed at difficult social problems. If they meet a series of measurable goals over a number of years, the states will pay them back — with interest.

“We’re basically trying to monetize prevention,” said Tracy Palandjian, chief executive officer of the Boston-based nonprofit organization Social Finance, which helped bring the various sides together in contractual arrangements in Connecticut and South Carolina. “We’re basically using private dollars to invest early” and avoid the higher cost of dealing with the impact later on.

Dubbed “Pay for Success” by the White House, which is cheerleading the effort, the approach is also known as “social impact bonds.” Pioneered in Britain in 2010, it is so new that there appears to be no independent research on its overall effectiveness, though some think tanks have written approvingly of the model.

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