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Managing Investors' Risk in Pay for Success Projects.

Abstract

Pay for success (PFS) projects offer governments opportunities to invest in outcomes and employ new capital to meet the needs of their communities. But PFS projects also carry risks. For investors, the risks relate to the project failing to meet its outcomes or the government reneging on its commitment to pay. Investors' perceptions of risk matter. Projects with high or unclear risk may discourage investors and prevent the project from launching. This brief helps project partners understand the risks investors perceive when entering PFS contracts and familiarize themselves with measures that have been used or proposed to manage this risk.

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