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Why Governments and Investors Choose Pay for Success.

Abstract

Pay for success (PFS) has merits that make it appealing to many stakeholders: it can save governments money, shift the risk of ineffective programs to third-party funders, provide multiyear funding for service providers, and generate a modest return for investors. But these benefits are paired with significant challenges, such as long planning periods and investor returns that may not be commensurate with the risk. Given these considerations, it is fair to ask, “Why does anyone want to do this?” This brief presents insights on the motivations and perceptions of risk from several PFS investors and government stakeholders and concludes with recommendations on how PFS project champions can leverage partner motivations to help move projects forward.

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The Urban Institute

Kelly Walsh, Brian Bieretz, Kimberly Walker & Mayookha Mitra-Majumdar

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