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THE PROMISE OF OUTCOMES FUNDS FOR ECONOMIC MOBILITY

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When it comes to tackling the urgent problems we face today, there is no time — or money — to waste. Governments have a leading role to play in the emerging Impact Revolution. They have tremendous power to drive change and steer progress.

That is why it is so important that governments shift their focus from inputs to outcomes. In this era of accelerating public sector sophistication, outcomes funding strategies will help to identify effective interventions and bring them to scale. These Pay for Success strategies allow policymakers to pay only for what works, to the extent that it works. Instead of buying services and hoping they will be successful, governments pay for measured results.

Complex social issues, though, often don't fit neatly into one agency's purview. Consider a workforce program for veterans with post-traumatic stress disorder. Such a program could help achieve the goals of one agency (say, a county's behavioral health department) while also contributing toward another's policy objectives (say, a state's economic development agency). Looked at through the lens of just one agency, perhaps one might believe the program isn't worth it; looked at holistically, however, it may be a blockbuster.

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Each individual project can bring together multiple partners to contribute outcomes funding. As my colleague Nirav Shah relates in *Investing in America's Workforce*, the veterans-focused project I just described was launched by drawing together commitments from the U.S. Department of Veterans Affairs, the Commonwealth of Massachusetts, and the cities of Boston and New York.[192]

But weaving that customized tapestry took four years. Overcoming institutional silos one at a time is hugely time intensive as well as hugely challenging.

SOLVING THE WRONG POCKETS PROBLEM

Outcomes funds drastically reduce the time and cost it takes to put together outcomes-based contracts. They set up the infrastructure for cooperative, cross-agency funding, in advance of a specific project, by aggregating a pool of capital. Then they actively develop new projects focused on a set of priority outcomes.

Outcomes funds can centralize expertise in building outcomes-based funding strategies within government. This feature should not be underrated. Centers of excellence lead to more effective and efficient contracting, smarter project designs, and better collaborations (just one example is the Executive Office for Administration and Finance in Massachusetts, which has become the national leader in these contracts). Rather than building artisanal projects, administrators of an outcomes fund can proactively create lasting, mutually reinforcing Outcomes Partnerships that engage all the necessary stakeholders — and continue to learn about the most cost-efficient mechanisms for achieving their target outcomes.

Jurisdictions around the globe have begun to cultivate pools of funding earmarked for outcomes contracts that cut across agencies and levels of government.[193] The global Education Outcomes Fund (EOF), which

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192 Nirav Shah, "Improving Workforce Outcomes with Pay for Success," in *Investing in America's Workforce: Improving Outcomes for Workers and Employers*, ed. Stuart Andreason, Todd Greene, Heath Prince, and Carl E. Van Horn (Kalamazoo, MI: W.E. Upjohn Institute for Employment Research, 2018), 63–74, www.investinwork.org/-/media/68AAA0BA542445508B3CAE88EAFC233D.ashx.

193 The U.K. is home to four outcomes funds: the Innovation Fund (£30 million) for youth workforce development, the Fair Chance Fund (£10 million) for displaced youth, the Commissioning Better Outcomes Fund (£40 million), and the Life Chances Fund (£80 million) focused on upstream interventions outside the purview of a single jurisdiction. Donor agencies, such as the U.K.'s FCDO, the U.S.'s CDF, Switzerland's SECO, and others are increasingly engaging in developing outcomes funds, such as the $1 billion EOF for Africa and the Middle East catalyzed by GSG Impact, which aim to bring systemic improvement to educational attainment levels.

first launched in 2018, is one such example. Its goal is to pool at least $1 billion in aid and philanthropic funds by 2030, transforming the lives of over 10 million children and youth around the world. An independent trust fund hosted by the United Nations Children's Fund (UNICEF), the EOF's approach brings together governments, donors, implementing partners, and investors in countries like Ghana, Sierra Leone, Kenya, Rwanda, South Africa, Tunisia, India, and Colombia to achieve concrete targets for learning, skill development, and employment in countries around the world.

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In the United States, the federal government has two such funds. Congress created the Social Impact Partnerships to Pay for Results Act (SIPPRA) as part of the Bipartisan Budget Act of 2018, which allocated $100 million to account for the federal portion of state and local Pay for Success initiatives — including the cost of rigorous evaluations to help policymakers better understand what works. To date, the funding has supported evidence-based projects and their evaluations in four U.S. jurisdictions, with more to be announced.

More recently, the Advanced Research Projects Agency for Health (ARPA-H), a new research funding agency dedicated to breakthrough advances in health, launched the most ambitious outcomes fund to date: a competition among regional health partnerships to achieve dramatic, population-level health goals. The agency has committed up to $15 million for each selected partnership (up to $99 million total) while asking for $30 million in other outcomes buyer commitments (from health plans, corporations, and/or state and local governments that might also stand to benefit from major health improvements). ARPA-H will make payments over three years provided that regions achieve one of three predefined goals (for example, a 20% reduction in severe obstetric complications within a geographically contiguous population of 5 million people).

This kind of structure sets a clear outcomes target, pulls together outcomes funding from other "pockets," and then gives communities the flexibility to think outside the typical compliance structures that hold them back, promoting big ideas and adaptive delivery. The model is one we should replicate across the globe.

USING OUTCOMES FUNDS TO ACCELERATE ECONOMIC MOBILITY

The United States has a remarkable opportunity to demonstrate leadership in outcomes-based funding. As the federal government begins aggregating outcomes funds across its agencies, U.S. states could do the same, creating their own state-level economic mobility outcomes funds, as illustrated in Figure 1.

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These funds would give states an advantage in securing federal awards by developing outcomes-contracting expertise and creating a pipeline of promising opportunities. More importantly, they would enable states to build muscle around outcomes contracting, at a time when making the most of public money has never been more essential. By aggregating money from across agencies, state economic mobility outcomes funds would solve "horizontal" wrong pockets problems, finding opportunities that might otherwise fall through the cracks between agencies. In some instances, we expect that economic mobility funds would also attract the notice of the philanthropic and corporate communities, further bolstering their potential for impact.

Funds themselves would identify a set of priority target populations — for example, transition-aged youth living on the street; American Indians and Alaska Natives receiving unemployment benefits; and refugees and recent immigrants who are English language learners — and then define priority outcomes for each group. In only paying for the achievement of those outcomes, the funds will help accelerate the uptake of effective practices.

TOWARD MORE AGILE GOVERNMENTS

The scale of our problems requires powerful new mechanisms. We are facing a moment in which governments everywhere need to maximize the impact of every dollar they spend. Fortunately, we're entering that moment armed with more information and stronger analytical tools than ever before. Sophisticated budgeting and spending tools, like outcomes funding, are not enough on their own to overcome the structural challenges we face. But they can serve as a compass, helping to guide states and counties toward what works.

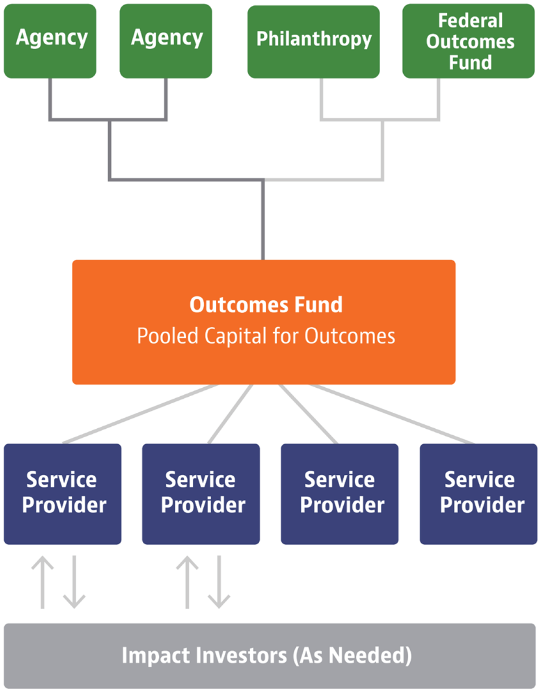
/ **FIGURE 1** /

OUTCOMES FUNDS ALLOW JURISDICTIONS TO ACHIEVE BETTER OUTCOMES BY CENTRALIZING KNOWLEDGE AND STRATEGY AROUND OUTCOMES CONTRACTING

1. **Aggregate Capital**
Funding agencies (sometimes in partnership with philanthropy) come together to **jointly contribute to an outcomes fund**. In some instances, federal outcomes funds may match.

2. **Centralize Expertise**
The fund develops **outcomes-based contracts** to achieve key policy goals under a common framework.

3. **Contract for Outcomes**
As needed, service providers may draw on impact investors for the **upfront capital needed** to provide services to the target population; investors are repaid if outcomes are achieved.



Outcomes funds are how we accelerate that journey. They are how the public sector brings these powerful tools into the mainstream. Their capability lies in attracting private capital to fund the delivery organizations while strengthening the forces of smart government in building collaborative, cross-sectoral Outcomes Partnerships to boost economic mobility.

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