

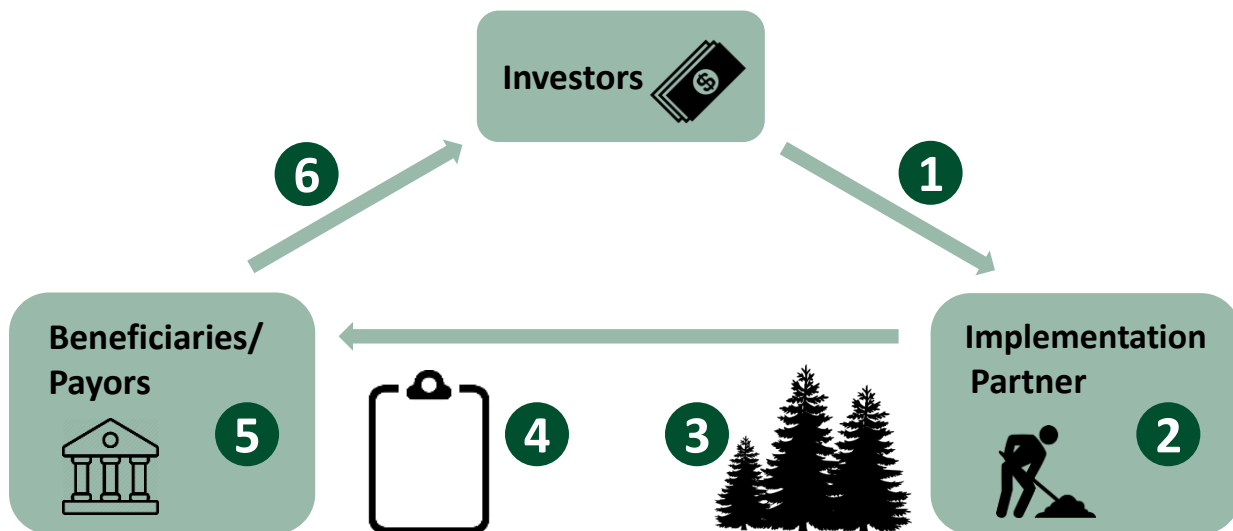
# USFS Conservation Finance Toolkit: Pay for Success



## What is Pay for Success?

Pay for Success (PFS) is a financing tool that enables private **investors** to cover the upfront cost of on-the-ground projects. A group of stakeholders that benefit from project activities – **beneficiaries** or **payors** – agree to pay this investment back over time at rates of return dependent on the outcomes delivered. An **implementation partner** then uses investor capital to conduct on-the-ground work. By engaging private capital to fund the upfront cost of projects, PFS financing accelerates the pace and scale of work and shifts financial risk from implementation partners to investors. The model also promotes accountability and efficiency by allowing stakeholders to pay for outcomes as they are delivered. PFS financing can be used to scale activities with proven results, or to determine whether untested activities deliver outcomes as predicted. To develop and implement PFS projects the FS partners with **project developers** such as Quantified Ventures (see pg. 2) to assess feasibility and manage projects.

## How Does Pay for Success Work?



- 1** **Investors** provide the upfront capital to cover project costs
- 2** **Implementation partner** conducts project activities
- 3** Project delivers environmental, social, and financial outcomes

- 4** Independent **evaluator** measures outcomes using agreed-upon metrics
- 5** **Beneficiaries/payors** make payments to investors as outcomes delivered
- 6** Outcome payments made at rates contingent on project performance allow **investors** to recover principal and a return

## How does Pay for Success help the Forest Service?

- Provides capital for priority projects
- Accelerates the pace and scale of project implementation
- Identifies and quantifies outcomes, helping the FS discuss the value of work on NFS lands
- Increases effectiveness of activities by linking payments to delivery of benefits
- Increases flexibility of funding for projects on and off NFS lands
- Fosters relationships between public and private entities with shared interests
- Generates lessons learned from measurement and evaluation to re-design FS programs
- Builds energy among FS and partners to drive and sustain collaboration

## What makes Pay for Success a viable tool?

Criteria for Success	
Landscape	Identified risk/need, and project activities to address risk/need
	If FS project – NEPA decisions signed, and projects “shovel ready”
Project Activities	Project activities priced out and estimated at $\leq$ \$3M
	Project activities either proven to deliver outcomes and PFS helps to scale; or outcomes predicted and PFS helps to test
Data	Baseline environmental, social, and/or economic data available
	Environmental, social, and financial outcomes from project activities can be measured, quantified, and attributed to project
Partners	Business case for payors and investors is clear and compelling
	Payors willing and able to pay
Collaboration and Capacity	Strong FS and partner leadership/commitment
	FS unit with capacity to undertake work and designate a POC for project
	Implementation partners with capacity/expertise to undertake project
	Implementation, outcome delivery, and payments can be completed in a reasonable investment term

## PFS Partner Highlight: Quantified Ventures

Quantified Ventures (QV) is an impact investing advisory firm that develops outcomes-based financing approaches. As a project developer, QV partners with the FS to develop and implement PFS projects that support work on NFS lands. QV works with the FS to define challenges and interventions, assess the feasibility of PFS financing, structure transactions, design models for evaluation, and manage projects. Learn more about Pay for Success and Quantified Ventures by visiting <http://www.quantifiedventures.com/>.