



GOVERNMENT  
OUTCOMES  
LAB

# Outcomes based contracting: overview and emerging evidence

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# The GO Lab



## Impact Bond Dataset V2 Beta

View our interactive map and explore data on impact bonds around the world

A screenshot of the GOV.UK website. The top navigation bar includes 'GOV.UK', a search bar, and links for 'Departments', 'Worldwide', 'How government works', 'Consultations', 'Statistics', and 'News and communication'. The main content area is titled 'Coronavirus (COVID-19) | Guidance and support' and includes a breadcrumb trail: 'Home &gt; Society and culture &gt; Community and society &gt; Social investment'. Below this is a section for 'Research and analysis' with the heading 'Evaluation Strategy for the Life Chances Fund' and a sub-heading 'Overview of the evaluation approach that support around a series of Social Impact Bonds funded Chances Fund.'



Public Money & Management



## Walking the contractual tightrope: a transaction cost economics perspective on social impact bonds

Clare FitzGerald, Eleanor Carter, Ruth Dixon & Mara Airoidi

To cite this article: Clare FitzGerald, Eleanor Carter, Ruth Dixon & Mara Airoidi, Walking the contractual tightrope: a transaction cost economics perspective on social impact bonds, *Public Money & Management*, 39:7, 458-467, DOI: 10.1080/09540962.2019.1583889  
To link to this article: <https://doi.org/10.1080/09540962.2019.1583889>

Published online: 21 Mar 2019.

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Article category: P&M

A screenshot of the Government Outcomes Lab website. The top navigation bar includes 'About' and 'Community'. Below this is a section titled 'The basics', 'Knowledge bank', and 'Toolkit'. The main content area features two large photographs of people engaged in community activities. The first photo shows a group of people, including a woman in a purple top and a woman in a headscarf, looking at a large, colorful, abstract artwork. The second photo shows a similar scene with a different group of people.

Established in 2016

Partnership between UK Government & University of Oxford

We investigate government's role in unlocking fruitful cross-sector partnerships to improve social outcomes

# In this session

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**Context-setting and the basic definition and purposes of outcomes-based contracting, with a focus on social outcomes contracts**

**State of play with the development of outcomes-based approaches globally, trends and directions for the future, including outcomes funds**

**Emerging lessons from the UK and global experience, and implications for public authorities**

# Bringing a focus on outcomes to public service provision

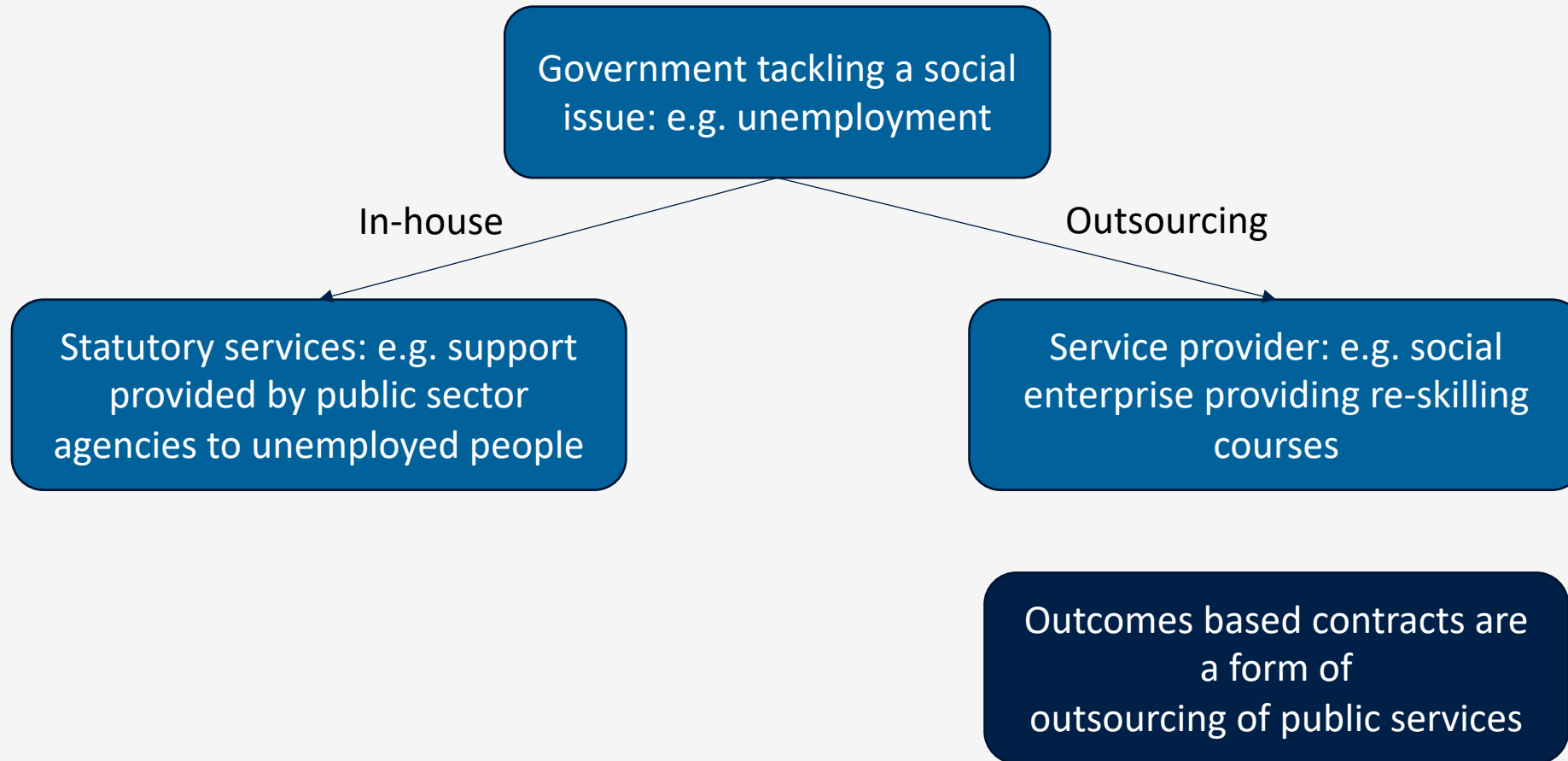
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- How can government ensure it is only paying for results or for what works (*whilst at the same time promoting innovation*)?
- How can it leverage expertise and resources from other sectors towards the achievement of desired social outcomes? (*in particular growing appetite for social investment; use of mission-drive or non-profit organisations in delivery of public services?*)
- How can the design and provision of public services shift from inputs to outcomes?



# Context: government's outsourcing some services

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# Outsourcing: grants vs outcomes based contracts

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Government tackling a social issue: e.g. unemployment

Service provider: e.g. social enterprise providing re-skilling courses

Service users: e.g. unemployed people attending the course

## A grant:

Government will make a payment to the service provider based

- As a fixed amount & usually
- Based on 'KPI', e.g. number of courses delivered

## An outcomes-based contract:

Government will make a payment to the service provider based

- Based on the achievement of Outcomes, e.g. how many people start a new paid job and sustain it for at least 6 months



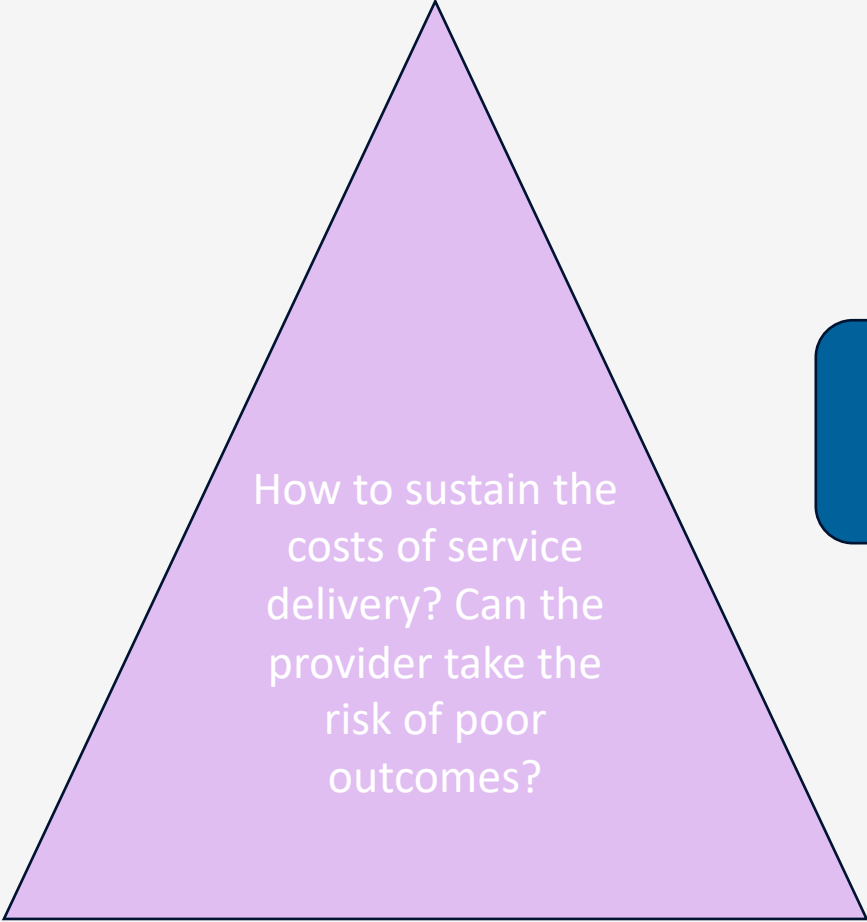
# Outcomes-based contracts vs Social outcomes contracts

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Service provider: e.g. social  
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Service users: e.g.  
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How to sustain the  
costs of service  
delivery? Can the  
provider take the  
risk of poor  
outcomes?

A social investor can provide  
upfront capital to the service  
provider (usually at-risk capital)

# Different terms, same idea

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- Wide variation in use of terms: ‘social impact bonds’ ‘social outcomes contracts’, ‘social impact contracts’, ‘payment by results’
- *‘Outcome-based contracts that incorporate the use of private funding from investors to cover the upfront capital required for a provider to set up and deliver a service or a social programme.’*

European Investment *Advisory Hub*  
Europe's gateway to investment support

SOCIAL OUTCOMES CONTRACTING IN EUROPE

May 2021

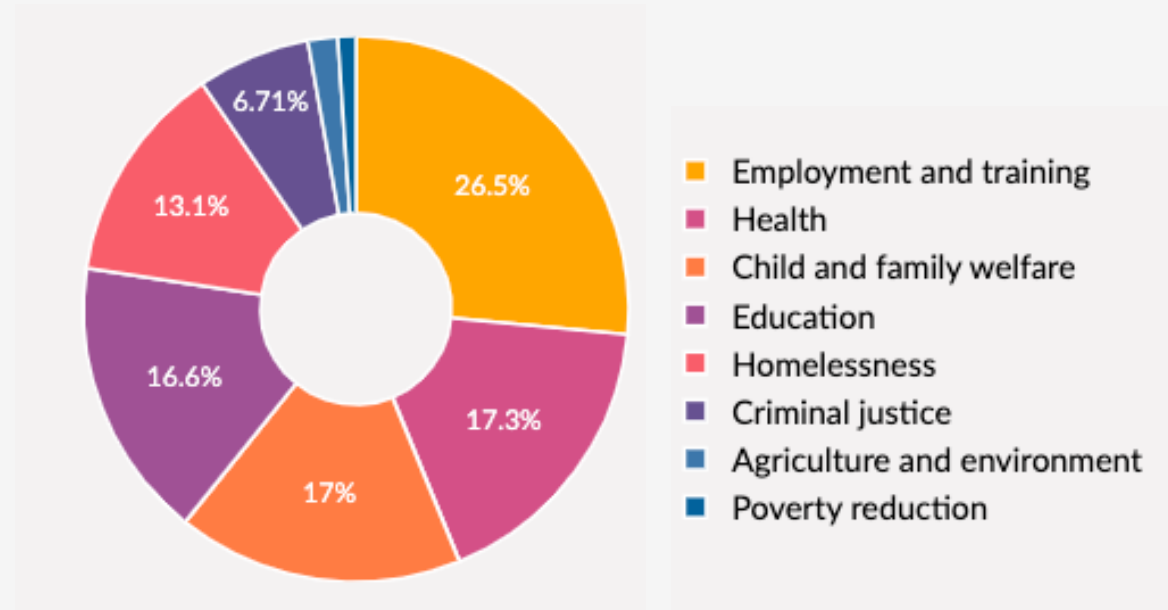
An introductory guide to social outcomes contracting in European Union Member States

In the framework of the Social Outcomes Contracting Advisory Platform, in partnership with the Government Outcomes Lab, University of Oxford





# State of play - social outcomes contracts

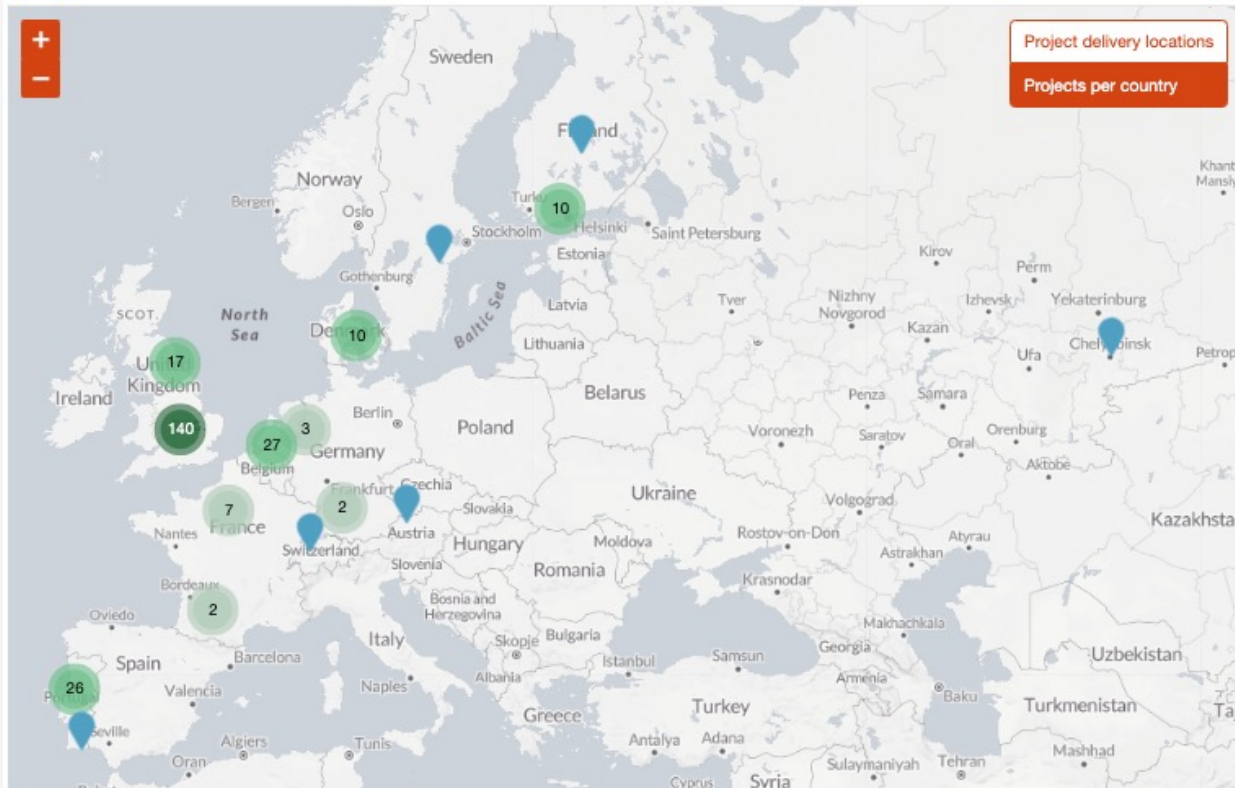


Source: *Government Outcomes Lab Impact Bonds Dataset V2, October 2023*

<https://golab.bsg.ox.ac.uk/knowledge-bank/indigo/impact-bond-dataset-v2/>



# State of play - social outcomes contracts in Europe



## 3 social outcomes contracts in Germany:

INDIGO-POJ-0032

### Integrativer Schulcampus Pestalozzischule (The Integrative Campus Pestalozzi School)

Stage of development: Implementation  
 Policy sector: Education  
 Delivery locations: Mannheim, Germany

INDIGO-POJ-0033

### JuMP - Jugendliche mit Perspektive (Youth with perspective)

Stage of development: Complete  
 Policy sector: Employment and training  
 Delivery locations: Augsburg, Germany

INDIGO-POJ-0034

### Prävention in Hilfen zur Erziehung (Prevention in Family Assistance)

Stage of development: Implementation  
 Policy sector: Child and family welfare  
 Delivery locations: Osnabrück

# Outcomes funds

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A **dedicated funding pot to pay for outcomes** and a set of administrative tasks that enables **several outcomes-based contracts** to be developed and supported **in parallel or in sequence.**

A commitment to pay for measurable social outcomes at scale, rather than paying for activities or outputs. An approach that enables several outcomes-based contracts to be developed and supported within the same framework.

Seen as way to build or accelerate development of ecosystem for outcomes-based approaches

There is considerable variation in the way outcomes funds are being designed and there are currently several models under development. Different design choices will drive different impacts.

# Outcome funds



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Fund	Country	Launch	Value (USD)	No. of projects
Innovation Fund	UK	2011-01	\$ 47,346,000	10
GLA Rough Sleeping Programme	UK	2012-05	\$ 7,702,500	2
Commissioning Better Outcomes Fund	UK	2013-07	\$ 61,472,000	22
Social Outcomes Fund	UK	2013-07	\$ 30,736,000	6
Fair Chance Fund	UK	2014-01	\$ 24,841,500	7
Youth Engagement Fund	UK	2014-07	\$ 27,412,800	4
Portugal Inovação Social (Portugal Social Innovation)	Portugal	2016-08	\$ 22,312,000	21
Rough Sleeping Programme (DCLG)	UK	2016-10	\$ 12,246,000	5
Care Leavers	UK	2018-02	\$ 6,877,000	3
Brabant Outcomes Fund - Netherlands	Netherlands	2018-12	\$ 1,149,600	3
Social Impact Partnerships to Pay for Results Act	USA	2019-02	\$ 100,000,000	
LOGRA Colombian Outcomes Fund	Colombia	2020-01	\$ 5,287,930	1
South Africa Green Outcomes Fund	South Africa	2020-01	\$ 31,000,000	11
Education Outcomes Fund	Sierra Leone	2020-05	\$ 20,000,000	3
Education Outcomes Fund	Ghana	2020-06	\$ 25,000,000	
Economie circulaire	France	2020-09	\$ 11,742,000	4
Egalité des chances économiques	France	2020-11	\$ 11,779,000	3
Life Chances Fund	UK	2021-07	\$ 109,600,000	30
Refugee Transitions Outcomes Fund	UK	2022-03	\$ 18,434,063	4
Social Impact Outcomes Fund	New South Wales	2022-08	\$ 20,639,700	
			<b>\$ 595,578,093</b>	<b>139+</b>

Source: *Government Outcomes Lab Impact Bonds Dataset V2, October 2023*

<https://golab.bsg.ox.ac.uk/knowledge-e-bank/indigo/fund-directory/>

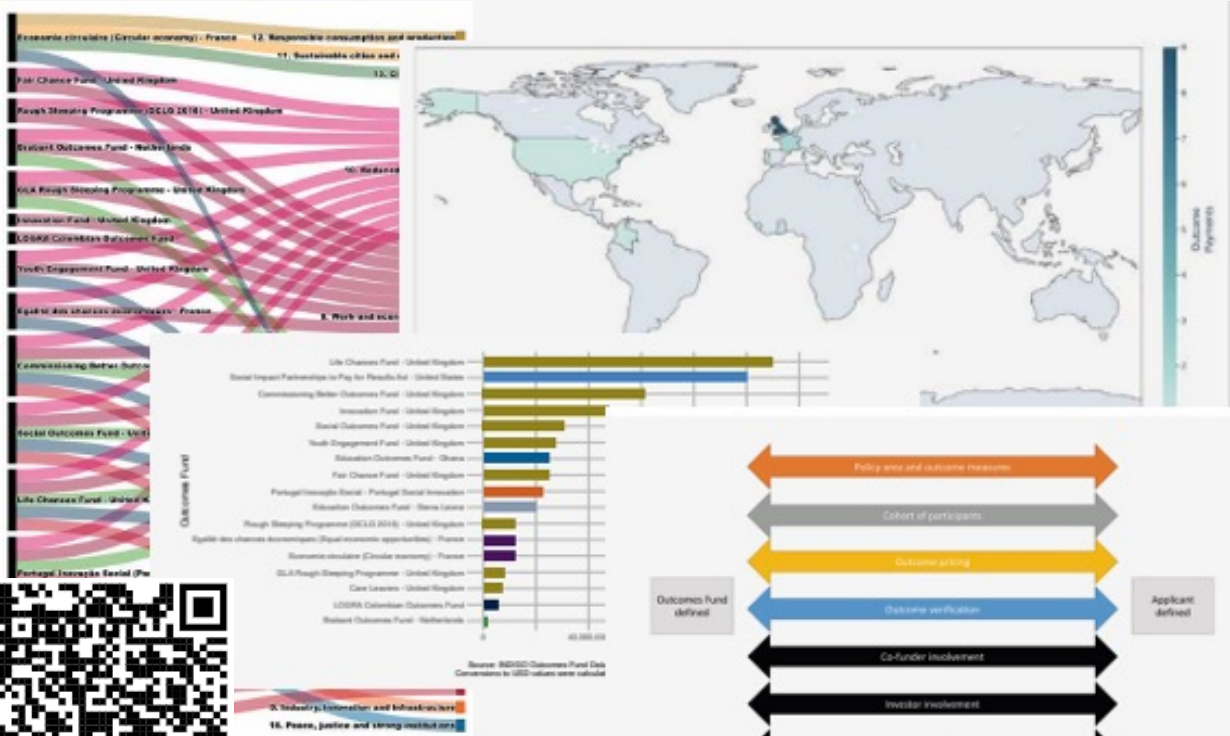


# Outcomes funds

an analysis of 17 outcomes funds launched to December 2021



**Understanding outcomes funds**  
A guide for practitioners, governments and donors



# Some emerging lessons

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- Great deal of experimentation & an ever-evolving model that is being adapted as it is being introduced in new geographies and contexts
  - In practice, we often see a blend of outcomes and outputs or inputs
  - Balancing innovation and risk, flexibility and standardisation
  - Setting and measuring outcomes is both art and science. Managing an outcomes-based contract requires technical skills, data collection and analytical capacity, active contract management and trusting relationships between key stakeholders
  - Likely to see more adaptation, more hybrid models emerge; use of outcomes funds as way to achieve scale
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As practice evolves, what should we keep?

- A focus on measurable outcomes to strengthen collaboration
- A continuous improvement mindset / learning culture
- An understanding and transparency of results



## GO Lab's top tip

Start by being clear about the rationale for using an impact bond approach as opposed to alternative funding models  
-- revealing question: what will you do 'after' the SOC?

# Some takeaways

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- Innovative and promising tool that has been gaining growing attention worldwide by offering a new way to foster more **collaboration, prevention and innovation** in the provision of public services
- At the heart of this approach is the impetus to address complex social challenges by taking a collaborative **cross-sector approach that is grounded in a strong focus on measurable outcomes**
- Setting up impact bonds can be technically challenging, time consuming and expensive; the real, long-term benefits are focusing on outcomes and approaches that can lead to long term, **system-wide change**
- Need for more robust **evidence** (incl. more robust evaluations of the ‘SIB effect’ and better data sharing)
- Need for **capacity building** within government (and also service providers) in order to develop effective approaches

# Questions



# Want to know more?

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Thank you!