



# GOVERNMENT OUTCOMES LAB

## Driving better social outcomes through cross-sector partnerships

Practice & emerging evidence from the use of impact bonds/  
social outcomes contracts

12<sup>th</sup> April 2023

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golab.ox.ac.uk

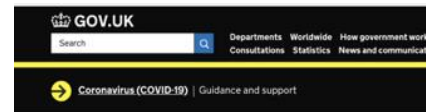
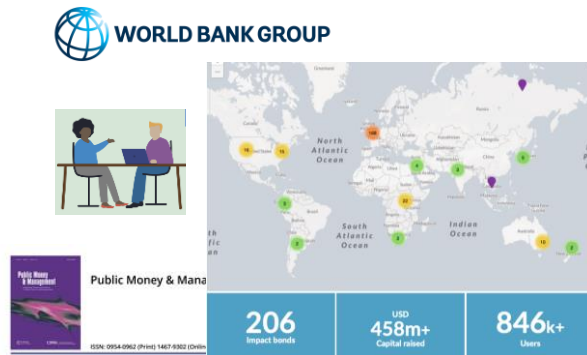
# The Government Outcomes Lab (GO Lab)



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



Research and analysis  
**Evaluation Strategy for the Life Chances Fund**

Overview of the evaluation approach that supports learning around a series of Social Impact Bonds funded via the Life Chances Fund.



**UK aid**  
from the British people



**UKRI**  
UK Research and Innovation



**European Investment Bank**



**CHILDREN'S INVESTMENT FUND FOUNDATION**

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

Clare Fitzgerald, Eleanor Carter, Ruth Dixon & Mara Airolidi

To cite this article: Clare Fitzgerald, Eleanor Carter, Ruth Dixon & Mara Airolidi (2019) Walking



# The Government Outcomes Lab (GO Lab)



## Evidence

We conduct world-class research on the evidence and best practice around the use of outcomes-based partnerships

## Data

We manage the world's most comprehensive, open access data set on innovative outcomes-based partnerships and a suite of related data tools

## Impact

We host a Global Knowledge Hub on outcomes-based partnerships, and run a comprehensive programme of engagement & capacity building

*Our mission is to enable governments around the world to foster **effective cross-sector partnerships** for better social outcomes.*

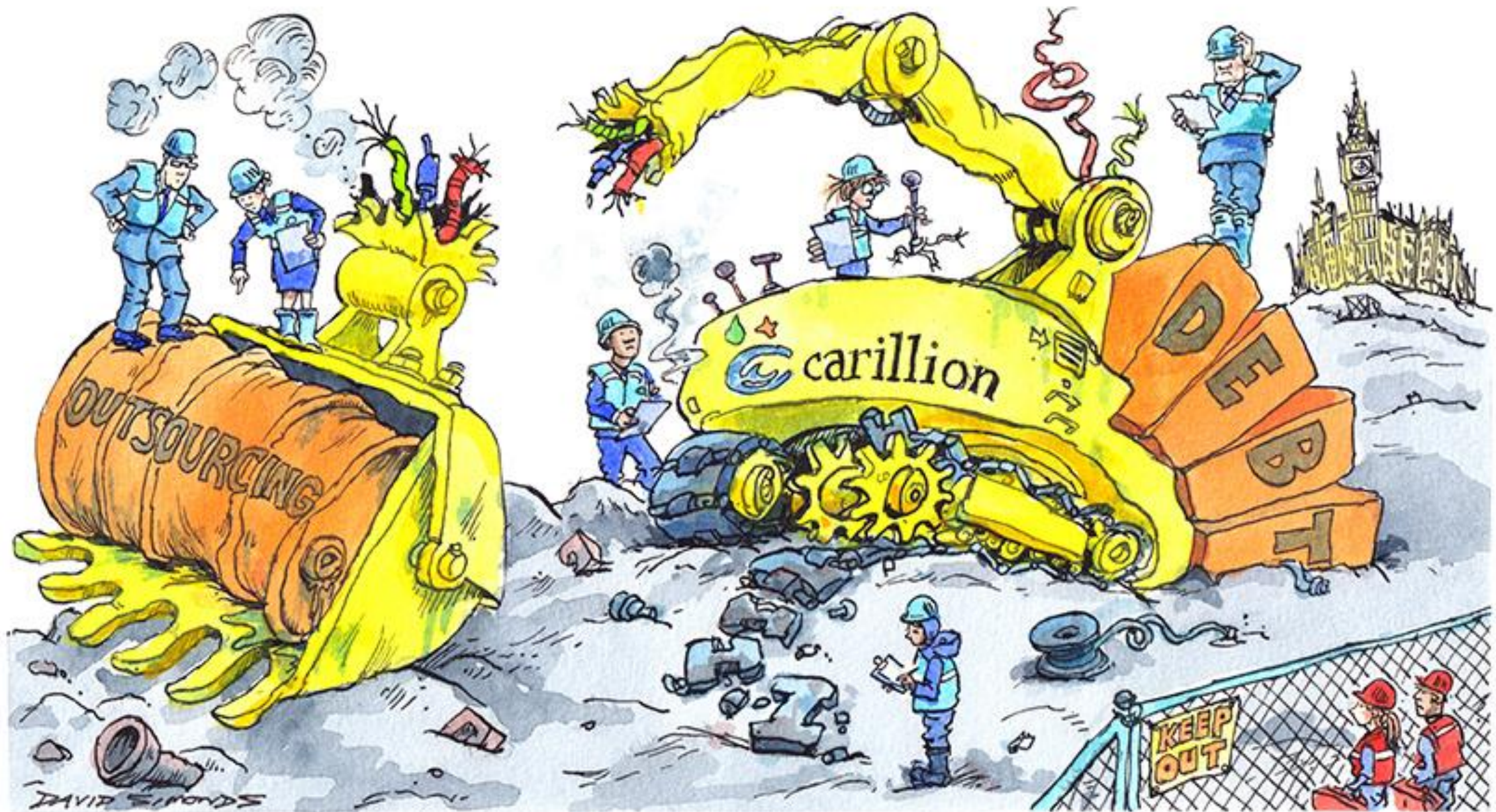


“ Our partnership with the Government Outcomes Lab is a really unique one. Our job as policymakers is to make sure we’re giving the best possible advice to ministers. Working with the Government Outcomes Lab helps us to make sure we’re engaging in debate which is well-researched, well-evidenced, and brings objectivity, robustness and rigorous data analysis.

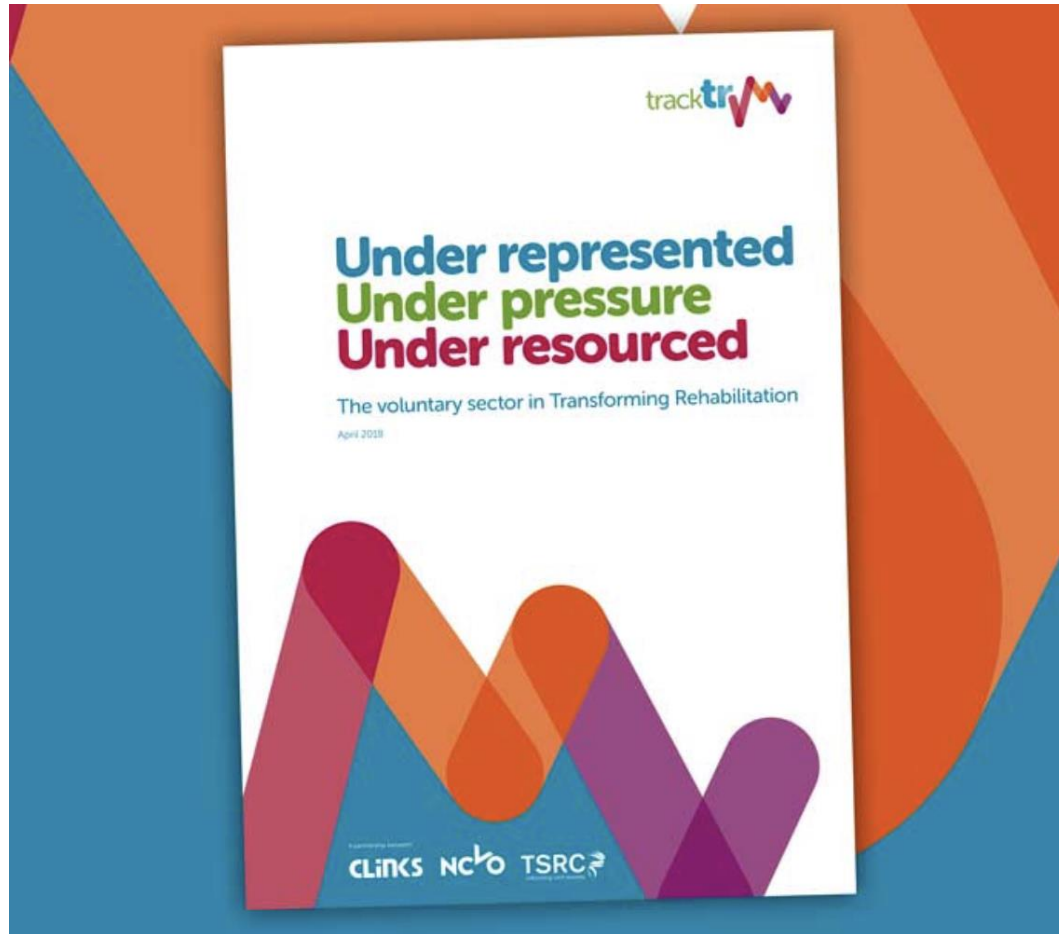
The Government Outcomes Lab draw on a range of different sources in a way that perhaps hasn’t been done before. They are bringing in practitioners from outside academia who actually work in the field to inform their thinking. And by cross-pollinating across different sectors, you get a rich discussion.”

James Magowan  
Head of VCSE Public Sector Commissioning  
Department for Digital, Culture,  
Media and Sport (DCMS)  
UK Government









Between 2016 - 2020 **12,500 voluntary, community, social enterprise (VCSE) organisations** were named on a public sector contract awarded

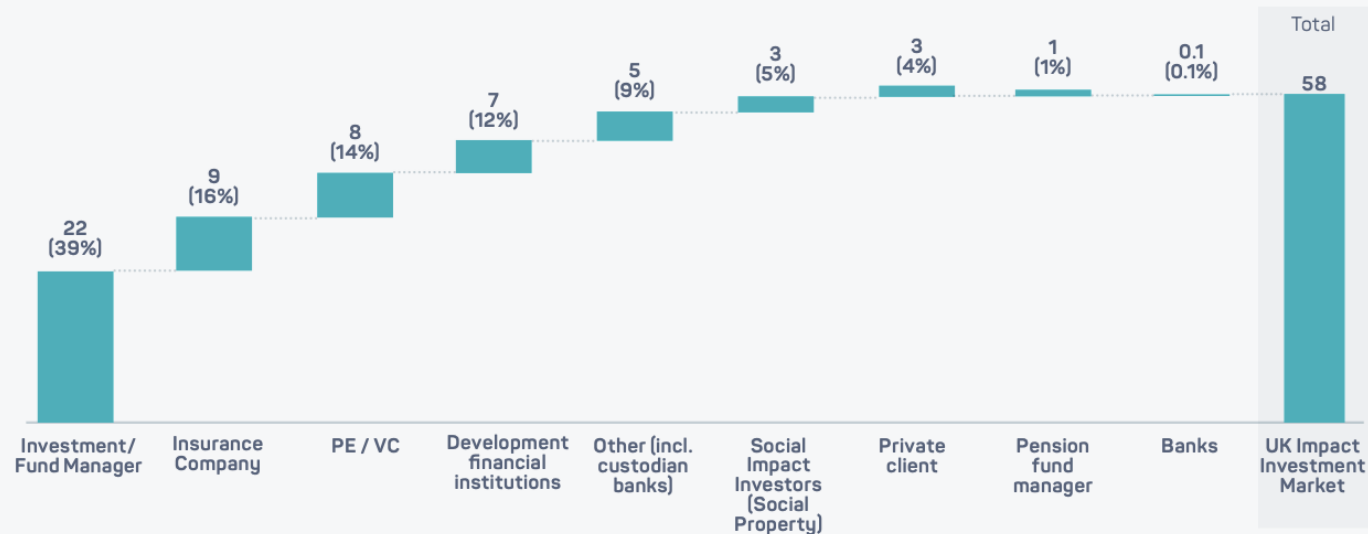
These VCSEs earned a total of £36bn - **7% of total identifiable public sector spending with the private sector**

Health and social care is by far the biggest sector, with VCSEs winning contracts worth £11.6bn. However this corresponds to only **24% of the total value of contracts awarded in the sector.**

Source: Tussell Trust (2021) *UK Public Procurement through VCSEs, 2016-2020*

## Size of the UK impact investing market, AUM, £bn

Breakdown of UK Impact Investing Market



Source: EY-Parthenon analysis, Big Society Capital, Investment Association

### The composition of the market

- **Social investors, private equity and venture capital firms and foundations** were identified as the leading impact investors in the market today.
- **Institutional investors, were identified as the primary drivers of future growth.**
- **Healthcare, affordable and clean energy, and sustainable cities and communities** are the top focus areas for investment.

Source: Impact Investing Institute (2022) *Estimating and describing the UK impact investing market*

- 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?



# In this session

## Context-setting

- Impact bonds/ Social outcomes contracting as a tool for improving the provision of public services
- The promise(s) associated with social outcomes contracting
- Key dimensions

**State of play** with the development of impact bonds/ social outcomes contracts in Europe, trends and directions for the future

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



# Before we dig deeper...

SOC = social outcomes contract

SIB = social impact bond (SIB)

PbR = payment-by-results

Wide variation in use of terms: ‘social impact bonds’ ‘social outcomes contracts’, ‘social impact contracts’, ‘payment by results’

*SOCs/ SIBs as ‘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.’*



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



# Impact bonds as partnerships

## Outcome payer

Identifies beneficiaries, defines payable outcomes, pays for achieved outcomes

## Beneficiaries

## Service provider

Works with beneficiaries to achieve outcomes

## Investor

Provides upfront funding for the service provider

**Outcome payer/ Commissioner** = An organisation responsible for commissioning (contracting) services. In impact bonds, commissioners are typically the outcome payer and are typically (1) a central or local government organisation or (2) a multilateral agency. Sometimes private or philanthropic sources act as co-payers.

**Provider** = also referred to as a service provider or service delivery organisation, providers are the entity(ies) responsible for delivering the intervention to participants. A provider can be a private sector organisation, social enterprise, charity, NGO or any other legal form.

**Investor** = provides arrangements to finance the project over its duration, rather than expecting the provider to finance from their own services or from loans with set payment schedules. Repayment to investors is based (wholly or partly) on whether the outcomes are achieved. This protects the service provider from (all or part of) the financial risk. The explicit involvement of one or more investors differentiates IBs from other forms of outcome-based contracting. They may be from foundations, corporates, banks or other private investors.

# Overcoming perennial challenges in public service delivery

Public service challenge

Fragmented delivery and 'siloed' budgets

Short-term focus (political & financial)

Difficulty creating change

Implications for services

Fragmented public services: duplications, gaps, inadequate communication

Reactive public services responding to crises

Poor performing services go unchanged

Implications for citizens

Fragmented, reactive, stagnant services which fail to respond to the needs of citizens

Implications for commissioners

## COLLABORATION

Enable collaboration across multiple commissioners & within provider networks. Service activities 'wrap around' service users.

## PREVENTION

Enable 'invest-to-save'. Dual-running of services with (social) investors funding 'upstream' interventions.

## INNOVATION

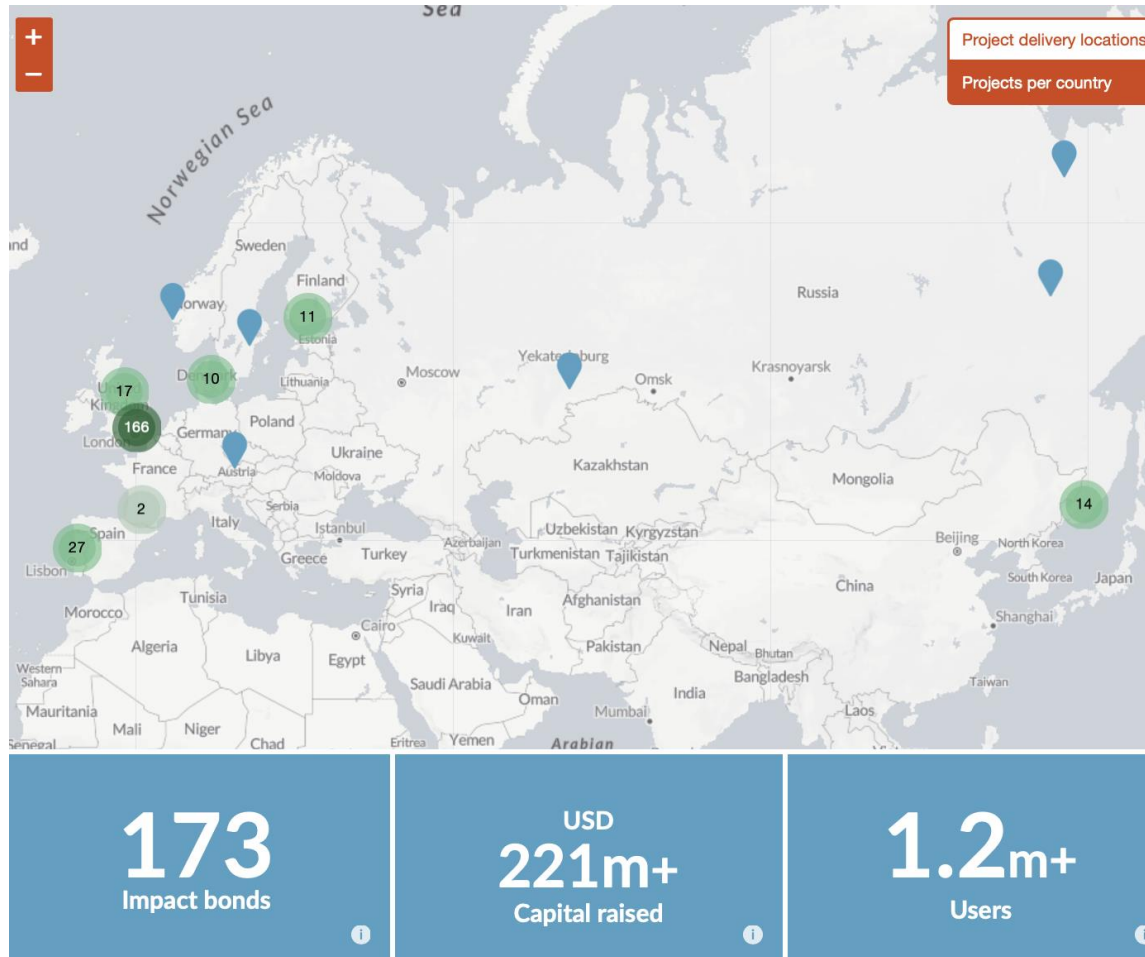
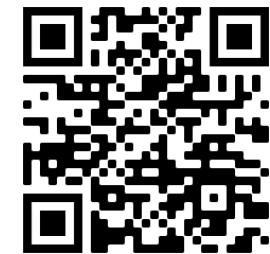
Risk transfer enables innovation. New interventions. Enhanced performance management. Systematic learning.



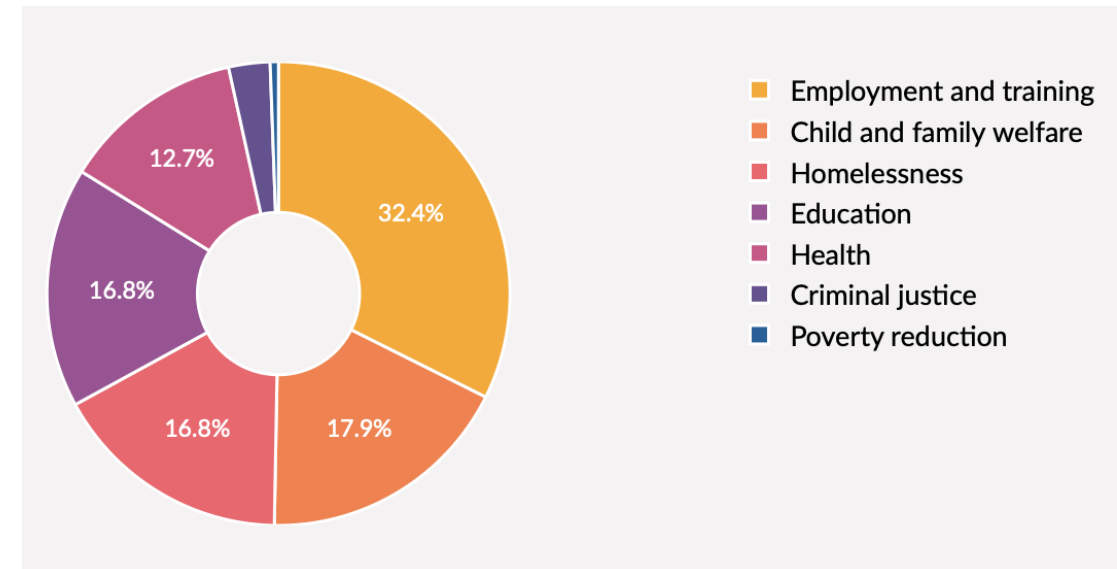
# State of play across Europe

You can access the full INDIGO Global Impact Bond Dataset, monthly impact bond landscape updates & lots of other resources at:

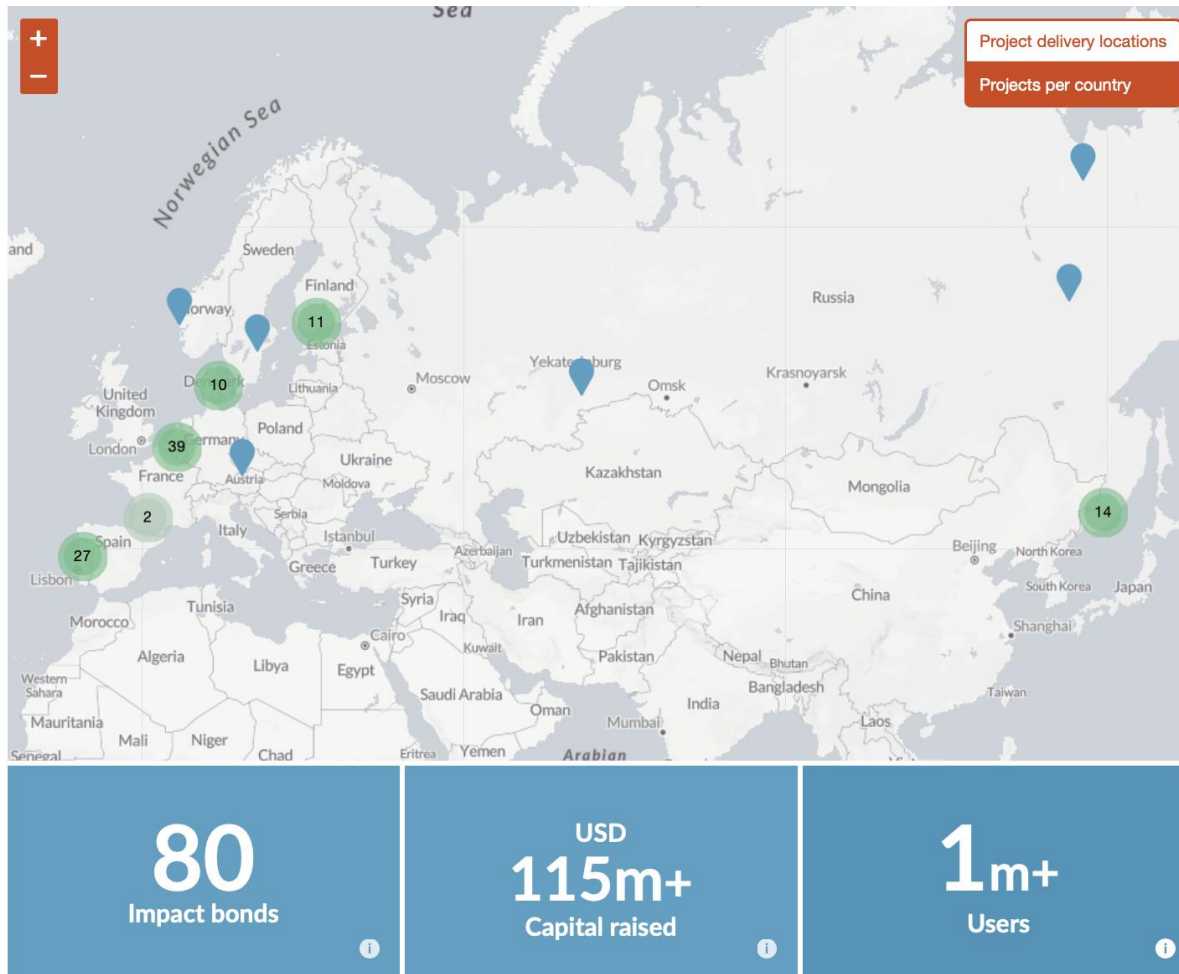
<https://golab.bsg.ox.ac.uk/indigo>



Source: INDIGO Global Impact Bond Dataset, April 2022



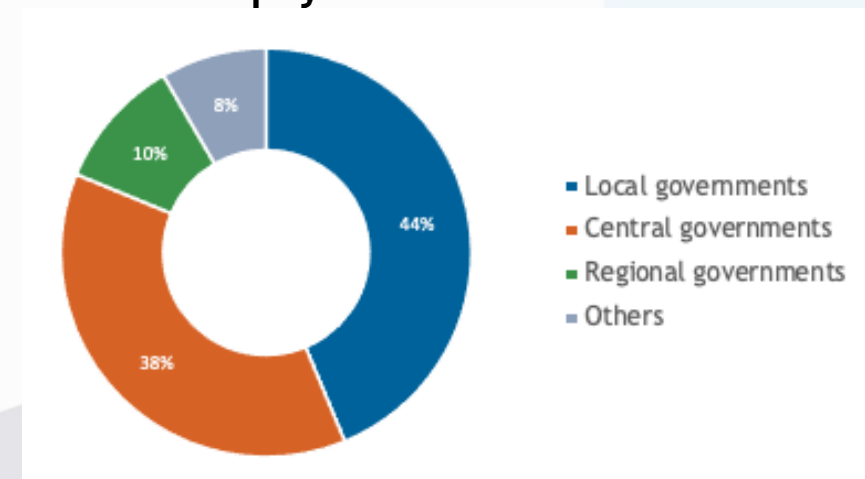
# SIBs in Europe (excluding UK)



## Types of investors



## Types of outcome payers



Source: INDIGO Global Impact Bond Dataset, April 2022

# Some examples

There is wide variation and adaptation in the way social outcomes contracts have been used to tackle complex social problems in Europe. They cover a wide range of policy areas including:

- **Employment & training** (e.g. Duo for Jobs, La Cravate Solidaire, Mental Health & Employment Partnership)
- **Health & wellbeing** (e.g. the Cancer & Work Health Impact Bond, Improving HIV Treatment SIB)
- **Homelessness** (e.g. Back on Track)
- **Children social care & family welfare** (e.g. Positive Families Partnership)
- **Criminal justice** (e.g. Breaking Bars Farm)



# Two examples from Finland



## Kotouttamisen (KOTO) Social Impact Bond >

The KOTO SIB is the first social impact bond to support refugees into employment. It was set up to facilitate access to employment for refugees and thereby accelerate their integration in Finland.



## Children's Welfare Social Impact Bond, Finland >

This case study takes a close look at the Children's Welfare Social Impact Bond (SIB) in Finland, which aims to improve the wellbeing of children, young people and families in five municipalities in the country.

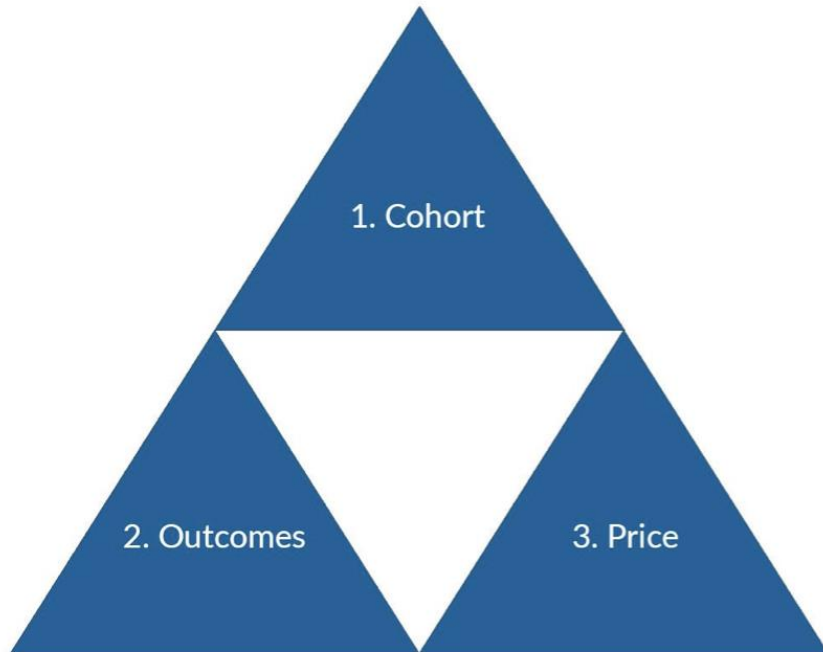


# How do they work in practice?



# Key considerations

## Designing a robust framework



- 1. Tightly defined eligible cohort**
  - Clear, objective data
  - Understanding of how far participants are from desired outcomes
  - Independent referral/identification mechanism
- 2. Alignment between payable outcomes and policy objectives**
  - Logical link between activity, outputs and outcomes
  - Adequate period of time for tracking
  - A way to tell if the effect has 'struck'
- 3. Accurate price-setting of outcomes**
  - Robust estimate of likely level of benefit vs what would happen anyway (deadweight)
  - A way to get confidence that any outcomes are caused by the intervention (attribution)
  - Suitably long outcome tracking-period



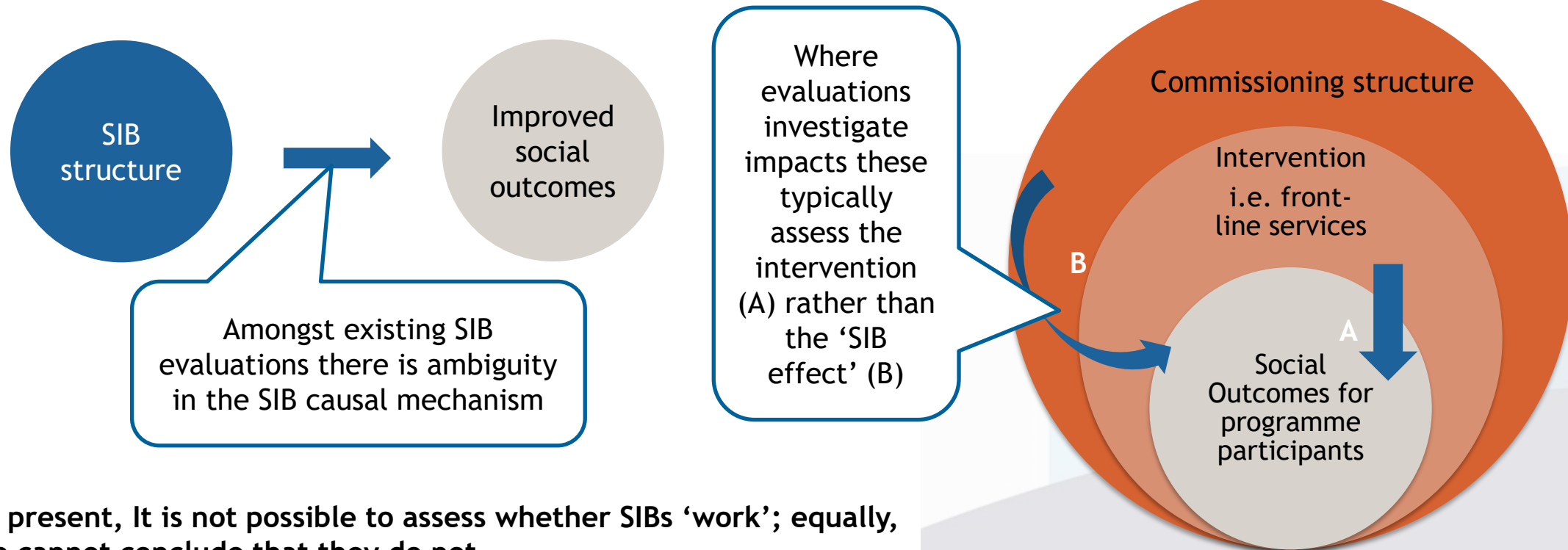


# Emerging evidence

Given the promised ‘ends’ of SIBs, to what degree do we see these in current evaluation materials?

*By what mechanisms would we expect the SIB to deliver benefits?*

*Are SIBs performing better than alternative commissioning structures?*



At present, It is not possible to assess whether SIBs ‘work’; equally, we cannot conclude that they do not

# 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



## Andreea's top tip

Start by being clear about the rationale for using an impact bond approach as opposed to alternative funding models, and think about the long-term sustainability of your approach

# Intrigued to find out more?

Access knowledge resources

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

SOCIAL OUTCOMES CONTRACTING  
IN EUROPE – PROCUREMENT GUIDE

October  
2022

A public procurement-focused 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.



Webinar | 20 May 2021

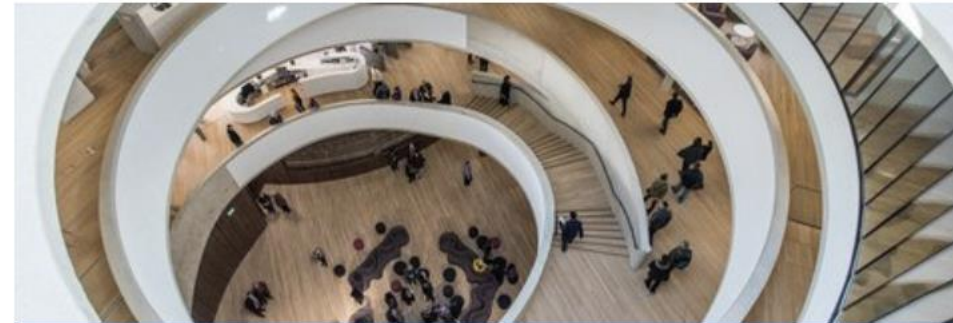
## | Engaging with Evidence | Insights from the development of social outcomes contracts in Europe

For this Engaging with Evidence session, we took stock of the state of play of social outcomes contracts in Europe and discussed with policymakers and other leading experts how and when this instrument can best be used to help address social issues.

Organisation: Government Outcomes Lab (GO Lab)

[More >](#)

Connect with policymakers & practitioners



## Social Outcomes Conference 2023



Join us in Oxford or online for the Social Outcomes Conference, our annual convening of the world's leading researchers, policymakers and practitioners working to improve social outcomes.

14 - 15<sup>th</sup> September, Oxford & Online





# GOVERNMENT OUTCOMES LAB

Thank you



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