

Engaging in outcomes-based partnerships

A framework to support government
and ecosystem readiness

socialfinance.org.uk



Contents

Introduction	3
Part 1: Framework overview	5
Part 2: Details of the framework	11
2.1 Ecosystem foundations	12
2.2 Ecosystem expansion	17
2.3 Ecosystem consolidation	23
Acknowledgements	29
About the Author	30

Introduction

This framework has been developed to support government, policy makers, donor agencies and other stakeholders interested in supporting the development of outcomes-based partnerships (OBPs), to better understand the factors that facilitate the beginning, expansion and consolidation of an OBP ecosystem.

In the past decades, OBPs have emerged in high-, middle- and low-income countries as an innovative approach to fund, procure and implement social programmes. This type of partnership places social results at the core of the programme design and implementation and aligns stakeholders from different sectors towards a common goal: improving the outcomes of service users. To achieve this objective, OBPs challenge the traditional ways to deliver social services and require a set of new or adjusted political, technical and legal conditions.

This framework aims to support governments, policy makers, donor agencies and other ecosystem stakeholders to identify and develop the conditions that could facilitate the adoption of OBP in a given context. It provides a detailed guide to how an ecosystem can enable and encourage the launch of OBP, as well as the competencies outcome funders, service providers and evaluators, among others, could build to engage successfully. As this framework acknowledges that such characteristics and competencies may change over time, it also differentiates between three ecosystem maturity levels.

Several actors in the field have studied, through different lenses, the adoption of similar funding mechanisms in high-, middle- and low-income countries, providing multiple perspectives on the key enabling factors that support the use of OBP. This framework builds on previous work conducted in the field and provides a new tool that consolidates key insights from other frameworks, studies and publications in this area. The methodology used to develop this work included:

- **An initial scoping of published literature:** we reviewed eight publications that explored the conditions supporting the use or design of social impact bonds, outcomes-based funding and impact investing. This list was supplemented with additional documents that provided insights on specific topics (e.g. legal considerations), case studies and policy recommendations aimed at promoting the development of an OBP ecosystem.
- **An in-depth comparison between the relevant frameworks:** we identified five core documents focused on the enabling factors for various innovative funding mechanisms, including OBP, and conducted an in-depth comparison to identify the similarities and differences between them. This comparison included frameworks developed by Instiglio and Ecorys, among other authors.
- **Additional insights from practitioners and experiences from specific contexts:** we held detailed conversations with two practitioners in the field with experience in

high- and middle-income countries and reviewed specific case studies to identify key insights to supplement the literature review findings.

- **A workshop with experienced OBP stakeholders to review the draft framework and provide feedback.** This informed the revisions to the draft and resulted in the final framework.

This framework is sister to another framework looking at the readiness of service providers to participate in outcomes-based partnerships. The full methodology for both frameworks, as well as the findings of our literature review, [can be found here](#), which provides more detail and background to the work.

Framing and limitations of the framework

This framework is design to be broadly applicable across a range of social sectors in low-, middle- and high-income countries. The following points should be considered when using this framework:

- This framework should be seen as a diagnostic tool to support governments, donor agencies and policy makers to identify priority areas for developing an OBP ecosystem. It is not designed to assess whether a country, region or context is capable of using OBP, but rather as a tool to identify potential gaps that can be filled over time. Therefore, this framework can be used by those stakeholders interested in developing the ecosystem as a tool to define a learning agenda or capacity-strengthening strategies to this end.
- The key definitions to understand this framework include:
 - **Ecosystem** refers to the broad group of stakeholders that participate in or support the development of OBP at a country level. The ecosystem includes outcome funders, service providers, evaluators, research centres, intermediaries and social investors.
 - **Outcomes-based partnership** is the partnership between, at a minimum, an outcomes funder, and a service provider with a view to delivering tangible positive changes in the lives of the target population. Contractual payments are partially or fully on the achievement of those outcomes. The partnership may also include impact investor(s), additional service providers, intermediaries and evaluators, or a combination of these.
 - **Outcome funders** are the stakeholders willing to pay for the outcomes achieved and verified in an OBP. The governments, donor agencies or philanthropies usually take this role.
 - **Investors** are the stakeholders willing to provide upfront funding, sometimes referred to as risk capital, in an OBP. Investment may not be needed if service providers can invest their own funds in service delivery ahead of outcomes payments being received.
 - **Service providers** should be understood as those organisations directly delivering activities and interventions which aim to deliver improved outcomes for the target population.
 - **Intermediaries** are organisations with wide technical knowledge of OBP that support outcome funders, investors and/or service providers in designing, procuring and delivering OBP. They may be part of a delivery consortium and support service providers to deliver outcomes, but they do not deliver the services directly.

-
- **Evaluators** are the organisations responsible for conducting independent verification of contractual outcomes in an OBP.
 - **Research centres** are organisations that systematise and disseminate knowledge, data, evidence and lessons learned around OBP.
 - This framework acknowledges that governments have a key role to play in developing an ecosystem due to supportive role of seed funding, appropriate regulation and political support in enabling encouraging OBP. As such, this framework highlights government-related competencies across the different levels of ecosystem maturity.
 - Finally, this framework is not a “how-to” guide on developing an ecosystem, but instead aims to provide a sense of what the direction of travel needs to be.

Part 1: Framework overview

The ecosystem readiness framework provides key insights into the most crucial competencies and conditions for a country-level ecosystem to facilitate and encourage the use of OBP to drive better social outcomes across a range of sectors. These competencies and conditions are differentiated across three stages of ecosystem development: OBP ecosystem foundations, expansion and consolidation.

- The framework is structured around three levels which correspond to the degree of ecosystem development. The first stage of the ecosystem develop covers the foundations, where the first couple of OBP pilots are launched and implemented; the second stage covers the expansion of OBP to other sectors and a broader set of stakeholders; the third stage captures the factors needed to consolidate the use of OBP across a wide range of sectors and stakeholders.
- Each level is additive, so that at Stage 2, the competencies associated with Stage 1 are assumed, etc. Part 1 of this document presents an overview of the framework and the necessary competencies and conditions at each level. Part 2 provides more detail on what each competency might look like in practical terms.
- Each level is comprised in the same five dimension, which are broad groupings of the competencies or conditions required for the effective adoption of OBP by different stakeholders in the ecosystem. The top-level dimensions used in this consolidated framework build on the Ecorys DREAM framework that identified ecosystem conditions for supporting social impact bonds in Latin America, incorporating a couple of

additional, relevant elements for OBP¹. The *DREAM Plus* dimensions used in this consolidated framework are:

- **Demand from outcome funders:** competencies and conditions related to outcome funders' willingness, technical knowledge and financial capacity to participate in an OBP, as well as their capacity to support other ecosystem stakeholders to engage in OBP.
- **Regulatory framework:** conditions related to the regulation, rules and procedures in an ecosystem that influence the stakeholder development and participation in OBPs.
- **Economic and political context:** the ecosystem's economic and political conditions, which can influence the degree of confidence non-state actors have in OBPs.
- **Availability of data:** conditions and competencies related to the existence of information, data or evidence around population needs, existing interventions, outcomes and costs, among others.
- **Market capacity:** competencies and conditions related to the interest and technical capacity of non-government service providers, investors, intermediaries, evaluators and research centres around OBP.

1.1. Ecosystem foundations

The competencies at this level are the core foundations for an ecosystem to successfully design, procure and implement the first couple of OBP pilots.

If ecosystem stakeholders have very little familiarity with OBPs, this is the level to look at to see whether they are well placed to develop and launch the first OBP. This early stage of OBP ecosystem development tends to be characterised by the existence of pioneer outcome funders, service providers and investors (if needed).

-
- | | |
|------------------------------------|---|
| Demand from outcome funders | <ul style="list-style-type: none">● Willingness of government, philanthropies and/or donor agencies to trial an OBP to service delivery for a particular population or social issue● Funding and/or resource is available to cover feasibility and design of an OBP● Funding is available to pay for better outcomes, underpinned by a compelling value for money case, and outcomes verification● Understanding the ways in which commissioning OBP is different to grant-based/fee for service contracts |
|------------------------------------|---|
-

¹ The key differences between the Ecorys DREAM dimensions and the DREAM Plus dimensions in this consolidated framework relate to two of the top-level dimensions. The first dimension, "Demand from government", has been broadened to include other potential outcomes funders such as donor agencies or philanthropies, whilst the last dimension, "Market capacity", also includes additional market actors, namely academia or research centres.

Regulatory Framework

- Existing regulation allows outcomes funders to contract for OBP or special permissions can be provided to enable the piloting of first couple of OBPs

Economic and political context

- Service providers (and their investors, if needed) have sufficient confidence in outcomes funders that payments will be made for successful delivery of outcomes
- Service providers (and their investors if needed) have contractual clarity on the how they will be paid in the event of unforeseen circumstances impeding their ability to deliver outcomes
- Non-state provision of services is allowed within country of outcome delivery

Availability of data

- Sufficient data exists to clearly define the social problem to be addressed and to identify priority populations
- Sufficient data exists to support pricing of outcomes payments and value for money assessments
- Sufficient data exists to inform the most appropriate approach to contractual outcomes evaluation
- Robust data can be collected on contractual outcomes during implementation to inform contractual payments
- *Nice to have: process or impact evaluations beyond the verification of outcomes.*

Market capacity

- One or more service providers (and investors, if needed) is/are willing to participate in an OBP
- All contractual parties are committed to work together collaboratively to deliver outcomes including through transparent multi-stakeholder governance throughout implementation

1.2. Ecosystem expansion

With the foundations in place, this level describes the competencies required to move beyond pilots to expand the use of OBP to drive better outcomes across a range of sectors.

The launch and implementation of the first pilots in an ecosystem can create a demonstrative effect that motivates the use of OBP in an increasing number of social sectors. In such contexts, ecosystem stakeholders may seek to increase the technical knowledge of outcome funders, service providers and investors (if needed) around OBP; build political buy-in to the allocation of funding for OBP development and outcomes; and identification of any regulatory amendments that may be needed in order to facilitate and encourage broader use of OBP.

Demand from outcome funders

- Increasing numbers of decision makers and technical teams in governments, donor agencies or philanthropies understand the concept, mechanism and value of OBP.
- Political buy-in into the value of OBP is increasing in one or more sectors.
- Increasing number of stakeholders can build and communicate the value for money case for using OBP.
- Increasing funding is available for the design, evaluation and outcomes payments of OBP.
- Increasing confidence around procurement, governance and management of OBP.
- *Nice to have:* Government, donor agencies or philanthropies fund or implement activities to build ecosystem capacity for OBP.

Regulatory Framework

- Efforts are made to identify and begin the process of amending outcome funder regulation to facilitate the use of OBP where necessary.
- Efforts are made to identify and begin the process of amending other ecosystem constraints to facilitate the use of OBP where necessary.

Economic and political context

- *Nice to have:* Efforts are made to increase confidence in the economic and political context

Availability of data

- Increasing investment in the design and development of data systems to allow easier tracking of outcomes.
- Efforts are made to share data and learning from OBP with a broad group of stakeholders.
- *Nice to have:* Outcome funders and service providers make efforts to shift accountability of programmes towards outcomes based on available data.
- *Nice to have:* Increasing number of stakeholders use data to adapt programme delivery and, therefore, see adaptation as success not failure.

Market capacity

- Increasing numbers of service providers understand and are interested in participating in OBP.
- Increasing numbers of outcomes-based investors understand and are interested in participating in OBP.
- Specialist intermediaries exist to advise and support outcomes funders, service providers and investors to design and implement OBP.
- *Nice to have:* Specialist evaluators and research centres focused on extracting and communicating learnings from OBP.

1.3. Ecosystem consolidation

This phase of ecosystem development seeks to consolidate the competencies and characteristics to enable OBP to be widely used as a tool to drive better outcomes across a broad range of social sectors.

Well established ecosystems are capable of using OBP, alongside other commissioning tools, to drive better outcomes across a range of social sectors and populations. Outcome funders, service providers and investors (if needed) have deep knowledge of and confidence in OBP approaches. The government plays a key role in providing funding for outcomes and the regulatory, political and economic contexts are conducive to the use of OBP. Robust information systems are in place to collect, collate and analyse relevant outcomes data. Lessons are systematically collected and shared with a broad group of stakeholders.

Demand from outcome funders

- Decision makers and technical teams across multiple government departments and donor agencies have a deep understanding of the concept, mechanics and value of OBP across multiple issue areas.
- Outcome funders within governments and donor agencies have the knowledge and skills to assess the value of, design and launch OBP.
- Governments and donor agencies invest in the feasibility, design and evaluation of OBP.
- Governments play a key role in funding, procuring, contracting and managing OBP.
- Governments play a key role in supporting the development of the OBP ecosystem and driving an agenda of learning and improvement.

Regulatory Framework

- Relevant regulation is in place to facilitate the use of OBP.
- Relevant regulation is in place to enable the participation of non-state actors in OBP.

Economic and political context

- Service providers and outcomes-based investors have a good level of confidence in government's willingness and ability to pay for outcomes.
- Service providers and outcomes-based investors have a good level of confidence in the legal and political context in which they are operating

Availability of data

- Robust data systems exist to support the problem definition, programme design and outcome verification across a number of sectors.
- Outcome funders and service providers are routinely held accountable for outcomes.
- Data and learning from OBP are systematically collated and shared with a broad group of stakeholders.

Market capacity

- Increasing numbers of service providers have experience of delivering better outcomes through OBP in a range of sectors.
- Increasing numbers of outcomes-based investors have experience of participating in OBP across a range of sectors.
- Independent research on drivers of the effectiveness of OBP and their impact on outcomes is encouraged.
- Systematic support is available for outcome funders to design and manage OBP contracts.

Part 2: Details of the framework

This section presents a description of the competencies and conditions at each level of ecosystem maturity. These illustrations aim to provide a more tangible and nuanced view of the different elements included in the framework.

A couple of points should be considered throughout this section:

- Illustrations in this section of the report aim to provide a deeper explanation of the competencies and conditions that may be helpful to facilitate the use of OBP within an ecosystem.
- The descriptors seek to support stakeholders to identify specific areas that may benefit from development in order to build the ecosystem for OBP at each level of market maturity.
- Although each descriptor provides some insight into how the competencies may look, country ecosystems may vary in terms of the specifics.

1 Ecosystem foundations

This section provides a description of the key competencies and conditions in ecosystems seeking to launch the first OBP pilots. Countries or regions interested in exploring the use of OBP for the first time may consider investing in the strengthening of these factors to successfully launch OBP.

Demand from outcome funders

Outcome funders are the lynchpin for the successful launch of any OBP. At this stage of market development, a pioneer group of decision makers and technical teams in government, donor agencies or/and philanthropies is likely to be leading the piloting of OBP. As champions of this innovative approach, they understand how OBP work and the key differences between OBP and grant or fee-for-service funding. Moreover, they are willing to and capable of allocating funding for design and outcomes verification, as well as to pay for outcomes in an area where there is a strong value for money case. Government may not be an outcome funder in the first OBPs – instead donor agencies or philanthropies may play this role in the first couple of OBPs.

Competency	Illustration
Willingness of government, philanthropies and/or donor agencies to trial an OBA to service delivery for a particular population or social issue.	<ul style="list-style-type: none">• A group of champions is introducing the concept of OBP and finding opportunities to test a new funding approach to achieve better outcomes.• This small group of decision-makers and technical teams lead the design, launch and implementation of the first OBPs despite potential challenges or obstacles.
Funding and/or resource is available to cover feasibility and design of an OBP	<ul style="list-style-type: none">• At least one party in the ecosystem has financial capacity and is willing to allocate the funding and / or human resources required to launch the first OBP.• Funding may be needed to deliver the first scoping studies, technical, budgetary and legal feasibility analyses, and complete programme design (here you

	can find helpful additional resources to design and manage OBP).
Funding is available to pay for better outcomes, underpinned by a compelling value for money case, and outcomes verification	<ul style="list-style-type: none"> • The government, philanthropies and/or donor agencies supporting the first pilots understand the expected value and costs of an OBP. • At least one party has financial capacity, is willing to fund the OBP and allocates sufficient funding to pay for outcomes.
Understanding the ways in which commissioning OPA is different to grant-based/fee for service contracts	<ul style="list-style-type: none"> • The group of decision-makers and technical teams involved in the first pilots understand the concepts and mechanics of OBP and can clearly articulate the differences to other types of traditional funding.

Regulatory framework

As OBP require payment for results, national regulation, rules and procedure may not explicitly include, and in some cases may inhibit, the procurement and contracting of OBP. In these situations, outcome funders and other stakeholders may need to identify workarounds to launch the first OBP pilots.

Competency	Illustration
Existing regulation allows outcomes funders to contract for OBP or special permissions can be provided to enable the piloting of first couple of OBPs	<ul style="list-style-type: none"> • The existing regulation enables government, philanthropies and/or donor agencies to contract OBP and allocate multi-year budgeting to pay for outcomes. • Should the existing regulation prohibit, limit the conditions or lack clarity around the permissions to procure and/or pay for results, a temporary solution can be identified and used in the first OBP.

Economic and political context

OBP require close collaboration between stakeholders from different sectors. Key elements to consider include the level of confidence non-state actors have in outcome funders' ability to pay for outcomes that are

delivered, and their contractual confidence in the event of unforeseen circumstances.

Competency	Illustration
<p>Service providers (and their investors if needed) have sufficient confidence in outcomes funders that payments will be made for successful delivery of outcomes</p>	<ul style="list-style-type: none"> • The outcome funders are able to provide sufficient confidence to non-state actors around their fiscal capacity to pay for results, their commitment to comply with contract terms and their ability to pay for outcomes in a timely manner.
<p>Service providers (and their investors if needed) have contractual clarity on the how they will be paid in the event of unforeseen circumstances impeding their ability to deliver outcomes</p>	<ul style="list-style-type: none"> • The contract terms provide clarity to non-state actors on contract enforcement and amendment mechanisms, and how any disputes will be resolved between the different parties. • Even if the contract framework does not provide clarity for the specific case of OBP, the stakeholders in the ecosystem have enough confidence in the outcome funders.
<p>Non-state provision of services is allowed within country of outcome delivery</p>	<ul style="list-style-type: none"> • The existing regulation in the ecosystem enables the out-sourcing of service provision in a wide range of social areas. The first couple of OBP are procured in areas where outsourcing is not limited or conditioned.

Availability of data

Quality data is essential to assess population needs, appropriately cost outcomes and determine value-for-money for outcome funders. Where robust historic data is not available, stakeholders may agree to use proxy information and / or to gather data during the first months of programme implementation. The first OBP contracts may also be used to build knowledge and learning through process or impact evaluations that extend beyond contractual outcomes measurement.

Competency	Illustration
Sufficient data exists to clearly define the social problem to be address and to identify priority populations	<ul style="list-style-type: none"> • Sufficient data exists to define the social problem, identify the target population and assess the population needs for the specific sectors in which the first couple of OBP are focused. • If data is not available, contractual parties agree to collect appropriate baseline data during the early months of OBP implementation.
Sufficient data exists to support pricing of outcomes payments and value for money assessments	<ul style="list-style-type: none"> • Sufficient data exists to assess the cost of achieving outcomes and the value of an OBP to the outcome funders for the specific sectors in which the first couple of OBP are focused. • Data and costs related to achieving intermediate outcomes is used as a proxy when data on final outcomes is not available.
Sufficient data exists to inform the most appropriate approach to contractual outcomes evaluation	<ul style="list-style-type: none"> • Sufficient data exists to inform the most appropriate approach to verifying contractual outcomes for the specific sectors in which the first couple of OBP are focused.
Robust data can be collected on contractual outcomes during implementation to inform contractual payments	<ul style="list-style-type: none"> • Service providers and evaluators participating in the first OBP understand the type of data needed for the outcome verification and make investments to collect this in a robust and consistent way. • Even if a robust information system does not exist, these stakeholders consolidate and organise the required information to measure outcomes.
<i>Nice to have:</i> process or impact evaluations beyond the verification of outcomes.	<ul style="list-style-type: none"> • Stakeholders in the ecosystem acknowledge the importance of systematising and disseminating knowledge around OBP during the early stages of ecosystem development. • Funding is allocated to design and conduct impact and process evaluations with a broader remit than contractual outcomes verifications.

Market capacity

Just as in the case of outcome funders, a small group of service providers and investors may be pioneering the development and launch of the first set of OBP. with a pioneer spirit will be leading the implementation of OBP. Clarity around respective roles and responsibilities, a common vision of success and a collaborative cross-sector approach are helpful.

Competency	Illustration
One or more service providers (and investors if needed) is/are willing to participate in an OBP	<ul style="list-style-type: none"> • A number of service providers, working on one specific issue area, are willing and able to participate in the first set of OBP. • One or more impact investors is interested in providing risk capital for the first set of OBP.
All contractual parties are committed to work together collaboratively to deliver outcomes, including through transparent multi-stakeholder governance throughout implementation	<ul style="list-style-type: none"> • The outcome funders, service providers and investors (if needed) participating in an OBP have a shared vision of success and are motivated to collaborate in order to achieve the expected outcomes. • This group of stakeholders acknowledges that OBPs are multi-stakeholder contracts with an associated cross-sector governance structure, and are willing to participate according to the agreed roles, responsibilities to drive better outcomes.

2 Ecosystem expansion

This section provides a description of key competencies and conditions that may support ecosystems to expand the use of OBP beyond the first couple of pilots or pilot sectors. Countries or regions with an interest in increasing their use of OBP may choose to invest in developing these elements.

Demand from outcome funders

At this point of the ecosystem development, increasing ecosystem, technical and political engagement is key. Technical knowledge around the mechanics, costs and benefits of OBP may increase and an increasing number of advocates may promote these mechanisms among internal and external stakeholders.

Government may be increasingly involved in the technical design, allocation of funding, procurement and management of OBP. Outcome funders acknowledge the benefits of supporting non-state actors to strengthen their capacity for OBP.

Competency	Illustration
Increasing numbers of decision makers and technical teams in governments, donor agencies or philanthropies understand the concept, mechanism and value of OBP	<p>A number of decision-makers and technical teams besides those involved in the first couple of pilots:</p> <ul style="list-style-type: none">• Are familiar with the concept and have knowledge of how an OBP works.• Understand the key differences between OBP and other traditional funding mechanisms.• Are able to assess the benefits and costs of using OBP to improve outcomes in more than one issue area.
Political buy-in into the value of OBP is increasing in one or more sectors	<ul style="list-style-type: none">• A number of advocates or supporters in government, philanthropies, and/or donor agencies acknowledge the potential of OBP to solve a range of social challenges.• Existing advocates actively encourage the use of OBP to improve social outcomes across several social sectors.

Increasing number of stakeholders can build and communicate the value for money case for using OBP	<p>A number of teams with experience in OBP besides those involved in the first pilots are able to:</p> <ul style="list-style-type: none"> • Clearly communicate the value of using OBP to their technical peers to build support for their use. • Communicate and advocate for OBP among a broader set of external stakeholders to build support (e.g. trade unions, civil society organisations, local government officials, etc.).
Increasing funding is available for the design, evaluation and outcomes payments of OBP	<ul style="list-style-type: none"> • A number of government entities, donor agencies and/or philanthropies, some of whom will not have participated in the initial OBP, have the financial capacity and are willing to allocate funding for the design, evaluation and / or outcomes payments of OBP across several issue areas.
Increasing confidence around procurement, governance and management of OBP	<p>A number of decision-makers and technical teams, some of whom will not have participated in the initial OBP, are learning to:</p> <ul style="list-style-type: none"> • Engage and participate in the design of OBP. • Navigate internal procedures to allocate funding. • Procure service providers on an outcomes basis. • Manage multi-stakeholder contracts using an outcomes focus. • Pay for outcomes using verification data in good time.
Nice to have: Government, donor agencies or philanthropies fund and implement activities to build ecosystem capacity for OBP	<ul style="list-style-type: none"> • Government, donor agencies or philanthropies allocate funding to develop a strategic agenda for building evidence and learning in the ecosystem. • Government, donor agencies or philanthropies allocate funding to support and strengthen the capacity of stakeholders in the ecosystem (i.e. intermediaries, investors, service providers or research centres). • Government, donor agencies or philanthropies design, launch and implement capacity building strategies targeted at supporting different type of non-state actors to develop the ecosystem for OBP.

Regulatory framework

The existence of a regulatory framework that enables and encourages participation in OBP is of increasing importance as the use of OBP grows. In ecosystems where regulation does not enable OBP, launching additional projects beyond the first couple of pilots can be challenging. At this stage, it may be important to coordinate efforts to identify and amend relevant regulation. Governments will play a leading role in this process, which may involve changes to public authorities' budgeting, procurement and contracting procedures, as well as to regulation applicable to service providers or investors.

Competency	Illustration
Efforts are made to identify and begin the process of amending outcome funder regulation to facilitate the use of OBP where necessary.	<ul style="list-style-type: none">• Government, donor agencies and / or philanthropies have identified the regulatory changes required to enable, facilitate or encourage the use of OBP in the ecosystem. Potential regulatory changes may be focused on outcome funders' procurement, budgeting and contracting regulations and procedures.• Government has a key role in leading the required regulatory changes in the ecosystem, while donor agencies and philanthropies provide any required support.
Efforts are made to identify and begin the process of amending other ecosystem constraints to facilitate the use of OBP where necessary.	<ul style="list-style-type: none">• Government has identified the regulatory changes required to enable, facilitate and encourage the participation of non-state actors in OBP. Potential regulatory changes may be focused on the existing barriers that disincentivise the participation of non-state actors like an inability for non-profit actors to take-on repayable capital, or challenges with government procuring for-profit providers of social services.• Government has a key role leading the required regulatory changes in the ecosystem, while donor agencies and philanthropies provide any required support.

Political and economic context

As in the first couple of pilots (Ecosystem Foundations), the ecosystem must enable the provision of social services through non-state actors, who in turn

should have a good level of confidence in the commitments of outcome funders. Steps may be taken to increase political and economic stability for OBP and other government contracts.

Competency	Illustration
Nice to have: Efforts are made to increase confidence in the economic and political context	<ul style="list-style-type: none"> The government, donor agencies and philanthropies are aware of the importance of a stable political environment, effective anti-corruption policies, solid and independent financial institutions and stable monetary policies to encourage the participation of non-state actors in OBP. These organisations are taking actions to increase non-state actors' confidence to participate in OBP given the existing economic and political context.

Availability of data

At this stage, ecosystem stakeholders may start shifting the culture and practices around the use of data. This may include developing better tools to track results, creating governance structures that increase the accountability around public spending for outcomes, or shifting mindsets to view data-driven service adaptation as an opportunity to achieve success. As the ecosystem expands beyond the stakeholders involved in the first pilots, it is desirable that the data from OBP is collected, collated and shared with a broad set of ecosystem stakeholders.

Competency	Illustration
<i>Increasing investment in the design and development of data systems to allow easier tracking of outcomes</i>	<ul style="list-style-type: none"> Service providers and/or investors in the ecosystem acknowledge the importance of having data systems to facilitate the tracking of outcomes. Government or other stakeholders invest in designing and developing information tools to support outcomes based accountability for public spending within OBP and, potentially, more broadly.
<i>Efforts are made to share data and learning from OBP with a broad group of stakeholders.</i>	<ul style="list-style-type: none"> Stakeholders in the ecosystem start collecting, organising and systematising data from different OBP to make it available to interested stakeholders.

**Nice to have:
Outcome funders
and service
providers make
efforts to shift
accountability of
programmes
towards outcomes
based on
available data**

- Outcome funders and service providers acknowledge the importance of increasing the accountability of programmes around the outcomes they achieve.
- Governance mechanisms are put in place to build a culture of accountability for outcomes based on the available data.

**Nice to have:
Increasing
number of
stakeholders use
data to adapt
programme
delivery and,
therefore, see
adaptation as
success not
failure**

- Outcome funders – particularly those within government – come to see changes to implementation to maximise outcomes as a sign of success, rather than a failure of planning.
- Outcome funders view flexibility and adaptation as an opportunity to test and learn for broader policy initiatives.
- Increasing numbers of service providers adopt an adaptive management approach and are comfortable communicating the benefits in terms of outcomes.

Market capacity

Ecosystem expansion is likely to involve increasing interest from and participation by non-state actors in OBP, especially service providers and impact investors. The ecosystem may have an increasing number of service providers and investors willing to participate in OBP. This interest may be supported by specialist intermediaries with the capacity to support a range of stakeholders through the scoping, feasibility, design, contracting and performance management of OBP. It may also be desirable encourage evaluators or research centres to engage and share learnings around OBP.

Competency	Illustration
Increasing numbers of service providers understand and are interested in participating in OBP	<ul style="list-style-type: none"> • A number of service providers, besides those participating in the first pilots, acknowledge OBP as a compelling mechanism to improve social outcomes, understand the implications for their operations and are willing to participate. These service providers may work across various policy areas and social sectors.

Increasing numbers of outcomes-based investors understand and are interested in participating in OBP

- A number of actors, besides those participating in the first pilots, recognize OBP as a feasible, attractive opportunity and are willing to provide risk capital in various projects across different social sectors.

Specialist intermediaries exist to advise and support outcomes funders, service providers and investors to design and implement OBP

- A number of organisations in the ecosystem are capable of supporting ecosystem stakeholders around the scoping, feasibility, design, contracting and performance management of OBP. This group of intermediaries is building expertise across multiple issue areas.

Nice to have: Specialist evaluators and research centres focused on extracting and communicating learnings from OBP

- A number of evaluators and research centres acknowledge OBP as a compelling mechanism to improve social outcomes and solve a range of social challenges. As more OBP are developed in the ecosystem, research centres and evaluators increase their expertise researching these types of mechanisms and disseminating lessons learned, data and evidence.

3 Ecosystem consolidation

This section describes the competencies and conditions that would support an ecosystem to consolidate the use of OBP as a mainstream tool to address a wide range of social challenges. At this stage of ecosystem development key stakeholders have deep knowledge of OBP and have developed the expertise and technical, regulatory and political conditions to enable the easy use of these instruments.

Demand from outcome funders

Outcome funders at this stage of ecosystem development have deep knowledge of the concept and mechanics of OBP and, more importantly, have the technical skills to critically participate in the design, launch and implementation, and make informed decisions. Outcome funders may use their financial capacity to allocate sufficient funding for OBP across a wide range of social issue areas. At this stage, government is likely to play a key role in terms of providing funding for OBP design, paying for outcomes, supporting market actors and leading a learning agenda.

Competency	Illustration
Decision makers and technical teams across multiple government departments and donor agencies have a deep understanding of the concept, mechanics and value of OBP across multiple issue areas.	<ul style="list-style-type: none">• The concept of OBP is widely understood by government, donor agencies and non-state actors across multiple sectors.• Most decision-makers and technical teams in multiple government departments and donor agencies have a deep understanding of the concept, mechanics and potential of OBP to improve social outcomes.
Outcome funders within governments and donor agencies	<ul style="list-style-type: none">• Most decision-makers and technical teams leading OBP in multiple government departments and donor

have the knowledge and skills to assess the value of, design and launch OBP

- agencies have the knowledge needed to understand the expected value and costs.
- These teams are able to actively participate during the design, making informed and thoughtful technical decisions around the parameters of the design.
 - In some cases, there may be a centralised OBP team that can provide support to different government organisations or donor agencies.

Governments and donor agencies invest in the feasibility, design and evaluation of OBP

- Multiple government departments and donor agencies allocate stable and sufficient funding for the feasibility design and evaluation of OBP in different issue areas.
- The government has strong leadership in this area, as it is the, or one of the, main funders in the ecosystem.

Governments play a key role in funding, procuring, contracting and managing OBP

- Many technical teams across multiple government departments understand the internal procedures and processes to allocate funding to OBP.
- These teams can also author, run, evaluate, negotiate and execute procurement on an outcomes basis.
- As government teams participate in OBP, they can govern complex, multi-stakeholder contracts, ensure an environment that is conducive to delivering outcomes and use data effectively to trigger payments in a timely manner.

Governments play a key role in supporting the development of the OBP ecosystem and driving an agenda of learning and improvement.

- The government has the ability to build momentum for the use of OBP and provide stable financial support to build the ecosystem as necessary.
- The government has strong leadership in terms of creating evidence and sharing knowledge and lessons learned around the use of OBP to improve social outcomes.

Regulatory framework

A mature OBP ecosystem is characterised by the absence of regulatory barriers to the participation of outcome funders, service providers and investors. Outcome funders can allocate contingent, multi-annual funding and use OBP as one of their standard contracting options [when it is appropriate](#).

Competency	Illustration
Relevant regulation is in place to facilitate the use of OBP	<ul style="list-style-type: none"> Existing regulation enables public authorities to contract OBP and pay for outcomes without bespoke vehicles or workarounds. Existing regulation enables the allocation of multi-year funding, encourages government departments to co-fund interventions and reduces penalties for not spending funding in OBP. The existing regulatory framework considers outcomes-based contracts as a valid mechanism for driving better outcomes across a wider range of social areas.
Relevant regulation is in place to enable the participation of non-state actors in OBP	<ul style="list-style-type: none"> Existing regulation recognises cost of upfront capital for service providers as a valid component of the operating expenses. Existing regulation enables non-profit service providers to hold repayable capital and participate in OBP that involve some form of incentives. Existing regulation incentivises impact investors to participate in OBP by providing tax and financial incentives. Existing regulation allows for philanthropies and foundations to engage in investment-related activities.

Economic and political context

The economic and political context is conducive to the participation of a range of non-state actors in service delivery and finance. Non-state actors have a good level of confidence in government institutions and commitments. Government increases the trust of non-state actors in OBP by increasing its capacity to pay for outcomes, fulfilling non-financial contractual obligations, and strengthening financial institutions, monetary policies and anti-corruption practices.

Competency	Illustration
Service providers and outcomes-based investors have a good level of confidence in	<ul style="list-style-type: none"> Non-state actors have confidence in the government's fiscal capacity to pay for outcomes and understand that the fulfilment of the government's contractual obligations does not depend on the current administration or appointed public officers.

government's willingness and ability to pay for outcomes

Service providers and outcomes-based investors have a good level of confidence in the legal and political context in which they are operating

- Non-state actors have confidence in the strength of independent financial institutions, the stability of the monetary policies and the effectiveness of anti-corruption practices to the extent that limited additional risk to participating in OBP is perceived.

Availability of data

A robust infrastructure to collect data is embedded within a culture of analysing outcomes information and disseminating knowledge. Government, policy makers and donor agencies may invest in developing information systems to systematically collect data around priority social issues, and focus programme accountability around outcomes. Lessons around OBP are seen as a public good and routinely systematised and shared. Government may identify an independent knowledge partner or Knowledge Hub to facilitate knowledge dissemination.

Competency	Illustration
Robust data systems exist to support the problem definition, programme design and outcome verification across a number of sectors	<ul style="list-style-type: none"> • Robust information systems are available across most issue areas where OBP could be implemented. • Existing information systems collect robust data and information on population needs, the cost of achieving outcomes, the achieved results and indicators that evidence the track record of interventions. • The practices of collecting and analysing relevant data through information systems are embedded within the ecosystem for OBP and beyond.
Outcome funders and service providers are routinely held accountable for outcomes	<ul style="list-style-type: none"> • The culture of monitoring and holding programmes accountable for outcomes is embedded in the ecosystem. • Government, donor agencies and non-state service providers routinely communicate the service user results achieved through their interventions.

Data and learning from OBP are systematically collated and shared with a broad group of stakeholders

- Data, evidence and information from multiple OBP are systematically collected, collated and analysed.
- Data, information, published documents, evaluations and case studies with lessons learned around the use of OBP are readily available.
- Some ecosystems may have a central information system or organisation – a Knowledge Hub - that centralises and shares data and learnings from OBP.

Market capacity

A wide range of stakeholders engage with and support OBP across multiple social sectors. Service providers and investors have an outcomes-orientation, robust data and finance systems in place, and the flexibility to operate within OBP. Investors have the capacity to make assess outcomes risk and make informed decisions during the design, procurement and implementation. OBP intermediaries can support all stakeholders as required. Governments, donor agencies and philanthropies encourage and fund independent research around the drivers of effective OBP.

Competency	Illustration
<p>Increasing numbers of service providers have experience of delivering better outcomes through OBP in a range of sectors</p>	<ul style="list-style-type: none"> • A significant number of service providers understand the potential of OBP to achieve better outcomes across multiple issue areas and are willing to participate. • Service providers participating in OBP have the motivation, data and finance systems, governance and flexibility in their delivery model to operate successfully within these types of contracts.
<p>Increasing numbers of outcomes-based investors have experience of participating in OBP across a range of sectors</p>	<ul style="list-style-type: none"> • The ecosystem has a significant number of impact investors, with a wide range of risk-return appetites, that are willing and able to provide risk capital to OBP across multiple issue areas. • Many investors in the ecosystem have the knowledge and ability to assess an outcomes-based investment opportunity and to make informed investment decisions to maximize social impact and financial returns.

Independent research on drivers of the effectiveness of OBP and their impact on outcomes is encouraged

- The ecosystem has a significant group of research centres or evaluators with knowledge, interest and expertise in designing and conducting impact, results and process evaluations around OBP. These evaluations go beyond the verification of contractual outcomes metrics.

Systematic support is available for outcome funders to design and manage OBP contracts

- The ecosystem has a significant group of intermediaries to support OBP design, contracting and management.
- Central government may provide support to spending departments and local government to encourage the use of OBP.

Acknowledgements

This framework has been produced by Social Finance UK for the Government Outcomes (GO) Lab, supported by the Foreign Commonwealth & Development Office (FCDO).

We would also like to thank all those who participated in the framework review workshop: Mariana Romero (Colombia's Social Impact Bonds Programme), Abha Thorat-Shah (British Asian Trust), Anushree Parekh (British Asian Trust), Emily Gustaffson-Wright (Brookings Institution), James Ronicle (Ecorys), Charlie Morgan (FCDO), Radana Crhova (FCDO), Jessica Lopez (GPRBA), Ben Stephens (Instiglio), Hollie Lippert (Instiglio), Bernard Kwesi Ayensu (Ministry of Education, Ghana), Nevilene Slingers (South African Medical Research Centre - SAMRC), Chih Hoong Sin (Traverse).

With special thanks to Jane Newman and Marta Garcia from Social Finance UK for their invaluable feedback.



Social Finance UK is a not-for-profit organisation that partners with governments, service providers, the voluntary sector and the financial community. Together, we find better ways of tackling social problems in the UK and globally.

Social Finance's vision is a fairer world. Where together we unleash the potential of people and communities.

Authors

Louise Savell

Louise Savell is co-founder and Director of Social Finance and jointly leads their international development team where she advises governments, philanthropies and service providers on the design and delivery of social development programmes. Louise is passionate about driving social impact through rigorous analysis, efficient structures and effective cross-sector partnerships. She has particular expertise in outcomes-based approaches and social investment structures. She co-developed the Impact Bond model in 2008. Louise has led social outcomes work across a range of sectors and geographies including Sleeping Sickness in Uganda; Education in Ghana and Liberia; Early Childhood Development in China, South Africa and Cameroon; Energy Access in India; and Street Children in Ethiopia. She has also led the development of social outcomes programmes in the UK in the fields of homelessness, youth employment and health.

María Alejandra Urrea

María Alejandra is a Manager in the International Team of Social Finance UK. She has worked on the feasibility and design of multiple outcomes-based funding mechanisms across various issue areas and geographies, especially Latin America and Spain. María has participated in designing two Education Outcomes Funds in Colombia and Chile, an Impact Bond to improve the socio-residential autonomy of vulnerable populations in Spain, and the design of an HIV SIB in South Africa, among others. Before joining Social Finance, she managed the Social Impact Bonds Programme in Colombia (SIBs.CO) and supported the government in launching an employment SIB and Outcomes Fund. María has also had the opportunity to lead high-impact projects for public sector entities such as the Ministry of Education and the National Agency for Overcoming Extreme Poverty in Colombia.

Saskia Thomas

Saskia is an Analyst in the International Team of Social Finance UK. Since joining, she has been involved in innovative finance research, outcomes contract feasibility and design, and programme support work in a broad range of sectors including road safety and education, across a number of countries including Jordan, Liberia and the Republic of Ireland. Prior to joining Social Finance she worked in the public sector consulting practice of EY. Whilst there she supported UK central government departments to embed data driven decision-making practices and to design and implement large scale transformation programmes.



Social Finance Ltd
87 Vauxhall Walk
London
SE11 5HJ

—
info@socialfinance.org.uk
+44 (0) 20 7770 6836

socialfinance.org.uk
Publication date: April 2022

Disclaimer and Terms of Use

This report is not an offering of any Notes for Sale and is provided by Social Finance solely for information purposes. Neither Social Finance nor any of their respective affiliates, directors, officers, employees or agents makes any express or implied representation, warranty or undertaking with respect to this Document, and none of them accepts any responsibility or liability as to its accuracy or completeness. Social Finance has not assumed any responsibility for independent verification of the information contained herein or otherwise made available in connection to the Document. The text in this Document may be reproduced free of charge providing that it is reproduced accurately and not used in a misleading context. The material must be acknowledged as Social Finance copyright and the title of the document be specified.

Social Finance is authorised and regulated by the Financial Conduct Authority FCA No: 497568