

Building Readiness Frameworks for Outcomes Based Partnerships: An Overview of Methods

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Foreword

Are outcomes-based partnerships better than traditional ways of working? Are the additional costs of designing, contracting, monitoring and validating worth it?” These are questions we get asked all the time at the Government Outcomes Lab and they are unlikely to get a simple answer. The evidence is emerging and currently inconclusive, but there is broad consensus that context is key. So, what is this ‘context’?

I welcome the publication of these ‘readiness frameworks’ that offer a perspective on context, both at the level of the ecosystem and at the level of the organisation delivering services. The main audience of this report are practitioners and policymakers, but researchers may also find useful material to design research questions.

The frameworks are intended as a learning tool to support organisations and policymakers interested in exploring a shift of focus from inputs/activities to outputs/outcomes in funding and organising the delivery of social and environmental programmes. This shift often requires new ways of working, for instance in terms of defining measurable outcomes and designing processes to act timely and course correct. The frameworks provide a rapid review and synthesis of insights from published literature, reports and interviews with stakeholders that have studied or have been involved in outcomes-based partnerships. The synthesis is presented here as one would present a map. A map of a learning journey, starting from some initial competencies or features and anticipating what to expect as the organisation or the ecosystem develops and explores the avenues of outcomes-based partnerships.

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Part 1: Introduction

1.1. Context

Delivering services to achieve social good for populations in a way that is efficient and effective is a challenge recognised by governments, policy-makers and service delivery organisations across the world. Paying for these services on the basis of results, by explicitly linking funding to better outcomes for service users, as opposed to activities or inputsⁱ, is one route to achieving that desired effectiveness. Outcomes-based partnerships (OBP), centre around a shared definition of target outcomes among the commissioning body, normally a government or development partner, and the service provider, a non-state implementing organisation which may be for-profit or notⁱⁱ. The commissioning body only pays for the delivery of outcomes once they have been achieved, while the service provider has the flexibility to innovate and deliver services to achieve those outcomes, without being constrained by a pre-agreed workplan.

Over the last couple of decades, the use of OBP has developed and grown, and there is an increasing volume of literature and publications discussing the rationale, benefits, downfalls and process of engaging in OBPs from a number of key actors in the fieldⁱ. Having originated in delivering better social outcomes in high-income countries, OBPs have since been developed and adapted to low-and middle-income contexts. This is particularly pertinent now as the initial pioneering partnerships are ending and being evaluated, with key insights for the field as a whole developing. There is an ever-increasing need to not only understand and disseminate these learnings in the field but also to adapt the content to make it accessible to broader range of actors who might want to participate in OBPs in future.

Within the field, there is a broad range of terms and definitions of instruments that broadly refer to cross-sector partnerships based on the financing and/or delivery of outcomes, including social outcomes contracts, impact bonds and othersⁱⁱⁱ. In order to encapsulate the minor variations in nomenclature but to exclude instruments that are focussed on outputs and inputs, this report considers OBPs to be programmes based on collaboration and payment is based on the delivery of outcomes, where outcomes are the positive results that services produce in the lives of service users and citizens as opposed to inputs or outputs of a serviceⁱ. This definition is in line with the definitions used in the GO Lab systematic review which aims to explore whether, when, and where outcomes-based contracting approaches deliver improved impact when compared to more conventional funding arrangements.

Given the [range of factors that influence the suitability and feasibility of launching a successful OBP](#), the Government Outcomes Lab (GO Lab) has identified the lack of open, coherent and comprehensive frameworks for assessing readiness to engage in OBPs, as a barrier to the wider use of these approaches to deliver social outcomes. Supported by the UK's Foreign, Commonwealth & Development Office (FCDO), Social Finance has partnered with GO Lab and a broad set of experienced market practitioners to develop two frameworks to support actors in the field to understand levels of ecosystem readiness and service provider readiness respectively to engage in OBP. Every country and every organisation are unique, with their own specific strengths and challenges and these frameworks cannot respond to all these individual

characteristics. Instead, they are based on a consolidation of current market knowledge as well as insights from practitioners across the globe. They are designed as a useful starting point for those considering engagement in OBPs.

1.2. Aims of this report

This report presents the context, methodology and inputs into the development of these two consolidated frameworks. It should be read in conjunction with the frameworks, of which the first helps to elaborate on the readiness of an ecosystem, including government and other market actors, to engage with OBP at different levels of ecosystem development. This framework is focussed on articulating the competencies and characteristics that ecosystems need to launch the first OBPs, to expand the ecosystem for OBP, and then to institutionalise OBPs within the ecosystem. The second supports service providers to engage in OBPs by presenting the foundations for outcomes-based delivery through to an organisation's ability to embed these ways of working. The aim of this framework is to articulate the key competencies that service providers need to participate in an OBP, build their capacity for outcomes-based delivery, and then embed outcomes-based approaches throughout their work. Equally, the frameworks can also serve as a tool to indicate the competencies and characteristics that participating in an OBP might help service providers and ecosystems to develop over time.

This report and the two frameworks have been written with a broad range of audiences in mind. They aim to support prospective participants in OBPs to identify where their strengths lie and where there are gaps in capacity that may need to be filled, or built over time, in order to support successful OBPs. This report provides an overview of the methodology which has been used to inform the development of both frameworks. It is aimed at those wishing to explore these issues in more depth to understand the broader state of market knowledge.

1.3. Structure of this report

Introduction	This section outlines the context, aims and methodology of this work, including a list of key definitions.
Current State of Market Knowledge	This section outlines the overarching findings from the literature review and any additional interviews that were conducted. It also includes small summary case studies of existing frameworks.
Annex	The annex includes details of the documents reviewed, interviewees, workshop attendees and more detailed case studies for the ecosystem readiness key findings chapter.

1.4. Key definitions

Delivery consortium	The group of organisations working to deliver outcomes within an OBP. This may be a single service provider, or it may involve a consortium of other service providers, intermediaries supporting them, and impact investors.
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Development Impact Bond	This is a term used for an impact bond that is implemented in low- and middle-income countries where a donor agency, multilateral institution, or a foundation pays for the desired outcomes as opposed to the government (although some combination of government with third party is also possible). ⁱⁱ
Dimensions	Dimensions in the frameworks refer to the groupings of similar competencies or conditions.
Ecosystem	Refers to the broad group of stakeholders that participate in or may support the development of OBP at a country level. The ecosystem includes outcomes funders, service providers, evaluators, research centres, intermediaries and impact investors.
Evaluators	Organisations responsible for conducting independent verification of contractual outcomes in an OBP
Impact Investing	According to OECD, social impact investment is the provision of finance to organisations addressing social needs with the explicit expectation of a measurable social, as well as financial, return ^{iv} .
Intermediaries	Organisations with wide technical knowledge of OBP that support outcome funders, investors and/or service providers in designing, procuring and delivering OBP ⁱⁱ .
Investor	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
Outcome-based partnerships	Programmes tying payment to achievement of outcomes – positive changes in the lives of service users ⁱ
Outcome Funder/Payer	The stakeholders willing to pay for the outcomes achieved and verified in an OBP ⁱⁱ . The governments, donor agencies or philanthropies usually take this role
Payment by results	The practice of paying providers for delivering public services based wholly or partly on the results that are achieved ⁱⁱ
Research Centres	Organisations that systematise and disseminate knowledge, data, evidence and lessons learned around OBP
Results-based finance	A term used in some countries, in particular in the USA, that refers to payment-by-results schemes, usually involving service delivery by a non-state actor ⁱⁱ
Service Provider(s)	The organisation or organisations directly delivering services with the intention of delivering better social outcomes. These are non-state organisations and may take one of a variety of forms including a charity, NGO, social enterprise, or for-profit company. ⁱⁱ

Social Impact Bond	A type of outcome-based contract that incorporates the use of private funding from social investors to cover the upfront capital required for a provider to set up and deliver a service. The service is set out to achieve measurable outcomes established by the commissioning authority and the investor is repaid only if these outcomes are achieved. ⁱⁱ
Social Outcomes Contracting (SOC)	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. The service or programme is set out to achieve measurable outcomes established by the outcome payer, and the investors are repaid only if measurable outcomes are achieved ⁱⁱⁱ
Humanitarian impact bond (HIB)	This is a variation of a development impact bond, through which private investors finance a social benefit/development program and receive a return according to the programme's results from a donor. The difference is that a HIB is used in a conflict or post-conflict setting. ⁱⁱ

1.5. Methodology

The development of the ecosystem and service provider frameworks is based on a consolidation of existing published work and, particularly in the case of the service provider framework, supplemented by unpublished work and conversations with market practitioners. Social Finance, as a leading practitioner in the field of OBP, acknowledges our position as both a producer and consumer of this market knowledge. As such we have been deliberate in ensuring that our methodology incorporated the documentation and views of a broad range of actors from across the field. This review of market knowledge was used to develop the draft frameworks which were then shared with a select group of key experts to obtain feedback before being revised accordingly. The final frameworks therefore incorporate the views of a wide range of stakeholders.

Initial literature review

The aim of the literature review was to develop a broad understanding of the relevant published literature in the field that focusses specifically on the competencies and characteristics of service providers or ecosystems, which are required or desirable to participate in outcomes-based partnerships. It did not set out to complete an exhaustive review of all the literature on OBP but to target key published documents that represent a sensible and representative snapshot of the state of current knowledge on OBPs globally.

An initial scoping of the available body of literature was undertaken for both frameworks in the first instance. Social Finance worked with GO Lab to identify an initial longlist of key published work in the area of outcomes-based partnerships. This included literature on a range of

instruments including results-based finance, payment-by-results, impact bonds and impact investing, as well as a range of literature types, including frameworks, academic literature reviews, practical toolkits and evaluative reports.

The long list was triaged by relevance to the key question the frameworks were trying to answer, though a high-level understanding of the audience, purpose and key messages from the long list of documents. Documents were categorized as relevant to one framework or the other, both or neither. No documents were considered to be both, and any document considered to be neither was not considered in the secondary review. See the [annex](#) for a full list of the documents and categorization decisions.

This process indicated that whilst there is a large body of published work on these kinds of instruments, a large proportion of the literature is focused on the case for their use or the design process of OBP instruments; and not on the key competencies and characteristics of service providers to succeed in such partnerships, or ecosystem characteristics that enable such instruments to launch and scale. There was also a noticeable difference in the volume of published works between the service provider and ecosystem readiness categories, with considerably more already written on the latter. This indicated that supplementation of the literature review would need to be conducted separately and differently across the two frameworks.

Service Provider Readiness Framework Secondary Review

There is currently only a small body of published work that explicitly sets out the competencies a service provider would need in order to be ready to participate and deliver as part of an OBP. A summary of the two applicable frameworks is included below:

Paper title	Author	Audience	Brief description
A practitioner's guide to Results Based Financing: Getting to Impact ^v	Instiglio	Practitioners	A lot of focus on the design considerations for RBF instruments in general and one chapter considering the capacity of implementers to leverage the benefits of RBF. Two main areas of competence: Stakeholder management and performance management
Social Impact Bond Providers Toolkit ^{vi}	Think Forward	Service providers	Guide through the necessary steps and associated competencies in the design and launch of a SIB for a service provider-led design. Focus on the process required having established that organization has the motivation and understanding of a SIB as the basic requirements.

These two frameworks were supplemented with insights obtained through interviews with practitioners in the field as well as published insights from other sources to better understand the implementation experiences of service providers. As a result, a twofold secondary research process was conducted with key informant interviews with a range of key stakeholders in the field and further review of case study material.

Selecting Key informants for interview: In collaboration with GO Lab, we selected four key informant organisations who could share knowledge from a broad range of experiences across a number of geographies. Specifically, we were looking for insights from market actors who had experience of selecting and partnering with service providers with a view to assessing their readiness to participate in OBP, in order to understand what they look for in partners. As a result, we interviewed representatives from two outcomes-based impact investors (Bridges Ventures & UBS Optimus Foundation) and two market intermediaries (British Asian Trust & Social Finance Israel).

Selecting case studies for review: The second supplementary research conducted was the review of key case study evaluations to gain insight into the lessons learnt and any critical success factors identified through the practical experience of running OBPs. We therefore selected evaluative case studies published across completed development impact bonds (DIB) including: the Village Enterprise DIB^{vii}, Quality Education India (QEI)^{viii}, ICRC Humanitarian Impact Bond^{ix}, Educate Girls^x and Kangaroo Mother Care^{xi}. Findings from the review were then incorporated into the frameworks where there were gaps.

Paper title	Author	Brief description
Village Enterprise DIB ^{vii}	Ecorys	Case study written as part of the independent evaluation of FCDO's Development Impact Bond Pilot Programme. This focusses on the lessons learned during the design and implementation of the DIB.
ICRC Humanitarian Impact Bond ^{ix}	Ecorys	Case study written as part of the independent evaluation of FCDO's Development Impact Bond Pilot Programme. This focusses on the lessons learned during the design and implementation of the DIB.
Educate Girls Process Evaluation Development Impact Bond ^x	Dahlberg	Process evaluation document written following the completion of the Educate Girls DIB that includes lessons learnt from the design and implementation process.
Kangaroo Mother Care End of programme Report ^{xi}	Social Finance	Overview report of the achievements of the DIB and the lessons learnt throughout the design and implementation process.
Quality Education India (QEI) ^{viii}	Ecorys	Case study written as part of the independent evaluation of FCDO's Development Impact Bond Pilot Programme. This focusses on the lessons learned during the design and implementation of the DIB.

A synthesis of key findings from across the research is in Section 2; the outputs from this review were then used to create the consolidated framework. A draft framework was then shared with the [wider field for discussion and feedback through a workshop to discuss the structure, content and aims of the frameworks and how best to ensure that they serve as practical tools for the market](#). The feedback was then incorporated through further workshops with GO Lab staff to finalise the frameworks. Before publication they were subject to a final review by a sector expert.

Ecosystem Readiness Framework Secondary Review

The volume of published literature relevant to the ecosystem readiness framework was larger than the service provider framework body of literature and spanned across a broader range of instruments including impact investing, social impact bonds and outcomes-based funding. The eight documents categorised as being relevant for ecosystem readiness were triaged for a second time, based on their relevance to the aim of determining the key enabling factors for ecosystem readiness for OBP. We selected a group of five documents for an in-depth comparison based on the following criteria:

- **Documents included** in the in-depth comparison resemble a framework or allude to one that focuses on the enabling factors or the ability to support the use of these types of mechanisms. Some examples of these documents include DREAM framework^{xii} and Catalysing Impact Investment Ecosystems^{xiii} (see table below for full list).
- **Documents excluded** from the in-depth comparison were papers focused specifically on design elements of these mechanisms without discussing the enabling factors and / or documents that discuss the benefits of the instruments rather than the supporting factors. Some examples of these documents include Payment by results analytical framework^{xiv}, Payment by results literature review^{xv} and UNICEF Uganda Innovative Financing Study for social sectors^{xvi}.

The list of documents selected for the comparison and the rationale for inclusion are included below.

Paper title	Author	Date Published	Included/ Excluded	Summary of document	Justification
Catalysing Impact Investment Ecosystems ^{xiii}	Global Steering Group for Impact Investment	Oct-18	Included	This document provides a framework for viewing the role of government within the impact investment ecosystem and applies this to a number of countries. The audience is primarily policymakers and government officials looking to build an impact investment ecosystem	Resembles a framework that includes dimensions and policies that contribute to developing an impact investing ecosystem, and includes a helpful segmentation of the roles government can play within the ecosystem
Guide for effective RBF strategies ^{xvii}	Instiglio, GPRBA and World Bank Group	2018	Included	This document provides a summary of RBF and different tools under that broader category, and advice on the implementation of effective RBF according to the design process. Enabling factors of the environment for RBF are discussed as part of the design process.	The document has a specific section that resembles a framework for assessing whether an ecosystem is able to support RBF.
SIBs in Latin America: IDB Lab's Pioneering Work in the Region Lessons Learnt – DREAM Framework. ^{xii}	Alma Agusti Strid, James Ronicle, Christine Ternent	Jan-21	Included	This document introduces the DREAM framework - the most comprehensive SIB-specific framework that outlines the key enabling factors for launching SIBs in ecosystems at different levels of maturity.	Resembles a framework that explicitly targets the enabling factors that supports SIB development at varying stages in ecosystem development

From Scheme to System (Part 2): Findings from Ten Countries on the Policy Evolution of Results-Based ^{xviii}	Zubin Cyrus Shroff, Maryam Bigdeli & Bruno Meessen	2017	Included	Academic paper that reviews the development of RBF in health across a number of countries, specifically summarising the enabling factors and barriers observed as ecosystems transition from single RBF pilots to a more developed RBF commissioning ecosystem.	The paper includes in depth discussion on the enabling factors for developing a RBF ecosystem, albeit in a health specific context
Social impact investment: the impact imperative ^{iv} for sustainable development	OECD	2019	Included	Policy framework designed to support policy-makers implement impact investment friendly policies.	Resembles a framework to stimulate and support impact investing.
Payment by results analytical framework ^{xiv}	National Audit Office (UK)	Jun-15	Excluded	Detailed framework aimed at commissioners in UK covering when to use PbR and how to design programmes. The framework does not outline what competencies or enabling factors are required, but the questions that need to be considered when choosing RBF.	Excluded on the basis that the discussion focusses on the design process and the considerations for design elements and not for the enabling environment for PbR
Payment by results literature review ^{xv}	Russell Webster	2016	Excluded	Russell Webster's literature review is written to assist commissioners and providers to decide whether payment by results (PbR) might be an effective approach. The review outlines the critical	Excluded on the basis that the discussion is focused on the design elements of PbR and how those relate to success rather than the enabling factors of the environment

				success factors for the design process of a Payments by results contract, common barriers to success and how to overcome them.	
UNICEF Uganda Innovative Financing Study for social sectors ^{xvi}	Instiglio	Apr-20	Excluded	This document makes the case for the use of innovative financing within the sector and but does not focus on the enabling factors or competencies to do it.	Excluded on the basis that the content of this paper focuses on the benefits of implementing innovative finance instead of the enabling factors

The aim of the comparison was to understand the similarities and differences between the way various actors have approached understanding the enabling factors for OBP ecosystems. We were able to understand where there was consensus within the field and perhaps where there were gaps or low levels of consensus. We assessed the level of consensus according to these criteria:

Level of consensus	Explanation
High (with a gap)	<p>Agreement on the importance of the concept or general idea:</p> <ul style="list-style-type: none"> • They include it as dimension or sub-bullet, and largely agree in the details (how they understand the dimension or sub-bullet). <p>Most of the frameworks include or address the concept as a dimension or sub-bullet.</p>
Medium	<p>Agreement on the importance of the concept or general idea, but differences in the details:</p> <ul style="list-style-type: none"> • There are conceptual similarities but frameworks use different names, different capacities, different conditions <p>The majority of frameworks address the concept as a dimension or sub-bullet.</p>
Low	<p>Lack of agreement on the importance of the concept or general idea.</p> <p>Very few frameworks address the concept as a dimension or sub-bullet.</p>

The completed comparison was supplemented by insights from conversations with key informants and several additional documents that, despite not being part of the core content comparison, addressed essential elements for the ecosystem readiness. This group of complementary documents included specific frameworks focused on the legal and regulatory conditions, case studies that provided an analytical perspective on the factors that have enabled or limited the development of various ecosystems, and papers with practical recommendations for policymakers to advance in the adoption of OBP.

Paper title	Author	Date	Summary
Mexico Action Plan for Government	Social Finance	2020	This non-published document summarises the key recommendations Social Finance provided to the national government in Mexico to support the creation of a payment-by-results ecosystem in the country. Key recommendations include actions around the regulatory framework, the existence of sufficient funding and robust data and evaluation systems and the support to stakeholders in the market.
Legal Regulatory Framework reports 1-3	Social Finance	2020	This is an unpublished piece of research conducted by Social Finance for the Government of Chile to understand the legal and regulatory contexts of four case study countries and the role that government and the legal and regulatory context plays in the development of a SIB market.

A Legal Roadmap for Social Impact Bonds in Developing Countries^{xix}	Instiglio and Thomson Reuters Foundation	2014	This is a published report that analyses the legal challenges that policymakers have faced in implementing social impact bonds.
The evolution of the payment-by-results ecosystem in Colombia: a case study^{xx}	Social Finance and SIBs.CO	2021	Social Finance conducted this case study to assess the key factors that have enabled the expansion of the payment-by-results ecosystem in Colombia, the first middle-income country to launch an impact bond and establish an outcomes fund. The study also provides key recommendations to continue consolidating the ecosystem.
Social Impact Bonds in México: opportunities and challenges^{xxii}	Ethos and Brookings	2017	This is a published research document that assesses the key challenges in the Mexican ecosystem around the launch and adoption of social impact bonds. The authors identify the existing barriers in the market in areas such as the legal framework and conditions relevant to investors. This document also provides key recommendations to facilitate the use of SIBs in this context.

The learnings on areas of consensus and identified gaps from the comparison are outlined in Section 2 and were then used as the key input into the consolidation of the framework for ecosystem readiness. A draft framework was then shared with the wider field, including governments, donor agencies, intermediaries and academics, [for discussion and feedback in the form of a workshop to discuss the structure, content and aims of the frameworks and how best to ensure these are a practical tool for the market](#). The feedback was then incorporated through workshops with GO Lab staff to finalise the frameworks. A final review was undertaken by a sector expert before publication.

Part 2: Current State of Market Knowledge

The volume of published literature on outcomes-based partnerships, as well as a broader range of socially conscious finance instruments (such as impact investing and other RbF instruments) has been increasing in recent years. This work covers a diverse set of topics and is written for a diverse set of audiences. Our literature review showed that publications that focus on general discussions of OBP or other similar instruments are typically centred around the value added of OBP, when they are best implemented and the design considerations for OBP. Meanwhile, there are also more specific documents that focus either on a particular experience (i.e. specific transactions or countries) or provide deep-dives into technical topics, for example legal specificities or data system insights.

As mentioned above, the volume, type and detail of the literature varies between the documents relevant to service provider readiness and ecosystem readiness, with more published discussion on the ecosystem development than service provider competencies. The sub sections below outline the findings from the methodology outlined in [Section 1](#). The findings from service provider readiness include both literature review and key informant interviews, whilst the ecosystem findings are from the literature review and comparison. We have also profiled the key frameworks in the boxes throughout or in [the annex](#).

2.1 Service Provider Readiness Key Findings

There is generally little disagreement between sources in the competencies or characteristics of service providers needed to operate in OBP, however there is variation in the emphasis placed on different competencies between stakeholders. This is coupled with variation in how source documents discussing service provider competency are structured in terms of the level of detail, audience and type of literature. Among interviewees there is variation in the process of how capabilities and competencies of service providers are judged or considered, while the content is generally similar.

It is clear from the review that there is still limited literature or knowledge published that is aimed directly at service providers as accessible tools for them specifically (apart from the SIB toolkit^{vi}) and many of the documents' primary audience is not necessarily service providers, but investors, intermediaries or other practitioners in the field. The two frameworks are very different in their approach to competency and capability. The SIB toolkit^{vi} is detailed at every step in the process from design to delivery, with a focus on design, whilst the RBF guidebook^v outlines 2 critical competencies for leveraging the benefits of RBF. More information can be found in the case studies below. From the interviews some organisations have codified internal frameworks for assessing service providers, whilst others have not and consider each proposal or opportunity distinctly. Regardless of their methods, the interviewees broadly agreed in almost all areas. Finally, the case studies and evaluative documents all discuss some key characteristics of the service providers involved, either as critical success factors or as the selection criteria used, but are not designed as comprehensive presentations of service provider competency.

To capture the consensus as well as the range of discussion in this area, we have identified the key thematic areas of competency and capability, which we elaborate on below.

Culture & Mindset to flexibly deliver outcomes

Across discussions, published literature, and case studies, an outcomes mindset and culture of flexibility in delivery approach has been included as a key competency for service providers to participate and succeed in OBP. It is widely acknowledged that outcomes contracts operate differently to typical fee-for-service relationships, as payments are not linked to activities but contractual outcomes. This can represent a significant mindset shift for service providers who are used to other non-outcomes-based relationships and as a result it is an important pre-requisite for service providers engaging in OBP as well as being cited as a critical success factor for partnerships that have completed implementation.

Across the literature the terminology varies but every input to this review included some consideration on innovative/flexible/adaptive/outcome mindset/commitment/culture. In the SIB toolkit, "Mindset" is the first dimension of questions they ask in order to ascertain whether a SIB is the right instrument for a service provider^{vi}, whilst the RBF guidebook refers to openness to change to support a performance culture^v. Interviews with British Asian Trust, Bridges and UBS

all echoed the need for a flexible culture and a willingness to learn and develop, given the outcomes focus of an OBP and they consider OBPs as learning partnerships. In some cases, a lack of this flexibility would be considered a deal breaker in working with a service provider as part of an OBP. Furthermore, lessons learnt from the Village Enterprise DIB specified that a culture of innovation in the organization was vital in the DIB process^{vii}, whilst the QEI evaluation considered entrepreneurial and adaptive culture as a critical success factor^{viii}.

Case Study: Social Impact Bond Provider Toolkit^{vi}

Good Finance, GO Lab, Department for Digital Culture, Media and Sport, Bank of America Merrill Lynch & ThinkForward

This is a practical toolkit aimed at service providers who are looking participate in a SIB for the first time or are already in the process of participating in one. It was created in partnership with the UK department for Digital, Culture, Media and Sport and so has an inherent UK focus.

It has been developed to provide prospective service providers with tips, tools and resources to successfully participate in the various phases of SIB development and delivery, identified as: Define, Prepare, Contract, Deliver and Learn. The focus, whilst it does allude to competencies of service providers, is predominantly in demystifying the entire process of participating in a SIB, in other words a very detailed how-to-guide. It assumes service-provider lead design of a SIB and there is significant emphasis placed on this.

Define: Understand and define, target, service, outcome and potential partners

This section outlines the importance of a theory of change that details target populations, assumptions, indicators and outcomes which can then be applied to a finance model, cost of delivery calculations and subsequent outcome pricing. It provides the resources needed to do this.

Prepare: Systems ready, data, performance management and board.

This stage outlines the steps for preparing internally for SIB processes. This includes working alongside a board to get their commitment, buy in and involvement, preparing for in depth due diligence including providing track record, setting up customer relationship management system and finally preparing teams for an outcomes-delivery mindset.

Contract: Enter into contract

This refers to the processes required to enter into the contract, this includes stakeholder management, risk management processes, ability to partner or engage in partnerships for contracting, legal support, deal structure and establish governance structure in the SIB.

Deliver: Rigorously manage performance

This phase captures the processes and competencies needed for adaptive management. This includes creating the processes for gathering data, evidencing outcomes and tracking performance and being able to use these processes and data to make decisions at a delivery team level and board level.

Learn: learn, adapt and share learnings

This final phase incorporates the processes of evaluations and SIB closure, including cooperating and working with those conducting independent valuations, managing the closure of finances and the structure as whole.

This toolkit has the most detail on service provider requirements and is the only publication specifically aimed at the perspective of the service provider. Given the UK-focus of the publication, it sets high expectations for the service providers' involvement and ability to lead the development of OBPs. This may not necessarily be applicable to OBPs in lower- and middle-income countries or countries with less experienced civil society organisations.

Relationship Building & Partnering with range of stakeholders

Another key difference between an OBP and typical fee-for-service structures, highlighted as a reason for specific competencies, is that these partnerships tend to have a higher number of stakeholders involved in the structure. Instiglio, in the RBF guidebook, cite this as the reason why one of the two critical competencies they specify is stakeholder management^v. Interviews supported this, indicating that when operating in an OBP, a service provider could be part a wider consortium to ensure the right mix of capability and in this case, it would be critical that they are willing and able to partner effectively with others.

Building effective relationships should go beyond those within the partnership and include a broad range of actors including target communities, outcomes funders, investors (if required), government (and / or commissioners), civil society and other intermediaries involved in the process. Evaluation of the ICRC HIB specified a critical success factor as the strategic relationship building between leadership and outcome funders^{vix}. Whilst, in the QEI context the preexisting relationships with government at the local level enabled evaluation against comparison schools significantly easier to operationalize and so formed a key consideration when selecting participating service providers^{viii}. Equally as important, is the ability to understand and partner with the communities the service providers are looking to serve, this is highlighted in the RBF guidebook^v as well as the SIB toolkit^{vi} document.

Data & Performance Management Systems and Capability

We found an overwhelming consensus amongst the literature and interviews on the importance of data as the foundation for effective performance management. Across the literature, the term data incorporates a variety of data, including service delivery performance, financial and outcomes data. The literature mentions not only that the service providers should be able to collect, process and interpret their data, but that those capabilities are supported by the culture and agility to make decisions based on the data. The Instiglio RBF guidebook stresses the importance of being able to make near real time management decisions, which is underpinned by relevant and timely data, the systems to collect and process the data, teams with the skills to analyse and transform the data into performance insights, and finally an outcomes-oriented culture and mindset^v. Views on the level of existing monitoring and evaluation capability needed as a prerequisite, however, varied amongst stakeholders. Interviews indicated that data and performance systems could be developed during implementation, as does the SIB toolkit, which includes designing a performance management system in the deliver phase^{vi}. Conversely, the evaluation from Educate Girl DIB implies that the service provider had stronger existing capabilities^x, whilst in the QEI evaluation, the service providers were considered to be high quality as a result of the fact they were already data driven organisations with strong M&E systems in place^{viii}.

Case Study: A practitioner's guide to Results Based Financing: Getting to Impact^v

This is a guidebook to results-based finance to support the design and use of effective RBF strategies, and is aimed to provide practical guidance to non-profit implementers who want to embrace RBF to improve outcomes. It assumes funder lead design. Its core aims are to:

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- Introduce RBF and facilitate the analysis of value add for RBF
 - Provide support to assess the implications of design for RBF
 - Outline capabilities needed to successfully implement RBF

Importantly, this guidebook outlines critical capabilities to address the fact that, as it argues, RBF is more challenging than traditional contract given the wider group of stakeholders involved in the structure and the shift in focus from activities to results requiring an adaptive management system and culture. The two capabilities are stakeholder management and performance management skills. Stakeholder management refers to the relationship building and sustaining ability of the organisation with the outcome funders, investors (if required), other implementers (if required) and independent evaluators. The performance management capability involves relevant data collection, information systems that can provide near real-time performance insights and having the right team in place with the right skills mix to interpret data and make decisions off it, including a performance-driven culture.

The majority of this document is focussed on the design elements of RBF, the in-depth discussion of capability of service providers the focus of section 4. It is therefore not intended as comprehensive consideration of service provider competency to operate in an OBP. The capacities that are included are in line with other literature and the interviews but a number of other areas do not feature.

Leadership and Governance Structures to enable delivery

Leadership commitment is referenced a number of times across the sources as being critical to success. Interviews highlighted how important it is to have hands on senior management who understand what OBP are or who are willing to take the time to understand them. Equally, British Asian Trust assesses leadership capability when deciding which service providers to work alongside. Crucially, leadership should be supportive of change and so support an operational model that can pivot and innovate as needed. The literature makes strong links between leadership and the outcomes mindset and culture requirement on service providers.

Furthermore, leadership needs to be supported by a strong management team and devolved decision-making to ensure that a singular strong leader doesn't reduce the agility of the organisation. Devolved decision-making powers was mentioned as a key critical success factor for the Educate Girls DIB where the core leadership teams commitment led to the creation of a highly capable and dedicated implementation team with a number of individuals with additional agency so they could make decisions quickly to support outcome delivery^x.

Alongside leadership, there is also a common theme of strong governance structures being in place amongst the literature. Social Finance Israel consider the nature of the board and its relationship with senior leadership a significant part of their framework, not only to ensure that the board can support the process but can also hold the senior leadership accountable for their actions. This experience was echoed in the Cameroon Kangaroo Mothercare DIB evaluation report^{xi}. The SIB toolkit emphasises the need to ensure the board's support for the SIB, to ensure effective decision-making and subsequent outcome delivery^{vi}.

Financial Health & Stability

Only the interviews clearly highlighted the important pre-requisite of financial stability of the service provider, but everyone specifically raised the issue in the discussions. Interviewees were clear that service providers need to have diversity in funding and plans for sustainability beyond engagement in the OBP, as well as the ability to take-on and manage outcomes-based investment. Further, stakeholders were clear that the OBP should not be the largest proportion of service provider funding and there should be fundraising/financing capacity in the service provider to ensure sustainability beyond the contract, as well as to provide trust and reassurance to stakeholders in the partnership that they will not enter into financial difficulty during the OBP. This is particularly key in situations when the service provider is putting some of their own resources at risk on an outcomes basis and/or investor contributions are capped in a way that results in additional overrun costs need to be borne by the service provider themselves, as was the case in the Village Enterprise DIB^{vii}. Alongside financial health and stability checks, interviewees highlighted the importance of completing compliance checks on service providers, this including anti-money laundering checks, safeguarding and data protection compliance checks.

Track Record of Delivery

Typically, service providers in OBPs to date have had track records and reputations for delivering outcomes through their services. In some cases, this primarily helped to reassure investors, such as in the example of the ICRC HIB^{ix}. In other contexts, like QEI, a delivery track record signifies the ability to fully understand their intervention in order to more effectively adapt provision^{viii}. From a practical angle, a well-evidenced track record or reputation has been more favourable in the service provider selection process, rather than as a critical success factor to OBP implementation. This was supported through discussions with interviewees who said, that while younger organizations may have the “start-up” mindset, some long-term service delivery experience was preferable when looking to work with service providers, as they will have more experience in how to adapt services in response to challenges. This is also alluded to in the SIB toolkit where articulation and proof of delivery track record is specified as a key part of the due diligence process that service providers could be subject to as part of their SIB experience^{vi}.

Clear Theory of Change underpinning operations

The importance of having a strong theory of change underpinning operations within a service provider was referenced a number of times. Not only does it act as the linchpin from which adaptive management can be applied but it also provides the foundation for cost calculation and outcome pricing. This is evidenced in the SIB toolkit which uses a theory of change as the basis for understanding your costs as a service provider and being able to price your outcomes, and is considered as one of the first steps in participating in a SIB^{vi}. This is supported by a lesson learnt in the Village Enterprise DIB that emphasised the need for outcome payments to be directly linked to a strong theory of change^{vii}. Furthermore, it was also discussed that the service provider needs to be able to articulate the theory of change as well as the assumptions the underpin it, not just have one.

Concluding Remarks

Fundamentally, there is limited breadth in published literature, but there is widespread agreement with literature that is published, lessons learnt from transaction evaluations and case studies, and knowledge of key informants in the field. As a result, this framework represents an opportunity to focus on presenting competencies with the service provider as the primary audience, whilst also providing other key actors in the field with a resource which can be applied for their purposes. Given the limited prioritisation of what competencies are must-haves versus nice-to-haves the framework will be filling a gap in the literature by specifying competencies according to whether they are foundational, can be developed during delivery, and what embedding outcomes-based delivery looks like in service providers. Thus, providing service providers with an understanding of the capabilities needed at different stages of engagement with OBPs.

2.2 Ecosystem Readiness Key Findings

Generally speaking, the development of OBP ecosystems has been written about more than about service provider competencies. We observed some diversity in the literature type, detail and target audience amongst the publications. The key documents we identified resembled frameworks with either practitioners, policy-makers or outcome funders as the key audiences, whilst the additional documents had specific foci such as legal conditions and were targeted towards policy makers, impact investors and legal professionals. The literature also featured a range of instruments, including SIBs, RBF and impact investing.

Overall, three of the five frameworks make the distinction between the required capabilities and conditions for ecosystems at different levels of development, acknowledging that the conditions needed to launch a singular OBP are very different to an ecosystem that more regularly seeks to use OBP as an institutional approach to policy development and implementation. Three frameworks use additional elements to categorise the different competencies and conditions. In the case of the DREAM framework, a further distinction is made between necessary conditions and other “nice to have” characteristics for SIB development at a Developing stage, an Establishing stage and a Growing stage^{xii}, whilst the GSG framework makes the distinction between policies that are foundational, strengthening and expansive^{xiii}. Additionally, the Scheme from System Report assesses three phases of scale up of RBF in health: Generation (idea to pilot), Adoption (pilot to program) and Institutionalisation (national program to national policy)^{xviii}. The case studies in the [annex](#) summarise these relevant documents.

Across the five documents we prioritised, and the additional resources reviewed in detail, we found few areas of disagreement around core conditions, but there were varying levels of consensus across the different areas in the ecosystem with some dimensions receiving more emphasis than others or with terminological differences. Below we elaborate on the findings and comparisons conducted as well as providing a summary table. For information on the categories of high to low consensus, see the [methodology section above](#).

Government- Capability & Buy-in

Government capability and buy-in is an area where medium consensus is observed across the frameworks reviewed, with the impact investing-specific frameworks diverging slightly from those focused on OBP and RBF. There is commonality in that the capacity of government to be involved in an OBP, in whichever shape or form that might take, is needed as well as some interest or buy-in. Nevertheless, there are differences in the types of capabilities that are considered to be important. Ecorys considers capacity to be about the knowledge to design and manage impact bonds, while Instiglio outlines more capacities including human capacity verification and disbursement, and contract management capabilities^{xii}. Additionally, whilst Ecorys has a specific dimension dedicated to government, Instiglio includes this under Institutional and Legal Conditions umbrella term^{xvii}. From Scheme to System specifies a critical mass of actors with technical capability but also refers to the access to domestic financial resources to support

RBF^{xviii}, this is supported by other studies that have seen the financial contribution of governments support the development of OBP ecosystems. These frameworks consider government as a participant, at the very least in the initial stages of ecosystem development, whilst the GSG framework expands the role of government and considers them not just as participants but facilitators and regulators within the market where they can incentivise but also govern transactions^{xiii}.

As well as capacity, government buy-in and interest are commonly cited as key factors for OBPs, particularly ones where government is acting as an outcome funder (e.g. SIBs). The impact investing frameworks diverge here from the SIB and RBF frameworks as more conventional impact investments often do not require government involvement. The SIB and RBF frameworks refer to it differently, Instiglio refers to it as political stakeholder buy-in^{xvii}, whilst Ecorys refers to it as demand from government^{xii} whereas Scheme to System says that pilots need to be addressing a “felt need” at the national level^{xviii}.

Overall, we observed general agreement on the importance of government capability and buy-in but a number of differences across the board in the details of these capabilities.

Regulatory Conditions- Government Capacity & Market Supporting Regulations

Government Capacity regulations we have defined as the regulations that relate to the government’s ability to participate in OBP or, in other words, the legislation, rules and processes that govern government operations as opposed to legislation, rules or processes that pertain to the abilities of other market actors, which are outlined under Market Support regulations. A high level of consensus is observed amongst the frameworks around the government regulatory conditions that support participation in OBP, although there is variation in the level of detail that is provided in different sources around what those conditions are. Two primary forms of regulation are the basis for this theme: budget specific constraints and public procurement regulations. Budget specific constraints refer to the government’s ability to secure advance funding commitments, engage in multiyear budgeting and capacity to pay for outcomes as opposed to services or inputs, if this indeed is required. Public procurement regulations encapsulate the government’s ability and incentives to procure OBPs, whether this be legislation, guidelines or frameworks for doing so.

Our research found differences in the way different frameworks approach both types of government capacity regulations. Ecorys encapsulates both within its regulatory conditions dimension^{xii}, whilst the Instiglio guide focuses on the advance commitment of funds by government as well as transparency in partnering with other agents^{xvii}. The Scheme to System Report agrees with the need for transparency but presents it as a political context rather than a regulatory perspective, so that the adoption of RBF is supported by a political agenda for transparency and delivery of results^{xviii}. Furthermore, the OECD policy framework for impact investing includes both legislation and regulation as key enablers for public procurement practices^{iv}.

Overall, there is more consensus around the need for regulations pertaining to government capacity to engage with OBP than with market regulations. The most in-depth discussion is in the DREAM framework which includes market supporting regulation that includes the ability of investors to receive return on investment, service provider’s ability to invoice and the ability to incorporate tax into pricing of success^{xii}. This is implied within the GSG framework, where the critical role of government in facilitating participation of other non-public actors in OBP is

emphasised throughout^{xiii}. Some international studies, including the Mexico Action Plan for Government to promote the use of payment-by-results mechanism, also suggest that it is important to enable fiscal incentives (tax incentives) for investors and the ensure service providers the ability to make conditional payments to non-governmental organisations (NGOs) (service providers). Both impact investing frameworks also include discussions of fiscal incentives.

We observe a significant gap in the frameworks, identified though around other supplementary materials, which refer to contract law and enforcement, and dispute resolution powers granted to market actors. Fundamentally, market support regulation is required not only to facilitate participation in OBP by non-state actors, but also to build their trust in such instruments. The literature is predominantly focused on how regulation can support non-state actors to participate in OBP, but not necessarily how market regulation contributes to the trust market actors have in the framework to protect their interests. The importance of trust is also reflected in the political and economic context section below.

Technical Conditions

The technical conditions theme is centred around the availability and quality of data, as well as the presence of technical knowledge of OBP within the ecosystem, and is only explicitly discussed in the Ecorys^{xii} and Instiglio^{xviii} frameworks. The impact investing frameworks do not explicitly discuss data, and the Scheme to System publication refers more to technical understanding of OBP than of availability of data^{xviii}. As a result, there is some consensus amongst some of the frameworks but not a high level. Availability of data in the ecosystem is seen as critical by both Ecorys^{xii} and Instiglio^{xvii} for different stages of the OBP development process, from design to performance management to being about measure and verify outcomes. This includes a broad range of data at a macro level, which would support identification of problems and scale at a national level, administrative level, to inform design and evaluation, and individual level programme specific data that enables the tracking of participants, to inform implementation^{xii}. Social Finance UK's feasibility considerations make a specific addition that the data must be robust enough to ensure that an effective value for money case can be made.

Market- Capacity, Interest, Actors

Along similar lines to the government capacity and interest, most frameworks agree that there also has to be capability and interest from the broader market within the ecosystem. Broadly speaking the frameworks allude to a similar set of actors within that market, including investors and service providers, or incentivised agents as referred to in the Instiglio report. There is also some observed variation amongst the frameworks, Instiglio also includes results funders as the other half of their market, which accounts for non-government outcome funder contexts^{xvii}. Whilst the DREAM framework also includes intermediaries as an additional actor considered to be part of the market, in their case when considering SIBs outcome funders will always be government and so not part of the wider market^{xii}. By far the broadest term of market is considered by the OECD framework which includes those who demand impact investing, those supplying investment, intermediaries as well as the enabling environment which is the sole framework to consider enabling environment within this context^{iv}. The Scheme to System publication does not specify a definition of market but does refer to the presence of local partners, which could be speculated to mean service providers^{xviii}.

Despite this broad consensus, there is limited mention of research centres, academia or knowledge centres as a key market player to enable the development of the ecosystem,

specifically those actors who create and disseminate knowledge with the aim of increasing the capacities of all ecosystem stakeholders. This is included in the Colombian case study^{xx} and is also the role the GO Lab has played in the UK and, increasingly, global market. The GSG framework does refer to knowledge centres in the context of policy instruments to development of the ecosystem so there is an allusion to the role these actors can play in the ecosystem, albeit not in the initial pilot stages of using OBP^{xiii}.

There is also a high consensus observed in the need for actors in the market to have the capability to support the implementation of OBP. This is almost always coupled with the base requirement that these actors are present in a particular context. The DREAM framework specifies just that^{xii}, whilst the Instiglio report includes a little more detail when discussing incentivised agents, specifying that capacity should include delivery, technical, results management and risk management, as well as pre-financing ability, if required^{xvii}. Furthermore, it also specifies the existence of “sufficient suitable providers”^{xvii}. The impact investment frameworks don’t specify specific capabilities but they do refer to capability building as a policy instrument and so acknowledge the need to develop some base set of capabilities to support the development of the ecosystem^{iv,xiii}. Finally, the Scheme to System report makes specific reference to technical capabilities of key actors to engage with RBF as well as political and technical leadership within and beyond government departments^{xviii}.

However, there is little to no differentiation between the capabilities needed by the different actors, the capabilities for an investor will be different to the capabilities of a service provider or intermediary. For instance, investors need the capacity to assess outcomes-based investment opportunities, provide risk capital, and lead performance management where appropriate. In contrast, service providers need the capacity to adapt, focus on outcomes, etc.

Finally, when considering the willingness and interest of those actors to participate in OBP, the frameworks mention it hardly at all. In the DREAM framework it is considered only for investors^{xii}.

Political & Economic Context

Beyond the capabilities of actors within the ecosystem and the regulatory conditions, the political and economic context is raised as a key factor impacting the development of the OBP ecosystem in almost all the frameworks. Further discussions with colleagues indicated that from an investor perspective it is crucial for their involvement in a country to consider corruption, strength of financial institutions, stable monetary policy (for forex reasons), and sovereign risk of default (in the case of domestic governments being outcome funders). As the sustainability of an OBP is dependent on multistakeholder, multiyear commitments, there needs to be trust that the broader political and economic system is stable enough to support OBPs. Having said this, the frameworks don’t all use the same definitions or include similar levels of detail. The Instiglio report references political context only and the focus is primarily on stakeholder alignment and stakeholder buy-in^{xvii}. This is slightly different to the approach taken by Ecorys who specify conditions within the context that include, price stability of outcomes, trust around outcome payments being made, sustainability in the face of government change, and civil society support^{xii}. Input from other documents support sub-dimensions within economic and political context (e.g. political stability and rule of law)^{xix}.

Concluding Remarks

From this review, we have observed that there is increasing interest in the publishing of literature that focuses on ecosystem capability and conditions for this range of social finance instruments, and broadly speaking, when accounting for the variations in those instruments, there is minimal disagreement amongst frameworks. Through different lenses, the existing published frameworks and documents have analysed the ecosystem factors required to enable the use of different funding instruments, so this is an opportunity to consolidate the existing knowledge in the field and provide a new practical tool for ecosystem builders and actors use, to understand whether OBP is an option for them, and perhaps to establish routes to developing the ecosystem further. As the DREAM framework^{xii}, one of the most recent publications in the sector, closely resembles the aims and objectives of this OBP readiness framework, our work builds on this existing framework to include the insights from other literature and market actors, as well as the continued learning from the field, forming a DREAM plus framework.

Framework Comparison Summary Table

Dimension	Sub-Dimension	Level of consensus	Key notes and comments
Government	Capacity	Medium	All the frameworks agree that government capacity is important, but they do not concur on the same capacities, terms or concepts.
	Buy-in	Medium	The frameworks focused on RFB or SIBs agree on the importance of this dimensions, but impact investing frameworks do not include it (however, we have marked as medium as RBF and SIBs are more relevant for our research).
Regulatory Conditions	Government capacity regulations	High (with a gap)	All the frameworks prioritise regulation that contributes to government capacity as a dimension or sub-bullet, although there is an opportunity to provide more details about public procurement.
	Market supporting regulation	Medium/Low	Very few frameworks include this area as dimension or sub-bullet, or at least do not make a distinction between the two regs. We have learned from other studies that this is also a key factor for market development, as it enables and incentivises private sector participation.
Technical conditions	Availability, quality of data and technical knowledge	Medium	The frameworks focused on RFB or SIBs agree that data availability is critical, some of them mention the importance of having knowledge of OBA. Frameworks focused on impact investing don't prioritise this area.
Market	Actors	High (with a gap)	All the frameworks introduce ideas about service providers, investors and, in some cases, intermediaries. There is a gap in terms of the role of academia or research centres/hubs.
	Capacity	High (with gap)	All the frameworks agree the capacity of stakeholders in the market is a key factor. Not all mention the need of having a critical mass of stakeholders or provide details on the capacities of some stakeholders.
	Interest/ Willingness	Medium	This is a dimension/sub-bullet that is implicit in different frameworks, and is not explained in detail.
Economic & Political Conditions		Medium	All the frameworks agree that this area important, but they don't concur on the same sub-bullets or definitions.

2.3 Summary Remarks

It is clear across the reviews for both service provider readiness and ecosystem readiness for participation in OBP that there is significant knowledge within the system, whether that be in published documents, unpublished work or known by experienced practitioners in the field. Whilst the knowledge is extensive, there is an opportunity for it to be consolidated and made more accessible to a broader range of actors in order build a global OBP ecosystem and to allow for increasing use of OBPs as an instrument for policy change.

From the review, it has been observed that many key competencies and capabilities needed for OBP can be developed through the process of participating in the structure provided there is a learning agenda to ensure the skills and competencies are embedded within the organisation or system. In the first instance, the most important aspects to begin to engage with OBP and to launch one off projects is interest, willingness and commitment from the key stakeholders involved, as well as an environment that at the very least does not entirely inhibit OBP. Throughout the participation process, the further competencies and capabilities needed can be built to contribute to the successful launch and implantation of an OBP. And over time service providers and ecosystems can continue to develop to contribute to embedding OBPs as a legitimate way of working and implementing policy.

In the case of service provider readiness, these competencies and capabilities include:

- **Strategic fit** – ensuring that the essence of an OBP - delivering better service user outcomes rather than activity milestones, often in close collaboration with others - is understood and internalised within a service provider
- **Leadership and decision-making** – senior management exemplifying the commitment to outcomes-based delivery, making evidence-based decisions and empowering others to do so as well
- **Partnership working** – the organisation building and sustaining constructive relationships within and beyond the OBP to support service delivery and the achievement of outcomes
- **Data and evidence** – having a strong theory of change upon which data systems are built to support evidence-based decision making and adaptive management
- **Finance and systems** – Understanding the cost base for achieving outcomes and being able to link this with changes in service delivery in order to dynamically manage expected costs and revenues.

across three levels of maturity: foundations for outcomes-based delivery, building capacities for outcomes-based delivery and embedding outcomes-based delivery.

In the case of ecosystem readiness, these include:

- **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

across three levels of development: launching OBP ecosystem, expanding OBP ecosystem and consolidating OBP ecosystem.

The frameworks that accompany this document aim to consolidate the information gathered and learned through this exercise and included in this document.

Notes

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Part 3: Annex

3.1 Document List

Paper title	Author	Date	Framework	Brief description/key takeaways
A practitioner's guide to Results Based Financing: Getting to Impact	Instiglio	2017	Service Provider	A lot of focus on the design considerations for RBF instruments in general and one chapter considering the capacity of implementers to leverage the benefits of RBF. Two main areas of competence: Stakeholder management and performance management
Social Impact Bond Providers Toolkit	Think Forward	Unknown	Service Provider	Guide through the necessary steps and associated competencies in the design and launch of a SIB for a service provider-led design. Focus on the process required having established that organization has the motivation and understanding of a SIB as the basic requirements.
Village Enterprise DIB	Ecorys	2021	Service Provider	Case study written as part of the independent evaluation of FCDO's Development Impact Bond Pilot Programme. This focusses on the lessons learned during the design and implementation of the DIB.
ICRC Humanitarian Impact Bond	Ecorys	2021	Service Provider	Case study written as part of the independent evaluation of FCDO's Development Impact Bond Pilot Programme. This focusses on the lessons learned during the design and implementation of the DIB.
Educate Girls Process Evaluation Development Impact Bond	Dahlberg	2018	Service Provider	Process evaluation document written following the completion of the Educate Girls DIB that includes lessons learnt from the design and implementation process.

Kangaroo Mother Care End of programme Report	Social Finance	2021	Service Provider	Overview report of the achievements of the DIB and the lessons learnt throughout the design and implementation process.
Quality Education India (QEI)	Ecorys	2021	Service Provider	Case study written as part of the independent evaluation of FCDO's Development Impact Bong Pilot Programme. This focusses on the lessons learned during the design and implementation of the DIB.
Catalysing Impact Investment Ecosystems	Global Steering Group for Impact Investment	Oct-18	Ecosystem	This document provides a framework for viewing the role of government within the impact investment ecosystem and applies this to a number of countries. The audience is primarily policymakers and government officials looking to build an impact investment ecosystem
Guide for effective RBF strategies	Instiglio, GPRBA and World Bank Group	2018	Ecosystem	This document provides a summary of RBF and different tools under that broader category, and advice on the implementation of effective RBF according to the design process. Enabling factors of the environment for RBF are discussed as part of the design process.
SIBs in Latin America: IDB Lab's Pioneering Work in the Region Lessons Learnt – DREAM Framework.	Alma Agusti Strid, James Ronicle, Christine Ternent	Jan-21	Ecosystem	This document introduces the DREAM framework - the most comprehensive SIB-specific framework that outlines the key enabling factors for launching SIBs in ecosystems at different levels of maturity.
From Scheme to System (Part 2): Findings from Ten Countries on the Policy Evolution of Results-Based	Zubin Cyrus Shroff, Maryam Bigdeli & Bruno Meessen	2017	Ecosystem	Academic paper that reviews the development of RBF in health across a number of countries, specifically summarising the enabling factors and barriers observed as ecosystems transition from single RBF pilots to a more developed RBF commissioning ecosystem.
Social impact investment: the impact imperative for sustainable development	OECD	2019	Ecosystem	Policy framework designed to support policy-makers implement impact investment friendly policies.

Payment by results analytical framework	National Audit Office (UK)	Jun-15	Ecosystem	Detailed framework aimed at commissioners in UK covering when to use PbR and how to design programmes. The framework does not outline what competencies or enabling factors are required, but the questions that need to be considered when choosing RBF.
Payment by results literature review	Russell Webster	2016	Ecosystem	Russell Webster's literature review is written to assist commissioners and providers to decide whether payment by results (PbR) might be an effective approach. The review outlines the critical success factors for the design process of a Payments by results contract, common barriers to success and how to overcome them.
UNICEF Uganda Innovative Financing Study for social sectors	Instiglio	Apr-20	Ecosystem	This document makes the case for the use of innovative financing within the sector and but does not focus on the enabling factors or competencies to do it.
Mexico Action Plan for Government	Social Finance	2020	Ecosystem	This non-published document summarises the key recommendations Social Finance provided to the national government in Mexico to support the creation of a payment-by-results ecosystem in the country. Key recommendations include actions around the regulatory framework, the existence of sufficient funding and robust data and evaluation systems and the support to stakeholders in the market.
Legal Regulatory Framework reports 1-3	Social Finance	2020	Ecosystem	This is an unpublished piece of research conducted by Social Finance for the Government of Chile to understand the legal and regulatory contexts of four case study countries and the role that government and the legal and regulatory context plays in the development of a SIB market.
A Legal Roadmap for Social Impact Bonds in Developing Countries	Instiglio and Thomson Reuters Foundation	2014	Ecosystem	This is a published report that analyses the legal challenges that policymakers have faced in implementing Social Impact Bonds.
The evolution of the payment-by-results ecosystem in Colombia: a case study	Social Finance and SIBs.CO	2021	Ecosystem	Social Finance conducted this case study to assess the key factors that have enabled the expansion of the payment-by-results ecosystem in Colombia, the first middle-income country to launch an Impact Bond and establish an Outcomes Fund. The

study also provides key recommendations to continue consolidating the ecosystem.

Social Impact Bonds in México: opportunities and challenges	Ethos and Brookings	2017	Ecosystem	This is a published research document that assess the key challenges in the Mexican ecosystem around the launch and adoption of Social Impact Bonds. The authors identify the existing barriers in the market in areas such as the the legal framework and conditions relevant to investors. This document also provides key recommendations to facilitate the use of SIBs in this context.
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3.2 Interview List

Individuals	Organisation
Ali Inam	Bridges Ventures
Krishna Mathur	British Asian Trust
Matan Tamary	Social Finance Israel
Shir Kahanov	Social Finance Israel
Sietse Wouters	UBS Optimus Foundation

3.3 Workshop Participant List

Service Provider Readiness

Name	Organisation
Mila Lukic	Bridges Ventures
Alison Bukhari	Educate Girls
Radana Crhova	FCDO
Charlie Morgan	FCDO
El Carter	GO Lab
Andreea Anastasiu	GO Lab
Mara Airoidi	GO Lab
Laura Bonsaver	GO Lab
Michel Daguet	iDE
Maria Alejandra Urrea	Social Finance
Saskia Thomas	Social Finance
Louise Savell	Social Finance
Caitlin Williams	Social Finance
Michael Rieser	UBS Optimus Foundation
Caroline Bernadi	Village Enterprise
Zach Hoins	Village Enterprise
Celeste Brubaker	Village Enterprise

Ecosystem Readiness Workshop

Individuals	Organisation
Mariana Romero	Colombia's Social Impact Bonds Programme (SIBs.CO)
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
Andreea Anastasiu	GO Lab
Laura Bonsaver	GO Lab
Mara Airoidi	GO Lab
Jessica Lopez	GPRBA
Ben Stephens	Instiglio
Hollie Lippert	Instiglio
Bernard Kwesi Ayensu	Ministry of Education, Ghana
Caitlin Williams	Social Finance
Louise Savell	Social Finance
Maria Alejandra Urrea	Social Finance
Saskia Thomas	Social Finance
Nevilene Slingers	South African Medical Research Centre (SAMRC)
Chih Hoong Sin	Traverse

3.4 Ecosystem Readiness Framework Case Studies

Case Study: Social Impact Bonds in Latin America, DREAM Framework

IDB Lab & Ecorys- Alma Agusti Strid, James Ronicle, Christine Ternent (supervising editor)

The DREAM framework was developed as part of a broader study that aims to document the IDB Lab's work with partners in Latin America and Caribbean to implement and build the SIB ecosystem. It reflects on the challenges, lessons learnt and recommendations of the experiences in five countries: Colombia, Argentina, Chile, Mexico and Brazil.

The DREAM framework summarises the 5 factors that affect the ability to develop the SIB market:

- Demand from Government
- Regulatory Conditions
- Economic and political context
- Availability of Data
- Market capacity

As well as considering which are essential to three phases of SIB market development:

- Developing first time SIBs: launching the first pilot SIBs in an embryonic ecosystem
- Establishing the SIB mechanism: launching more and larger SIB programmes that have learnt from the initial SIBs
- Growing the SIB ecosystem: focusing on overcoming structural barriers to develop the SIB ecosystem

Table 5: Enabling factors to SIB market development

Enabling factors	Developing first-time SIBs	Establishing the SIB mechanism	Growing the SIB market
Demand from government	●	●	●
Regulatory framework	●	●	●
Economic and political context	●	●	●
Availability of data	●	●	●
Market capacity	●	●	●

Key: ● Essential; ● Good to have

The table above from the report summarises the enabling factors and their necessity at different stages in ecosystem development. The framework is then elaborates onto the next level of detail within the enabling factors.

It outlines that when developing SIBs, government buy-in and interest from key stakeholders within government is the first and foremost important aspect within the Demand for government factor. As the ecosystem develops, knowledge to design and manage becomes just as important, as seen in the Colombian context. Finally, as the ecosystem really develops the “concept of SIBs has penetrated the country” is necessary, so that the knowledge and interest into SIBs as a policy mechanism can be shared to wider groups. Throughout the phases a value for money case is good to have to convince wider ecosystem stakeholders but not considered necessary at any phase in the process.

The DREAM framework emphasises from the outset that market capacity is essential for every key actor in an SIB and in every phase and particularly sufficient investor interest and risk appetite to participate which is needed through every phase. Alongside that, sufficient access to expertise from intermediaries and availability of strong service providers with sufficient capacity and capabilities to deliver are both also essential throughout development. The report acknowledges that the mix of these actors and need for intermediaries may change throughout the phases but discussion is limited on how those look over the development timeline.

Reflecting on the availability and robustness of data in Latin America, the framework captures the importance of availability of data with the most crucial requirement in the first phase being individual level data than enables the tracking of participants in a SIB before, during and after a SIB intervention. Specially, they acknowledge the ability to work around limited data to design a SIB and price outcomes as was the case in both Chile and Colombia, as the SIB itself can be used to collect the data where it is not available. As the ecosystem develops and SIBs are designed and implemented at scale and across a number of sectors, the data requirements increase such that providers have the ability to effectively model and become aware of likely outcome performance levels and costs as well as from a design and evaluation perspective, have access to more administrative social and economic data.

Political and Economic context is emphasised as key, specially in relation to “government effectiveness and trust in public institutions”. In the first phase, the essential political and economic conditions are that there is sufficient trust in the payment of outcomes and in parallel to that, belief that a change in government will not result in the SIB ending without completion. Experiences in Mexico and Brazil indicated that high staff turnover and elections were contributing factors to the cancellations of SIBs ready to be launched. As the ecosystem grows there is increasing need for the political and economic context to support SIB development and delivery, as witnessed in Colombia with current work to enable multi-year commitments by government. Price stability becomes more and more critical as SIBs increase in scale and use to ensure outcomes can be paid, whilst civil social support for public-private partnerships becomes increasingly important as well, as witnessed by the challenges faced in the Brazil education SIB.

The regulatory framework of the ecosystem in the first instance doesn’t need to have all the regulatory levers in place to allow for SIB pilots to go ahead as work-arounds can be sought out, provided there is sufficient commitment from stakeholders to overcome those barriers. However, as the ecosystem develops regulatory barriers, in the Latin American context, became the largest challenge with scaling SIBs beyond the initial transactions. The framework captures this through considering the only essential regulations in the second two phases, including the ability to attach payments to outcomes not outputs, multi-year budgeting, ability to receive return on investment, the ability of service providers to invoice outcomes not activities. And in the most developed ecosystems, flexibility in procurement systems and the incorporation of non-deductible tax into pricing of success.

This framework captures a broad range of lessons learnt through the variety of experiences in Latin America and provides a comprehensive view of the enabling factors at different points in a SIB ecosystem's development journey.

Case Study: Guide to effective RBF Strategies

Instiglio & GPOBA

The aims of this guide are to present a diagnostic tool that provides a set of structure questions and frameworks to support practitioners interested in using RBF in their operations, specifically focussing on development funders. Whilst the diagnostic tool covers the broad range of factors to be considered when pursuing RBF and supports practitioners to understand some of the design features and strategies for RBF, it specifies the conditions for RBF within the contextual analysis section.

The conditions for RBF section of the tool focusses on assessing the technical, institutional and political conditions present in the ecosystem to support the implementation of RBF, which ones are critical and how they can be generated if need be. The framework considers three forms of conditions: (i) Technical, (ii) Institutional and Legal and, (iii) Political, and whilst not all of them pertain directly to the ecosystem, a large proportion of the conditions do.

The technical conditions include the presence of suitable interventions, measurable results and data availability. The first two subsections of technical conditions refer specifically to the intervention or design of a specific transaction, rather than the ecosystem. The data availability indicates the requirement for data to be available and robust enough to support the estimation of targets, funding requirements, pricing results and assessing payment risk.

The institutional and legal conditions include the capacity of results funders, incentivised agents¹ and system readiness. Instiglio defines the capacity of results funders in terms of human capacity to fulfil the additional requirements it takes to be involved in RBF including staff and leadership. Alongside, the results funders also need capability to undertake an effective verification process as well as make timely and reliable disbursement of payments upon achievement of results. Finally, it reflects added complexity involved in managing results-based contracts by including contract management capabilities that can enable more active involvement in the entire RBF process. As well as capacity of result funders, the capacity of incentivised agents is considered to ensure they are able to deliver the desired results, can understand the requirements of RBF and the risks they face. It also indicates the importance of results management capability to improve results delivery, risk management and pre-financing capacity in order to cover the cost of delivery until payments are made. System readiness is summarised by Instiglio as the presence of appropriate regulatory conditions that are at the very least compatible or enabling in more advanced systems, as well as a sufficient market of suitable service providers to support larger scale contracts.

Political conditions cover stakeholder buy-in and stakeholder alignment, not only do key stakeholders need to be committed to the success of the RBF from design through implementation but they all have to have shared objectives for the programme and support the overall strategy to ensure success.

¹ The agents who's payments are contingent on results

Case Study: Catalysing an impact investment ecosystem

The global steering group for impact investment

This working paper written GSG focusses on the role of government within the impact investment ecosystem and how policy-making across countries has been catalytic in supporting the growth of the ecosystem. It considers the catalytic role of government in three core ways, as a market facilitator, participant and regulator, and identified a number of policy instruments across these three roles that are either foundational, strengthening or expansive. The audiences for this report is predominantly policy makers and government officials, but also those who do or are looking to influence the impact investing ecosystem.

It is formed off the basis of the GSG five pillar framework of the impact investment ecosystem that includes; demand for impact capital, supply of capital, intermediation of impact capital, government regulation and policy and advocacy work and, finally, other ecosystem providers. It analyses a toolkit of 15 policy instruments and how they have been implemented across a number of countries. The policy instruments are organised according to the role the government plays, as market facilitator, participant and regulator.

Government as market facilitator:

Typically, the more developed ecosystems are found to have central government units that coordinate the strategy for impact investing and its role within the ecosystem, this facilitates the adoption of policy tool more easily. As well as educational programmes have been deployed in most countries to “broaden the ecosystem and deepen knowledge of the sector”. Capacity building seems universally acknowledged as one of the foundational tools that government facilitates. Countries have recognised its importance to help create a pipeline of opportunities for investment. And in the most developed there are sustainable stock exchanges to improve the impact economy.

Government as market participant:

This revolves around how the government can structure their spending to participate in the impact economy. Outcomes-based commissioning is the most common form of policy instrument utilised by the countries analysed. Many governments are incorporating impact into their procurement processes, given the size of government and its purchasing power within the economy it can have a significant impact on the impact economy.

Government as market regulator:

Reporting standards is the most common focus for governments as regulators, but it also includes specific legal forms for impact business which are often correlated to fiscal incentives. Despite this a number of countries with the most mature ecosystems have not made use of this in order to mature the market. Finally, fiduciary duty is increasingly moving the forefront of early market development, as well as being a focus for more mature ecosystems.

Case Study: Social Impact Investment: The impact imperative for sustainable development

The primary purpose of this report is to provide guidance for policy makers, development financiers, social impact investment practitioners and the private sector, to help them maximise the contribution of social impact investing within their ecosystems. It summarises the social impact investment initiatives underway, compare trends and understand the future of social impact investment.

Specially analysed in this review is the typology of public policy instruments for social impact investment ecosystems that is set out within the report. It covers four policy pillars:

- **STEER:** These are government policies that support the development of capacity, capability and the required structures within government to support the social impact investment ecosystem.
- **RULE:** These are policies that establish the rule book for engaging with social impact investment, including fiscal incentives, regulation and regulation.
- **FINANCE:** These policies revolved around levying and granting financial resources for impact investment ecosystem, including pay-for-success schemes, technical assistances, capacity building and other instruments
- **INFORM:** These policies provide the sharing of information and learning across the ecosystem, including research centres, communications and other studies.

This framework informed the Catalysing an Impact Investment Ecosystem framework.

Case Study: From Scheme to System (Part 2): Findings from Ten Countries on the Policy Evolution of Results-Based Financing in Health Systems

Zubin Cyrus Shroff, Maryam Bigdeli & Bruno Meessen

This article is the second in a two-part publication that analyses the development of RBF in health systems, across ten countries globally. This part is focussed on presenting the barriers and enablers observed that have supported the scale up of RBF programmes in health, across four phases, generation, adoption, institutionalisation and expansion, but there is limited discussion around the expansion phase given the limited number of experiences to elaborate from.

- **Generation:** This phase captures the process of going from RBF as a concept to the implementation of one or more pilots to act as proof of concept.
- **Adoption:** This is the development from a series of pilots to a scaled programme. In this instance programme is defined as “centralized organizational structure endowed and mandated by the national authorities to expand benefits of a specific strategy to a large population”. This phase is centred around putting in place functional and coherent institutional arrangements.
- **Institutionalisation:** This phase is concerned with the transition from scaled programme to national policy, with longer term commitments from government departments and RBF forms an “integral part of a country’s health financing policy”
- **Expansion:** This refers to the transition of RBF from a provider payment mechanism for health to a key principle inform design and implementation of policy in general beyond health.

The report provides a simplified representation of some of the dynamics at play when scaling RBF practises within the health system. The paper posits that the enablers and barriers evolve with the phases as a result of the underlying need throughout to persuade and move sets of stakeholders to act and adopt practises.

The generation phase enablers are outlined from a global and national context. In the global context, the recognition of the traditionally low effectiveness of aid in health supports the development of results-based instruments to tackle the issue. At a national level, RBF needs to be considered to be addressing “felt needs”, pilots in the past have been delivered to respond to difficult health issues health indicators were “stagnant or worsening”. Across a number of countries this has been in the Maternal and Child Health space. Within the African context, there has also been a significant regional enabler, that is the presence of a singular successful example that can be replicated or learned from, for example the experience of Rwanda being influential in other African countries. Finally, global health financing experts have been instrumental in supporting the move from ideal to pilot. The role that a group of health experts across a broad range of roles from government, investors, implementer and providers as played is to increase support for the adoption of performance-based contracting and RBF.

The adoption phase, it is observed, is typically driven by a single agency taking the lead and supporting RBF through funding and technical assistance, often an international agency in partnership with in-country Ministries of Health. At the national level, the presence of pre-existing programmes, policies and institutions supports the development from pilot to programme, as well as a political context that emphasises transparency and delivery of results, they cite an example in Cameroon in which the development of RBF was part of a wider anti-corruption strategy from government. The additional enabler is a critical mass of key actors with technical capability in

RBF, it doesn't elaborate further on the kinds of technical capabilities but indicates ways this has been built across a number of countries. Along these lines, committed policy entrepreneurs as they are noted in the paper can act as key drivers in this space as they are willing and able to provide resources to innovate and try new policy instruments. Finally, the paper also emphasises the need to engage with national ministries of health and public providers by highlighting them as key barriers to development from pilot to programme.

In moving from national program to national policy, a key enabling factor is the availability of domestic financial resources to be dedicated to RBF, specifically from within the government budget, as witnessed in Cambodia and Armenia. This needs to be supported by legislative and financing structures that enhance facility autonomy.

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