

SOCIAL OUTCOMES CONTRACTING IN EUROPE – PROCUREMENT GUIDE

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A public procurement-focused guide to
social outcomes contracting in European
Union Member States

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

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ACRONYMS

Acronym	Full form
DIB	Development Impact Bond
EC	European Commission
EFSI	European Fund for Strategic Investments
EIAH	European Investment Advisory Hub
EIB	European Investment Bank
EIF	European Investment Fund
ESF (Plus)	European Social Fund (Plus)
ESIF	European Structural and Investment Funds
EU	European Union
IB	Impact Bond
IPE	Investment Plan for Europe
OECD	Organisation for Economic Co-operation and Development
PbR	Payment-by-Result
PSIMS	Portugal Social Innovation Mission Structure
RISE	Research Institutes of Sweden
SHIC	Social and Health Impact Center
SIB	Social Impact Bond
SOC	Social Outcome Contract
SPV	Special Purpose Vehicle
UK	United Kingdom

Social Outcomes Contracting in Europe – Procurement Guide

A PUBLIC PROCUREMENT-FOCUSED GUIDE TO SOCIAL OUTCOMES CONTRACTING IN EUROPEAN UNION MEMBER STATES

EXECUTIVE SUMMARY

This guide complements the *Social Outcomes Contracting in Europe* guide¹ that provides an introduction to the use of social outcomes contracting across European Union Member States. The guide has been designed specifically for policymakers, public sector officials, and other practitioners interested in the adoption of outcomes-based approaches in their own countries, regions or municipalities, and offers a wealth of practical advice as well as examples from emergent practice across Europe.

This document focuses on practical issues related to the interplay of public contracting rules and social outcomes contracts. It does not aim to be an exhaustive review of the practice in Europe, but rather offers more information about the awarding of social outcomes contracts in Europe, as well as challenges faced and solutions found.

As such, the document includes:

- An overview of what social outcomes contracting is and how it works in practice, including 5 common contracting issues (§1)
- Country snapshots for Countries (EU and UK) where social outcomes contracts have been launched (§2)
- Practical advice on developing and implementing social outcomes contracts (§3)
- Information on further resources and support available (§4)
- A glossary (§5) and bibliography consulted for this document (§6)

Common contracting issues

This guide brings initial thoughts and considerations on social outcomes contracting from a contracting perspective.

¹ EIB & GO Lab (2021) *Social Outcomes Contracting in Europe Guide*, available at: <https://eiah.eib.org/publications/attachments/social-outcomes-contracting-in-Europe-10052021.pdf>

It highlights 5 possible trip steps when awarding a social outcomes contract (SOC):

1. Challenges related to the parties
2. Challenges related to the outcomes and outcome payments
3. Challenges related to reporting and data sharing during performance
4. Challenges related to changes
5. Challenges related to default and termination

Emerging insights

The guide provides emerging insights from seven European countries as part of the country snapshots (§2), which are summarised below:

- **Belgium's** experience suggests more detailed requirements about the social outcomes may speed up the process of awarding SOCs. The procurement rules are flexible and, as a result, procurement procedures are not a significant barrier to timely contract award. A fund or structure that allows multiple different SOCs to be awarded may also speed up the process.
- **France** plans to launch new social impact contracts in 2022. All of the projects launched so far were awarded to service providers as grants -- not through tendering contracts within the scope of or using procedures under the EU Public Procurement Directive 2014/24/EU (the EU Directive), rather through open calls aligned with the EU Directive. Stakeholders suggest that having organisations that focus on impact evaluation in the country can facilitate social impact contracts. In France, outcome payers have launched calls for proposals in order to provide grants for social innovation projects. The government standardised a contract and published a template for French impact contracts.
- **A positive aspect of Portugal's** experience, as described by some stakeholders, is that having a single fund or structure for awarding multiple SOC can speed up the process. Having a structure inside the government focused on impact investing is also seen as a facilitator for the awarding of SOCs. On the other hand, the country faced challenges regarding the approval of the invoices for the projects, mostly due to the need to align the SOC's payment system with the procedures of the European Social Fund. Portugal created a tax relief system to attract investments on SOCs.
- In **The Netherlands**, engaging legal teams early in the award process was perceived as important to avoiding contracting challenges. The launched projects were pioneered by local authorities. Flexibility in the configuration of the parties when awarding a contract is seen as positive.
- The **UK** has a variety of outcomes funds for SIBs. Nevertheless, the awarding process faces challenges. The government standardised a contract and published a template for the SIBs.
- **Finland's** experience suggests that having a fund or structure that allows multiple SOCs to be awarded may speed up the awarding process. Having a structure inside the government focused on impact investing can also streamline the process.

- **Sweden**'s experience suggests that it is important that the service provider is involved in SOC governance. It may be helpful to have capacity development and intermediary functions performed by a national, government-owned organisation. On two of the SOCs, there was no private investor. There is a trade-off between flexibility in service requirements and the length of the procurement process.

Practical advice

Based on the experience of countries in the EU that have awarded SOCs, one can draw out some lessons learned and practical advice for those considering awarding one or more SOCs. The section is divided in two parts, each with 5 subtopics.

5 high level considerations when awarding **multiple** SOCs:

1. Engage with legal teams early
2. Whether this is a contract within the scope of the EU Directive or other type of award
3. Template contracts
4. Transparency and learning
5. Collaborate with other contracting authorities

5 high level considerations when awarding **particular** SOCs:

1. What function do you want the awardee to perform?
2. Widen your market engagement
3. Be flexible about how outcomes are achieved
4. Ensure the contract includes desired transparency or knowledge sharing requirements
5. Engage with SOC beneficiaries and their representatives

A note on terminology

There is some variation in the way terms such as '*social outcomes contracts*' (SOCs) and '*impact bonds*' (IBs) are used to describe cross-sector partnerships that fund social programmes or services on the basis of outcomes achieved, and these terms are often used interchangeably. For the purpose of this guide, and to be consistent with EU Institutions²'s use of the term, we define '*social outcome contracts*' as *outcome-based contracts that incorporate the use of private funding from investors to cover the upfront capital required for a provider to set up and deliver a service or a social programme. 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.* We use the same definition to describe '*impact bonds*', the most widely used term in the United Kingdom. Elsewhere, these arrangements may be called a '*contrat à impact social*' (French), '*títulos de impacto social*' (Portugese), '*bonos de impacto social*' (Spanish, Latin America), '*pay-for-success*' (English, United States) and '*social benefit bonds*' (English, Australia).

² European Commission, European Investment Bank and European Investment Fund

While in practice the design of these projects can vary widely, all these approaches are underpinned by a payment by results mechanism (PbR) – the practice of paying providers for delivering public services based wholly or partly on the results that are achieved. As a method of contracting out public services, PbR is generally less prescriptive than fee-for-service approaches, with providers given flexibility in the way they deliver the service to achieve results. Throughout this report, when referring to individual projects, we use the terminology predominantly used to describe the respective projects by the project stakeholders themselves.

1. SOCIAL OUTCOMES CONTRACT & PUBLIC PROCUREMENT

Overview

This Guide is focused on practical issues related to the interplay of public contracting rules and social outcomes contracts. It seeks to illuminate challenges and their solutions in specific cases around Europe. A more general introduction to social outcomes contracts is available in a previous publication under the SOC Advisory Platform³ and in the GO Lab's introductory guide⁴.

A social outcomes contract (SOC) is a partnership aimed at improving social outcomes for service users. The core idea is that service will only be paid for if and when outcomes are achieved. Social outcomes contracts bring together three key partners: an outcome payer, a service provider, and an investor.

Often the outcome payer in a SOC is a public contracting authority subject to the EU Directive on Public Procurement (the Directive)⁵. From such a perspective, SOCs constitute unusual procedures, often limited in size.

SOCs from a public procurement perspective

As noted above, public authorities subject to the Directive are new to SOCs, as they are more experienced in procuring for outputs rather than for outcomes. Yet, SOCs may also be promising, even exciting, in other respects and may be especially attractive if a public contracting authority has high levels of internal procurement expertise and capacity, external support, and/or policy reasons for pursuing a SOC.

SOCs are tiny relative to the wider spending handled by public procurement professionals. The EU Directive regulates a massive amount of economic activity: over 250 000 public authorities in the EU spend around EUR 2 trillion per year, every year (about 14% of GDP) on the purchase of services, works and supplies.⁶ Relative to public procurement, SOCs are still a very small economic activity involving less than USD 200 million within Europe, including the UK, cumulatively since 2010.⁷

SOCs are deliberately unusual in at least two ways. First, SOCs focus on outcomes, and this outcomes focus may clash with a public authority's standard mechanisms and tools for monitoring and paying for inputs and activities under a public contract. Second, SOCs involve financial organisations, and the presence of this new party in the delivery of social services may

³ EIB & GO Lab (2021) *Social Outcomes Contracting in Europe Guide*, , available at:

<https://eiah.eib.org/publications/attachments/social-outcomes-contracting-in-Europe-10052021.pdf>

⁴ GO Lab (2020) *The Basics: Impact Bonds*, available at: <https://golab.bsg.ox.ac.uk/the-basics/impact-bonds/>

⁵ 2014/24/EU, available at <http://data.europa.eu/eli/dir/2014/24/2020-01-01>

⁶ European Commission, Public Procurement webpage, available at https://ec.europa.eu/growth/single-market/public-procurement_en.

⁷ GO Lab INDIGO Impact Bonds Dataset: <https://golab.bsg.ox.ac.uk/knowledge-bank/indigo/impact-bond-dataset-v2/>

change market engagement, negotiations and discussions during a procurement procedure, and contract performance management.

SOCs are also deliberately slow to get money out the door. SOC focus on payment after outcomes are achieved. Sometimes the policy rhetoric celebrates the contingent nature of SOC, promising that SOC ensure that government only pays for ‘what works.’ However, in times a public emergency, or during efforts to quickly recover from the public emergency, such as economic and social recovery from the COVID-19 pandemic, there may be pressures to quickly spend public funds.

The small scale, unusual features, and slow, contingent spend of SOC does not mean that they should not be procured. On the contrary, the benefits of using a SOC may outweigh the costs to a greater extent than traditional contracting. Research in the UK⁸ suggests that SOC have the potential to help overcome three perennial challenges in government, namely the fragmentation of public services, a short term political and financial focus, and difficulty creating change. The same research found that SOC may help to reform the public sector through facilitating collaboration, prevention and innovation. However, the same research and other sources also highlight that evidence on the benefits of SOC remains limited and inconclusive.⁹

The bigger point for this guide is that whatever the benefits might be for the organisation overall, procurement professionals within a public organisation have some practical challenges to overcome when managing a (tiny and unusual) SOC procurement.

Generally, these challenges seem to be more easily navigated when there are high levels of procurement expertise, external support, and/or strong policy reasons for pursuing a SOC. Specific challenges and potential solutions are explored within in this guide.

Awarding SOC as contracts under the EU Procurement Directive versus as grants

Most countries considered in this document -- Belgium, Netherlands, UK, Finland, and Sweden -- awarded SOC as contracts through a public procurement procedure under the EU Public Procurement Directive 2014/24/EU (the EU Directive). The SOC in France and Portugal were

⁸ Carter, E., FitzGerald, C., Dixon, R., Economy, C., Hameed, T., and Airoldi, M. (2018) *Building the tools for public services to secure better outcomes: Collaboration, Prevention, Innovation*, Government Outcomes Lab, University of Oxford, Blavatnik School of Government, available at: <https://golab.bsg.ox.ac.uk/our-projects/about-evidence-report-2018/>

⁹ See Klimavičiūtė, L., Chiodo, V., De Pieri B., Gineikytė V. (2021) *Study on the benefits of using social outcome contracting in the provision of social services and interventions – a cross-country comparative assessment of evolving good practice in cross-sectoral partnerships for public value creation* [Publications catalogue - Employment, Social Affairs & Inclusion - European Commission \(europa.eu\)](#). See also Carter, E., FitzGerald, C., Dixon, R., Economy, C., Hameed, T., and Airoldi, M. (2018) *Building the tools for public services to secure better outcomes: Collaboration, Prevention, Innovation*, Government Outcomes Lab, University of Oxford, Blavatnik School of Government, available at: <https://golab.bsg.ox.ac.uk/our-projects/about-evidence-report-2018/>

awarded as grants – through lighter calls rather than fully-fledged procedures under the EU directive.

In countries where SOC's were awarded through public procurement procedures, experts expressed that they were required to do so under legislation implementing the EU Directive because their SOC's related to services that were within the awarding governments' responsibilities. In countries where SOC's were awarded as grants, experts described the projects as innovations beyond current scope of the awarding governments' regular services. We were told that national rules and practices on grant making also affects this issue.

The EU Directive Article 1 Section 2. states that "Procurement within the meaning of this Directive is the acquisition by means of a public contract of works, supplies or services by one or more contracting authorities from economic operators chosen by those contracting authorities, whether or not the works, supplies or services are intended for a public purpose."

Recital 4 to the EU Directive states, "The notion of acquisition should be understood broadly in the sense of obtaining the benefits of the works, supplies or services in question, not necessarily requiring a transfer of ownership to the contracting authorities. Furthermore, the mere financing, in particular through grants, of an activity, which is frequently linked to the obligation to reimburse the amounts received where they are not used for the purposes intended, does not usually fall within the scope of the public procurement rules."

On one Swedish SOC, a separate contract was awarded to a private investor. We were told this contract was outside the scope of the EU Directive. Article 10 (f) of the EU Directive states that it does not apply to "loans, whether or not in connection with the issue, sale, purchase or transfer of securities or other financial instruments."

(It is beyond the scope of this guide to provide legal commentary or advice. We encourage practitioners to consult with legal advisors on this matter and hope the descriptive information is a helpful introduction to some of the issues and practices.)

Common contracting issues

There are a number of potential challenges that one might face when awarding a Social Outcomes Contract. Below, we include a list of 5 possible trip steps that might arise in the award process:

1. Challenges related to the parties

It can be difficult to balance the needs of all the stakeholders involved. For example, the outcome payer may want to influence how delivery partners are managed and selected, and to specify key personnel. Service providers may want significant flexibility in the performance of the work. They also likely want limited flexibility in the contract to change service providers, but may desire flexibility to change investors. And a social investor may either want an active role, with significant control over changes to delivery partners and the intervention programme being carried out to

ensure outcomes are met, or a more passive role, avoiding specifying solutions and key personnel from providers.

Harmonising the interests of different parties in the contract is a challenging but important process. Different parties have different preferences about how active they want their role in the impact bond to be. It is important that a particular SOC is configured to reflect the preferences of the other parties you want to attract.

2. Challenges related to the outcomes and outcome payments

The parties should consider making outcomes as clear and as simple as possible. A more standard services contract would focus on programme inputs and activities, whereas an outcomes contract focuses on the outcomes. This may be a break from the parties' previous ways of working and standard contract clauses.

On the other hand, a focus on long-term outcomes may cause tension with the parties' desire to reduce the length of time between the 'outcome' being achieved and the service being performed/funded, particularly in the context of outcome payers' need to operate on a short fiscal cycle.

3. Challenges related to reporting and data sharing during performance

Information is shared for different purposes -- monitoring, performance management, invoicing, and evaluation are different uses of data. Data collection, analysis, and publication have associated costs. Clarity around what information is to be shared by whom, when, and for what purpose may be helpful and reduce confusion and problems during contract performance.

On one hand, commitments to provide data on inputs and activities rather than only outcomes may undermine the purpose of an outcomes-based programme. On the other hand, the parties may want to collaborate transparently and/or the outcome payers may have statutory obligations.

4. Challenges related to changes

Impact bonds are a new way to address complex social issues, and so it's unlikely that everything will work perfectly from the outset. Transparency notices should be focused on the outcomes broadly and contracts should include flexibility for changes to be made, in order to avoid the need for re-procurement. A lesson learnt in the UK is to avoid over-specification of activities and provide procedures for changing the timeline and other details around the specific outcomes. (In

the UK Life Chances Fund, these flexibilities were helpful when adapting to the COVID-19 pandemic and associated lockdowns.¹⁰⁾

5. Challenges related to default and termination

Stopping an outcomes contract is likely more complicated than a services contract because the activities being performed relate to outcomes that were expected to be achieved in the future. Stopping outcomes payments now likely relates to activities that were completed long ago, and does not address activities and costs incurred more recently.

For more on these topics, you can refer to the 'stumble steps' in the GO Lab's Awarding Outcomes-Based Contracts Guide.¹¹

¹⁰ FitzGerald, C., Hameed, T., Rosenbach, F., Macdonald, J. R., Outes Velarde, J. & Dixon, R. (2021). *An Introduction to Life Chances Fund projects and their early adaptations to Covid-19: Life Chances Fund Evaluation Interim Report*. UK Department for Digital, Culture, Media & Sport. www.gov.uk

¹¹ GO Lab (2021), *Awarding outcomes-based contracts technical guide*, available at: <https://golab.bsg.ox.ac.uk/toolkit/technical-guidance/awarding-outcomes-based-contracts/>

2. SOCIAL OUTCOMES CONTRACTING IN EUROPE

Overview

As of July 2022, over 60 SOCs have been launched across European Union (EU) Member States, with projects delivered or currently under implementation in: Portugal, France, Belgium, the Netherlands, Germany, Austria, Finland and Sweden. Additionally, 89 SOCs have been launched in the UK. These projects seek to address a wide range of social challenges, including youth skills and employment, refugee integration, children’s social care, health and wellbeing. (See the Social Outcomes Contracting in Europe guide for more information on the number and policy sector of SOCs in each country. The same guide also describes support for social outcomes contracting at the EU level including support from the EC and the European Investment Advisory Hub¹²).

Different countries award SOCs in different ways and the contract structures can vary. However, there are four basic configurations in which the parties usually organise themselves in a SIB. See the *Awarding outcomes-based contracts* guide¹³ for more information on those possible configurations.

Selected country snapshots

As of July 2022 a number of EU Member States have been leading the way in the development of social outcomes contracts, most notably the Netherlands (17 social impact bonds), Portugal (23 social impact bonds), France (11 impact contracts), Belgium (6 social impact bonds), Finland (4 social impact bonds) and Sweden (3 social impact bonds). The UK was also included on the country snapshots (89 social impact bonds).

Note: The remainder of this section of the guide offers selected country-level snapshots for those EU Member States where social outcomes contracts have been launched or are currently under development. All snapshots are based on publicly available data from GO Lab’s [Impact Bond Dataset](#) and are correct as of July 2022. The snapshots are also based in interviews conducted with key stakeholders from the described countries in 2021. (As of July 2022, there are some discrepancies between the number of SOCs reported in this guide and the number of projects described in the Impact Bond Dataset. In Belgium and France, stakeholders describe there being more SOCs than are in the Impact Bond Dataset, but the GO Lab has not yet received enough data on these projects for publication. In Sweden, this guide reports two SOCs in which there is no investor, and these are not included in the GO Lab’s Impact Bond Dataset).

¹² For further information on how the European Investment Advisory Hub can support EU member states to develop and use social outcomes contracts, please go to: <https://eiah.eib.org/about/initiative-social-outcomes-contracting.htm>.

¹³ Available at <https://golab.bsg.ox.ac.uk/toolkit/technical-guidance/awarding-outcomes-based-contracts/>

If you are aware of or involved in a social outcomes contract or impact bond project that is not listed below, please get in touch directly with the European Investment Advisory Hub of the EIB (eiah@eib.org) and GO Lab (golab@bsg.ox.ac.uk).

Belgium

Number of launched SOC	6
Are SOC s typically awarded as a contract (through procurement under the EU Directive) or as a grant?	SOCs are typically awarded as a contract through a procurement procedure.
Are the contracting / awarding public authorities at national or sub-national levels?	Sub-national. 3 of the SIBs were awarded by ATIRIS, the public employment service of the Brussels-Capital region; 2 by VDAB, the public employment service of Flanders; and 1 from the Ministry for Welfare, Public Health, Family and Poverty Reduction in the Flemish Regional Jambon Government.
What SOC party is typically the awardee?	Service Provider
Key emerging insights:	More detailed requirements about the social outcomes may speed up the process of awarding SOC

Belgium currently has 6 SOC

s launched.

The Belgian SOCs were awarded through public procurement procedures. Stakeholders stated that European rules around State Aid and national rules around grants mean that public procurement procedures, not grants, are most appropriate in Europe.

More detailed requirements about the social outcomes may speed up the process of awarding SOCs. For the first SOC

s in Flanders, the contracting authority used a (two-stage) competitive negotiation procedure and had a lot of flexibility in their requirements. These requirements were refined through a series of discussions with bidders in the second stage. Now that Belgium has more experience in awarding SOCs, procurement professionals suggest that the basic requirements such as targeted goals and the basic variables for payment measurement preferably are limitedly subject to negotiations. This would allow the discussions to be more focused on solutions rather than on complex measurement and financial constructions, therefore creating more space for a more open market approach.

The procurement rules are flexible and procurement procedures are not the problem per se – other issues are more time consuming. There is flexibility to use a negotiation procedure, open procedure, or some other procedure. Issues of defining the outcomes, defining the cohort, understanding the intervention etc. are more complex so there is a choice to be made about which of these issues can be settled before the procurement and which need to be settled during the procurement process in discussion with the potential contractor(s).

A fund or structure that allows multiple SOC's to be awarded may also speed up the process. SOC's in Belgium were initiated, procured and awarded through very separate, independent processes. One stakeholder suggested that a mechanism could be established in the future to award multiple SOC's. (For examples, see the UK Life Chances Fund and Portugal Inovação Social described below.)

France

Number of launched SOC	11
Are SOC typically awarded as a contract (through procurement under the EU Directive) or as a grant?	All the impact contracts (as they are referred to in the country) were awarded as grants.
Are the contracting / awarding public authorities at national or sub-national levels?	Mostly national level; 2 projects at the local level.
What SOC party is typically the awardee?	The service provider. A contract is signed between three stakeholders: final payers (government, public agencies and/or private funds), service provider and investors.
Key emerging insights	France is planning on launching new social impact contracts in 2022. All of the projects launched so far were awarded as grants. The organisation that receives the grant is the service provider. Having organisations that focus on impact evaluation on the country is believed to facilitate the existence of social impact contracts. In France, outcome payers have launched calls for proposals in order to provide grants for social innovation projects. The government standardised a contract and published a template for French impact contracts.

France currently has 11 SOC launched.

As of July 2022, France is planning on launching new projects. The first 11 impact contracts were launched between 2017 and 2021, involving a diverse range of stakeholders and each with its own outcome framework¹⁴. In 2020, the French Ministry for the Economy announced new calls for proposals for impact contracts. The learnings from the first batch of projects will inform the second batch, which are due to be launched later in 2022.

The French impact contracts were awarded as grants. It is claimed that, due to administrative complexity, a grant is more suitable in the French context, particularly for payments to service providers.

The organisation that receives the grant from the government is the service provider. The provider then relates to the investor through a bond or a trust (*fiducie*). The contract is signed

¹⁴ Pellizzari, M. & Sebag, R. (2019) *Retour d'expérience sur les contrats à impact social en France*, Impact Invest Lab, Paris, available at: <https://www.finance-fair.org/wp-content/uploads/2021/08/RETOUR-EXPERIENCE-CIS.pdf>

between three stakeholders: final payers (government, public agencies and/or private funds), service provider and investors.

Having organisations that focus on impact evaluation in the country can facilitate the existence of impact contracts. In France, there's a lack of evaluation capacity, a shortage of organisations focused on evaluation. That was highlighted as a challenge for the country. Having more organisations and/or improving public measurement can facilitate the process in the future.

In France, outcome payers have launched calls for proposals in order to provide grants for social innovation projects. These calls are called *Appel à Manifestation d'Intérêt* (AMI) and currently there are 3 calls for proposals opened: AMI *Economie Circulaire* (Circular Economy), supported by ADEME (the French agency for ecological transition); AMI *Egalité des chances économiques* (Equal economic opportunities), supported by the French Ministry of social economy; and AMI *Innover pour l'accès à l'emploi* (Innovate for access to employment), supported by the Ministry of Labor, Employment and Integration. It is helpful from the administrative point of view that the applications are done in the same place, in batches, but it would be even more helpful if there were a fund available to support each batch.

The government standardised a contract and published a template for French impact contracts¹⁵. The contract template can be considered a learning from the first batch of projects to the second, as mentioned above. More information about this can be found in section 3, under 'Template contracts'.

¹⁵ Available at <https://www.tresor.economie.gouv.fr/Institutionnel/Niveau3/Pages/aea2b118-0d4e-4fd0-8f4e-8c73a1028e01/files/1298547b-03c9-4401-b94c-c8b994888de2>

Portugal

Number of launched SOCs	23
Are SOCs typically awarded as a contract (through procurement under the EU Directive) or as a grant?	All the SOCs were awarded as grants.
Are the contracting / awarding public authorities at national or sub-national levels?	National level.
What SOC party is typically the awardee?	The contract is done with the social investor (or lead investor).
Key emerging insights	The Portuguese experience shows that a fund or structure that allows multiple SOCs to be awarded may speed up the process. Having a structure inside the government focused on impact investing is also seen as a facilitator for the awarding of SOCs. The country faced challenges regarding the approval of invoices for the projects. Portugal created a tax relief system to attract investments in SIBs.

Portugal currently has 23 SOCs launched.

The Portuguese SOCs were awarded as grants. Portugal started designing SIBs in 2014, financed under ESIF-ESF (European Structural and Investment Funds – European Social Fund). Many choices had to be made as the Portuguese approach to SIBs was developed¹⁶. The country chose to put the public sector commissioners at the centre of the SIBs design. This high involvement of public sector in the early stages of SIBs Programme design and set-up was expected, at a later stage, to contribute for the creation of the necessary mechanisms for progressively replacing ESIF-ESF as the SIB outcome payer, as well as for the integration of SIBs innovations into the relevant mainstream public policies.

A fund or structure that allows multiple SOCs to be awarded may also speed up the process. Portugal chose to exclusively use ESF (European Social Fund) as the outcomes fund.

Having a structure inside government focused on impact investing is seen as a facilitator for awarding SOCs. The Portuguese government has a public initiative to develop the social investment market in the country, called Portugal Social Innovation (*Portugal Inovação Social*), created in 2014. The initiative mobilises European funds to promote social innovation.

¹⁶ *The Portuguese Social Innovation Initiative*, EC and EIB, 2018. Available at: <https://www.fi-compass.eu/sites/default/files/publications/fi-compass%20study%20on%20the%20Social%20Impacts%20Bond%20programme%20under%20the%20Portugal....pdf>

There were some challenges regarding approval of project invoices. While awarding the SOCs as grants might have been easier, payments were slow to be approved. The invoices were reviewed to make sure that the funds were used for valid expenses, rather than simply confirming that the outcome had been achieved. The country faced challenges by financing based on real costs as it is inconsistent with the logic of payment by results, namely in Social Impact Bonds, making the instrument less attractive. Therefore, in the future, it should continue to focus and deepen the option for simplified cost methodologies.

Portugal created a tax relief system to attract investments on SIBs. The national tax policy included a 30% tax relief on all investments in SIBs, regardless of the outcomes achieved, to attract private investors.

The Netherlands

Number of launched SOC's	17
Are SOC's typically awarded as a contract (through procurement under the EU Directive) or as a grant?	SOC's are typically awarded through a procurement procedure.
Are the contracting / awarding public authorities at national or sub-national levels?	Local, regional and national levels.
What SOC party is typically the awardee?	Either the service provider or the intermediary. On one SOC, the awardee was the investor.
Key emerging insights	Engaging legal teams early in the award process was perceived as important to avoiding contracting challenges. The launched projects were pioneered by local authorities. Flexibility in the configuration of the parties when awarding a contract is seen as positive.

The Netherlands currently has 17 SOC's launched.

The majority of Dutch SOC's were awarded through a public procurement procedure.

Engaging legal teams early in the award process was perceived as important to avoiding contracting challenges. The procurement processes generally lasted from six months to one year. The fact that legal teams were engaged early in the process is perceived as important to having avoided delays.

Local authorities pioneered social outcomes contracting. In the Netherlands, social outcomes contracting approaches have been pioneered at local level by municipalities and other local authorities.¹⁷ One province (Noord-Brabant) was even responsible for creating the first Outcomes Fund in the country. There are three social outcomes contracts on national level. One with the Ministry of Justice, one with the Ministry of Defence and one with a private insurer as the outcome payer.

Flexibility in the configuration of the parties when awarding a contract is seen as positive. In some of the projects that were procured, the outcomes contract was signed with the intermediary, while in other it was with the service provider. The investor held the outcomes

¹⁷ Anastasiu, A. (2019) *SIBs in the Netherlands: Part 1 – State of play, an interview with Social Finance Netherlands co-founder Björn Vennema*, Government Outcomes Lab, University of Oxford, available at: <https://golab.bsg.ox.ac.uk/community/blogs/sibs-netherlands-state-play/>

contract in only one project – and it was not seen as the ideal model, as it presented a number of challenges. Most of the SOC in the country have a legal entity created solely for the SOC – equivalent to a special purpose vehicle (SPV) in the UK.

United Kingdom

Number of launched SIBs	89
Are SOC's typically awarded as a contract (through procurement under the EU Directive) or as a grant?	All the SIBs were awarded as contracts through a procurement procedure.
Are the contracting / awarding public authorities at national or sub-national levels?	There is a great variety between the national and sub-national levels. For example, in the 29 projects awarded by the Life Chances Fund (LCF), both levels were co-commissioners, with most of the funding coming from the local commissioners (about 70% of the funding comes from the local and 30% from the national commissioners, as stipulated by the LCF).
What SOC party is typically the awardee?	The awardee varies in the UK. It can be the investor, the service provider, the intermediary or a Special Purpose Vehicle (SPV – a legal entity created solely for the SIB).
Key emerging insights	The UK has a variety of outcomes funds for SIBs. However, even with a variety of funds, the awarding process faces challenges. The government standardised a contract and published a template for the SIBs.

The UK currently has 89 SIBs launched.

The UK SIBs were awarded through a public procurement procedure.

The UK has a variety of outcomes funds for SIBs. Since the launching of the first SIB in 2010, different outcomes funds were created by the UK central government to increase the adoption of SIBs across England. The Life Chances Fund (Department of Digital, Culture, Media and Sport) was launched in 2016; the Rough Sleeping SIB Fund (Ministry of Housing, Communities and Local Government); the Social Outcomes Fund and Commissioning Better Outcomes Fund (Cabinet Office & Big Lottery Fund); the Fair Chance Fund (Ministry of Housing, Communities and Local Government); the Youth Engagement Fund (Cabinet Office, Ministry of Justice, Department of Work and Pensions) and the Innovation Fund.

Despite the existence of a variety of funds, the awarding process faces challenges. Outcomes funds might help to increase learning about SIBs, but they failed to solve some procurement issues¹⁸. For example, the Life Chances Fund had a different procurement process running for

¹⁸ FitzGerald, C., Hameed, T., Rosenbach, F., Macdonald, J. R., Outes Velarde, J. & Dixon, R. (2021). *An Introduction to Life Chances Fund projects and their early adaptations to Covid-19: Life Chances Fund Evaluation Interim Report*. UK Department for Digital, Culture, Media & Sport. www.gov.uk

each of the 30 SIBs. Different local authorities used different procedures and the process took a different amount of time for each of them. The existence of two distinct processes (one at the central government and one at the local level) likely caused delays on the awarding process.

The government standardised a contract and published a template for the SIBs¹⁹. More information about this can be found in section 3, under ‘Template contracts’.

¹⁹ The UK Contract Template has been updated as of September 2021. The updates were made by the contract template working group of the Procurement of Government Outcomes (POGO) Club at the GO Lab. The new version can be found at <https://golab.bsg.ox.ac.uk/knowledge-bank/resources/oxford-pogo-club-OutcomesTemplateDraftSeptember2021/>

Finland

Number of launched SOC	4
Are SOC	SOCs are typically awarded as a contract through a procurement procedure.
Are the contracting / awarding public authorities at national or sub-national levels?	Out of the four projects, two have been awarded at a local level, one at a national level, and one by both local and national levels.
What SOC party is typically the awardee?	The intermediary is usually the awardee.
Key emerging insights	A fund or structure that allows multiple SOC

Finland currently has 4 SOC

The Finnish SOC were awarded through a public procurement procedure. The government awards the contract to the intermediary (referred to as ‘program manager’ in the country). It is their responsibility to form a fund and manage it, as well as to find an investor – but they are not the investors themselves.

A fund or structure that allows multiple SOC to be awarded may also speed up the process. In Finland the development of social outcomes contracts has been supported by SITRA, the Finnish Innovation Fund²⁰, an independent public foundation which operates directly under the supervision of the Finnish Parliament and aims to promote the long-term wellbeing of Finnish society, by supporting innovative and sustainable approaches.

Having a structure inside the government focused on impact investing can also facilitate the process of awarding SOC. Building on the success of the Impact Investing team within SITRA, in 2020 the Finnish government established a national Centre of Expertise for Impact Investing at the Ministry of Economic Affairs and Employment. The centre’s primary role is to assist public sector actors in developing outcomes contracting approaches.

²⁰ For more information about SITRA’s role and supported projects, see <https://www.sitra.fi/en/>. To avoid any confusions, note that according to GO Lab’s definitions, SITRA is considered an investment fund, not an outcomes fund.

Sweden

Number of launched SOC	3 ²¹
Are SOC	The SOC
Are the contracting / awarding public authorities at national or sub-national levels?	The SOC
What SOC party is typically the awardee?	The service provider.
Key emerging insights	It is important that the service provider is involved in SOC governance. It may be helpful to have capacity development and intermediary functions performed by a national government-owned organisation. On two of the SOC

Sweden currently has 3 SOC

The Swedish SOC were awarded using a public procurement procedure. The first SOC had two different procurement procedures, one for the investor (as financial services) and one for the service provider. The second and third SOC

It is important that the service provider is involved in the formal governance of the SOC, including in issues of service user referrals into the intervention program and any changes to the SOC. In the first SOC, the service provider – the party with the most expertise working with the target group -- was not involved in formal governance of the SOC. In the second and third SOC

Capacity development and intermediary functions were performed by a national government-owned organisation. The Research Institutes of Sweden (RISE) provide capacity development to local authorities during procurement and contract management, including performance management on all three SOC

²¹ GO Lab currently has one Swedish SIB on the INDIGO Impact Bond dataset. Two are excluded from this dataset because they do not have an investor as required by that dataset. We include all 3 in this guide because the lessons learned across all 3 may be instructive.

Two of the three SOC, did not involve a private investor. The first SOC procured the investor separately (as noted above). For the second and third SOC, there was an option to engage a private investor, but the parties chose to carry risks themselves and did not involve a private investor.

There is a trade-off between flexibility in service requirements and the length of the procurement process. We were told that the Swedish SOC was quite specific regarding service requirements, including the target and intervention. This was seen as one of the reasons for the speed of the procurement processes (about 6 months).²²

²² The authors notes here that being specific about the service provision may have the advantage of moving the process quickly – but may make it more difficult to adapt of change services during the performance of the project.

3. PRACTICAL ADVICE

The following section brings together some broader lessons learned and practical advice from the countries in the EU that have awarded SOCs.

This section is divided into two parts. The first details high-level considerations that should be taken into account when awarding multiple SOCs. The second details high-level considerations that should be taken into account when awarding particular SOCs. The two parts are not exclusive, but simply indicate the circumstances in which the considerations are likely to be most relevant.

5 high-level considerations when awarding multiple SOCs

1. **Engage with legal teams early** -- It is essential to engage the legal team as early in the process as possible, in order to prevent delays.

Legal teams will probably need some time to adapt to the different approaches required by an outcomes-based contract, which takes time and effort.

- The Netherlands provides example in which engaging with the procurement team early was highlighted as a key reason for the success of the procurement process. Stakeholders reported that, because they engaged early with the legal team, issues with the awarding procedures were avoided.

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2. **Determine whether is a procurement under the EU Directive or a grant – and minimise the associated administrative burdens** -- As noted earlier in this document, most countries award SOCs through public procurement procedures designed to be compliant with the EU Public Procurement Directive 2014/24/EU (the EU Directive). Some countries have awarded SOCs as grants. It is beyond the scope of this guide to provide legal commentary or advice and no review of national-level rules has been undertaken. However, we suggest that if contracting for outcomes is to be mainstreamed as a mechanism for government services, then procurement compliant with the EU Directive is more likely to be appropriate. We encourage practitioners to consult with legal advisors on this matter.

Governments can also consider ways to reduce administrative burdens associated with procurement or grant process. In the UK, the Life Chances Fund had a central government fund with an application process, separate to which each local authority had to run their own procurement procedure for the SIB project. With the Portuguese Inovação Social SOCs, the process of awarding the grants was relatively simple. However, the process of receiving and paying invoices was described as complicated and time consuming because,

for example, the actual expense incurred was reviewed under grant rules. Again, we encourage practitioners to consult with legal advisors on this matter.

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- 3. Template Contracts** -- Having a contract template can facilitate the process of awarding a SOC, by reducing the time and costs of legal arrangements. Currently, the UK and France have template contracts for SOCs.

UK SIB Template Contract²³

The UK SIB template contract is designed for two parties: a public (government) contracting authority and a prime contractor. A Deed of Assurance (Schedule 3) is provided as the mechanism by which the contracting authority may want to tie-in a subcontractor. For example, if your direct contractor is an SPV or investor, you may want some control over changes to the subcontractor providers. Alternatively, if your prime contractor is a provider, you may want some control over any changes to a subcontractor who is providing performance monitoring data. The Deed of Assurance includes Step-In Rights in Favour of the Authority (i.e. outcome payer) which can result in the payer becoming the direct client of the subcontractor.

However, having a template contract does not solve all the procurement issues that might appear. For example, even though the UK had a template contract, they still faced many challenges in awarding some SIBs. The central government developed the template, but it was being used by local governments – so it had to be updated for each of them and negotiations by each local authority about each individual contract still took place. The GO Lab has a contract template working group, as part of the Procurement of Government Outcomes (POGO) Club, that has developed an updated template.²⁴ It is informed by these challenges, and aims to provide a more feasible option for use by local authorities.

France impact contract template²⁵

The France social impact contract template is designed for four parties: a public (government) contracting authority (*l'état*), a service provider (*opérateur*), a co-payer, if existing (*co-tiers-payeur*) and the investor(s) (*investisseur*). The template also clarifies that the parties can appoint either one or more

²³ <https://golab.bsg.ox.ac.uk/toolkit/technical-guidance/awarding-outcomes-based-contracts/#chapter-three>

²⁴ The UK Contract Template has been updated as of September 2021. The updates were made by the contract template working group of the Procurement of Government Outcomes (POGO) Club at the GO Lab. The new version can be found at [Oxford POGO Club - Outcomes Template Draft September 2021 \(V2.0\)](https://www.pogo.club/oxford-pogo-club-outcomes-template-draft-september-2021-v2.0)

²⁵ Available at <https://www.tresor.economie.gouv.fr/Institutionnel/Niveau3/Pages/aea2b118-0d4e-4fd0-8f4e-8c73a1028e01/files/1298547b-03c9-4401-b94c-c8b994888de2>

independent evaluator (*Tier-Vérificateur*). The parties can also designate an evaluation board for the social impact contract.

- 4. Transparency and knowledge sharing issues** -- There are two levels of issues related to transparency and knowledge sharing. The first is the lack of notices required under the EU Directive. When developing this guide, we faced significant difficulties in finding the procurement notices regarding SOC's across Europe, and for most of the countries the invitation to tender materials are not publicly available. The GO Lab highlights this as a challenge that may need to be addressed in order to develop better outcomes contracts in the EU.

The second level is the (lack of) obligation to share more substantial documents, which are needed for learning and scaling up of projects. Greater access to the materials that have been used in different countries could present a powerful tool for learning. Transparency is key when talking about innovation. The updated version of the UK's contract template addresses this issue, and aims to achieve a wider transparency regarding project documents.

- Of the countries mentioned in this annex, the only publicly accessible procurement documents through the Tenders Electronic Daily (TED) website were from the UK. Documents from The Netherlands, Portugal, France, Belgium, Finland and Sweden were not publicly accessible. We were able to access to some of the documentation by engaging directly with project stakeholders, but we believe this material should be made public to allow access to a wider audience.
 - Finland has a website²⁶ with all the information on SIBs in the country, including the SIBs they are developing and planning on launching.
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- 5. Collaborate with other contracting authorities** -- Consider collaboration with other potential outcome payors. Join a team that already exists. Re-use existing SOC templates. Increasing the number of beneficiaries can reduce the per-beneficiary costs and attract more potential providers and impact investors. The transaction costs involved in a SOC are significant and could be shared by outcome payors. The outcome payors in some early impact bonds are deliberately sharing their experiences and documents for use by others in an attempt to reduce future transaction costs and scale the market. The UK offers a

²⁶ The website can be accessed at: <https://tem.fi/en/sib-projects>

social impact bond template and recently this template has undergone a suggested revision by a working group of the GO Lab's Oxford Procurement of Government Outcomes (POGO) Club. France also offers a template contract.

- In the UK, five London borough councils have come together to co-commission the Pan-London SIB for Children on the Edge of Care. The co-commissioning relationship is formalised in a 2017 "Inter' Borough Partnership Agreement".

5 high-level considerations when awarding particular SOC's

- 1. What function do you want the awardee to perform?** -- Deciding who the awardee will be is a strategic step for a SOC project. Will the awardee be the service provider, the investor, the intermediary, or a special purpose vehicle (SPV)? This decision will define the next steps of the awarding process.
 - In the UK, for example, the awardee varies - it can be the investor, the service provider, the intermediary or the Special Purpose Vehicle (SPV - a legal entity created solely for the SIB).
 - In another example, The Netherlands has used an entity equivalent to the SPV in the UK.
-

- 2. Widen your market engagement** -- Engage with a broad range of investors and providers. Use your convening power to create new potential matches. Government agencies subject to the EU Procurement Directive can utilise the Prior Information Notice (PIN) process for this purpose, and should clearly state that they are in the market for providers and investors. Additionally, this suggestion has transparency benefits. Clear notices will help develop your market in the long term by helping other providers understand that you are procuring social outcomes contracts, and buying with 'after and only if' terms so they can prepare for such a deal in the future. Notably, there has been a lack of transparency notices for SOC's.
 - Belgium has engaged with a broad range of stakeholders in the process of awarding SOC's. There was a lot of negotiation on the contract that was going to be signed. The requirements of the contract were refined through a series of discussions with bidders in the second stage of the process.
-

- 3. Be flexible about how outcomes are achieved** -- Specifications should focus on the social outcomes rather than on how they are to be achieved – except when it comes to minimum service standards.²⁷ If procurement transparency notices and invitation to tender documents are too detailed about the inputs and activities, then making changes may require a contract cancellation and re-procurement. Clarity around the ‘how’ may be better achieved during procurement procedures that allow for negotiations and/or discussions.

There is a the trade-off between being specific regarding the service provision and the duration of the awarding process. Being specific about the services may have the advantage of moving the awarding process more quickly – but as mentioned above, there might be less flexibility in adapting or changing the services during the performance of the project. It is important to take this into account and have it in mind.

- Belgium negotiated the first SOC for over a year with the future parties to the contract because the specifications procured were flexible about the services – precisely to be defined with the stakeholders. Sweden, on the other hand, went through a faster awarding process and had the services more specified.

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- 4. Ensure the contract includes transparency or knowledge sharing requirements** -- Learning or capacity may be lost when a SOC ends, so it is important to secure the strategic benefits of a SOC. To do that, it is important that outcome payers engage in evaluations, data sharing and transparency. Those three topics help the outcome payer (and others) learn from what worked and retain capacity.

- During the procurement process, it is important to require that the parties share the available data. The updated version of the UK contract template²⁸ includes such a requirement, as an example.

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- 5. Engage with SOC beneficiaries and their representatives** -- Don’t lose sight of the beneficiaries. Ensure the service has been co-designed with beneficiaries or their

²⁷ The GO Lab notes here that we are not suggesting flexible outcomes. Nor are we saying the proposals should be vague.

²⁸ The UK Contract Template has been updated as of September 2021. The updates were made by the contract template working group of the Procurement of Government Outcomes (POGO) Club at the GO Lab. The new version can be found at <https://golab.bsg.ox.ac.uk/knowledge-bank/resources/oxford-pogo-club-OutcomesTemplateDraftSeptember2021/>

representatives. Consider how beneficiaries should be involved in service delivery, feedback, and monitoring of outcomes.

- In Sweden, a lot of effort went into ensuring beneficiaries were happy with the approach, including responding to concerns so that financial organisations were not involved in the service delivery aspect of projects.

4. FURTHER RESOURCES (PROCUREMENT RELATED)

Please see the Social Outcomes Contracting in Europe guide for a range of knowledge resources and support is available for those interested in developing outcomes-based contracts. The following is a short list of procurement-focused resources.

The Social Outcomes Contracting Advisory Platform, a joint initiative of the European Commission and the European Investment Bank offers expert advice and technical support to public sector organisations wishing to develop outcomes-based approaches to address key social inclusion challenges in Europe and contribute to society's increased wellbeing.

The **Advisory Platform** offers the following support:

- **Advice and individual project support**, including early exploration, feasibility studies, co-creation processes, expert advice;
- **Peer-to-peer knowledge exchange, awareness and capacity building**, leveraging local knowledge and sharing of know-how regarding project development;
- Developing **guidance** in areas of common interest for its stakeholders.

The Platform is run in collaboration with national centres of expertise on social outcomes contracting and impact investing, such as, the Finnish Centre of Expertise for Impact Investing, part of the Ministry of Economic Affairs and Employment, as well as the Swedish Social and Health Impact Centre, part of Research Institutes of Sweden.

Find out more: <https://eiah.eib.org/about/initiative-social-outcomes-contracting.htm>

The Government Outcomes Lab at the University of Oxford hosts a global Knowledge Hub for outcomes-focused partnerships, which includes technical guidance on social outcomes contracting, case studies, curated publications from the field, and a comprehensive database on impact bonds across the world. All these resources are open access.

Find out more: <https://golab.bsg.ox.ac.uk>

The Social and Health Impact Center (SHIC), RISE Research Institutes of Sweden

SHIC is an independent knowledge hub which provides competence and capacity to support the public sector and other actors in designing, commissioning, procuring, delivering and evaluating solutions and innovations. SHIC seeks to catalyse the transition from knowledge to practice and improve the public sector's ability to focus on outcomes and measure social and health impact on a societal and individual level. As a cross-sectoral and multi-professional organisation, SHIC seeks to address the need for a long-term implementation support capacity focusing on the public sector.

Recommended reading : [Social investment and outcomes contracting as a tool for an outcomes focused public sector? Learnings from the Swedish context \(2019\)](#)

Find out more: <https://www.ri.se/en/shic>

The Impact Invest Lab, France

The Impact Invest Lab is a research and development platform for social impact investing. Its mission is to accelerate the development of innovative financial instruments for social impact and to help develop great collaboration between relevant stakeholders in different sectors. They provide a range of publications, research papers, and case studies of social impact bonds in France, as well as other types of social impact financing mechanisms.

Recommended reading: [Feedback on the first wave of social impact bonds in France \(2019\)](#) (in French)

Find out more: <https://iilab.fr>

Portugal Inovação Social

Portugal Inovação Social is a government initiative aimed at promoting social innovation and stimulating the social investment market in Portugal. Portugal Social Innovation manages four financing instruments to support the development of social innovation projects, including outcomes-based contracts.

The Social Impact Bonds financing instrument aims at financing, against an outcome-based contract, innovative projects committed to achieving social outcomes and efficiency gains in priority public policy areas, such as Social Protection, Employment, Healthcare, Justice and Education.

Recommended reading: [The Portuguese Social Innovation Initiative \(2019\)](#)

Find out more: <https://inovacaosocial.portugal2020.pt/en/>

5. GLOSSARY (PROCUREMENT RELATED)

This glossary provides working definitions for some of the key terms used in this guide²⁹.

Intermediary: Impact bonds are often supported by experts that provide specific advice. These are typically all referred to as “intermediaries” but encompass at least four quite different roles:

- A consultant who supports the commissioner to develop a business case for the project that secures internal and external approval to proceed to procure and implement the new service.
- A social investment fund manager who manages a fund on behalf of social investors and manage the project with commissioners.
- A performance management expert works together with providers, reporting the performance of the impact bond and providing an independent source of information and scrutiny to investors and the commissioner. This might be required if there is a perceived conflict of interest in the provider measuring and reporting on their own performance, or if the provider lacks the skill to deliver the standard of reporting required by stakeholders.
- A special purpose vehicle who brings together other parties in a contractual relationship and holds the contract directly with the commissioner.

Example: all SIBs in Finland were awarded to an Intermediary, Epicus Oy.

Outcome fund: Outcome funds pool capital from one or more funders to pay for a set of pre-defined outcomes. Outcome funds allow the commissioning of multiple impact bonds under one structure. Payments from the outcomes fund only occur if specific criteria agreed ex-ante by the funders are met.

Outcome payer: The organisation that pays for the outcomes in an impact bond.

Example: In the Belgian social impact bond “Duo for a Job”, the outcome payer is Actiris, the Brussels-Capital Region Employment Office.

Procurement: Acquisition of goods and services from third party suppliers under legally binding contractual terms. In the European Union, member states have national regulations implementing EU Public Procurement Directive (Directive 2014/24/EU, available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex:32014L0024>).

In impact bonds where the government is the outcome payer, procurement processes may play a role shaping the market, in defining the outcome specifications, the terms of the outcomes contract, pricing the outcomes, and selecting the parties. The public procurement process may limit the ability to make subsequent changes and be subject to monitoring or auditing by government agencies.

²⁹ For more definitions related to impact bonds and outcomes-based contracting, please refer to <https://golab.bsg.ox.ac.uk/knowledge-bank/glossary/>

Provider: Also known as a service provider or service delivery organisation, providers are the entity(ies) responsible for delivering the intervention to participants. Providers work in collaboration with the outcome payer(s) and the investor(s) to make the impact bond work. A provider can be a private sector organisation, social enterprise, charity, NGO or any other legal form.

Social impact investor: An investor seeking social impact in addition to financial return. Social investors can be individuals, institutional investors, dedicated social investment funds and philanthropic foundations, who invest through their endowment.

Special purpose vehicle (SPV): A legal entity (usually a limited company) that is created solely for a financial transaction or to fulfil a specific contractual objective

Special purpose vehicles have been sometimes used in the structuring of impact bonds.

Example: The outcomes funder(s) might prefer to contract with a SPV set up specifically to deliver the IB programme. Investor(s) might also prefer this structure since the company that is set up as the SPV is the entity into which they invest. SPV are commonly used because they provide contractual ease and flexibility.

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