GSG IMPACT

BRIDGES OUTCOMES PARTNERSHIPS

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Shifting Gears

Challenges in scaling outcomes partnerships in government and strategies for success

Executive summary

For over a decade, outcomes partnerships have been used by governments to deliver higher quality public services while driving better value for money. However, despite robust evidence supporting their effectiveness and benefits, institutional, political and perception challenges have prevented the adoption, at scale, of these approaches by the public sector.

This report assesses these challenges and provides advocates with a series of tools and recommendations to strengthen their efforts to promote the adoption of outcomes-based approaches. The report also builds on "Tying Funding to Results", a joint paper by GSG Impact and the Education Outcomes Fund (EOF) with input from a diverse group of experts and GSG Impact National Partners (NPs), that synthesised shared learnings and best practices in fostering results-based mechanisms as an innovative area of finance to foster impact economies.

In collaboration with Bridges Outcomes Partnerships, GSG Impact carried out a series of interviews with experts from different geographies, supported by an extensive literature review. Seven challenges to advancing the use of outcomes partnerships by governments were identified: **1) annual budget cycles, 2) rigid public contracting procedures, 3) limited technical expertise, 4) availability and management of data, 5) (struggle for) political support, 6) political (in)stability and 7) the perception of incompatibility around public-private cooperation in the delivery of public services.**

The report concludes by providing a series of long-term strategic recommendations aimed at building and strengthening conducive environments that allow for increased uptake of outcomes partnerships by governments: **a) Focus on the system change, rather than just the cost efficiencies, that outcomes partnerships can drive; b) design outcomes partnerships grounded to political and regulatory contexts, aligning innovation with incentives in the public sector; c) Ensuring ecosystem readiness by promoting capacity building, data access and governance, and cross-learning between more experienced and less experienced stakeholders.**

Key Actionable Recommendations

Recommendation 1:

To drive broader adoption of outcomes partnerships, the focus should move from the financial instrument itself to the systems change it can drive. Changing the narrative from cost reduction to policy innovation and systems change is crucial.

Recommendation 2:

Be flexible and advocate for outcomes partnerships solutions that adapt to the local context (and not vice versa), that align local political priorities with the partnership's structure and goals, and that are based on a thorough understanding of the local public sector culture.

Recommendation 3:

Promote ecosystem readiness by building capacity among political leaders and technical government staff, ensuring open access to data and effective data governance, and facilitating knowledge exchange between stakeholders with more experience in outcomes partnerships with those with less information and capacity.

Introduction

In 2024, nearly half of the world's population went to the polls.[1] Amidst this historic turnout, results show widespread dissatisfaction with the status quo and a strong desire for change. New governments, everywhere, are facing the imperative to respond to this demand for reform, particularly in providing more effective public services, while at the same time keeping fiscal burdens at bay.

This need is more acute in emerging market and developing economies (EMDEs), where citizens show lower satisfaction rates with public services, compared to OECD countries.[2] With the annual investment gap needed to ensure social protection and universal healthcare estimated at $1.2tn[3], and more than $460bn required for education,[4] governments in emerging economies are under profound pressure to deliver to their respective publics effectively.

There is no shortage of private sector capital to help bridge this financing gap. The $30tn in global ESG-labelled assets under management is clear evidence of institutional investors' strong appetite for sustainability and impact-themed investments.[5] The challenge lies in how governments and private sector investors find avenues for collaboration in order to deploy capital to where it is most needed, and can deliver the most impact. Outcomes partnerships offer a proven pathway to bridging this gap, with evidence showing that paying for outcomes enables significantly better outcomes at better value for government when compared to paying for inputs.

Hence, most importantly, outcomes-based partnerships ensure that deployed funds achieve measurable and impact-oriented results. While alignment between investors' appetite with government priorities can catalyse desired financing for social programmes, the primary advantage of outcomes partnerships is their ability to deliver improved, more effective and personalised social policy outcomes.

Over the last decade, we have seen compelling evidence of the effectiveness of "(social) outcomes partnerships" (also known as Social Impact Bonds (SIBs)), a mechanism designed to deliver better outcomes for individuals and communities, and better value for the funders. This way of working represents a specific type of outcomes-based approach in which an outcomes funder (typically a local or central government, donor, charitable foundation or a corporate investor) and a delivery consortia[6] (of delivery organisations and social investors) partner with the objective of achieving tangible positive changes in the target population and where payments are made by the outcome funder, in part or in full, based on the achievement of these outcomes.[7] In other words, when results are achieved, governments pay for better outcomes, social investors receive their funding back, and tax-payers get better value for their money while obtaining higher socio-economic benefits. Yet, despite the willingness of social sector investors to derisk innovation in social policy, and the remarkable growth of impact investing in recent years, governments have not kept pace with this impact "revolution".

In the UK, the first and most advanced ecosystem for outcomes partnerships, since the launch of the world's first SIB[8] in 2010, nearly 100 outcomes contracts and partnerships have been launched, equalling $275m of funding deployed on outcomes.[9] However, this represents a minimal fraction compared to the $57bn annual bilateral and multilateral funding provided by governments and development institutions to support social reforms globally,[10] let alone the $214bn annually spent by the UK government on social services. If a mere 1% of the latter funds were catalysed for spending on outcomes, it would outpace five times what has been allocated to social services in the past decade.

Similarly, when analysing the size of the SIB market as a share of the global impact investment market, the figures are also modest. Approximately 300 SIBs, with nearly $760 million in committed capital, have been issued globally, representing less than 1% of the $1Tn valuation of the impact investment market.[11]

While there is a proven track record that outcomes partnerships have the potential to deliver up to 9x of public value for every £1 invested,[12] they have not been systematically adopted by governments. Therefore, the exam question for this report is: **Why have outcomes partnerships not been scaled in recent years and become a more widely utilised instrument in the typical government toolbox, despite significant evidence that they can deliver better outcomes in public service delivery?** To address this question, we aim to identify and describe the key challenges preventing outcomes partnerships from becoming mainstream and provide a set of action-oriented recommendations to overcome them.

In this document, we identify three distinct groups of challenges:

1 **Institutional challenges** related to formal governmental procedures and policymaking practices;

2 **Political challenges** often overlooked by advocates and researchers, and;

3 **Perception challenges** that revolve around negative perceptions of public and private collaboration in the provision of social policy.

While the degree of these challenges may vary across jurisdictions, these obstacles are a common theme in all countries explored for this report.

The findings in this report are derived from a literature review and a series of interviews with more than 20 experts with experience structuring outcomes partnerships across the world, carried out in close partnership with Bridges Outcomes Partnerships.[13] Interviewees included policymakers, advisors, market builders, fund managers, financial intermediaries, lawyers, researchers and delivery organisations from the Americas, Europe, the Middle East, Africa, South-East Asia and Oceania. Our goal is to provide advocates of outcomes-based programmes with practical recommendations for implementation, ultimately helping to improve outcomes for individuals and increase effectiveness of funding deployed by overcoming the challenges we identified.

This report builds upon the foundations set by GSG Impact's primer "Tying Funding to Results", written in collaboration with the Education Outcomes Fund which delves into results-based financing mechanisms and provides an action-oriented toolbox for the GSG Impact Partnership.[14]

Further useful resources which outline helpful practice and specific learnings and examples are outlined below:

1. Government Outcomes Lab (GO Lab) (2024): "The Evolution of Social Outcomes Partnerships in the UK: Distilling fifteen years of experience from Peterborough to Kirklees"

2. Big Society Capital (2022 and 2024): "Outcomes For All: 10 Years of Social Outcomes Contracts" along with the 2024 update: Outcomes For All – Redefining Public Service Delivery (cdn.ngo)

3. Bridges Outcomes Partnerships (2023): "People-powered Partnerships, learnings from delivery".

4. Bridges Outcomes Partnerships: Comparison between pay for input and pay for outcome approaches in family therapy delivery

5. Bridges Outcomes Partnerships: Sample social investment paper.

Identifying challenges for implementation of Outcomes Partnerships

Institutional Challenges

Outcomes partnerships in the public sector typically cut across several governmental departments and procedures. Organisational specificities such as agency structure, composition of technical teams and generation and management of data; regulatory aspects such as contracting or budgetary rules; or even legal considerations may underpin the design and implementation of outcomes partnerships. Additionally, whilst there are obstacles that are common throughout countries and regions, there are nuances and barriers that are highly context-specific. Identifying commonalities whilst not shying away from regional differences is key to creating an enabling environment for greater adoption of outcomes-based programmes.

Political Challenges

Political factors can also negatively affect the widespread adoption and scaling of outcomes partnerships in government. Although it may appear evident, we identified that within-government advocacy from high political figures, change in government, cabinet reshuffles, repeated turnover in agency heads and other internal shifts of key decision makers within an administration can significantly impact the rate of success of an outcomes-based (and arguably any) policy.

Perception Challenges

Outcomes partnerships have demonstrated significant success in addressing complex social issues by linking payments to results, which not only enhances effective delivery of social services but also fosters policy innovation and makes government spending more effective and efficient. Despite this, the collaboration between the public and private sectors is frequently undervalued as a way to achieve shared objectives. Some stakeholders continue to be hesitant about public and private collaboration, which remains a barrier to scale outcomes partnerships. To overcome the initial scepticism, it is crucial to explore and establish avenues for collaboration, identify synergies where goals align, and navigate differences effectively.

Challenge 1

Annual financing cycles and budget regulations

Governmental action takes place within a specific set of rules, which define what is allowed and may consequently present either as incentives or as deterrents for innovation. These rules enable or constrain adoption of outcomes partnerships in the public sector. Among these, one of the biggest challenges limiting greater implementation of outcomes partnerships in government is the traditional budget allocation process, which does not consider impact or, rather, measurable impact. Instead, conventional public budgeting typically focuses on set time frames, inputs and funding of activities, where the final (and most typical) measure of success is the full execution of the budget.

In this regard, resource allocation in the public sector is usually structured around planning and executing the budget within a single fiscal year, rather than evaluating whether these allocations led to positive outcomes.[15] This one-year time limitation discourages government officials from designing programmes that extend beyond this timeframe. **The leader from a Latin American public- private initiative specialised in outcomes partnerships noted: "The problem with the budget is time - particularly extending it beyond its intended validity. And there is also the problem of authorising officers when surplus funds remain unspent, which is directly linked to the budget's inherent inflexibility and annual nature".** This clashes with a results-based financing approach, which is often structured around a multi-annual budgeting process and variable annual payments depending on the planned and achieved outcomes.

According to our research, if the intended results are not achieved and funds are not deployed within a one-year period, government agencies may also risk having their budgets cut for the next fiscal period, which raises incentives to deploy funds, for the sake of spending, in less pertinent or important areas, with little accountability on how these resources are spent and the rationale behind their use. This creates ill-conceived incentives for government officers, whose performance and productivity are often assessed in terms of budget execution, without necessarily measuring the success of the programme or the achievement of outcomes.

Challenge Snapshot

- Traditional budget processes limit the implementation of outcomes partnerships due to their multi-annual execution.
- Traditional budgets prioritise pre-set time frames, are input-based, and oriented towards funding activities rather than paying for outcomes and prioritising a programme's measurable impact.
- Success of policies is often measured by the full execution of allocated budgets, often leading to misleading incentives for action.
- Traditional funding approaches have weaker mechanisms for accountability.

Recommendation 1.1

To overcome the challenge of ensuring funding for multi-year projects, **some outcomes partnerships have included co-payers, which can provide subsequent years' funding**, alongside the government, if the government is not able to commit funding after the first year of the programme. Additionally, **co-payers can also catalyse other sources of private capital and attract new pools of funding**. Development institutions, foundations and philanthropy, all acting as outcomes funders, brought in during the design phase can, likely, co-fund both multi-year and variable annual outcomes, therefore aiding the government to fund multi-year projects.

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Empleando Futuro, Colombia

Empleando Futuro, the inaugural SIB in Colombia and one of the first to be implemented in an emerging market, used this option with the government of Colombia and the Swiss Cooperation Agency as co-payers. This combination ensured access to funding for a multi-year project, provided by the cooperation agency, while the government paid for the first round of disbursements. This structure was fundamental to securing commitment from the government and overcoming the barrier of annualised budgets.[16]

Recommendation 1.2

Establishing more robust institutional and funding mechanisms during the design phase, such as an outcomes fund, enables multi-annual funding from public institutions, which is crucial to facilitate the scalability of outcomes partnerships. This approach ensures longer durations and reduces reliance on fixed timelines tied to regular (annual) government budget cycles.

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The Social Outcomes Fund and Commissioning Better Outcomes Fund, UK

The Social Outcomes Fund and the Commissioning Better Outcomes Fund were launched in the UK in 2012 and 2013, respectively.[17] These pioneering co-commissioning funds brought together commissioners at both central and local levels. They enabled the implementation of outcomes partnerships over longer periods by establishing structures that allowed government agencies to enable outcomes and allocate their budgets over multiple years[18] Detailed delivery and policy objectives of both funds are below:

Commissioning Better Outcomes	Social Outcomes
Improved skills and confidence of commissioners with regards to the development of SIBs.	Increased innovation in public service delivery through outcomes based commissioning.
Increased early prevention is undertaken by delivery partners, including Voluntary Community and Social Enterprise organisations, to address deep rooted social issues and help those most in need.	Improved cross-government working on public service delivery and encouraging co-payment by different commissioners.
More delivery partners, including Voluntary Community and Social Enterprise organisations, are able to access new forms of finance to reach more people.	Increased number of SIBs addressing complex needs and demonstrating ability to replicate by standardising the process.
Increased learning and an ehnaced collective understanding of how to develop and deliver successful SIBs.	Increased capacity for SIBs as long term tool of government to improve outcomes and reduce costs, by supporting SIBs that test cashability of savings and ensure evidence is gathered to: *1. determine performance of interventions on their primary outcome.* *2. increase evidence on the impact of interventions on wider outcomes.* *3. improve outcome valuation.*

Challenge 2

Strict public contracting procedures and perceptions that entirely new processes are necessary

Unlike pay-for-inputs contracting processes, commissioning based on outcomes often lacks a clear, explicit regulatory framework.[19] Developing specific regulation is often a recommended strategy to pursue, but it demands a considerable amount of time and is subject to a number of factors that make it often hard to achieve. And, even when possible, this way to go is likely to add an extra layer of complexity to the process of implementing outcomes-based programmes. As an interviewee argued: **"Our system's foundational issues make introducing such complex instruments costly and seemingly unnecessary".** However, the perception that entirely new processes and regulation is necessary is a barrier in its own right. There are numerous ways, and examples, of implementing outcomes approaches effectively within existing frameworks.

In most jurisdictions there are no specific regulations that target outcomes partnerships, which can lead to a rocky start. The absence of regulation is coupled with other factors that can potentially deter public officials from commissioning for outcomes, including:

a. (Lack of) Capacity to engage with different ways of working and heightened scrutiny over different new contracting methods;
b. Potential perception of complexity and need for entirely new processes;
c. Potential legal liabilities for trying to adapt usual contracting rules to innovative results-oriented contracting, and;
d. General aversion to face potential costs associated with innovating without realising potential political gains in the short term.

Challenge Snapshot

- Lack of specific regulation for outcomes partnerships, coupled with the perception that entirely new processes are necessary.
- Heightened scrutiny over new contracting methods.
- Perception of outcomes partnerships as complex in structure.
- Legal liabilities arise when adapting traditional contracting rules to results-oriented models.
- General aversion to innovation due to perceived costs, without immediate political gains.

All of these contribute to inertia and a "business-as-usual" approach.[20] Therefore, the status quo encourages public servants to take the risk-free path, sticking to contracting methods that have been done the same way for years. In this context, the shift to outcomes-based programmes in government will need to address these issues, particularly as they represent the primary source of "systemic inertia" that hinders innovation in public policy.

"In general, governments lack the financial resources to rethink and redesign their processes comprehensively, in a way that is innovative and efficient. When faced with public innovation opportunities, inertia tends to dictate how existing programmes are implemented".

Advisory firm expert, Latin America

While our research suggests that addressing organisational capacity is crucial, there are numerous examples where governments have implemented mechanisms, within existing frameworks and processes, to aid delivery and contracting on an outcomes basis while reducing the rigidity of public commissioning. An important example is the development of tools, such as outcomes contract templates.[21]

The outcomes contract template was developed for public sector commissioners to provide guidance on adapting contracts to different contexts and partnership structures while standardising terms to reduce the time and costs associated with legal arrangements.[22] The outcomes contract template proved to be immensely valuable in various locations, including the West Bank and Gaza, Sierra Leone, Ghana, Türkiye, and Kenya, as it offered consistency to outcomes funders regarding the terms under which outcomes are funded and partnerships are managed, while ensuring that only genuinely project-specific elements requiring further development were included.

Recommendation 2.1

To overcome this challenge, partners have conducted **legal feasibility studies,** analysing the existing set of norms and providing officials with legal grounds to support the implementation of outcomes partnerships within the regulatory framework. This strategy not only **facilitates the structuring of outcomes partnerships in accordance with existing regulations but also clarifies whether passing special legislation is necessary** to authorise an outcomes partnership.

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Nuevo León Social Impact Bond, México

During the structuring and pre-feasibility study of the first SIB in the Mexican State of Nuevo León, and with the financial assistance of GIZ, the international development agency of Germany, the structurers hired a prestigious constitutional expert who carried out a regulatory review and provided the legal base to back the implementation of the SIB in the State. This helped mitigate the perceived regulatory risk from the government side, and clarified the margin of manoeuvre within the existing legal framework.[23]

Recommendation 2.2

The **template contract** for outcomes partnerships has been developed and used in various contexts, including both high income and low and middle income country delivery, providing **a strong starting point for partners to work from when developing project specific legal framework**.

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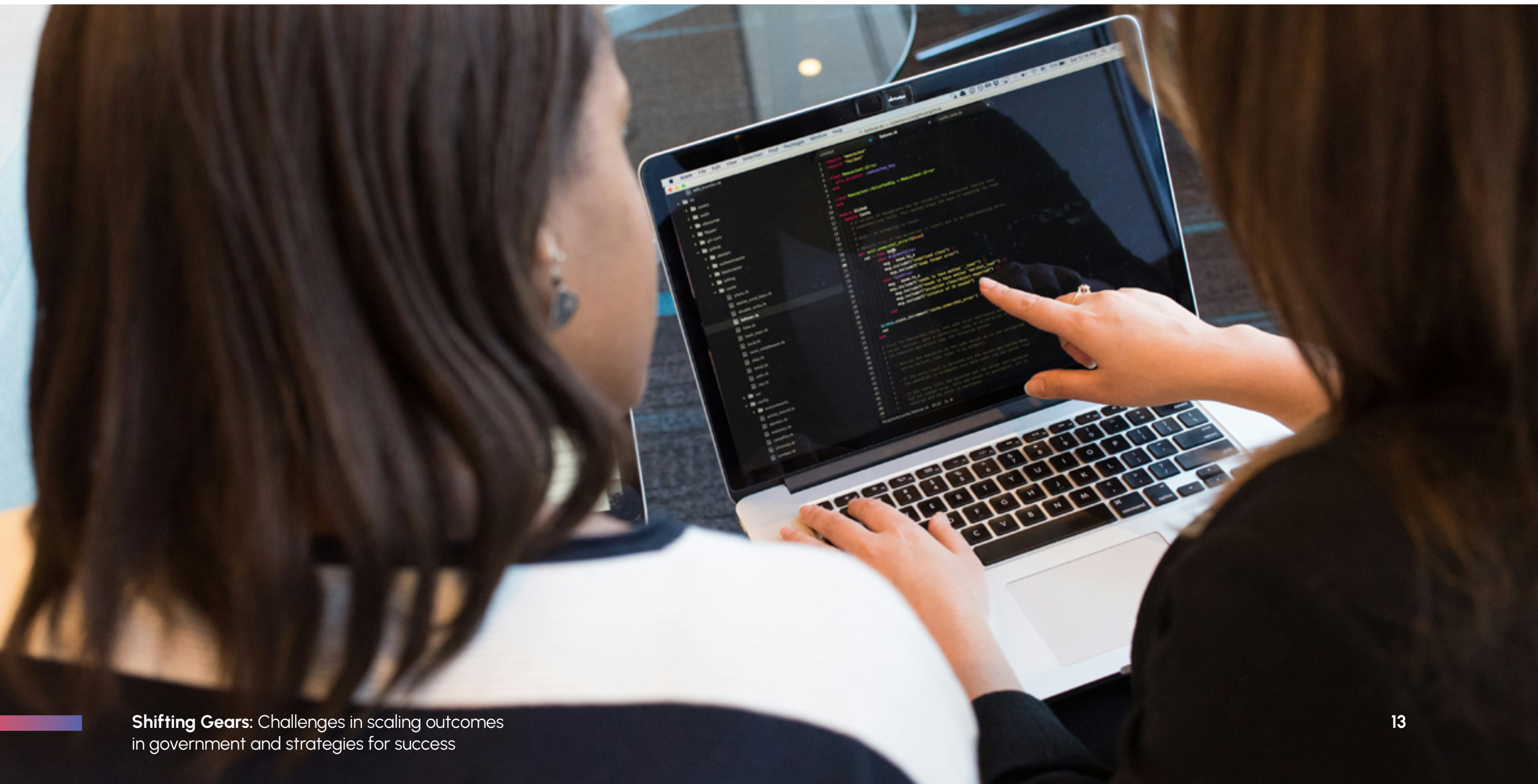
Istanbul Coding and Outcomes

In Turkiye, Istanbul Development Agency (ISTKA), operating under the coordination of the Ministry of Industry and Technology's (MOIT) Directorate General for Development Agencies, developed an outcomes programme focused on enhancing the talents and skills of unemployed young adults aged between 18 and 35, with a focus on female participants, to help them enter and integrate into the workforce. The programme has already supported +800 young people with training and placed +150 into jobs. ISTKA and MOIT followed a streamlined contract and project development process where they used the SIB Template Contract and partnered early with a range of partners including Etkiyap and Bridges Outcomes Partnerships to develop a shared collaborative vision, which was implemented through joint decision making, delivery approach development and selection of delivery partners. Direct relationships and a collaborative mindset from all stakeholders created a strong and positive partnership which facilitated the 'development to launch' process of less than fifteen months and already strong results and impact in current delivery.



Challenge 3

Need for greater technical expertise and training in outcomes-based approaches

Another institutional challenge lies in the often limited capacity in the public sector to design and implement outcomes-based programmes. While existing technical expertise varies considerably among countries (and especially between well-resourced developed economies and budget-constrained EMDEs), our findings still indicate that outcomes partnerships can be perceived as complex mechanisms for programme funding and delivery in all jurisdictions irrespective of their level of development. This causes steep learning curves and, even in some cases, increased costs related to hiring specialised staff, which imply higher entry barriers for adopters in countries with little or no history implementing outcomes partnerships. We do, however, see that when it is recognised that a route to implementation can be within existing frameworks (versus through creation of new processes), development is sped up and streamlined.

"Implementing outcomes partnerships in government has been challenging due to low skills and the complexity involved. It took seven years for our national treasury to grasp this complexity and integrate it into existing regulations, highlighting the difficulty in adapting to new frameworks".

Market builder advisor, Africa

Technical expertise asymmetries not only exist between countries but also within a single government, across its different agencies, requiring collaboration and sharing of learnings. As outcomes-based programmes often cut across different government areas, differences in technical capacities can hinder the effective design and implementation of these partnerships. Some governments have addressed this issue by

Challenge Snapshot

- Countries with limited experience face higher entry barriers, steep learning curves, and underdeveloped markets with few organisations skilled to partner with government on outcomes partnerships.
- Increased costs, often related to hiring specialised staff, are sometimes unbareable for EMDEs with budget constraints.
- Knowledge gaps across different levels of government complicate the implementation of outcomes partnerships due to their cross-level, multi- stakeholder nature.

establishing specific state agencies tasked with supporting partners across government sectors. Successful cases can be found in the UK with the Civil Society and Youth Directorate (formerly known as Office for Civil Society) or in Portugal with the Portugal Social Innovation initiative.[24]

However, some governments -especially those from emerging economies- face budget constraints that limit their ability to put in place an exclusively-dedicated team or agency. In a similar fashion, limited resources also narrow governments' ability to hire experts, which consequently results in greater reliance on technical capacities and assistance from delivery partners. As the leader from a philanthropic donor focused on early childhood education in EMDEs pointed out **"we had to hire legal experts, financial experts, and specialists in social impact contracts and, given our accountability to investors, who could act if they perceived any issues, we had to engage the best advisors available; and that's expensive".**

Governments not only struggle to find the right staff for these programmes but also face challenges in locating suitable delivery organisations, especially in countries where outcomes partnerships are less familiar. A limited pool of options can lead to direct contracting, a risk that many government officials are reluctant to accept. In addition, social organisations that typically serve as delivery partners have considerable expertise in the specific social issues they address, but often struggle to meet the scaling needs of public programmes, creating a bottleneck in finding suitable partners.

"In emerging markets, the lack of a developed market for bidding and the reluctance of government officials to accept the risks associated with direct contracting create challenges. Consequently, the bidding process can be somewhat misleading, as effort is required to prepare the market and ensure the stakeholders are engaged enough to submit proposals. Without such preparation, the market may not naturally respond with offers for this type of contract".

Advisory firm expert, Latin America

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Civil Society and Youth Directorate, United Kingdom

After several government departments set up their own innovation units, the creation of a centralised specialist outcomes partnerships team within the Office of the Prime Minister proved essential to bring stakeholders from different agencies together. This central team was fundamental to coordinate public officials with diverse backgrounds and expertise, pool funding, agree shared goals, track performance and assess impact and learnings through evaluations.[25 26]

General recommendations

- To make large projects seem more manageable, **break them into smaller projects** with clear goals and regular check-ins. This will help provide a long-term demonstration effect.
- Securing technical **assistance grants from international cooperation** agencies and MDBs/DFIs can be particularly useful, as these commitments often include **training for effective implementation and capacity building** for public officials involved in the programmes.
- Keep track of the lessons learned and **create a learning tool for newcomers** to act as champions in other departments. Workflows that enable all agencies to collaborate, rather than compete, will help move the project faster and further down the line.

Challenge 4

Data availability and management skills in government

The potential to scale outcomes partnerships in government largely rests on the availability of data, as it allows for better and more informed measurement and analysis of outcomes (and impact). Due to the data-intensive nature of outcomes programmes, implementing this type of programme can help address data gaps, as it compels governments to ensure the collection and understanding of information necessary for programme success.

If adequate information is gathered, leveraging this data can provide feedback on the programme, enable delivery adjustments based on learnings, allow for comparisons with other similar efforts and assess if target outcomes are met, in order to release outcome funding as the programme achieves its goals and outcomes.

"There are broader issues at play, such as a lack of transparency and data. Many people say 'we want to expand this, we want outcomes partnerships to grow', but as long as we do not address data availability and transparency, it is not happening. This is a bigger-picture challenge".

Expert researcher, North America

In addition, management and storing of the collected data is as important as gathering the necessary information, in order to avoid the risk of storing it in silos and therefore making it unusable. Efficient management of information is critical, as it can help all stakeholders involved in the process to have the necessary resources for efficient implementation and build a body of evidence for future programmes. However, having the adequate infrastructure to store data in correct and usable ways is a challenge. This is particularly relevant in EMDEs, where the technical expertise and resources to fund data management capacities are often lacking.

Effective use of the collected data will also contribute to fully realising the benefits of outcomes partnerships. This includes highlighting the effectiveness of programmes and potential savings governments can

Challenge Snapshot

- Implementation of outcomes partnerships depends on data, which is often not properly gathered by government agencies.
- Storage of information is essential to prevent it from becoming unusable or siloed, which requires robust data governance infrastructure, and specialised expertise.

achieve by funding outcomes partnerships, and comparing the benefits of outcomes programmes with activity / input-based policies, which do not always measure their impact. For instance, a cost-benefit study of the *Empleando Futuro* SIB concluded that, compared to traditional active labour market policies, the programme's social and economic benefits exceeded its costs after just 9 out of 48 months of operation.[27] Furthermore, an independent report produced by ATQ Consultants commissioned by Better Society Capital, demonstrates that social outcomes contracts have created nearly £9 of public value for every £1 spent - saving the taxpayer £507 million in fiscal value alone.[28]

Collecting the quantity and quality of data required to implement an outcomes model can help deliver better outcomes and value when compared to traditional, pay-for-input commissioned services. Outcomes- focused delivery also avoids the temptation to equate inputs with outputs, equalling deployed funding with more effective delivery and better outcomes.[29]

Recommendation 4.1

To ensure data availability and proper governance, some programmes have created **transparent monitoring platforms that centralise information for all involved stakeholders.** This contributes to **better decision-making, real-time progress assessment, and improved adaptation to changing circumstances.** The data collected on these platforms can be used to evaluate the programme's success and enable effective learning from outcomes partnerships. This can also be achieved by leveraging existing tools and data infrastructure to create live dashboards shared with all stakeholders. The availability of a shared data platform enables all partners to track and understand impact, therefore enabling clarity of shared vision (from outcomes and impact perspective) and effective partnership delivery and problem solving to ensure achievement of best possible outcomes for people served.

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Ghana Accountability for Learning Outcomes Project

In Ghana, the World Bank led a project to improve the quality of education in low performing basic education schools, where an "accountability dashboard" was set up throughout the duration of the programme.[30] This platform enabled the Ghana Education Service authorities to monitor progress in real time. Through this instrument, they were able to access live information on how many teachers and students were absent in different schools in the previous two weeks, the percentage of teachers that were trained, percentage of days schools opened, and other key indicators. With this information, authorities introduced targeted measures to tackle these challenges while the project was in development and delivery, and not after it finished.

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Cali Progresa con Empleo, Colombia

Colombia's second SIB[31] focused on labour reskilling and included the creation of a platform with +400 variables which not only enabled operators and delivery partners to monitor evolution of the programme and react in real time, but also created a database for informed and better public policy which did not exist before. This innovation was crucial for monitoring the project and enhancing delivery quality, compelling delivery partners to innovate and collect evaluation data throughout the project's development and execution, rather than waiting until its completion. Although this approach initially led to higher costs and more time spent, delivery partners eventually recognised its value in improving not only the delivery of services and outcomes achieved for the specific project, but also for their overall operations.

ADDITIONAL RECOMMENDATION

It is crucial to set a **balance between the rigour and integrity of the data, and the costs of gathering the information.** This will help to avoid overburdening delivery partners with information while also holding them accountable. To collaborate efficiently with providers, it is recommended to **set principles for data assessment and evaluation during the design phase** of the project, and **agree on a basic level of integrity** to avoid trust issues with self-reported information.[32]

Challenge 5

Political support

The success of an outcomes partnership largely depends on both the political will, together with a competent, incentivised civil service.[33] Achieving a balance between these two factors is critical, as programmes are less likely to succeed without both political approval and well-trained government staff.

Internal resistance from experts can present significant challenges. If key technical staff are reluctant to implement outcomes-based policies, despite political will, the process can be stalled, potentially leading to a lengthy escalation across multiple ministries to ensure implementation.

Support from the technical staff is equally essential for avoiding administrative delays and ensuring smooth progress.[34] As one expert recalled: **"A single person working in the department in charge of implementation stalled the process for years despite all approvals from political heads and funding being in place. The issue had to be escalated through multiple levels, eventually involving the Ministers of Health and Finance, to get the funding released. It took two years to solve".**

Conversely, strong political support can greatly facilitate the adoption of outcomes-based programmes. When a key political figure actively champions the partnership from the outset, their influence can play a crucial role in enabling and driving decisions, and overcoming obstacles. However, in successful cases, securing support from a political figure includes not only the endorsement of the initiative, but also actively advocating and negotiating with the many agency heads involved.

For example, one respondent highlighted the importance of early buy-in from the Ministry overseeing budget execution: **"it is essential to get the buy-in by the Ministry of Finance early on or, otherwise, they might come across quite defensive. They often say: 'you come up with your innovative approaches, but we are the ones paying for them after all'".**

Addressing internal dynamics and achieving political support for the successful rollout of outcomes-based programmes is particularly sensitive, given their multi-annual nature. Technical positions are less affected by changing electoral and political circumstances, allowing individuals in these roles to remain in post long enough to see the implementation of the programme through. However, if there is no initial push from political leaders, the programme may take longer than expected to begin, potentially compromising the success of the project from the very beginning.

Challenge Snapshot

- Lack of support from technical staff can result in delays or poor management.
- Vocal support from political leaders is not enough – they must actively advocate and champion the initiative.
- Striking a balance between political appointees' support and a well-incentivised civil service is key to successful implementation of outcomes partnerships.

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Portugal Social Innovation (PSI)

Portugal Social Innovation (PSI) was a government initiative that, at the moment of its inception, reported directly to the Presidency of the Council of Ministers and was supported by the Minister of Administrative Modernisation, who had championed the implementation of SIBs across the country. Support from the Presidency and a direct reporting line ensured that PSI had direct access to relevant ministries and could advance its agenda effectively.

This contributed to engaging various levels of government, from policy advisors to senior politicians, to identify champions and build a common narrative around outcomes partnerships. PSI had the necessary expertise to engage with decision-makers and other relevant areas of government to provide evidence and compelling examples of how outcomes-based programmes represented a potential solution and an avenue for innovation in policy making.

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Morocco's Employability and Land Compact

Securing alignment and buy-in from the government agency responsible for the funding was crucial. Although gaining approval from policy-level ministries during the implementation of Morocco's first SIB[35] (e.g., the Ministry of Employment, Ministry of Agriculture, Ministry of Health) was relevant to the programme's issue area, it did not guarantee its implementation. While support from these ministries was necessary, it was not sufficient - ultimately implementation depended on approval from the ministry controlling the budget.

General Recommendations

- After achieving the endorsement from the political level and/or having a champion, w**ork closely with the bureaucratic and professional staff from the relevant government agency** (e.g. by demonstrating how outcomes partnerships can be a tool to get them the results they need, by presenting it as a source of new funding).[36]
- **Leverage the influence of interested partners,** social investors and donors (i.e. development banks, international cooperation agencies or reputable philanthropies), to help reach key **higher-level government officials.**

Challenge 6

Political instability

Unpredictability associated with political cycles poses additional challenges to scaling and maintaining outcomes partnerships in government, particularly in politically charged or contested policy environments, where policies risk being overturned regardless of their effectiveness, if associated with previous administrations.

"The problem is that when there is a change of government, they don't assess the previous policies on their merit, but dismiss everything as wrong. If the champion gains popularity due to implementing a successful policy, his success and the success of the programme are directly identified with their party, with their government and with their president. So, if for some reason, the opposition wins, they might overthrow an effective policy just because it is associated with the previous government".

Expert researcher, Africa

Cabinet reshuffles, the rotation of key individuals due to elections or political upheavals, and even the rise of political figures using policy innovation as a political asset who are later promoted, contribute to increased government turnover. While changes in political leadership are natural in most jurisdictions, changes at the technical level are more common in emerging economies, where civil service careers are generally scarce or nonexistent (and hierarchical positions are typically held by political appointees), and economic crises and social conflict often lead to instability in government.

The lack of continuity at the technical level undermines outcomes partnerships, which rely on multi-annual budgets, specialised technical capacities and iterative improvements. Frequent changes also disrupt knowledge retention, making it challenging to establish a consistent baseline for measuring progress from year-on-year comparable results.[37] As staff turnover increases, outcomes partnerships become less appealing to policymakers, especially since these programmes yield political gains in the medium term, due to their length. As one expert highlighted: **"We explained the programme and leaders were convinced, but after a third administration change in less than a year, the teams lost motivation".**

Challenge Snapshot

- **Politically charged policy environments, where policies risk being overturned despite their effectiveness, limit the scaling of outcomes partnerships.**
- **High government turnover due to cabinet reshuffles, elections, or political changes limits the escalation of outcomes partnerships and undermines knowledge retention, hindering continuity needed for multi-annual budgets, specialised capacities, and continuous improvements.**

Recommendation 6.1

Establishing a **backbone organisation**[38] to act as a partnership coordinator and system orchestrator between the outcomes payer (i.e. the government) and the multiple delivery partners can enable deep partnership therefore helping **mitigate the risk of non-execution and raise the costs of abandonment.** The backbone organisation assumes the responsibility of managing the social investors' capital, runs the operation, hires and coordinates the delivery partners and their delivery and acts as **partnership coordinator,** consequently providing the outcomes partnership with sound continuity by being accountable for the attainment of the programme, simplifying the operation and absorbing the operational risk.

The backbone organisation also ensures a **longer-term reputational and/or legal commitment with external parties.** By being a visible partner to all stakeholders involved, including donors, backbone organisations can provide long-term support and isolate outcomes partnerships from politically driven fluctuations. Additionally, involving philanthropy, private sector donors, and international development funders will help ensure programme continuity beyond political shifts. As one expert noted, **"People think that civil servants have enough leverage to convince new politicians to maintain the programmes, but that doesn't happen. However, those who do have leverage over the politicians are the donors."**

IN FOCUS

Cali Progresa con Empleo, Colombia

In Cali, the figure of the backbone organisation proved key for the success of the partnership as it concentrated the risk of hiring and managing the delivery of a variety of delivery partners, which proved highly appealing for the government to minimise their liability.[39]

Challenge 7

Perceived competition between private and public sector

Negative perceptions around public-private cooperation for the delivery of social services emerged as a barrier during our research, especially from stakeholders in emerging economies where funding and technical assistance often come from private organisations. Such perceptions are typically grounded on negative views around an excessive private sector involvement in areas considered as *exclusive* to the public sector, even when the goal is to provide targeted, quality policies based on community need, while reducing taxpayer costs. These negative views can ultimately drive away government stakeholders.

As illustrated by one of the consulted experts: **"Before any debate around regulatory barriers, you must understand the political side of things - which is something I had to learn how to navigate. And that is how easily outcomes partnerships become a conversation about privatisation".**

However, unlike privatisation, which transfers the operation of public programmes to private entities, outcomes partnerships build new delivery and financing mechanisms, in deep partnership with the government to address complex social problems. They create new delivery mechanisms and open investment opportunities by aligning incentives for both public and private stakeholders while achieving positive and measurable social outcomes. Both public and private sector work as complementaries, not substitutes of each other.

The misperceptions around public-private collaboration often lead to a lack of trust, which is sometimes heightened by political considerations. As one other expert noted: **"Governments are suspicious of private investors because they fear that investors or providers will be profiting from social policy. When designing the (outcomes-based) programme, we had to convince them otherwise, earn their trust and demonstrate we were working to deliver social policy in a better way. So, let's say that this barrier is ideological".**

Misconceptions are often rooted on the wrong assumption that private sector partners are mainly or exclusively profit-maximising investors. However, it is most often the case that investors involved in these types of partnerships are entirely socially-focused with a view of achieving systemic impact when being repaid (such as philanthropies, social enterprises and charities).

Challenge Snapshot

- **Perceptions of the public and private sectors as competitors, rather than partners, challenge wider adoption of outcomes partnerships.**
- **Negative views on private sector involvement in social services stem from perception of potential privatisation in the delivery of such services.**
- **Concerns about partnering with the public sector arise from perceptions of inefficiency and lack of trust in resource management.**

"Something pretty disheartening is the lack of trust between the government and delivery partners. The relationship feels more like a client-vendor connection, rather than a cooperative partnership".

Outcomes Partnerships expert, North America

However, mistrust is two-sided, and social investors can lack confidence in governments as outcomes payers, particularly in emerging countries where structural conditions are not as encouraging due to a weaker rule of law and less established checks and balances and accountability mechanisms. According to GOLab's Indigo database, less than 10% of impact bonds where the government is the outcome payer were implemented in emerging economies.[40] As one expert explained: **"In countries with little credit rating and political turmoil, some (social) investors say that the moment a cent is touched by the government, they're out. For outcomes partnerships to work, outcomes would need to be funded by private entities or donors, not the government. Trust in the government's ability to honour its commitments is often nonexistent".**

Recommendation 7.1

To build trust among stakeholders, it is essential to **establish a transparent governance model** from the beginning. Creating **clear shared goals and setting up early accountability mechanisms and feedback methods** to improve the programme consistently are key to building credibility and consensus among policymakers.

IN FOCUS

Buenos Aires Youth Employment SIB, Argentina

Since the inception of Argentina's first SIB[41], all stakeholders (including investors, delivery partners, government officials and performance managers) participated in a monthly "Learning Committee". This committee systematically documented and compiled challenges and lessons learned. This approach ensured that key insights and challenges were accessible to new public officials, even amidst changes in government.

Recommendation 7.2

Highlight the contributions each partner brings to the partnership and **clarify their motivations** for participating. This approach will ensure alignment among all involved stakeholders and maximise effectiveness of the partnership and programme at hand.

IN FOCUS

Village Enterprise, Rwanda

In Rwanda, the Government recently launched the National Strategy for Sustainable Graduation (NSSG), with the ambitious goal of eradicating poverty by 2030. Recognising that such a goal requires collaboration across sectors, the NSSG calls for coordinated efforts between public, private, and civil society actors. Village Enterprise, a non-profit whose mission is to end extreme poverty in rural Africa, is working in strategic partnership with the Government to scale poverty graduation programmes nationwide. The organisation is directly serving over 23,000 households, training government staff and parasocial workers to implement a pilot program for 8,100 households, and developing a national management information system to monitor the quality of poverty graduation implementation.

Recommendation 7.3

Engaging the community is crucial for overcoming initial scepticism. By **considering local characteristics** and the **needs of people and communities** being served, political costs can be reduced and better results can be achieved.

IN FOCUS

The Skill Mill

The Skill Mill is a social enterprise that employs young ex-offenders to work on environmental projects across the UK. Built on the team's two decades of experience as criminal justice practitioners and the premise that community acceptance is critical for SIBs in this field, the Skill Mill launched a SIB where payment is linked to the achievement of preventing reoffending, employment rates, education, and attendance and completion in the Skill Mill programme. The Skill Mill SIB was developed using a bottom-up approach, recognising that what works in one region at a given time may not work well in another context. As a result, instead of relying on the typical metrics used in criminal justice-related social impact bonds, the Skill Mill SIB included additional outcomes such as community acceptance, a more practical approach than focusing solely on reoffending rates for these types of programmes.[42]

Long term strategies to boost outcomes partnerships in government

Changing the narrative from cost reduction to innovative policy and systems change, which creates improvements in the effectiveness of government spending.

Early discussions about the advantages of outcomes partnerships revolved around linking outcomes partnerships to financial earnings and savings. While this approach initially attracted the attention of early investors and bold policymakers, it has not been sufficient for scaling these mechanisms effectively. To facilitate a shift towards broader adoption of outcomes partnerships, the focus ought to change from the financial instrument itself to the systems change it can drive, ultimately creating tangible impact on improving the lives of the most vulnerable communities.

Leading organisations representing both private sector investors and governments claim that a strong motivation for implementing outcomes partnerships is the potential for systems change. For social investors, partnerships can encourage a change in the way the public sector delivers services to one that values evidence of effectiveness, and change the way success is measured. For governments, it offers the potential to tackle persistent problems where a "business as usual" approach has been ineffective.[43]

Additionally, framing outcomes partnerships as a solution to an already existing policy problem and as an innovation in policymaking that can be showcased will place the focus on its benefits and potential political gains.

Adopt a flexible mindset, crafting outcomes partnerships that adapt to context and not the other way around.

Developing frameworks that specifically target and create guidelines for outcomes partnerships is ideal. However, government timelines and political priorities do not always align. It is necessary to adopt a flexible mindset that can adapt, although respecting the core concepts, to the varying circumstances. Creating mechanisms aligned with the existing legal, budgeting and public contracting frameworks will significantly reduce the time spent trying to pass specific regulation to modify them. This includes analysing existing regulations to provide legal grounds to implement outcomes-based projects and engaging in creative solutions to adapt programmes to existing frameworks.

A flexible mindset also includes adapting to the particular culture of the public sector. Decision-makers and public sector officials are often incentivised to deliver results based on budget execution and short-term outcomes. Designing outcomes partnerships with smaller projects that have clear and achievable medium-term objectives can motivate officials and help them gain a better understanding of the process over time.

In order to build a strong outcomes partnerships ecosystem, further capacity building and awareness raising activities are needed.

Ensuring ecosystem readiness to scale outcomes partnerships is crucial. Key aspects to consider include a regulatory framework that supports these mechanisms, an economic and political context that guarantees delivery partners with contractual predictability and confidence in funders, availability of data, and a diverse range of market actors with the technical capacity to engage in these partnerships.[44] However, while these are the basic elements needed to support such mechanisms, economies where poverty and inequality are most prevalent have struggled to suffice all of these characteristics. Therefore, previous steps need to be taken in order to build ecosystem capacity, specifically focused on:

- **Political leaders:** Politicians should first be equipped with concise, actionable information about what has proven effective in other countries. Additionally, it is recommended to connect political leaders with innovative profiles to peers in other countries, international organisations, and broader networks working on outcomes partnerships, to jointly advocate for these mechanisms.

- **Technical staff in government:** To gain buy-in from government staff, it is essential to involve technical experts from the earliest stages of programme design and provide them with resources to thoroughly understand outcomes partnerships. Equipping civil servants with evidence of what works, information on cost reduction, examples from other jurisdictions, and a repository of existing outcomes partnerships can inspire and persuade them that implementing their own programmes is a feasible and proven endeavour, rather than an experiment.

- **Information and open data are key.** Two data-oriented strategies are critical for the broader adoption of outcomes partnerships. First, advocating for open-access data on existing and developing projects is essential. Data is crucial not only for monitoring an ongoing project, but also for establishing a baseline and creating a data repository for future endeavours. Since initial implementation costs are higher for newcomers, making resources available can help reduce costs for future outcomes partnerships. Second, effective data governance should ensure information is available to all stakeholders and future policymakers interested in implementing outcomes partnerships, to avoid storing it in silos and making it unactionable.

- **Cross-learning between experienced and less experienced stakeholders :** According to Brooking's database, there are 225 SIBs and Development Impact Bonds (DIBs) in developed economies, accounting for more than 85% of the total.[45] To build strong ecosystems that can scale outcomes partnerships globally, especially in emerging economies where these mechanisms can address prevalent and complex social issues such as poverty and inequality, it is crucial to open further avenues for collaboration between more experienced countries and organisations with a strong track record in implementing outcomes partnerships and those who have less resources but wish to pursue these mechanisms.

  This can be achieved by promoting knowledge exchange between delivery partners, social investors, and other stakeholders that are proficient in designing and implementing outcomes partnerships, and those who may lack information and resources. It is relevant to note that this distinction is often underpinned by the fact that most well-versed organisations are located in developed countries, better positioning them to transfer knowledge and technical capacities to emerging countries willing to adopt these instruments. These efforts should adopt a capacity-building approach – meaning, building local capacities so that policymakers and experts in less experienced jurisdictions can disseminate this knowledge within their own public sector and wider ecosystem.

Key concepts

Payment by Results (PbR): although there is not a common global definition[46], it is a broad term applied to diverse outcomes-based commissioning strategies used by government,[47] where payments are made, in part or in full, subject to the achievement of specified goals or targets.[48]

Results-based financing (RBF): similar to PbR, it's an umbrella term that refers to any programme of intervention that provides rewards to individuals or institutions after the credible verification of an achieved result. Rewards can be monetary or non-monetary, and can be partial (e.g. a bonus on top of a salary) or whole (e.g. the unit cost under output-based aid).[49]

Outcomes Partnership (OP): a specific type of outcomes-based approach where the funder only pays for meaningful milestones achieved by a project.[50] Outcomes partnerships in the UK capture the relationship with an outcome funder (through an outcomes contract) and a relationship with a social investor (through a Social Impact Bond).[51] Partnerships embody collaboration in design, flexibility in delivery and accountability for improving people's lives.[52]

Social Impact Bond (SIB): outcomes-based contract that uses private funding from investors to cover the upfront capital required for a provider to set up and deliver a service where the outcome payer is the government which represents the target group.[53]

Development Impact Bond (DIB): variation of a SIB (mainly implemented in developed countries) that is implemented in developing countries, where some or all of the outcome payments are provided by an external funder, such as a development agency, a multilateral institution or a foundation.[54]

Outcomes-based commissioning (OBC): tool whereby delivery partners are contracted based on achieving defined positive outcomes (i.e., a positive change that occurs for an individual when a service is provided).[55]

Pay-for-Success (PFS): a term mainly used in the United States equivalent to a Social Impact Bond (SIB).[56]

NP: GSG Impact National Partner

Intermediary: a consultant, an advisor, social investment fund manager or performance management expert who coordinates the outcomes-based programme between the commissioner(s), social investor(s) and the service provider(s). The intermediary can take several responsibilities, including designing the programme, receiving payments from investors and repaying them back in case of success, selecting delivery partners, independently reporting the performance, helping create a backbone organisation.[57] [58]

Service provider / delivery partner: entity responsible for delivering parts of the support to the target population. It can be a private sector organisation, social enterprise, charity, NGO, among others.[59]

Delivery consortium: a delivery consortium is a type of consortium, typically consisting of charitable organisations and social enterprises often supported by social investment, that work together under a written agreement to deliver public services. The collaborative nature of a delivery consortium can enhance the quality of services provided to beneficiaries and offer several benefits to its members, including increased access to funding, capacity building, peer learning and support, shared resources, and an elevated profile.[60]

Outcome funder: entity (typically, a public sector department or an international development agency but also potentially philanthropic donor or a corporate) that commits to disburse funds to pay delivery partners and/or social investors if and when outcomes are achieved.[61]

Outcome fund: pooling vehicle for philanthropic or government funding, which fosters multi-year delivery and partnerships, and releases funding to delivery consortia once measurable outcomes are achieved.[62]

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