

SOCIAL OUTCOMES CONTRACTING & SPORTS IN IRELAND

INTRODUCTION

Social Outcomes Contracting (SOC) has the potential to be a ground-breaking structure that supports the development of new innovative programmes and helps build long-lasting partnerships between public, private and social sector actors. Over the course of 2022 we have assessed the feasibility of the SOC-model in Ireland on a variety of potential themes and developed recommendations on how and where SOC's could be applied in Ireland. This assessment was carried out on behalf of the European Investment Bank (EIB) and in close collaboration with Rethink Ireland.

The contents of abovementioned assessment are highly relevant to the Joint Committee on Tourism, Culture, Arts, Sports and Media. To our knowledge, the assessment has been shared with the Joint Committee. If not, we would happily provide that assessment with you separately to this response. In this response to your inquiry, we will give Social Finance NL's perspective on why and when SOC's are best applied, our perspective on the potential for SOC's in Ireland, and specifically in the domain of sports. Finally, we want to provide you with our views on the next steps for implementing SOC's. In [Annex I](#), we attach a brief introduction to the SOC-model for your interest.

We base our (Social Finance NL's) response on over a decade of experience with SOC's. The team of Social Finance NL has been responsible for introducing the SOC-model to the Netherlands in 2013 and has since been involved in over a dozen SOC's in the Netherlands alone. We are part of the Social Finance Global Network with organisations in the US, UK, Israel and the Netherlands, combining 300 professionals that pioneer a wide range of outcomes-based (finance) instruments globally. In [Annex II](#), we attach more background on Social Finance NL for your interest.

WHY AND WHEN SOCIAL OUTCOMES CONTRACTING IS APPLIED

Since the first SOC in the world was launched (the Peterborough Social Impact Bond, launched in 2010), many SOC's have been developed worldwide. Based on the [datasets](#) that the Government Outcomes Lab, at the Oxford University, has gathered, there are currently 273 SOC's, of which 171 are deployed in Europe. Leading countries are the UK (91 SOC's), Portugal (23 SOC's) and the Netherlands (18 SOC's), with almost a third of all SOC's in Europe being deployed in the area of Employment and Training.

A decade of designing and implementing SOC's has taught us that it is important to consider several elements before deciding whether to implement SOC's in a particular context. Governments have several other funding and contracting options available, as do social enterprises/ charities. Therefore, it is important to not only consider the programme which

requires funding, but also whether the SOC-model is the most suitable structure. Below, we set out a number of factors that are important in analysing the relevance and feasibility of a SOC.

Situations where Social Outcomes Contracting is a suitable model

It is important to use SOCs when they are a good fit. A singular focus on SOCs as a panacea can cause organisations to disregard the implications of the model's complexities and applicability. Based on our experience there are various situations or factors that make the model not just applicable, but potentially preferable over typical subsidy funding or direct contracting structures. In general, it can be said that SOCs work best when they address complex problems for a defined target population. When looking in more detail, specific situations appear to be particularly suited to be addressed through SOCs:

1. The "Ownership problem": when multiple (government) agencies share responsibility of a certain social problem and because of that shared responsibility no single agency takes full ownership and solutions, making it hard to gain sufficient support and traction. For instance when responsibility is shared between central and local governments, or when multiple departments within the same governmental level share responsibilities.
2. Costs of the problem and benefits of the solutions sit with different actors. For instance, when one agency is responsible for the problem but other actors reap the benefits. A subset of this problem can arise in practice when the agency itself will reap the benefits, but the benefits materialise so far into the future that they do not occur within a timeframe that the agency can work with. An example of such a situation we have encountered is in the funding for fall prevention. Municipalities are responsible for prevention and social care, but when done well they will primarily reduce healthcare costs from which health insurers will reap the benefits. We have created a solution to this problem through the [Health Impact Bond 'Standing Strong.'](#)
3. Multi-dimensional approaches are needed to adequately solve the problem. Often funding is available for direct engagement on a single dimension, but a more holistic approach is required to deal with the crux of a problem. Focusing on outcomes can help direct different dimensions towards the same outcome. Many SOC examples of this are available, for instance around homelessness or family care.
4. Innovative approaches are needed, but their effectiveness is not proven or only tested on a small scale. This is a classic case where there are still significant unknowns and risks around new approaches to social programmes and governments are often not in the position to judge those risks appropriately or not able/willing to financially bear those risks with public funding. Here a typical role is suited for private capital to finance those risks and when the approach eventually delivers outcomes, the government can confidently pay for those outcomes.

Factors determining the feasibility of Social Outcomes Contracting

Before implementing a SOC, it is important to assess whether it is feasible to apply its model and subsequently bring together the necessary partnership and set up the financial

structure. Many factors are important, but the factors outlined below appear to be the most crucial in the initial stages.

1. There is a clear set of outcomes that all key stakeholders agree upon for the target population while the problem that is addressed is complex

A SOC is built on a partnership driven by a shared vision for success, if this cannot be established across the outcome payer, service provider and investor, then a SOC will struggle to be effective. This requires a set of outcomes is established that is clear, measurable and for which the effects can be directly attributed to the deployed services.

2. There is some level of uncertainty about outcomes of the intervention

When there is some uncertainty about what outcomes to expect, the public sector can find it difficult to allocate funding to the intervention, because the uncertainty of effectiveness means there is financial risk in case of failure. SOCs can cut through this risk, by introducing an investor that is willing to take on this risk. Having this uncertainty usually leads to an innovative service delivery concept that is not fully tested yet.

3. There is a need for upfront capital and/or the inclusion of a new actor

A SOC can be a valuable instrument when governments are not willing or able to finance the delivery of the service and take on the risk of failure. Engaging social investors or philanthropy organisations in the social domain can help push forward promising (new) interventions, as these actors often have more possibilities to take financial risks when coupled with the potential of yielding high social impact.

4. The problem is a high priority for government

High priority facilitates the overall development and implementation of a SOC. Typically, this means that the need for social change is high on the agenda or better solutions are urgently needed, and stakeholders are interested in exploring alternative instruments to drive this change.

SOCIAL OUTCOMES CONTRACTING IN IRELAND

Social Outcomes Contracting in Ireland is still in an exploratory phase. Our assessment in 2022 is part of the first steps taken in the direction of piloting with SOCs in Ireland. We have consulted a diverse group of stakeholders, including various government departments, investors/ philanthropies, support organisations – including expert organisations – and service providers. An important take away from these conversations is that there is a need for information on how SOCs work and under what circumstances, requiring more awareness raising and capacity building. Those two elements are key to bring stakeholders on board and to shift the perception of SOCs as solely a financial instrument for cutting costs or raising more money, to an instrument that can drive social change through flexible access to money and innovations in tailored service delivery.

A main finding is that there should likely be a short-term strategy as well as a long term strategy for SOCs in Ireland. On the one hand, there is a need for information and examples of how the SOC might work specifically in Ireland. This shows the need for a pilot SOC that can be a showcase for actors across the spectrum and in different fields of work, to learn and draw inspiration from. On the other hand, many actors indicated that it is important to

think through how that first pilot can lead to more structural conversations around SOC's and their implementation on a larger scale across the country. It will be important to take into account considerations around the future of SOC's when deciding on and designing the first pilot, however it will be crucial to get that pilot off the ground in order for the SOC-model to gain traction.

We are aware that launching a new concept takes time, which is definitely the case for launching a SOC. In our view it is therefore important to look at early commitment from particularly the outcome payers, in this case government, to ensure that stakeholders are willing to commit time and efforts to the development of a SOC. For this reason we've engaged more actively with the public sector and are aware that several governmental departments would be open to consider SOC's. We have assessed several possible SOC focus areas, amongst other concretely a design to create employment and inclusion outcomes for people with disabilities. However, the most substantial signs of potential commitment from government have been seen in the field of sports.

Furthermore, we have seen a willingness amongst several philanthropic organisations to engage in more strategic philanthropy and a growing social innovation sector. This creates a facilitating environment for developing early-stage SOC's and the potential to engage potential investors.

SOCIAL OUTCOMES CONTRACTING AND SPORTS

The specific focus of the inquiry of the Joint Committee on Tourism, Culture, Arts, Sport and Media is on the applications of Social Outcomes Contracting for the topic of sports. This particular application of SOC's is not just new for Ireland, it is relatively new for the field of SOC's. So far there is only one SOC in the field of sports that we are aware of. Promisingly, recently many initiatives are in development, led by institutions such as [UEFA](#) and [UNESCO](#). During our work with the European Investment Bank and Rethink Ireland in 2022, we have supported some of the conversations and positioning of a SOC for Sports in Ireland. As Social Finance NL we are also actively exploring the opportunities for SOC's and more broadly the social value of sports and related funding models in The Netherlands.

One example of this work is our partnership with the youth citizenship programme [Maatschappelijke Diensttijd \(MDT\)](#) of the Ministry of Education, Culture and Science. MDT is a government-initiated programme developed and implemented by societal stakeholders such as local authorities, foundations, non-profits, education institutions and the private sector. The programme gives young people aged 12-30 across The Netherlands the chance to develop their skills, make a social impact and meet people from other walks of life in projects between 80-200 hours of voluntary commitment. Within this programme, we work together with the Sports Policy Department and Dutch Olympic Committee* Dutch Sports Federation (implementor of national sports policy) to enhance the impact of MDT on sports policy goals. This includes improving the accessibility of sport and movement for young people, using sports to enhance integration, reduce loneliness and for personal growth and to strengthen the local sports sector (e.g., local sports clubs). We do this by helping local municipalities use the MDT projects for these goals and improve their collaboration with external partners and by embedding MDT in the national and local sports policies. While this

is not translated directly into a SOC-model, we believe it is a good example of the use of sports to achieve wider social impact.

While the area of sports would definitely qualify as an area where a SOC model is applicable, budgets around sports-related programmes and long-term health benefits or improvements in social cohesion as a result of sports, often fall under the responsibility of different departments. To achieve the wider societal benefits, also a more holistic view on the programmes centred around sports is often required. The main challenge for SOCs in the field of sports lies in its practical feasibility. Looking at the aforementioned factors for feasibility, efforts are required to clarify point 1 and 4 in more detail.

Firstly, this means identifying a clear set of outcomes that is both measurable and where the attribution of the programme is clearly proven. This is a key challenge to building a SOC in sports. We of course know that sports lead to better performance. Luckily, we are also starting to see more and more evidence that on a societal level, sports leads to a broad range of positive social and health outcomes. But creating a clear causal link that a programme in sports leads to outcome X for person Y is much harder to establish. Secondly, for outcomes payers (in this case governments) to participate in the SOC, it is our experience that their willingness often stems from an urgency within the governmental departments. This urgency often lies in different areas than in the sports domain directly, therefore it will be important to show the interconnection between sports and those other domains.

As a result of these challenges, there are very few Social Outcomes Contracts in operation in the field of sports. However the two examples that have been implemented, show that it is possible to address the above challenges and also do this at scale. The [Chances Social Impact Bond](#), active in England, focussing on young people (aged 8-17) and the provision of opportunities to become more active together with a network of 16 local youth and sports organisations. In those programmes, sports and being active is used as a tool to support the development of skills or positive behaviour and change. This should lead to positive outcomes in the areas of health and wellbeing; employment, education and training; and reduced offending. Another example where physical activity plays more of a direct role is that of the recently launched Health Impact Bond Standing Strong in the Netherlands. Here, physiotherapists use interventions related to physical activity and vitality to improve strength and balance amongst elderly at high risk of experiencing fall incidents. Where the outcome is the reduction of fall incidents.

Beyond the two examples above, we are aware that internationally, more organisations are starting to look at the potential of funding programmes centred around sports through SOCs. Amongst others, UEFA and UNESCO are actively exploring this. The support of such institutions can be instrumental in engaging crucial service providers and other partners in the process of designing a SOC for sports in Ireland and engagement with them would be highly encouraged.

POTENTIAL NEXT STEPS FOR IMPLEMENTING A SOC IN SPORTS

While there are few existing examples of SOCs in sport, what we know about SOCs in general and the two examples above more specifically, shows that it is certainly possible to

use the SOC-model on sports-centred programmes. It is important however to avoid tunnel vision and to conduct a thorough assessment of the applicability of SOCs in sports, to ensure that financing the programme through a SOC is indeed the most effective way to increase the delivered impact, but also to ensure that the best partners and partnership is designed.

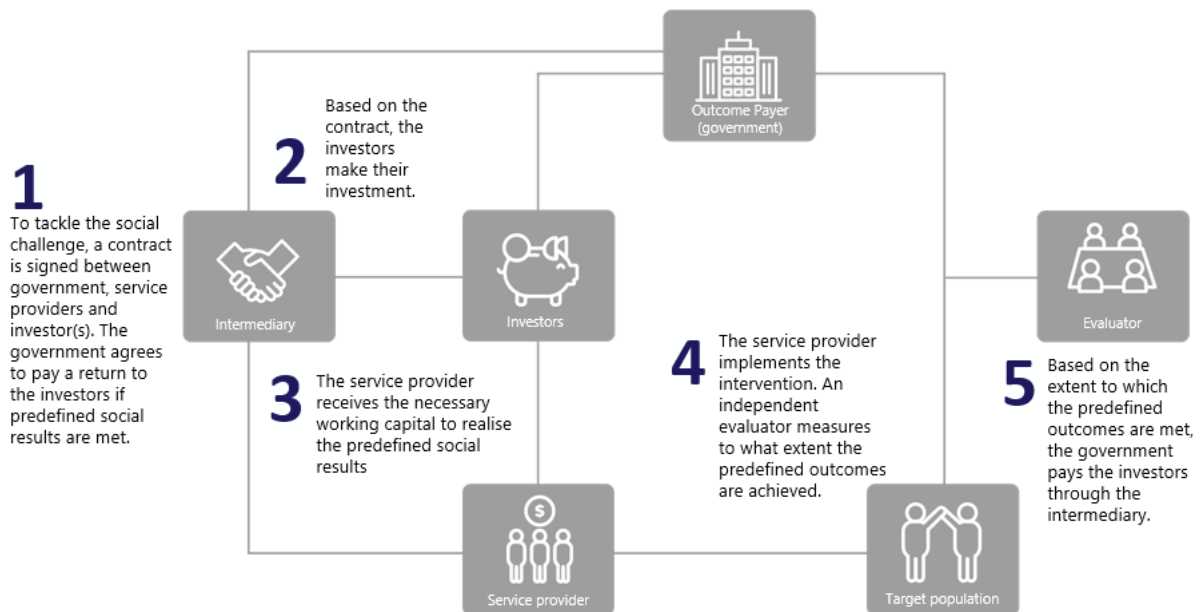
If, through this committee, or adjacent processes, it is decided to move forward with SOCs, we believe that an important first application would be a pilot SOC in Ireland. Based on our experience and what we have learned from studying the potential for SOCs in Ireland during 2022 we could see the following next steps towards the launch of a SOC:

- A short but specific study on the feasibility of a SOC in sports, building upon the wider feasibility study but focusing on the required actors and methodologies to be applied in the field of sports, and testing whether the aforementioned critical factors are present.
- A design phase where the SOC will be designed in detail and all partners will commit to the SOC. Design should including items such as the SOC's governance, financial model and contracting requirements.
- A contracting phase where the SOC will be legally contracted, investments formalised and final preparations will be made for the implementation of the services under the SOC.

Our suggestions and considerations when assessing SOCs as laid out in this document are built upon many lessons learned from designing and implementing globally. That doesn't mean that there won't be elements that will be unique for the Irish context. But we would encourage you to leverage the knowledge that is already available and at your disposal both locally (i.e. through Rethink Ireland and local actors of UEFA), and internationally (such as the EIB, UNESCO and Social Finance NL). While we can only speak for ourselves, we would be more than willing to elaborate on our learnings from that study beyond the written report or this document, or support potential next phases.

ANNEX I: WHAT IS SOCIAL OUTCOMES CONTRACTING?

A social outcomes contract (SOC) is a public-private partnership established to improve outcomes for populations through service provision. Within this partnership, the services are paid for only when pre-agreed outcomes are delivered to that population. Therefore, SOCs differ from typical contracts such as grants or subsidies as these latter are usually focused on the delivery of inputs and activities, or solely outputs. In cases where the service provider requires upfront payment to deliver the services, an investor may provide it and then receive payment back upon the achievement of outcomes. Social outcomes contracts are known by a number of different names, including, Social Impact Bonds, Impact bonds, pay-for-success,



social benefit bonds and social impact contracts. In the figure below, the workings of a SOC are illustrated.

Figure: A social outcomes contract is a collaboration between private and public partners designed to ensure better outcomes.

The three key actors in a SOC, also shown in the figure above, are:

- **Outcome Payer**
The Outcome Payer – usually a public sector organization – who is willing to pay for specific outcomes and provides payment upon the achievement of outcomes.
- **Service Provider**
The Service Provider offers the services or intervention to a specific target population, and is usually a non-profit, an NGO or sometimes a private company.
- **Investor (if required)**
The Investor(s) provides finance to the project during its lifecycle. Repayment to investors is based (partly or entirely) on the achievement of outcomes. The inclusion of an investor protects the service provider from financial risk. Investors, in theory, could be foundations, corporates, banks or other private investors, but typically they are found to be impact focused and willing to accept a lower return and higher risk on investment.

ANNEX II: ABOUT SOCIAL FINANCE NL

Social Finance NL helps governments, non-profits and investors to measure, finance and increase social impact. We focus on achieving sustainable and effective solutions for people in need. We distinguish ourselves by combining our social mission with our financial expertise. Our origins stem from the development of the Social Impact Bond, where the founding team led the development of the first Social Impact Bond in the Netherlands in 2013 and has since been involved with the design and implementation of a dozen Social Impact Bonds.

We believe more broadly in an outcomes-based and data-driven approach that revolves around people. For this we typically approach our work using our six-step methodology. Since the creation of Social Finance NL in 2018 we have applied this with over fifty partners, such as the European Investment Bank, the Global Alliance for Improved Nutrition, Multiple Dutch central government departments such as the Ministry of Social Affairs, Ministry of Health, Welfare and Sports, and the Ministry of Education, Culture and Science. Most recently we are managing an impact investment fund ([Sociaal Innovatiefonds](#)), providing impact investments for employers that aim to create a more inclusive labour market, and we launched the Health Impact Bond Standing Strong.

Social Finance NL is part of the Social Finance Global Network, a network of four organisations that are global pioneers in the field of outcomes-based finance, also including Social Finance UK, Social Finance US and Social Finance Israel. Collectively we work with approximately 300 people on innovative solutions to create social change.

