

# 1.0 Executive summary

## 1.1 Introduction

1. This is an evidence submission from Ecorys, an international research organisation. Ecorys is one of the world leaders in social outcomes contracting (SOC) consultancy and research.

## 1.2 The costs and benefits of Social Outcomes Contracts

2. As far as we are aware there is no available evidence on the use of SOC in the sports sector. However, there is wider evidence on the costs and benefits of SOC.
3. Evidence suggests that SOC in a wide range of contexts and sectors have been generally successful in terms of achieving agreed-upon outcomes. Whilst the progress of these SOC against their outcome targets is encouraging, this does not necessarily convey the success of the SOC mechanism; these projects may simply deliver effective interventions. A crucial aspect of evaluating SOC is, therefore, to separate the effect of the SOC as a contracting mechanism from the effect of the intervention.
4. There are very few studies that have demonstrated the effectiveness of SOC quantitatively, as it is very challenging to quantify the benefits of a particular contracting mechanism.
5. There have though been several qualitative studies examining the effectiveness of SOC, predominantly undertaken by Ecorys. These have generally found positive results. For example, our interim evaluation of the Commissioning Better Outcomes Programme, which is funding 24 SOC in England across a range of policy areas, concluded that stakeholders in the projects were of the view that the SOC achieved more outcomes and greater social impact (Ronicle et al, 2022). This was due to the stronger performance management that was built into the SOC mechanism, and the impetus provided by linking payment to outcomes. We have found similar results when examining the use of SOC for youth engagement in the UK (Ronicle & Smith, 202), and when examining SOC internationally (Ecorys, 2021).
6. Whilst our research has overall been positive on the effects of SOC, there are also challenges and downsides; under-performance has financial implications, and this leads to tension between stakeholders, service providers getting into financial difficulty when the financial risk has been shared with them; and renegotiations from investors that has led to

outcome payers paying out when predicted outcomes have not been achieved. The complex contracting structure can also lead to additional time and costs.

7. On the whole, though, stakeholders we have interviewed have been pleased with the results of SOCs, and have deemed their additional costs to be value for money - though stakeholders still think the contracts need to be simplified in order to improve their cost effectiveness.
8. Our FCDO DIBs evaluation concluded that, based on the above benefits and costs, SOCs are most appropriate when: performance could be enhanced through a stronger focus on outcomes buttressed by performance management; the system/culture needs an external 'disruption' to bring about change; service providers would not be able to tolerate high levels of financial risk; and providers would benefit from external expertise and support.

### **1.3 Conclusion: Do we think SOCs will support the sports sector in Ireland?**

9. Based on the transcript from the Joint Committee on Tourism, Culture, Arts, Sport and Media Social Outcome Contracts Discussion in Sport<sup>1</sup>, this would suggest that the primary purpose of introducing SOCs into the Ireland sports sector is to increase the focus on social outcomes within sport. As referenced above, there is good evidence that SOCs increase the focus on outcomes, so there is a good likelihood this ambition would occur. It also appears that the purpose is to ensure delivery is evidence-led, and again here research shows SOCs can support with this – in order to attract investment interventions need be well-evidenced, and the measurement of outcomes in the SOC usually increases the evidence base for the intervention. However, it would also appear that SOCs are seen as attractive for their potential to bring in external private investment, and here the evidence is less supportive – the funding is usually philanthropic rather than private, and ultimately if the project is successful the government still needs to pay for the outcomes.

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[https://www.oireachtas.ie/en/debates/debate/joint\\_committee\\_on\\_tourism\\_culture\\_arts\\_sport\\_and\\_media/2022-06-29/2/](https://www.oireachtas.ie/en/debates/debate/joint_committee_on_tourism_culture_arts_sport_and_media/2022-06-29/2/)

## 2.0 Full submission

### 2.1 Introduction

10. This is an evidence submission from Ecorys. Ecorys is an international organisation providing research, consulting, and management services. We have 13 permanent offices around the world, employing 500 in-house staff. We are driven by our ambition to help address the most important societal challenges of our times. We focus our help on the economic and societal impact of system changes and their related transition issues.

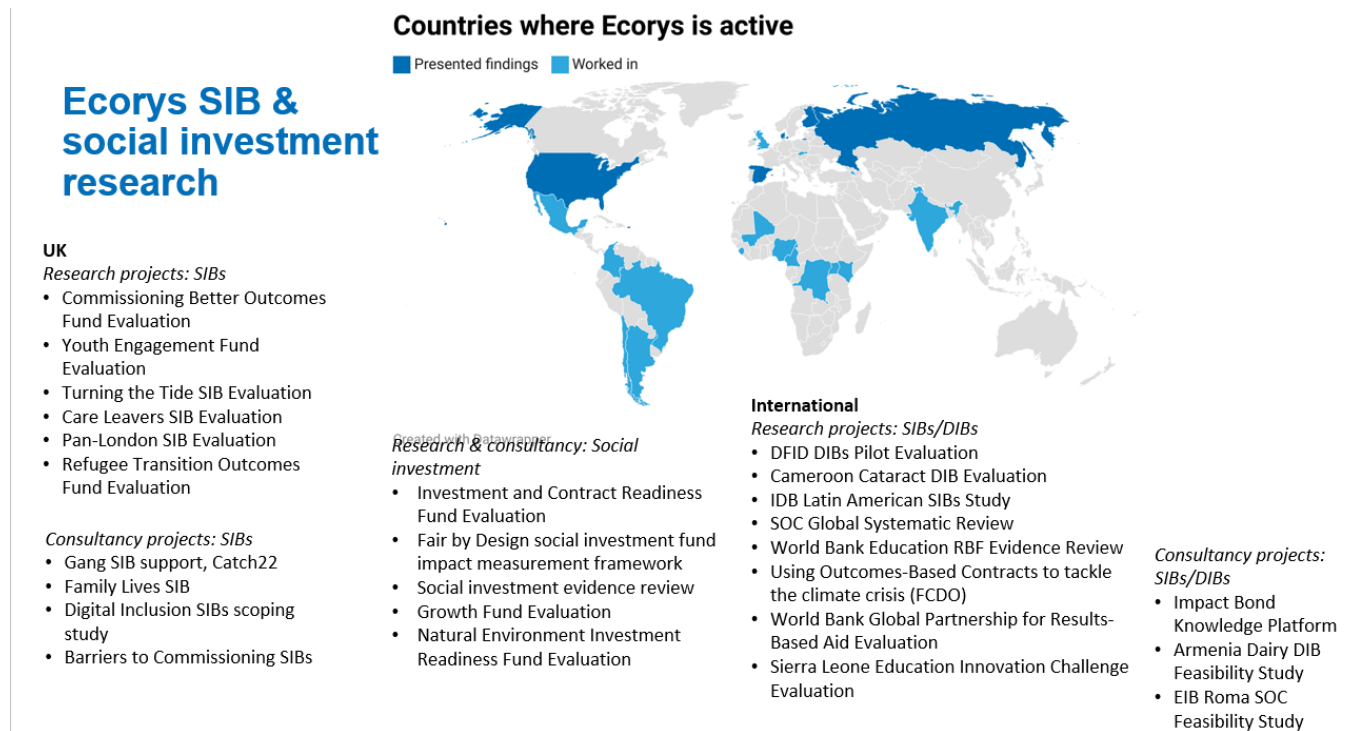
11. Ecorys is one of the world leaders in social outcomes contracting (SOC) consultancy and research, having undertaken 25 research and consultancy projects covering 47 social outcomes contracts across four continents. Figure 1 summarises our work. This includes:

- **SOC research:** For example, Ecorys and the Government Outcomes Lab (GO Lab) are working on the first comprehensive and global systematic evidence review of SOCs.
- **SOC evaluations:** For example, Ecorys is evaluating the Commissioning Better Outcomes (CBO) programme in England, supporting 24 SOCs. We also evaluated some of the first development impact bond (DIB) SOCs for the Foreign Commonwealth and Development Office (FCDO) DIB pilot programme, covering India, Kenya, Uganda, Nigeria, Mali, Democratic Republic of Congo and Cameroon.
- **SOC feasibility studies:** Ecorys is currently undertaking a Feasibility Study for SOCs for Roma communities in the Slovak Republic, funded by the European Investment Bank.

12. This evidence submission provides a summary of the findings from our research into the evidence of SOCs. It covers:

- **What is a SOC?** Including documenting the main stakeholders involved, providing some examples and also dispelling some SOC myths and misunderstandings
- **What are the costs and benefits of SOCs?** Including the main benefits they have brought to their projects, and the additional costs that can be associated with SOCs
- **Conclusions and recommendations:** Using the evidence above to conclude on the potential of SOCs for sport in Ireland.

Figure 1: Ecorys' work on social outcomes contracts



## 2.2 What is a Social Outcomes Contract?

13. The following is taken from Ecorys' report *Using Impact Bonds in Education in Low- and Middle-income Countries: An Evidence Review*.

14. A Social Outcomes Contract is a contract in which an independent service provider must achieve specific, measurable social and/or environmental outcomes, and payments are only made when these outcomes are achieved. Sometimes (but not always) they include an external investor providing up-front capital, with the repayment of that capital tied to outcomes; these are typically referred to as impact bonds more generally, or social impact bonds (SIBs) (in the UK); social impact partnerships (across Europe); pay-for-success (PFS) in the US; social benefit bonds in Australia; and development impact bonds (DIBs) in international development.

15. As a minimum SOCs consist of two parties:

- Outcomes payers** identifying the unmet needs and expressing a 'willingness to pay' for the achievement of specific social or development outcomes.
- Service providers** offering a service or intervention designed to meet the needs of those who receive it and achieve outcomes.

16. Those that have up-front investment will also have:

- Investors** providing arrangements to finance the upfront delivery costs of the project. They get repaid either fully or in part depending on whether outcomes are achieved.

17. Many SOC's also include other stakeholders, including:

- Consultants** supporting the outcomes payer to develop an initial business case for the project before it is implemented and support it to come to fruition.
- Investment fund managers**, managing funds on behalf of investors.
- Intermediaries** acting as a go-between and managing relationships between the key partners. Special purpose vehicles (SPVs) can be set up to bring together the parties in a contractual relationship and hold the contract directly with the service provider. The role of the SPV can vary; sometimes it includes performance managers responsible for ensuring the project achieves its outcomes.
- Evaluators** conducting independent evaluations to determine whether a project has delivered the specified outcomes in order to trigger payments. Not all evaluations of SOC's are commissioned externally; some are conducted either partially or wholly in-house. In some cases, learning partners are also contracted to undertake monitoring activities that support ongoing adaptation and course-correction, or to capture the learning of funding the project through a SOC.

18. SOC's can be launched as individual projects, or as part of a programme funding multiple SOC's. Programmes of multiple SOC's are often referred to as outcome funds.

### 2.2.1 Example of a Sport SOC: Chances SOC

19. To the best of our knowledge there is currently only one sports SOC in the world: the Chances SOC in England.<sup>2</sup> The text below is a summary of this SOC, taken from the INDIGO database of SOC's around the world.<sup>3</sup>

20. The SOC aims to use sport and physical activity to provide new opportunities and alternative life pathways for children and young people in disadvantaged areas whilst improving their

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<sup>2</sup> No other SOC's appear when using the search term 'sport' on the INDIGO database of impact bonds <https://golab.bsg.ox.ac.uk/knowledge-bank/case-studies/chances/>; no SOC's appear when using the search term 'sport' in our database of SOC evidence sources.

<sup>3</sup> <https://golab.bsg.ox.ac.uk/knowledge-bank/case-studies/chances/>

health and wellbeing. The SOC is managed by the organisation Substance. Substance works with a network of 16 locally trusted youth and sport organisations across England; all of them offer opportunities to get active, engage with learning and volunteer in their community.

21. The SIB launched in November 2020 and is due to end in October 2024.

22. Service providers are paid when the following outcomes are achieved:

▷ **Health and wellbeing:**

- Engagement/ 'Involved' measure (i.e. baseline)
- Physical literacy measure at mid-point
- Physical literacy measure at end-point

▷ **Employment, education and training:**

- Improvement in school or Pupil Referral Unit attendance of each 10% over three full terms compared to the full term immediately prior to referral to the programme.
- Achievement of a recognised sports qualification / coaching award started during any quarter
- Completion of a three-month volunteering or work experience placement totalling a minimum of 30 hours.

▷ **Reducing offending:**

- Reduction in re-offending of young people who have offended once or are subject to a Pre-Court Disposal Order in the 12 months prior to referral into the programme.
- Reduction of young people who have offended three times or more in previous 12-month period by one third over the year following referral. No further offending over each three-month period following engagement.

## **2.2.2 Dispelling some myths on SOCs**

23. SOCs are a relatively new funding instrument, and there are often 'myths' or misunderstandings around what they are. Below we hope to clarify some things that we find are often misunderstood or assumed about SOCs:

- **They rarely bring private investment into public services:** Governments and other outcome payers can often be initially attracted to SOC's because of the idea that they bring with them private investment, thereby reducing expenditure from the public sector and increasing value for money. Two things need to be highlighted: first, it is the government / outcome payer that ultimately pays for the outcomes if the service is successful. Therefore, whilst initial external investment is provided, this does not replace government spend. Second, it is rare for investment in SOC's to be private investment. Usually it is philanthropic funding that would likely have gone into social services anyway, just more likely as a grant rather than through an outcomes-based contract. Therefore, a SOC needs to be perceived of as a way for different funding sources to come together to use funding in different ways, rather than necessarily increasing the total amount of spend available through accessing private finance.
- **Investors do not always bear all of the financial risk:** The notion of a SOC can also be appealing because investors take on the financial risk of non-performance, meaning if the service is unsuccessful the outcome payer doesn't pay, and the service provider is protected from financial difficulties by the investor. In some SOC's this is the case, but not all. Often the contract will have elements in it that de-risk the investment for investors, such as attaching some payments to activities rather than outcomes, or protecting some of the investors' capital. This means that SOC's need to be perceived of as a *sharing* of financial risk between parties, rather than a full transfer of financial risk to investors.
- **They rarely generate cashable savings that cover the cost of outcome payments:** Originally SOC's were conceived of as being based on an 'invest to save' model; that is, the savings they generate to the state can be used to pay for their outcome payments. However, in our analysis we have only found a small number of SOC's in which this is the case. Often the outcomes can save money for the state, but rarely does this release cash from the public finances that can be used to pay for the outcomes (either because the savings are not 'cashable', e.g. you cannot close a prison because of a small reduction in recidivism; or the savings are released elsewhere within the system and so cannot be used for the outcome payments).



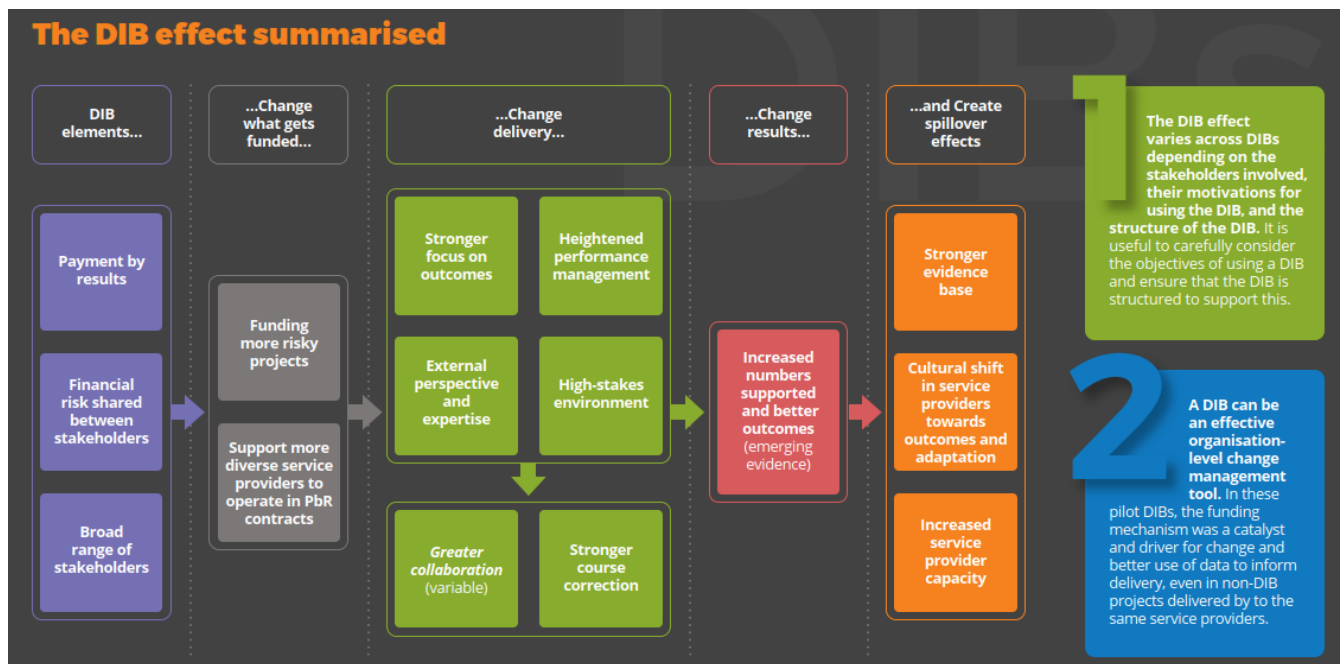
## 2.3 The costs and benefits of Social Outcomes Contracts

24. As far as we are aware there is no available evidence on the use of SOC in the sports sector. We have undertaken a global systematic review on SOC, identifying all relevant evidence on their use over the last 30 years worldwide. We searched our database, and we found no evidence relating to sports SOC.
25. However, there is wider evidence on the costs and benefits of SOC, which we summarise below.
26. Evidence suggests that SOC projects in a wide range of contexts and sectors have been generally successful in terms of achieving agreed-upon outcomes (Elsby et al, 2022). Whilst the progress of these SOC against their outcome targets is encouraging, this does not necessarily convey the success of the SOC mechanism; these projects may simply deliver effective interventions. A crucial aspect of evaluating SOC is, therefore, to separate the effect of the SOC as a contracting mechanism (that is, the SOC effects) from the effect of the intervention (the intervention achievements).
27. There are very few studies that have demonstrated the effectiveness of the SOC mechanism quantitatively. This is because it is very challenging to quantify the difference SOC make to delivery. Where they have been undertaken, though, they have found positive effects of using SOC; for example an analysis of a SOC in Pakistan found that the use of financial incentives for low-cost private schools induced large learning gains (Barrera-Osorio & Raju 2010). However, these quantitative studies are rare and not representative of the wider SOC sector; at this stage we therefore cannot robustly conclude on the effectiveness of SOC.
28. There have though been several qualitative studies examining the effectiveness of SOC, predominantly undertaken by Ecorys. These have generally found positive results. For example, our interim evaluation of the CBO programme concluded that stakeholders in the projects were of the view that the SOC achieved more outcomes, and greater social impact (Ronicle et al, 2022). This was because of the stronger performance management that was built into the SOC mechanism, and the impetus provided by linking payment to outcomes. We have found similar results when examining the use of SOC for youth engagement in the UK (Ronicle & Smith, 2020).
29. We have also found similar effects when exploring the use of SOC in international development. Figure 2 below summarises how a project is affected when it is funded through a SOC, taken from our evaluation of the FCDO Evaluation of the DIBs Pilot Programme



(Ecorys, forthcoming). This evaluation found that the sharing of risk and pooling of funding made donors more comfortable in funding riskier projects. The combined elements of attaching payments to outcomes, financial risk sharing, and bringing in a broader range of stakeholders (such as performance managers) led to a stronger focus on outcomes across all organisations, heightened performance management over delivery, and introduced a high-stakes environment. This led to organisations introducing new adaptive management systems and adapting more quickly when issues arose. There are signs to suggest that these changes led to improved outcomes. There was also evidence of organisation-level spillover effects; across all three SOC, systems and lessons learned from the SOC were rolled out across the organisations.

Figure 2: How a project is affected when funded through a SOC



Source: Ecorys, forthcoming.

30. Whilst our research has overall been positive on the effects of SOC, there are also challenges and downsides. Our CBO evaluation found that the heightened performance management that comes with SOC can lead to tensions amongst stakeholders when performance falls short of expectations. In some SOC financial risk is shared with service providers, and they then struggle financially when under-performance occurs. Investors have sometimes negotiated under-performing contracts to protect investments, resulting in outcome payers paying out even when outcomes have not been as initially anticipated (Ronicle et al, 2022). The complex contracting structure can lead to additional time and costs – in our FCDO DIBs Evaluation we found that the additional costs of using a SOC

(compared to a more traditional grant or contract) was between \$1.8 and \$2.3m, which was between 9% and 42% of the programme budget (Ecorys, forthcoming).

31. On the whole, though, stakeholders we have interviewed across our evaluations have been pleased with the results of SOC, and have deemed their additional costs to be value for money. Though they still think the contracts need to be simplified in order to improve their cost effectiveness.

32. Our FCDO DIBs evaluation concluded that, based on the above benefits and costs, SOC are most appropriate when:

- Performance could be enhanced through a stronger focus on outcomes, buttressed by performance management
- The system/culture needs an external 'disruption' to bring about change
- Service providers would not be able to tolerate high levels of financial risk
- Providers would benefit from external expertise and support.

## **2.4 Conclusion: Do we think SOC will support the sports sector in Ireland?**

33. Social outcomes contracts are a relatively new way of contracting public services. Robust quantitative evidence assessing their effectiveness does not yet exist. However the qualitative research undertaken on SOC is overall positive: they de-risk services for governments and encourage the funding of more innovative projects. They are a good change management tool; they increase the focus on outcomes during delivery and there are early signs that this, coupled with the heightened performance management, leads to more service users being supported, and greater outcomes. They shift the culture in organisations, and this shift can sustain after the SOC has ended. However, they can be complex, cumbersome and time-consuming and shouldn't be entered into lightly – there should be a clear rationale for why a SOC is needed and the benefits it will likely bring.

34. Based on the transcript from the Joint Committee on Tourism, Culture, Arts, Sport and Media Social Outcome Contracts Discussion in Sport<sup>4</sup>, this would suggest that the primary purpose

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of introducing SOC's into the Ireland sports sector is to increase the focus on social outcomes within sport. As referenced above, there is good evidence that SOC's increase the focus on outcomes, so there is a good likelihood this would occur. It also appears that the purpose is to ensure delivery is evidence-led, and again here research shows SOC's can support with this – in order to attract investment interventions need to be well evidenced, and the measurement of outcomes in the SOC usually increases the evidence base for the intervention. However, it would also appear that SOC's are seen as attractive for the Irish sports sector for their potential to bring in external private investment, and here the evidence is less supportive – as we reference above the funding is usually philanthropic rather than private, and ultimately if the project is successful the government still needs to pay for the outcomes.

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