

CASE STUDY

December
2021

Brabant Outcomes Fund in the Netherlands

This case study is published by the European Investment Advisory Hub's Social Outcomes Contracting Advisory Platform

Disclaimer:

This report was written with the financial support of the European Investment Bank (EIB). The report should not be regarded as representing the views of the EIB, the European Commission (EC) or other European Union (EU) institutions and bodies. Any views expressed herein, including interpretation(s) of regulations, reflect the current views of the author(s), which do not necessarily correspond to the views of the EIB, the EC or other EU institutions and bodies. Views expressed in this report may differ from views set out in other documents, including similar research papers, published by the EIB, the EC or other EU institutions and bodies. The contents of this report, including the views expressed, are current as of the date of publication and may change without notice. No representation or warranty, express or implied, is or will be made and no liability or responsibility is or will be accepted by the EIB, the EC or other EU institutions and bodies in respect of the accuracy or completeness of the information contained in this report and any such liability is expressly rejected. Nothing in this report constitutes investment, legal or tax advice, nor will it be relied on as such advice. Specific professional advice should always be sought before taking any action based on this report. Reproduction, publication and reprint are subject to prior written authorisation from the authors/EIB.

Authors:

This report was written by Jacoline Plomp and Tim de Wilde from [Avance Impact](#). For over 10 years, Avance Impact has supported hundreds of organisations to effectively manage and increase their impact. These range from NGOs, (social and commercial) private sector parties and government agencies to impact investors. Avance combines expertise and creative thinking with practical and theoretical knowledge on monitoring, evaluation and learning. Avance has also developed several impact management trainings.

TABLE OF CONTENTS

Table of Contents	3
List of acronyms	5
Foreword.....	6
Executive summary.....	7
Introduction	10
Part 1: the process of setting up and implementing the BOF	13
<i>1.1 Exploration.....</i>	<i>16</i>
1.1.1 What are the key issues the BOF aimed to solve?.....	16
1.1.2 Determining if SOC is the right tool	17
1.1.3 Ensuring political commitment and internal resources	17
<i>Summary and lessons learned – step 1 – Exploration.....</i>	<i>19</i>
<i>1.2 Preparation.....</i>	<i>20</i>
1.2.1 Create a coalition of key collaboration partners	20
1.2.2. Developing a Theory of Change	21
1.2.3 Defining the structure of the BOF	22
<i>Summary and lessons learned – step 2 – Preparation.....</i>	<i>25</i>
<i>1.3 Selecting Service Providers.....</i>	<i>26</i>
1.3.1 The selection procedure	26
1.3.2 The selected service providers.....	31
1.3.3 What to do with the rejected applicants?.....	32
<i>Summary and lessons learned – step 3 – Selecting service providers.....</i>	<i>33</i>
<i>1.4 Bootcamp and selection of outcomes.....</i>	<i>34</i>
1.4.1 Finalisation of business plans	34
1.4.2 Description of all expected outcomes	34
1.4.3 Selection of key outcomes together	35
1.4.4 Deciding on method for determining the value of outcomes	37
1.4.5 Developing measurement plans.....	39
<i>Summary and lessons learned – step 4 – Bootcamp and selection of outcomes</i>	<i>41</i>
<i>1.5 Contract</i>	<i>42</i>

1.5.1 Structure of the BOF contract.....	42
1.5.2 Balancing materiality, simplicity, proportionality and trust.....	43
<i>Summary and lessons learned – step 5 – Contract</i>	<i>45</i>
<i>1.6 Execute & Manage impact.....</i>	<i>46</i>
1.6.1 New roles and stakeholders.....	46
1.6.2 Meetings, reporting... and continuous learning!.....	46
<i>Summary and Lessons Learned – step 6 – Execute and Manage Impact.....</i>	<i>49</i>
Part 2: creating multiple values	50
<i>2.1 SOC as a tool for social innovation.....</i>	<i>50</i>
<i>2.2 Seven ways to ensure the inclusion of multiple values.....</i>	<i>51</i>
<i>2.3 How to include perspectives of relevant stakeholders in determining the value of outcomes.....</i>	<i>53</i>
<i>2.4 Three valuation methods</i>	<i>54</i>
<i>2.5 Summary and lessons learned.....</i>	<i>56</i>
Part 3: Looking forward.....	58
List of Appendices	61
<i>Appendix 1: List of interviewees</i>	<i>61</i>
<i>Appendix 2: Infographic of the BOF process from exploration to execution</i>	<i>63</i>
<i>Appendix 3: Results of the study on the purpose economy.....</i>	<i>64</i>
<i>Appendix 4: Checklist internal resources and political commitment: key issues to consider</i>	<i>65</i>
<i>Appendix 5: Three questions for a problem analysis.....</i>	<i>66</i>
<i>Appendix 6: Poster used to explain application procedure to social enterprises.....</i>	<i>67</i>
<i>Appendix 7: Application form.....</i>	<i>68</i>
<i>Appendix 8: Criteria for selecting service providers</i>	<i>70</i>
<i>Appendix 9: Table of contents – business plans.....</i>	<i>71</i>
<i>Appendix 10: Steps in developing a Theory of Change.....</i>	<i>72</i>
<i>Appendix 11: Outcomes targeted by the service providers.....</i>	<i>75</i>
<i>Appendix 12: Cooperation agreement, execution phase of the BOF</i>	<i>77</i>

LIST OF ACRONYMS

BOF	Brabant Outcomes Fund
PNB	Provincial Government of Noord-Brabant
ROI	Return on Investment
RT	Refugee Team
SDG	Sustainable Development Goal
SIB	Social Impact Bond
SOC	Social Outcomes Contracting

FOREWORD

In the autumn of 2020, I had the pleasure of meeting many people in the Dutch region of Noord-Brabant. It gave me a good insight into the strengths and opportunities in this region. I heard about flourishing local and regional initiatives all working towards a society that delivers wellbeing for everyone: the wellbeing economy.

Building **an economy that serves societal wellbeing** is challenging and involves transforming the existing economic system. It means leaving behind the assumption that a growing economy (measured by Gross Domestic Product) will automatically lead to a better world. There are many shifts needed and questions to be answered. For example: *how do we generate enough green energy? How do we support people to build livelihoods that do not depend on the old ways of production and consumption? And how can we do this by taking care of each other, ensuring no one is lonely or disconnected?*

Fortunately, these are the sort of questions at the heart of conversations in the region of Noord-Brabant in the Netherlands. Regional governments have a key role in stimulating systems change. One of the first steps is to shift from what is often a focus on short-term policies towards policies designed for sustainable wellbeing. Government goals and metrics need to align with societal wellbeing.

Making **the change towards a wellbeing economy requires practice**. It needs active involvement from diverse groups of stakeholders to translate lessons learned into new tools and policies. And most of all we need bold political choices and leaders who support experimentation and reflection.

And this is where the Brabant Outcomes Fund comes in. It is **a concrete example of a learning-by-doing process**. I am delighted to see this case study report. I hope it will stimulate other government players to learn and be inspired by this example in Noord-Brabant.

Enjoy and be inspired!



Katherine Trebeck

Co-founder, [the Wellbeing Economy Alliance](#)

EXECUTIVE SUMMARY

The [Brabant Outcomes Fund \(BOF\)](#), is the first outcomes fund in the Netherlands and was initiated in 2018 by the provincial government of Noord-Brabant (PNB). Noord-Brabant chose to experiment with Social Outcomes Contracting (SOC) because it was convinced that SOC offers a great opportunity for learning-by-doing. SOC is a methodology that stimulates cooperation across boundaries: within governments, between government layers and between the public and private sector. Furthermore, SOC is an excellent way to share financial risks and benefits between the private and public sector. And on top of this, it places a financial value on social outcomes.

In this case study, we describe the development of the BOF in six steps.

1. **Exploration.** This step included initial discussions with SOC experts, potential investors and policy makers. The decision was made that in the BOF there would be a focus on three Sustainable Development Goals (SDGs). Social entrepreneurs were recognised as key change agents with whom the government decided to join forces in addressing societal challenges. In this step, political commitment, and the availability of resources (financial resources, as well as time and mandate) were ensured.
2. **Preparation.** The key collaboration partners were selected and the BOF's Theory of Change (see section 1.2.2) was developed. It took approximately two months to create the right coalition of partners.
3. **Selection process.** This step started with an open call to select innovative social enterprises which were ready for scaling up and were looking for growth capital. The selection process consisted of several rounds and lasted two months. Five potential social enterprises were selected that were considered suitable to be service providers in the SOC.
4. **Bootcamp and selecting outcomes.** This was an intensive period of approximately four months in which a multidisciplinary team representing the main stakeholders (the province of Noord-Brabant and the investors) was formed around each selected entrepreneur. This team worked on elaborating business plans and identifying and selecting key outcomes for the outcomes-based contracts. The

provincial government insisted that in addition to quantitative, objective outcomes (such as the number of people in employment), qualitative, subjective outcomes (such as professional growth, empowerment, etc.) became part of the targeted outcomes and were included in the outcomes-based contracts. The government stimulated each team to select multiple key outcomes, sometimes for different target groups (which we prefer to call rightsholders – see more in section 2.3).

5. **Drafting and signing contracts.** The goal was to develop contracts that were accepted by all parties, seeking a balance between materiality (see 1.5.2. for definition), simplicity and proportionality. This step took approximately one month.
6. **Execution.** In July 2019 the execution phase of the BOF started and will last approximately 3.5 years. Once the contracts were signed, the BOF team changed its composition. New in this phase was the so-called **evaluator**: Evaluators help to assess whether targeted outcomes are achieved by the social entrepreneurs.

The BOF is an interesting example of SOC because of its **focus on multiple values**: the outcome contracts included not one, but several targeted outcomes. Social values, such as empowerment and professional development, were made an integral part of the contract alongside outcomes that represent a clear economic value (for example, creating long-term jobs for unemployed people).

The BOF is also an **example of a multi-stakeholder engagement process**. In addition to coordinating the BOF development with investors, service providers and knowledge partners, the government of Noord-Brabant also paid special attention to **involving the target group representatives** and ensuring that they have a voice in selecting, prioritising, and determining the value of outcomes.

Finally, another distinctive feature of the BOF is its **catalytic role in supporting the region's social entrepreneurship ecosystem**. The innovative solutions of the selected social enterprises were taken as a starting point for developing BOF's outcomes-based contracts. At the same time, the social enterprises that applied but failed to be selected (78 enterprises), were all given personalised feedback on their

applications and were able to benefit from other supporting measures set up by the government such as matchmaking events with investors, networking and knowledge-sharing events.

The Netherlands' first ever outcomes fund is seen as a success and the provincial government of Noord-Brabant is already developing a follow-up. With learning at the heart of its approach, the provincial government of Noord-Brabant has identified three main lessons learned which will be incorporated into BOF2, the new planned outcomes fund:

- Firstly, the BOF2 project team will try to involve traditional financiers like banks, pension funds and insurance companies. Although the first outcomes fund only involved philanthropic impact investors, the government of Noord-Brabant would like to also engage traditional financiers in the future to stimulate a shift to a financial system that works for people and the planet and takes positive social impact into account.
- Secondly, particular attention will be paid to stimulating more cooperation between government departments. Constant and active dialogue is foreseen with the members of both the provincial council and provincial executives.
- Thirdly, the government of Noord-Brabant will try to keep the BOF2 contracts as simple as possible, encouraging and stimulating the introduction of innovation.

INTRODUCTION

Rationale, Key Features and Terminology

Several Social Outcomes Contracting pilot projects have been carried out in Europe to stimulate social innovation. One of these pilot initiatives, the [Brabant Outcomes Fund \(BOF\)](#), was started in 2018 by the provincial government of Noord-Brabant in the Netherlands. The provincial government cooperated with three impact investors and signed outcomes contracts with four entrepreneurs who work on addressing important societal problems in the region of Noord-Brabant in the Netherlands.

Research questions and approach

In this case study we build on existing SOC literature and provide a practical description of the six steps that were taken during the setting up and execution of the BOF.

In Part 1 we describe the process of developing and implementing the BOF. We provide a step-by-step guidance that other public administration bodies can follow.

In Part 2 we describe how the BOF stimulated the inclusion of multiple values (social, ecological and economical) in outcomes-based contracts and answer the following questions:

- i. How to ensure the inclusion of multiple values in outcomes-based contracts and how to measure outcomes that represent such different values?
- ii. How to ensure that targeted outcomes are based on the perspectives of all relevant parties, including the target group (those that ultimately benefit from the interventions)?

In Part 3 we look ahead to the future of the BOF. Here we reflect on lessons learned and how these can be used for the next outcomes fund ("BOF2").

We base this case study on an extensive document review, covering both publicly available documents and unpublished internal documents on the BOF. We also interviewed key stakeholders. A list of interviewees is included in Appendix 1.

Terminology: What is Social Outcomes Contracting?

We define **Social Outcomes Contracting** as a process which leads to an ‘outcomes-based’ contract that incorporates the use of private funding from investors to cover the capital required to set up and deliver a service or a social programme. The service or programme is set up to achieve measurable outcomes usually established by a government. Investors are repaid only if measurable outcomes are achieved (EIAH, 2021¹).

How does SOC work?

Three types of participants usually cooperate in a SOC: the outcome payer, the service provider and the investors.

The outcome payer, often a government organisation, identifies a societal problem and is willing to pay to solve it. In a joint process with the service provider and investors, the outcome payer determines for which outcomes it is willing to pay and how much will be paid for (partially) achieved outcomes.

The service provider is the organisation responsible for delivering services for a predefined target group (also referred to as the rightsholders in the BOF – see section 2.3) and is only paid when outcomes are achieved (wholly or partially). The selection of a service provider must typically adhere to the rules of public procurement, particularly when the outcome payer is a government organisation.

The investors contribute the working capital required to implement the service. This occurs upfront, before any outcome payments have been made. The outcome payer repays the investors when the desired outcomes are achieved (wholly or partially). This means that the investors bear most of the financial risks, while the service providers and outcome payers are (partly) shielded from extensive financial risk.

¹ <https://eiah.eib.org/publications/attachments/social-outcomes-contracting-in-Europe-10052021.pdf>

These three types of participants in SOC are usually supported by knowledge and expert organisations. Technical advisors are for example contracted to monitor independently whether outcomes are achieved.

What is an outcomes fund?

Outcomes funds allow the funding of multiple SOC projects under one structure. Essentially, the outcomes fund represents a change in how support for SOC is organised – bringing into one programme a range of development and funding support for multiple SOCs, to accelerate growth, generate economies of scale and maximise learning.

PART 1: THE PROCESS OF SETTING UP AND IMPLEMENTING THE BOF

Structure of the BOF

Key parties involved in the development of the BOF formed a **project team**. This project team worked together to ensure that the process of setting up the BOF and developing outcomes-based contracts went as smoothly as possible and that all the parties involved learned from each other. The team consisted of representatives from both the provincial government of Noord-Brabant and external parties. Organisations involved in the BOF and their key roles are listed in Table 1.

Table 1 – The parties involved in the BOF

Name of organisation(s)	Formal role	Responsibilities
Provincial government of Noord-Brabant	Outcome payer	Outcome payer and key coordinator
Oranje Fonds Rabo Foundation Stichting Doen	Impact investors	The three financiers providing working capital
Selected social enterprises	Service providers	The four selected social enterprises which carry out the activities for the benefit of the target group
Social Finance NL	Expert on social financing	Selected as the knowledge partner responsible for supervising the process of developing and

		concluding outcomes-based contracts
Social Impact Factory	Social enterprise support organisation	Involved in the selection process of the service providers
Sterk Brabant	Provincial networking organisation	A regional networking organisation responsible for organising activities to support the so-called 'BOF network'
Sinzer	Impact measurement consultancy	Contracted for its expertise in the field of defining and measuring results
Avance Impact	Impact measurement consultancy	Involved to ensure continuous monitoring and evaluation of the implementation process
Van Doorne	Law firm	Responsible for the legal aspects of the outcomes-based contracts

The BOF in six steps

The development of the BOF can be described in six consecutive steps. Table 2 provides an overview of the steps and their duration. The six steps are described in greater detail later in this section².

² A more detailed infographic on the process of developing the BOF is presented in Appendix 2.

Table 2 – Duration of each step in the development and implementation of the BOF

Step	Duration	Key activities
Exploration	12 months	Meetings with SOC experts, potential investors, politicians and policy officers. Analysing context
Preparation	2 months	Identification of key partners: investors, intermediaries. Creating commitment within the provincial government and the knowledge partners
Selection of service provider	2 months	Recruiting and selecting service providers
Bootcamp and selection of outcomes	4 months	Selecting outcomes and determining the value of the selected outcomes
Contracting	1 month	Drafting and signing contracts with the four service providers
Execution & managing impact	ongoing	Selected service providers start their activities. All the contract partners meet to discuss progress every six months. Every year achieved outcomes are evaluated and outcomes payments are made.

1.1 Exploration

1.1.1 What are the key issues the BOF aimed to solve?

The provincial government started by determining the scope and decided on three key Sustainable Development Goals (SDGs) it wanted to focus on (see Figure 1 on the right). This decision was followed by multiple talks with entrepreneurs, investors and policymakers to better understand the role that the government can play in stimulating solutions with societal impact. Social entrepreneurs were recognised as key change agents with whom the government decided to join forces in addressing societal challenges.



Figure 1 The three SDGs explained



“In my experience, impact entrepreneurs or social entrepreneurs are effective change agents because they take the challenges in society as a starting point. Their approach often works too. And they invent solutions which we – the public institutions – often fail to come up with. We must therefore join forces with these entrepreneurs, learn from them and develop new instruments and policies to better support these entrepreneurs.”

Astrid Kaag, policy advisor, provincial government of Noord-Brabant

(See Appendix 1 for interviewees)

As a next step, the government commissioned a context analysis study, which aimed at answering the question: why are the innovative practices of social entrepreneurs

not scaling up more rapidly? The study identified **three key obstacles that social entrepreneurs in the province of Noord-Brabant face**³:

1. **Insufficient appreciation for the creation of multiple values** – Social entrepreneurs create social and/or ecological value in addition to financial value. However, it is hard for entrepreneurs to find financial backing for all the value their business creates and this prevents them from increasing their impact.
2. **Government is too compartmentalised** – The integrated approach of many social entrepreneurs does not fit with the government's compartmentalised organisational structure where responsibilities and budgets are distributed across a variety of policy themes and organisational layers. This makes it hard for entrepreneurs to acquire funding for an integral solution that is pursuing several policy objectives.
3. **Little access to growth capital** – Social entrepreneurs often do not have sufficient access to financial capital. The lack of access to growth capital means entrepreneurs often fail to scale up. The previous two obstacles are very much related to this one.

These three obstacles became the key issues the BOF aimed to solve.

1.1.2 Determining if SOC is the right tool

The provincial government had never used SOC as a tool before. Yet, they justified their choice with the following three reasons:

1. Setting up an outcomes fund is an opportunity for **learning-by-doing**
2. SOC is a methodology that stimulates **cooperation across boundaries**: within governments, between government layers, between the public and private sector
3. SOC is an excellent **way to share financial risks and benefits between the private and public sector**

1.1.3 Ensuring political commitment and internal resources

The next step was to ensure political commitment and availability of internal resources. In the province of Noord-Brabant political commitment was not a major

³ Appendix 3 includes an infographic with more details of the study results.

problem as Henri Swinkels, provincial governor (during the period under review) was enthusiastic from the start. He believed in the idea and had a clear view on what was needed to get the BOF process started.



“Firstly, we had the privilege of having one initiator who was able to attract other people and create a team that was capable of organising everything. Secondly, the statutory duties of a government body are usually not organised around multiple value. We focussed the BOF on social issues outside of our core legal duties, which meant that we could create space to include multiple value.”

Henri Swinkels, former provincial governor of the provincial government of Noord-Brabant (See Appendix 1 for interviewees)

The provincial government had a budget of EUR 1 million available. **This budget was earmarked to stimulate social resilience** in the region and could be used to test a new type of financing tool. The provincial government chose to **focus on issues**



“Of course, there was also criticism. Our answer was always that our role is to stimulate innovation. We don’t take over tasks, we try something new and hope everyone will profit in the end.”

Astrid Kaag, policy advisor, provincial government of Noord-Brabant

(in the book ‘De belofte van de social impact bond’ by Bosma & Van de Veen)

outside of its statutory duties⁴. As a result, there was more room to innovate and experiment. One of the key goals of the BOF was to learn. Therefore, a budget of EUR 1 million was considered sufficient.

At the end of the exploration period, the BOF project team developed a checklist⁵ which highlights key issues to be considered to obtain internal resources and political commitment.

Summary and lessons learned – step 1 – Exploration	
WHAT	<ul style="list-style-type: none"> ▪ Define the scope and understand the key issues that need to be solved ▪ Decide whether SOC is an appropriate tool ▪ Ensure political commitment and availability of resources (time/mandate/ financial)
HOW	<ul style="list-style-type: none"> ▪ Undertake a context analysis – get to know the field ▪ Meet and discuss with experts, potential stakeholders and future partners
LESSONS LEARNED	<ul style="list-style-type: none"> ▪ If, as a public administrator, you are thinking of using SOC to create an inclusive society, it is vital that you understand the challenges that are faced by constituents and potential service providers that are already working on these challenges ▪ Realise what the most impactful role is that the government can play in solving societal challenges. Determine what strategy or intervention is needed most in addition to what other stakeholders are already doing

⁴ In the Netherlands, the provincial government does not have responsibility for all social issues targeted in the BOF.

⁵ See Appendix 4 for BOF checklist

	<ul style="list-style-type: none">▪ Determine what type of organisations you prefer to work with. Sometimes SOC relies on not-for-profit service providers, but the BOF chose to work with social entrepreneurs
USEFUL TOOLS	<ul style="list-style-type: none">▪ Checklist of key issues to be considered when looking for internal resources and political commitment (Appendix 4)▪ Context analysis to answer the question of where your organisation can make the biggest impact (Appendix 5)

1.2 Preparation

1.2.1 Create a coalition of key collaboration partners

The provincial government created a **project team to supervise the process** and **appointed a project manager** who had the time and skills to manage the complex multi-stakeholder project. The project manager coordinated both the internal and external processes.

Selection of partners

The project manager selected several external knowledge partners that were contracted to implement specific tasks that needed expertise which the province did not have internally. Also, the project team had exploratory talks with various potential investors. In the end, the project team took the decision to continue with three impact investors: [Oranje Fonds](#), [Rabo Foundation](#) and [Stichting Doen](#). All three investors are Dutch **philanthropic impact investors** that already knew each other well and had worked together before.

Initially, the project team's ambition was to work with other types of financiers as well, such as banks and pension funds. However, working only with impact investors helped to get started quickly because everyone was already aligned in terms of their focus on creating positive impact. Another benefit was that impact investors are more likely to accept more risk or lower returns. The disadvantage is that using SOC on a larger scale will probably require the involvement of traditional investors.

Moreover, traditional investors often have a lot of in-house expertise (e.g. legal), for which the BOF needed an external party⁶.

Aiming for close collaboration and mutual learning

Often SOC works with so called ‘intermediaries’ that connect the outcome payer, service providers and investors. In the case of the BOF, the project team decided not to use an intermediary party. Even though an intermediary could have been helpful as a mediator, the government of Noord-Brabant chose to work directly with investors and service providers to create more opportunities for close collaboration and mutual learning.

1.2.2. Developing a Theory of Change

When the coalition of key collaboration partners was complete, the project team developed a Theory of Change for the BOF. In the Theory of Change the team explained and visualised how they believed change would take place and ambitions achieved. By (literally) sketching out the links between activities and the expected chains of effects, the project team developed and outlined an effective approach in a specific and comprehensive manner.

Building a Theory of Change required answers to the following questions:

- Who is the target group and what do we want to impact with the BOF’s activities?
- Who are the key stakeholders that we are trying to influence?
- What outputs can we expect from planned activities?
- What outcomes can we logically expect in the short and long term?

The Theory of Change consisted of a schematic visualisation of answers to these questions. During its development, many underlying assumptions were made explicit. Below a simplified version of BOF’s Theory of Change.

⁶ In the second BOF round (BOF2) the provincial government will work with different types of investors. See **Part 3: Looking forward** for more information about this.

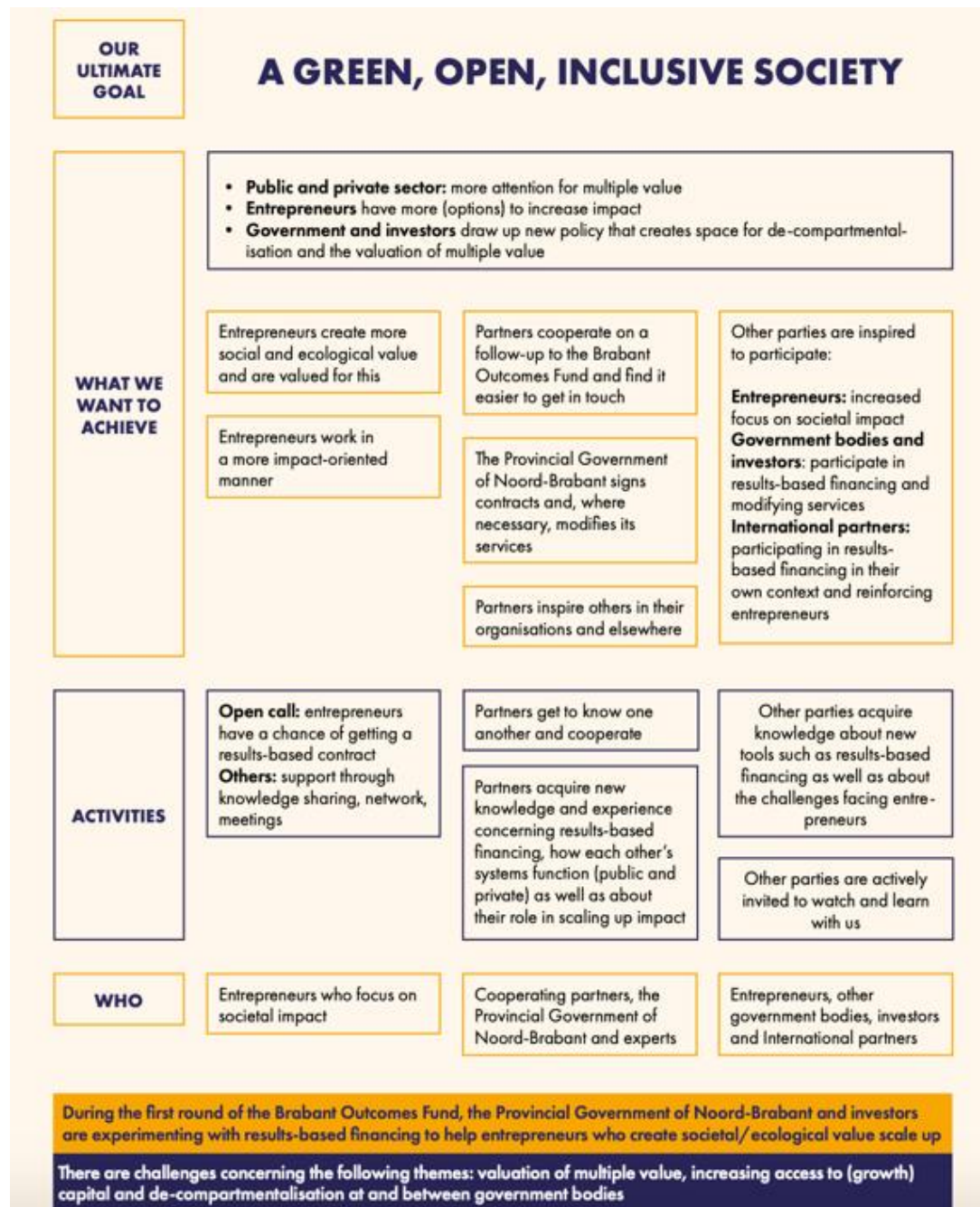


Figure 2 – The simplified version of the Theory of Change of the BOF (from the BOF Magazine, province of Noord-Brabant, 2019).

1.2.3 Defining the structure of the BOF

The next step was to decide on the BOF’s financing structure. The BOF’s project team needed to agree on:

- the fund's size and management set up
- the Return on Investment (ROI) for investors

The project team chose to work within existing provincial government subsidy procedures. This had consequences for the BOF's management structure.

The investors joined forces in an investors' foundation which would provide working capital to the entrepreneurs (agreed upon in a commissioning agreement) and – when the desired outcomes are realised – receive money in the form of a subsidy from the provincial government of Noord-Brabant (see figure 3). The investors' foundation requested this subsidy together with the entrepreneurs.

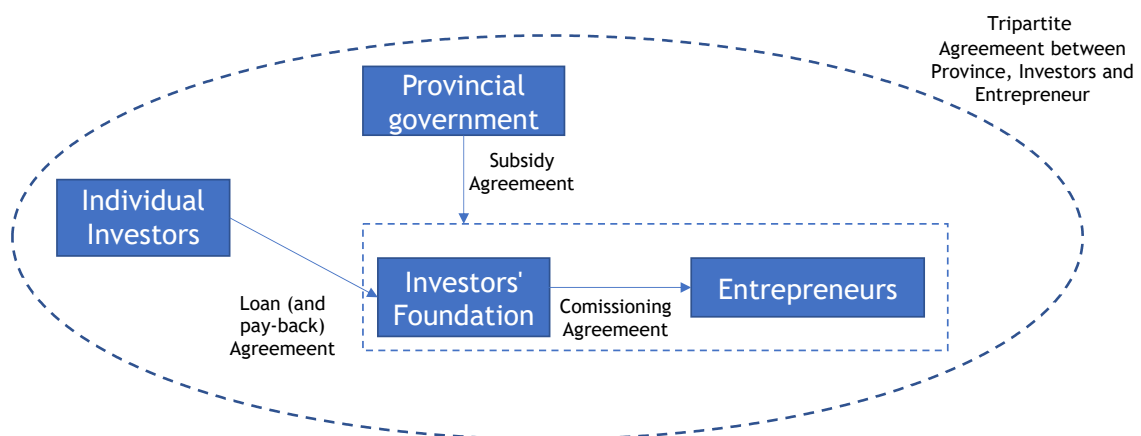


Figure 3 – Finance and agreement structure

A tripartite agreement was signed between the government, each entrepreneur and the investors that defined the BOF goals and characteristics⁷.

The chosen structure might seem complex, but it had the advantage of avoiding the costs of setting up and managing the BOF as a separate investment fund. Working within the existing provincial government subsidy structures helped to involve various departments in the provincial government which was a good learning experience for all involved.

⁷ This tripartite agreement is further elaborated upon in section 1.5 where it is called “the BOF contract”.

Challenges related to Value Added Tax and state aid

Existing rules or regulations on finance and taxation can become bottlenecks to the development of an outcomes fund. In the case of the BOF, one of the key issues revolved around application of VAT to the services of the social enterprises that were selected as service providers in this SOC. Typically, subsidies provided by the government directly to service providers would not be subject to VAT in a non-SOC context. However, due to involvement of the investors' foundation in the BOF structure, there was uncertainty as to whether the payments from the foundation to the entrepreneurs would be subject to VAT. As a solution, the BOF project team decided that the subsidy would be requested by a partnership of the foundation and the entrepreneurs, thereby reducing the chance that the relationship between the foundation and the entrepreneurs would be regarded as a client-contractor relationship and would require charging VAT.

Another key issue was related to state aid. The BOF needed to ensure that none of its payments to the social entrepreneurs could be designated as state aid. This was ensured in accordance with the regulation on *de minimis* rules⁸.

⁸ Regulation (EU) No 360/2012, "De minimis aid for services of general economic interest", <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=LEGISSUM:cc0016>. We will not discuss state aid issues in detail because rules are likely to vary in different countries and might have changed since the BOF started. Here we want to underline the importance of carefully investigating how rules around state aid and VAT can influence SOC financing structure. Full list of selection criteria is included in Appendix 9.

Summary and lessons learned – step 2 – Preparation	
WHAT	<ul style="list-style-type: none"> ▪ Create a coalition of key collaboration partners that cooperate on a basis of mutual trust and common understanding ▪ Develop a Theory of Change ▪ Define details of the financing structure
HOW	<ul style="list-style-type: none"> ▪ Meet potential partners, select and form a partnership ▪ Contract expertise for development and implementation of SOC ▪ Research the rules involved in various financial structures (e.g. rules on tax and state aid) ▪ Kick off partnership, discuss and validate Theory of Change with partners
LESSONS LEARNED	<ul style="list-style-type: none"> ▪ Dedicate sufficient time in creating a shared understanding between partners. Therefore, we advise not only developing an approach by using the Theory of Change but also validating the approach with your partners. Special attention should be given to: <ul style="list-style-type: none"> ○ the meaning of key concepts ○ the specific goals and interests of all parties ▪ Kick off the partnership and make a clear description of roles and responsibilities. This creates ownership and strong ties between all parties. In the BOF, partners sometimes found it difficult to keep track of who was responsible for what. This led to some frictions between partners that might have been prevented if roles had been defined more clearly ▪ It was extremely helpful to think through the financing structure carefully in this phase. Yet the BOF project team made some decisions that would have been better to save for the contracting phase. In particular, the exact ROI for the investors should not be decided in this phase. Without knowing the entrepreneurs, it is impossible to assess what is the most appropriate ROI. Instead, the outcome payer can decide what is the acceptable level of ROI

USEFUL TOOLS	<ul style="list-style-type: none"> ▪ Theory of Change
---------------------	--

1.3 Selecting Service Providers

1.3.1 The selection procedure

The procedure leading to selection of the social enterprises consisted of six steps as summarised in the table below.

Table 3 – The selection procedure

Open call: application	Pre-selection	Round 1: Scoring	Investor and administrative check	Round 2: Interviews	Round 3: Pitching
Entrepreneurs could apply via a brief application form. The BOF aimed to attract 40 applicants and received 82 applications.	The selection committee determined whether applications met eligibility criteria.	All eligible applications were scored using a set of criteria. 14 applications with the highest scores were selected.	Investors and provincial government officials checked whether applications were able to be financed and were in line with the provincial government's policies.	Ten applicants remained after the investor and administrative check. They were all interviewed by the selection committee. Seven applicants were selected to pitch.	Entrepreneurs pitched their plans to an independent jury. Five winners were selected.

Open call: application

Selection made by

The external expert organisation
[Social Impact Factory](#)

To select the most suitable service providers, the BOF project team started with an open call. The team combined this with active identification and engagement of successful entrepreneurs in the government's network. The provincial government received 82 applications, a number that greatly exceeded expectations. It created a lot of work as all applications needed to be reviewed. The advantages of an open call are, however, much greater. An open call results in a diverse pool of applicants, increases the chance that entrepreneurs in the government's 'blind spot' apply, sends a signal that the government is open to innovation and creates positive media attention.



"It was very important to use an open call. In this way you meet companies and entrepreneurs that you wouldn't have met otherwise."

**Nynke Struik, programme manager social entrepreneurship,
Rabo Foundation** (See Appendix 1 for interviewees)

In Appendices 6 & 7 we provide examples of the poster that was used to explain the procedure to potential applicants and the application form.

Pre-selection: eligibility criteria

Selection made by

Public officer of the provincial government of Noord-Brabant, [Social Impact Factory](#)

The first screening of the applications was made based on eligibility criteria. These

criteria were formulated to filter out proposals that did not match the principles of the BOF. The criteria are listed in the box below.

Eligibility criteria

Eligibility criteria

(0 = meets criteria; 1 = unclear if meets criteria; 2 = does not meet criteria)

General	1a	The social enterprise is established in the Netherlands.
	1b	The application form has been completed in full.
Scaling up	2a	There is a need to scale up.
	2b	The social enterprise is operational and has a track record which relates to the need to scale up.
	2c	The need for financing is focused on scaling up.
Intervention	3a	The social enterprise's focus is primarily on having a societal impact.
	3b	The societal issue and the intervention fall within the scope of the provincial tasks of social resilience and/or labour market and contribute to at least one of the three SDGs of the Brabant Outcomes Fund.
	3c	It is possible to measure tangible results within three years.
	3d	The concept can be used in numerous municipalities.
	3e	The first new scaled-up cohort of participants can start in 2019.
Target group	4a	The stakeholders are residents of the province of Noord-Brabant.
	4b	There is a clearly defined group of participants.

Box 1 – Eligibility criteria

Selection round 1: scoring

Selection made by

Two public officials from the provincial government of Noord-Brabant, two advisory organisations ([Social Finance NL](#) and [Sinzer](#)) and two provincial stakeholders (the [Brabant Development Agency](#) and the [PON](#), a regional knowledge partner)

For this round, a special selection committee was formed consisting of representatives from five different organisations. Each member scored each applicant. All eligible applicants were scored against the following selection criteria⁹:

9

1. The entrepreneur has a healthy business that is ripe for scaling up.
2. The entrepreneur creates multiple value aligned with at least one of the following sustainable development goals: SDGs 3, 8, 10.
3. The entrepreneur does something innovative for which no, or insufficient, standard financing is available.
4. The entrepreneur can submit clear scaling-up plans.
5. The amount of financing desired by the entrepreneur is realistic and leads to sufficient expected impact.

After the individual scoring, the selection committee came together to discuss the scoring and to check whether there were significant differences between committee members' assessments. Finally, the committee created a balanced shortlist of 14 applicants.

Investor and administrative check

Selection made by

Representatives of all three investors and two public officials from the province of Noord-Brabant

Investors and provincial government officials checked whether the 14 selected applications could be financed and were in line with the provincial government's policies. This was the only role of the investors in the selection process.



"The investors had no role in formulating the selection criteria. Therefore, we, the investors, claimed a role for ourselves to ensure that all the initiatives which were selected were acceptable to us. "

**Nynke Struik, programme manager social entrepreneurship,
Rabo Foundation** (See Appendix 1 for interviewees)

The BOF team and the selection committee were generally satisfied with the administrative check. It ensured that the selected entrepreneurs were in line with provincial goals and in principle acceptable to the investors. Nevertheless, because no upfront criteria were formulated for this step, it lacked the transparency of the first selection round.

Selection round 2: interviews

Selection made by	Two public officials of the province of Noord-Brabant, two advisory organisations (Social Finance NL and Sinzer) and two provincial stakeholders (the Brabant Development Agency and the PON , a regional knowledge partner)
--------------------------	--

Ten applicants were still in the running after the investors' and administrative check. To ensure a fair selection process, all of them were invited for a 30–40 minute interview which included several pre-defined questions as well as personalised questions.

During the interviews, applicants were asked for a more detailed explanation of the **importance** of the problems for the target group and the **unique relevance** of this intervention for the target group (i.e. whether there are other organisations or structures that the target group could fall back on if this intervention fails). Applicants could also discuss how they measure their results, what **evidence** there is for their intervention and if there is any potential for **unintended negative impact**. The final part of the interview focused on why **BOF financing** was necessary and whether it would make scaling up feasible with the potential to make the social enterprise financially stable.

Selection round 3: pitch day

Selection made by	Independent jury consisting of the director of the provincial government, a senior communication officer of the Brabant Development Agency , the director of PON (a local knowledge partner) and two successful regional social entrepreneurs.
--------------------------	--

Ultimately, seven applicants were invited to a pitch event. An independent jury¹⁰ assessed the pitches and selected five organisations.

During the evaluation that was conducted after the selection period was over, this pitch day and the role of the jury were seen as one of the least successful parts of the selection process. Feedback given concluded that the criteria used during the pitch day were not very clear. Also, the jury consisted of a new group of people without prior knowledge of the selection process and this was not seen as conducive to a transparent process.

1.3.2 The selected service providers

After the selection procedure, five social enterprises were selected as potential service providers for the outcomes-based contracts.

[Ctalents](#) works on the inclusion of sensory-challenged talent (blind, partially sighted, deaf, hearing impaired) by creating sustainable jobs. Ctalents aims to reduce unemployment among this group from 65% to 20% by linking talent to real employment opportunities.

[FladderFarm Mobiel](#) keeps chickens in mobile sheds (chicken caravans) where auxiliary farmers – people with poor job prospects – take care of the animals and collect the eggs. The auxiliary farmers are given personal growth coaching.

[Samen Slim Zorgen Thuis](#) (SSZT) aims to provide education and internships for social work students with the aim of offering young people the prospect of working in their own neighbourhood. The internships included working with elderly and disabled people and supporting them to live at home independently. SSZT was selected but, in the end, no agreement was reached on a contract.

[Stichting Sarban de Toekomst](#) is a catering company that offers opportunities to (young) refugees on the fringes of the employment market so that they become self-

¹⁰ This jury consisted of new people that had not been involved in the selection process in an earlier stage.

reliant. Refugees are trained to work in restaurants and become restaurant owners. The company is run by two former refugees from Afghanistan.

Refugee Team enables refugees to integrate faster and better and strengthens their social position by encouraging them to volunteer at sporting or cultural events. The final outcome is to guide them into a job, internship or training course.

1.3.3 What to do with the rejected applicants?

Out of 82 applicants only five social enterprises were selected. The provincial government also wanted to support the development of the other applicants. Therefore:

- all applicants received feedback on their applications
- entrepreneurs were invited to join the BOF network
- an investors' market was organised

By offering support to all the entrepreneurs who had applied, the government strengthened its network and deepened its knowledge about the obstacles social entrepreneurs face. On top of that this support helped to develop the social entrepreneurial ecosystem. According to Henri Swinkels, the former provincial governor of Noord-Brabant, developing the ecosystem is essential.



“The government has to invest in strengthening small initiatives. Social entrepreneurs need a kind of matchmaker, for instance, to provide them with knowledge or the right network. This is important and is also likely to set the stage for a next outcomes fund by creating a kind of breeding ground for social entrepreneurs in the region.”

Henri Swinkels, former provincial governor of the province of Noord-Brabant (See Appendix 1 for interviewees)

Summary and lessons learned – step 3 – Selecting service providers	
WHAT	<ul style="list-style-type: none"> ▪ Decide on strategy to attract applications from service providers ▪ Start selection procedure and select service providers ▪ Decide what to do with the rejected service providers
HOW	<ul style="list-style-type: none"> ▪ Put together selection committees and determine selection criteria ▪ Clearly communicate the procedure and support organisations that are interested in applying
LESSONS LEARNED	<ul style="list-style-type: none"> ▪ The selection step in the BOF was regarded as well thought through and well implemented. An open call and public pitch event are a way to create buy-in and involvement of a diverse group of stakeholders inside and outside the government ▪ One area for improvement is to ensure the proper involvement of all relevant parties in the selection committees. For example, it would have been better to involve the investors from the beginning, e.g. in the drafting of the selection criteria ▪ To ensure a high quality of applications, entrepreneurs could ask for support during open consultation sessions. This additional support was needed and considered very helpful ▪ When people from different organisations are involved in the selection process, it is important to organise sufficient joint meetings. In the BOF, these meetings revealed that different members had different interpretations of several broad terms such as 'being ready to scale up'. Almost all the members of the selection committee recognised this problem and believed that it was because committee members were not involved in defining the selection criteria ▪ The open call also helped the government to build and strengthen its network in the region. Organising a support programme for the rejected applicants was seen as innovative and very helpful by all parties involved
USEFUL TOOLS	<ul style="list-style-type: none"> • Eligibility criteria (see box 1) • Application form (see Appendix 7)

1.4 Bootcamp and selection of outcomes

1.4.1 Finalisation of business plans

Each selected service provider or entrepreneur had shared their basic proposal in the application phase. Now these proposals needed to be further developed into comprehensive business plans. This was done in a bootcamp. A multidisciplinary team representing main stakeholders was formed around each of the five entrepreneurs. The core task of each team was to agree on details of the business plan and the financial and societal business case. Each team consisted of:

1. a representative of the social enterprise
2. a representative of the provincial government of Noord-Brabant
3. a representative of the investors
4. a team leader from the external knowledge party (Social Finance NL)

Together, the teams investigated how each entrepreneur could best scale up their impact sustainably and what was needed to achieve this.¹¹.

The project manager from the provincial government developed the programme for the bootcamp. A programme booklet was also made, explaining to all involved precisely when and where to meet and what to discuss. The meetings were facilitated and well organised. In between the official meetings, the teams continued to work on details of the business plans. The bootcamp programme ensured that all teams progressed at the same pace and business plans were developed in a very short time.

1.4.2 Description of all expected outcomes

An important element of the business plans was an overview of all expected outcomes for all relevant stakeholders. For the BOF this was a vital step, as the provincial government of Noord-Brabant had selected these entrepreneurs because of their **integral solutions** which contributed to multiple policy domains. Each

¹¹ Please see Appendix 9 for the table of contents of each business plan.

entrepreneur developed its Theory of Change and used this tool to specify the expected outcomes of its proposed interventions.

As an example, the figure below shows the Refugee Team’s Theory of Change¹². In Appendix 10 we provide a more detailed step-by-step explanation of how this Theory of Change was developed.

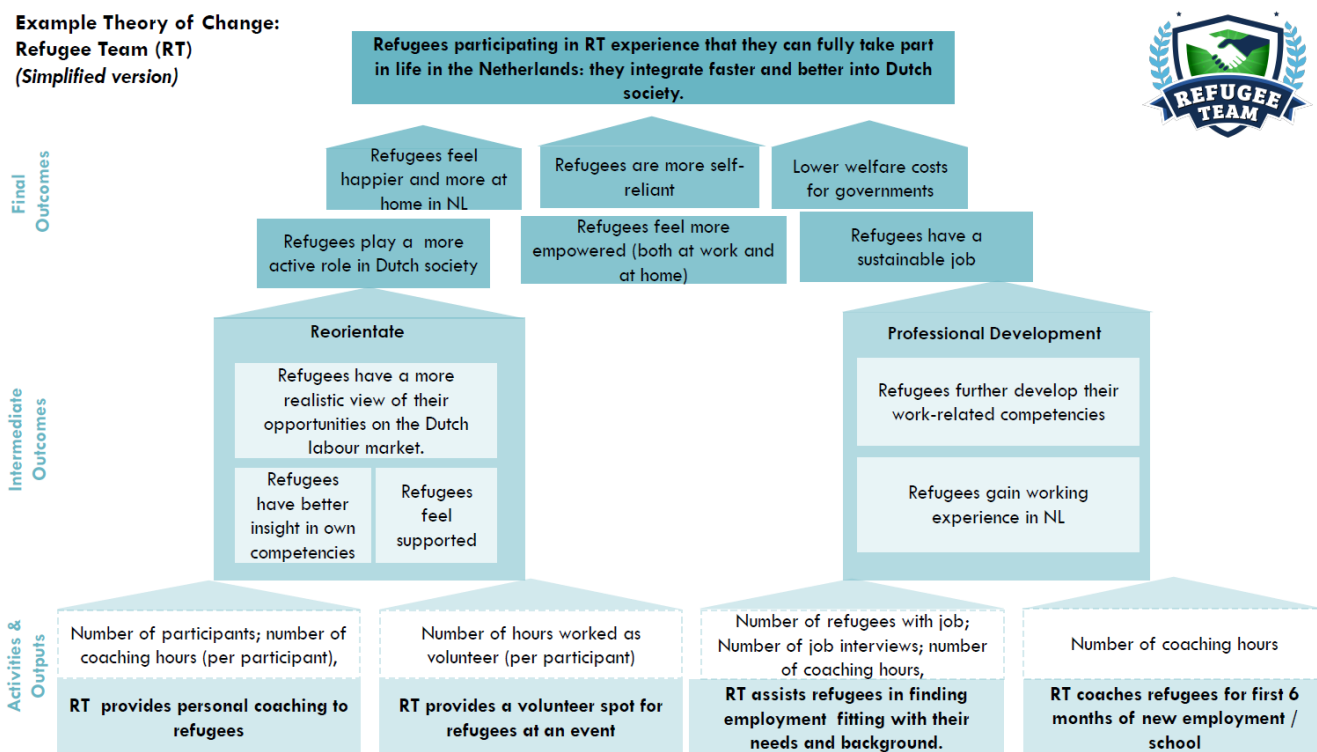


Figure 4 – Simplified version of the Refugee Team’s Theory of Change

1.4.3 Selection of key outcomes together

The next phase was the selection of the key outcomes. Often, only one specific outcome is included in SOC, but the provincial government insisted that the integral nature of the interventions became part of the outcomes-based contracts. Therefore, the government stimulated each team to select multiple key outcomes, sometimes

¹² We chose to give detailed examples of one of the selected social enterprises, Refugee Team. We decided to use this enterprise because we expect that the target group (refugees) and the objective of the intervention (long-term employment) is relevant for many governments around Europe.

even for different target groups. In the selection process, perspectives and the preferences of the different parties – investors, outcome payer and entrepreneur – were shared. The selection of outcomes was validated in workshops with representatives of the target group. From this, the teams learned that the target group sometimes prioritised different outcomes than expected by the team.

To better explain how this process worked, we present the selected outcomes for Refugee Team¹³.

Refugee Team example



In three years, Refugee Team aims to achieve the following goals by deploying refugees as volunteers at sporting events and by supporting them in their personal and professional development:

- 220 refugees who currently receive government welfare benefits are engaged in activities organised by Refugee Team for at least five months. They join a social network, practise language skills and are supported in

job applications.

- As intermediate outcomes, the supported refugees develop **professionally**, for example in terms of their attitude to work and become **empowered**.
- The final outcome is for 50% of the above mentioned 220 refugees to find paid long-term employment. This means refugees no longer need to depend on welfare benefits from the government. Based on its experience, Refugee Team knows that people who can keep their job for at least 10 months, are usually capable of ensuring long-term employment. Therefore, the threshold of 10 months was agreed with the investors as an indicator for long-term employment.

¹³ An overview of the outcomes that were selected by the other entrepreneurs is presented in Appendix 11.



“Everything is interconnected, many outcomes cannot exist without each other. For example, guiding refugees towards stable jobs won’t be achieved without improving professional skills and empowerment.

An additional advantage of including multiple values is that it provides you with several indicators along the way. If we find that we did not improve professional skills, we know that we are less likely to reach impacts further down the road.”

Martijn Berghman, director Refugee Team

(See Appendix 1 for interviewees)

1.4.4 Deciding on method for determining the value of outcomes

To conclude the outcomes contracts and determine pay outs, a monetary value needed to be placed on each of the selected outcomes. The emphasis in SOC is usually placed on outcomes that result in actual cost savings for the outcome payer. Such cost savings are relatively easy to measure objectively. However, in the BOF, cost saving was *not* the primary objective and outcomes that were not directly linked to savings were included as well. Consequently, other valuation methods were needed. In the BOF three different methods were used to determine the financial value of outcomes¹⁴:

- Cost-based pricing
- Valuation in accordance with market price
- Valuation based on the opinion of the target group and/or stakeholders

¹⁴ The three methods are explained in more detail in Section 2.4.

The investors were positive about the approach that was taken to determine the value of outcomes:



“I think it is very important for the BOF that we considered the ‘soft factors’ (self-reliance, building a social network). In my experience, this approach is unique and it does better justice to the value that entrepreneurs create. Their work isn’t only about cost savings or reducing welfare spending. Those things are relatively easy to measure but do not capture all the values in terms of impact that is created.”

Nynke Struik, programme manager for social entrepreneurship at Rabo Foundation

(See Appendix 1 for interviewees)

In the case of Refugee Team, three outcomes were selected. Increased empowerment and professional development were two *intermediate outcomes* and the *final outcome* was finding paid employment for 100 refugees. The final outcome would result in cost savings in terms of welfare benefits.

Error! Reference source not found. 4 below shows the three outcomes prioritised by Refugee Team. It was agreed that Refugee Team would work with 120 refugees towards the goal of finding long-term work. The number of participants the Refugee Team planned to work with was called the *influx*. From these 120, it was considered realistic that 100 would succeed in keeping their jobs for at least 10 months. This was the *target*. The next step was to agree on the financial value of each outcome. In the case of Refugee Team, the valuation was based on the opinions of the target group and other stakeholders. The method used was based on the principles of the

[Value Game](#)¹⁵. Based on intensive discussions with stakeholders, each outcome was given a specific financial value.

Table 4 – Determining the value of the outcomes for Refugee Team¹⁶.

Outcome	Influx	Target	EUR/person	Target x EUR/person
Long-term work	120	100	EUR 600	EUR 60,000
Professional development	220	200	EUR 200	EUR 40,000
Empowerment	220	200	EUR 600	EUR 120,000
			Maximum payment	EUR 220,000

1.4.5 Developing measurement plans

The final part of each business plan was the so-called measurement plan. All the entrepreneurs planned how they would monitor their progress and measure the extent to which their planned outcomes were reached. A template was developed for this, consisting of an Excel sheet and a guidance document. Indicators were developed for each outcome, along with a target and data collection method(s).

Let's look again at the example of Refugee Team.

Refugee Team needed to achieve three outcomes:

¹⁵ The Value Game is a method to measure the value that your product or service is delivering to your most important stakeholder: the target group. The method enables you to rank and rate the preferences of groups of people. The method is well explained on the website valuegame.org. During the BOF's bootcamp, the principles of this method were used in a focus group organised with Refugee Team participants.

¹⁶ The amounts mentioned are an indication and do not represent actual contract figures.

- The **outcome of long-term employment** was relatively easy to measure. Refugee Team would count how many of the refugees kept their job for at least 10 months.
- To measure the **empowerment** outcome, a scorecard was developed with eight questions. Each refugee participating in the programme had to fill in the scorecard after eight months of participating in Refugee Team’s programme. Only those who scored progress on five out of eight assessment questions were considered more empowered. It was predicted that 90% of the participants would pass this threshold (see table 5).
- **Professional development** was measured by using a survey for the participants and their Refugee Team mentors. All scores were gathered in a database.

Table 5 – Example of measurement plan for the outcome Empowerment

Outcome and indicator				
Outcome		Source of information	Unit of measurement	Data collection method
Empowerment		Scorecard empowerment	Total score	Survey
Target				
When is outcome measured?	What score counts as a success? (threshold)	Expected target	Attribution: what % of the result can be attributed to the intervention	Comments
8 months after start of intervention	5 out of 8 questions on the scorecard answered with positive score	90% of refugees	100%	Target and threshold scores are based on the results of a focus group. The scorecard might be difficult to fill in for refugees with a language barrier. We will evaluate after one year.

Summary and lessons learned – step 4 – Bootcamp and selection of outcomes

WHAT	<ul style="list-style-type: none"> ▪ Finalise business plans of the service providers ▪ Description of all expected outcomes ▪ Shared selection of key outcomes ▪ Decide on method for determining the value of outcomes ▪ Develop measurement plans
HOW	<ul style="list-style-type: none"> ▪ Work in teams while taking into account specific needs of involved stakeholders ▪ Organise a bootcamp: a clear and well facilitated programme that all teams follow ▪ Develop business plans using Theory of Change and a measurement plan to monitor outcomes ▪ Test and compare different methods for valuation
LESSONS LEARNED	<ul style="list-style-type: none"> ▪ Organising a bootcamp can be very useful to speed up the process of the development of business plans. However, in the case of the BOF, the number of organised meetings was too low for some service providers and too high for others. Sufficient flexibility in programming is needed. Consider a tailor-made approach for each stakeholder ▪ The perspective of the target group is essential in the selection and prioritisation of key outcomes ▪ The societal value that is created by the service provider is likely to be greater than what the outcome payer is willing or able to pay. It is important that all parties have a clear sense of the available budget as early as possible ▪ It is useful to select both intermediate and final outcomes and include multiple outcomes, representing the creation of multiple value in the contract. Adding an intermediate outcome makes it easier to measure progress early in the intervention and gives more opportunities to adjust when necessary ▪ Investing time and energy in well-specified measurement plans ensures that all parties can agree on clear and attainable targets

1.5 Contract

1.5.1 Structure of the BOF contract

As explained in section 1.2.3, the BOF worked with several agreements. The most important was the tripartite agreement between the provincial government, the investors and the entrepreneur. In this contract the details of the proposed intervention, the targeted outcomes and the payment against achieved impact were elaborated upon. This contract contained the following components:

- (a) **The intervention:** The intervention was briefly described and a reference was made to the business plans for more detail. Special attention was given to recruitment – for example, who was responsible for recruiting how many participants for the interventions.
- (b) **Budget and financial reporting:** Entrepreneurs provided a budget specifying how they would spend the investment money. Changes to the budget of over EUR 20,000 needed approval from the investors' foundation.
- (c) **Investment provisions:** This clause specified the number and timing of tranches for the investment payment. For instance, two tranches were agreed for Refugee Team. The first one contained approximately one-third of the investment and the second contained the remainder. In this section maximum payment per outcome achieved was also specified.
- (d) **Financing of the investors' foundation:** The contract contained the terms of the loan given to the investors' foundation by the investors.
- (e) **Evaluation of the outcomes:** This clause defined the criteria on which pay outs would be made, depending on achieved outcomes. Important here was an obligation for the service provider to **report** to the foundation on progress made. Six reporting dates were scheduled in the contract for the execution phase.
- (f) **The investors' compensation:** This part of the contract specified how much money the investors would receive back from the investors' foundation if all outcomes were reached.

- (g) **Guarantees made by the service provider:** A clause specifying that the service provider would not undertake any action that could threaten the organisation's cash flow or engage in activities outside its societal goals.

1.5.2 Balancing materiality, simplicity, proportionality and trust

Developing the contract took time because the provincial government and other parties needed to agree on principles of materiality, simplicity and proportionality.

Materiality versus simplicity: were the contracts too complex?

The fact that the whole intervention was specified in detail in a business plan with a specific budget left relatively little freedom or flexibility for the social entrepreneurs. This became evident very quickly in the execution phase when contexts changed completely for the entrepreneurs due to

Materiality means that each contract defines why and how specific issues are essential for the success of the intervention.

Simplicity means that a contract should not be overly complex and should allow flexibility in the event of unforeseen circumstances.



“The contracts were much too complicated. As a government we find it difficult to work with the private sector. We want to eliminate all risks by specifying everything in the contracts (...) The contracts deal too much with the process while they should be about the outcomes and should provide the executors with a lot of freedom as to how they achieve those outcomes.”

Astrid Kaag, policy advisor, provincial government of Noord-Brabant

(in a book about SIBs: *De belofte van de social impact bond* by Bosma & Van de Veen)

the COVID-19 pandemic.

Proportionality and trust

It is important to realise that SOC always involves a financial risk: targeted outcomes might not be achieved. If a government knows what intervention will solve a specific societal problem, it could be more efficient to commission a service provider to do the work on a fee basis.

Proportionality means that the agreements need to be proportional in how risks and burdens (such as reporting obligations) are shared between the parties.

Often new and innovative interventions are tested in SOC. This involves risk, for both the investor and the outcome payer. Usually, contracts are used to specify risks and risk sharing. Though contracts indeed provide guidance and define responsibilities, they do not replace **trust** between parties. It helps to have open discussion amongst parties from the very start of SOC. In the BOF, the discussion on risk sharing was already partly settled by deciding on the ROI during the preparation step of the process¹⁷.



“When the COVID-19 pandemic hit, investors and the provincial government did not keep us strictly to the contract. Together we made new agreements that suited the new situation. In the end, it is the relationship between the parties that matters and that was what we built on.”

Martijn Berghman, director of Refugee Team

(See Appendix 1 for interviewees)

¹⁷ [See section 1.2.3.](#)

Summary and lessons learned – step 5 – Contract	
WHAT	<ul style="list-style-type: none"> ▪ Develop a contract that is accepted by all parties
HOW	<ul style="list-style-type: none"> ▪ Seek a balance between materiality, simplicity and proportionality and trust
LESSONS LEARNED	<ul style="list-style-type: none"> ▪ At this point, all the preparations, shared understanding and trust between parties are put to the test. It is important to realise that negotiations have in fact already started in step 2 (during the preparation) and further during determining the value of outcomes (in the bootcamp see 1.4.4) ▪ Realise that at this stage other parties, such as lawyers, will be involved. They will bring new insights, expectations and demands ▪ Even though targeted outcomes and measurement methods were agreed in the previous step (see 1.4), it can be difficult to translate these into a contract ▪ We learned that contracts should be kept as simple as possible. This means that parties should not add too much detail on <i>how</i> the service providers reach outcomes. Contracts should not be used as a substitution for trust, good management and cooperation ▪ Proportionality needs to be discussed in this step. In a case like the BOF, with service providers working on different outcomes for different target groups, it is realistic that both ROI and the share of the total investment can differ (greatly) between the selected service providers
USEFUL TOOLS	<ul style="list-style-type: none"> ▪ List with basic components of the contract (the tripartite agreement between the provincial government, the investors and the service provider) in section 1.5.1 ▪ Example of a SIB model contract: https://golab.bsg.ox.ac.uk/knowledge-bank/resources/sib-template-contract/

1.6 Execute & Manage impact

1.6.1 New roles and stakeholders

Once the contracts were signed, the BOF team changed its composition. There was no need to work with a fulltime project manager and the services of some of the knowledge partners were also unnecessary. The two impact measurement consultancy firms [Avance Impact](#) and [Sinzer](#) were now given the role of **evaluators**. As evaluators they help to determine whether planned outcomes are achieved by the service provider and provide a short evaluation at the end of the BOF execution period. They were also responsible for the development and testing of the reporting formats for the entrepreneurs.

The new roles and responsibilities were described in a cooperation agreement (see Appendix 12).

1.6.2 Meetings, reporting.... and continuous learning!

Every six months the provincial government, the investors and each entrepreneur meet to discuss progress. The evaluators are also invited. In preparation for these meetings the entrepreneurs fill in a self-assessment progress report. Entrepreneurs reflect on changes in context, activities implemented, results achieved and, of course, outcomes reached. Once a year, the evaluators audit the reported results and submit their findings to the investors. Based on this, the investors decide whether the conditions have been met to go ahead with the planned payments of working capital.

The social entrepreneurs also meet every six months to present their achievements and lessons learned to each other. This has already led to new cooperation between the various entrepreneurs. They help each other with the challenges they face and continue learning together. During these meetings the evaluators also share their findings and give advice.

Unforeseen circumstances & COVID-19

The BOF had to deal with an extreme change in circumstances when in 2020, just after the contracts were signed, the world was confronted with the COVID-19 pandemic. COVID-19 changed the reality for all four participating entrepreneurs. Sentences such as *“in case of unexpected changes and or effects, all parties cooperate and discuss potential changes in all reasonableness”* had been included in the contracts. Now it was time to test how reasonable all parties would be.

Adaptation procedures

Some entrepreneurs requested an extension of the contract period. Others also requested a change in outcomes and targets. The procedure was that the entrepreneur had to come up with a proposal for the suggested changes. In some cases, the Theory of Change and/or measurement plans had to be adapted as well.

The adaptations were discussed between all parties. During these meetings it became apparent that the bond between the parties was strong and built on the shared ambition to create a positive impact.

Let’s look at the example of Refugee Team again.

Figure 5 shows the steps Refugee Team took to ensure that their adjusted business plan would be approved by investors and the provincial government.

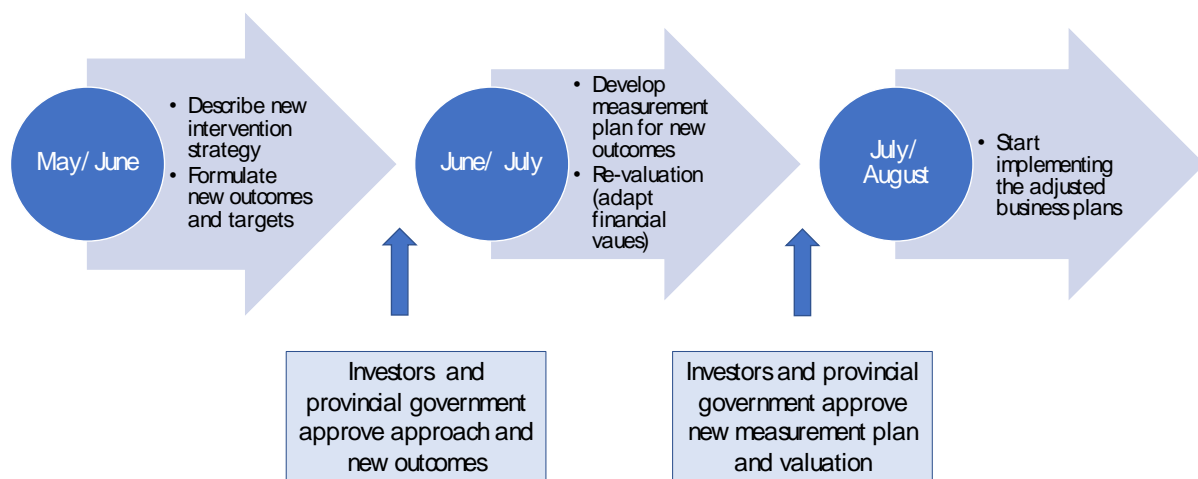


Figure 5 – Steps to approve the adjusted business plans

Refugee Team involved the provincial government and investors in its search for a solution that would suit all parties’ interests. All those involved realised that the

outcomes in the initial contracts had to be adjusted. Therefore, expectations for the existing outcomes were lowered and two new outcomes were added and valued (see table 6). The parties also agreed on a new method for valuation. Based on intensive discussions with the programme participants, it became evident that all the targeted outcomes were of equal importance and value for them. Therefore, in the adapted agreement, all the outcomes received the same financial value per outcome. The total investment remained the same.

Initial agreement 2019			Adjusted agreement 2020			
	Target	Maximum payment		Target	EUR/ person	Maximum payment
Long-term work	100	EUR 60,000	Long-term work	100	400	EUR 40,000
Professional development	200	EUR 40,000	Professional development	150	400	EUR 60,000
Empowerment	200	EUR 120,000	Empowerment	150	400	EUR 60,000
			Social network and language skills	75	400	EUR 30,000
			Job applications	75	400	EUR 30,000
		EUR 220,000				EUR 220,000

Table 6 – Targeted outcomes Refugee Team, as per initial and adjusted agreement

The parties decided not to adapt the contracts but to work with addenda and register new agreements in the minutes of meetings. This is quite common in SOC.



“It is common in SOC to discuss small changes in meetings and then continue. After all, the idea behind an impact bond is that you focus on impacts and outcomes to create space for flexibility in implementation. However, with COVID-19 none of the assumptions were correct and even outcomes needed to be changed. Therefore, addenda had to be added to the contracts. Changes always happen, but seldom as extreme as here.”

Björn Vennema of Social Finance NL (see Appendix 1 for interviewees)

Summary and Lessons Learned – step 6 – Execute and Manage Impact	
WHAT	<ul style="list-style-type: none"> ▪ Agree on roles and stakeholders for the execution phase ▪ Plan meetings and reporting for continuous learning ▪ Decide on adaptation procedures
HOW	<ul style="list-style-type: none"> ▪ Make a clear division of roles and responsibilities ▪ Carry out regular learning-oriented check-ups between all partners
LESSONS LEARNED	<ul style="list-style-type: none"> ▪ It is common that business plans and even agreed outcomes need refinement in the execution phase. Open communication, transparency and a solution-oriented attitude ensure that alternative scenarios are quickly found

PART 2: CREATING MULTIPLE VALUES

Measuring and validating multiple value in the bof

What made Brabant Outcomes Fund (BOF) unique compared to other Social Outcomes Contracting initiatives (SOC) is the way it included multiple values in the contracts. By this we mean that social values, such as empowerment and wellbeing, were an integral part of the contract alongside economic value. We will explain this further and why it was important. And we will dive deep into the process: how was the focus on multiple values ensured in the BOF?

2.1 SOC as a tool for social innovation

Most organisations exist to create value.

Sometimes this value is one dimensional, for example, maximising cash profits. However, when organisations want to achieve social innovation, they create multiple values, which

means they aim for both financial profit and want to solve a social or environmental problem. Their aim is to:



People
social



Planet
environmental



Profit
economic

1. **Create positive value in multiple domains:** social, environmental/ecological and economic.
2. **Create positive value for multiple stakeholders:** e.g. interventions that simultaneously address the issues of unemployed youngsters and elderly people with health problems.
3. **Create positive multiple values for one stakeholder:** e.g. language skills and employment for refugees.

As explained in Part 1, a decision was made in the BOF to work exclusively with social entrepreneurs. This means entrepreneurs that aim to create multiple values. **What makes the BOF a special case is that the creation of multiple values was included and rewarded in the outcomes-based contracts.**

Why is this unusual?

The fact that the BOF worked with organisations that create multiple values is not unique. However, usually only one or two outcomes are rewarded in outcomes-based contracts. Outcomes are less likely to be included in contracts when they:

- span **multiple policy domains**
- are **out of the government's area of activity and responsibility**
- are very **difficult to measure**
- have no **benchmarks**

Outcomes that are not rewarded in the contract risk becoming side issues and might eventually become too expensive for a service provider to continue pursuing. After all, the service provider is likely to incur costs while working on these additional outcomes. To prevent these 'additional' outcomes from disappearing, the BOF developed contracts that rewarded multiple outcomes.

2.2 Seven ways to ensure the inclusion of multiple values

Ensuring that service providers were rewarded for all the values they create was a key objective of the BOF. Seven recommendations were identified to help future SOC to include and reward multiple values.

1. Start with creating awareness among partners, so they understand outcomes that are not given specific monetary value in contracts risk receiving less attention in the implementation phase.
2. It is useful to reward both intermediate and final outcomes. Adding the intermediate outcome(s) in the contract provides an extra incentive for the service provider to invest in high quality long-term outcomes. For instance, in the case of the BOF's service provider Refugee Team, both the intermediate outcome (professional development) and the final outcome (long-term employment) were included in the contract. This kept Refugee Team focussed on continued investment in both outcomes. If only the employment outcome had been included, this could have resulted in an incentive to focus on finding jobs regardless of their suitability for the refugee and their personal professional development.

3. Ensure cooperation between departments. One of the biggest barriers to rewarding multiple values is a lack of cooperation between governmental departments. Often an initiative is paid from the budget of one department and outcomes that are not relevant to that department are therefore not rewarded.
4. Offer space for experimentation. It is sometimes challenging to innovate and experiment with multiple values for a government which needs to work within strict rules and procedures when carrying out its statutory duties. The province of Noord-Brabant solved this problem by partly focusing on issues that were outside of its statutory duties and were, therefore, not 'limited' by existing regulations. As a result, there was more room to innovate and experiment.
5. Make sure rightsholders (target group of the intervention, see section 2.3 below) are included in the process of selecting outcomes. Rightsholders know best what matters to them and this could be different from what outcome payers or investors are aiming for. Including rightsholders broadens the perspective on what outcomes are most important and provides a good argument for why these outcomes should be included.
6. Do not rule out qualitative outcomes from contracts because they are considered difficult to measure. We acknowledge that qualitative values often require more complicated outcome measurement but there are effective ways to measure qualitative outcomes such as professional development. For example, there are scientifically validated questionnaires to measure professional development these can be used in measurement plans. It is also possible to find a benchmark for many qualitative outcomes, making it possible to control for change that would have happened even without the intervention.
7. A final barrier to the inclusion of multiple value is the risk appetite of potential investors. When investors believe certain outcomes are risky, they might not want to include them in a contract. Different types of investors, from finance-first to impact-first, have different appetites for risk. It is, for instance, possible to set up a fund where philanthropic investors invest in more risky outcomes and traditional investors in less risky outcomes. Having an appropriate mix of

investors in the fund increases the possibility that both quantitative outcomes that lead to clear, easy to measure savings as well as more qualitative intermediate outcomes are accepted.

These seven points will help you to include a more diverse range of outcomes in a SOC. However, it is also important to think carefully about **how** outcomes are valued to ensure that the creation of multiple values is incentivised and rewarded.

2.3 How to include perspectives of relevant stakeholders in determining the value of outcomes

Beauty is in the eye of the beholder and so stakeholders will differ in what outcomes they value most. Therefore, it is essential to include all relevant parties in the process of determining the value of outcomes and to ensure that they have a voice in determining the valuation method.

It is important to realise that the valuation method you choose can result in very different valuations. But let's start with understanding **who to include** in the valuation process.

From target group to rightsholder

In the BOF, a decision was made to take the **rightsholders' perspective** as an important principle and starting point. What do we mean by this? The concept of the rightsholder means recognising that social inclusion is about people having the **right** to wellbeing and the **right** to be included in the processes that influence their opportunities to thrive. Unlike the implication of other terms such as 'target groups' or 'beneficiaries', people are not passive recipients, but active participants. This perspective underlines the importance of including rightsholders throughout the SOC process. Do not talk *about* people, but *with* people. Ask them what solutions *they* need and what *they* value most.

How can you organise this? Involving representatives from the 'target group' in the process can usually be arranged relatively easily. For instance, (former) participants of an intervention can be interviewed or take part in a focus group. However, forming

a representative sample of rightsholders is more challenging because unsuccessful former participants might not be willing to take part. At the same time, successful former participants are more likely to report too positively about the intervention.

Values can be financial or more qualitative – both should be included

When rightsholders are asked what effects from a certain program they value most, they are very likely to mention both easy-to-measure quantitative (objective) outcomes such as ‘my new job gives me a higher income’, as well as more qualitative (subjective) outcomes such as ‘the programme gave me greater self-esteem’. This can create a dilemma in terms of deciding how to include both objective and subjective outcomes into a financial contract.

2.4 Three valuation methods

Some outcomes are easily reflected in the form of a financial gain or saving – you can look at costs or prices to calculate value. But other, more subjective methods are needed to determine the financial value of more qualitative outcomes. Here are three methods that were used in the BOF to determine the financial value of outcomes.

1. Cost-based pricing

Cost-based pricing is a pragmatic method to determine financial value of outcomes. Here is an example. An intervention costs EUR 5,000 per person and two outcomes are measured:

- 1) the number of participants in employment
- 2) the improvement in participants' perceived wellbeing

In this example, the two outcomes are equally important. Therefore, the weighting is the same for both (EUR 2,500 per outcome). Then scenarios are drawn up that describe whether outcomes are achieved and a price applied to each:

- a zero scenario (no outcomes are achieved) – outcome payer pays nothing
- a negative scenario (less outcomes are achieved than expected) – outcome payer pays half the cost

- an expected scenario (outcomes are achieved as planned) – the outcome payer pays the cost plus 4%
- a positive scenario (more outcomes are achieved than planned) – outcome payer pays the cost plus 8%

2. Valuation in accordance with market price

Different interventions have different prices. In almost all cases these are based on what the market is willing to pay for the intervention. For example, a fitness subscription has a certain price and therefore the financial valuation of the result (getting fitter) can be based on the price of that subscription. Similarly, if the aim is to increase self-confidence, the value of an outcome can be based on the average price of relevant coaching sessions offered on the market. This method of determining the value of an outcome is based on how much people are willing to pay on the market for a comparable intervention with the same outcome.

It is important to keep asking yourself how the intervention proposed in the SOC compares with interventions that are already being offered on the market.

3. Valuation based on the opinion of the rightsholders and/or stakeholders

Questioning the rightsholders will reveal how much the result is worth to them financially. One of the ways to do this is to determine how much they are willing to pay, for example using the Value Game.

The Value Game investigates the value that specific groups place on certain products or services. It helps to rate preferences simply by asking rightsholders to compare the outcome from the SOC intervention to other products and services. The Value Game has a clear methodology and is also available as an online tool.¹⁸

¹⁸ More information can be found at <https://valuegame.org/>

It is important to bear in mind that this is a subjective way of valuing results. Although this can be a strength, the rightsholders and stakeholders must understand and agree on the methodology. It is also labour intensive and outsiders may view its subjectivity as negative.

2.5 Summary and lessons learned

The figure below gives a summary of the steps that were taken in the BOF to include multiple values in the contracts.

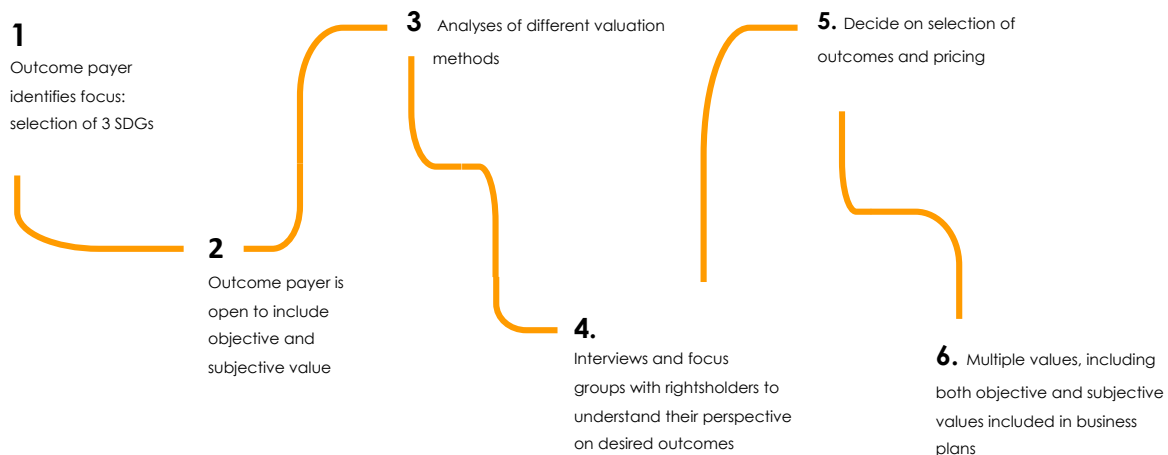


Figure 6 – Steps taken to ensure inclusion of multiple values in the BOF

Lessons learned

- The various partners had different ideas on the terms and definitions of key concepts, such as what multiple value entails. The BOF could have saved time and avoided misunderstandings if the stakeholders had spent more time to sharing visions and discussing assumptions during the preparation phase and early in the outcomes selection process.
- It is important to understand how difficult it is to improve a certain outcome. The valuation should reflect these difficulties.

- Entrepreneurs face a lot of competition on price in the social services sector. Including rightsholders' perspectives too much in a valuation and outcomes pricing process could lead to uncompetitive prices for certain services. Entrepreneurs that price their services according to the rightsholders' perceptions of value are likely to be uncompetitive unless the government takes action to create a level playing field.
- Including the rightsholders' perspective made clear that the selected social entrepreneurs create much more value than the cost of their intervention and more value than the cost savings achieved for the government. However, it cannot be assumed that all this extra value translates into an equally high willingness to pay on the part of the outcome payer. It is therefore important to manage expectations. For instance, the BOF could have made it clear from the onset to use the rightsholder's perspective only to prioritise outcomes (which in the case of Refugee Team would have resulted in different outcomes being selected) and that other methods would be used to value these selected outcomes in monetary terms.

PART 3: LOOKING FORWARD

As soon as the execution phase of the first investment round of the BOF started, it was time to think about further steps in the form of the next investment round. Because the BOF was structured as a learning process, the aim of the provincial government was to set up a second investment round with adaptations based on lessons learned from the first round. What did the project team miss when constructing the BOF? What improvements can be made to take the next step towards systems change? In this section we describe the plans and considerations for BOF2.¹⁹

Firstly, it was concluded that many things should be kept the same. The starting point for a second round is the same as for the first: to remove obstacles preventing entrepreneurs from scaling up social impact. The provincial government wishes to work towards permanently including multiple values in SOC, improving access to (growth) capital and achieving concrete results for so-called ‘wicked problems’ (social problems that are especially difficult to solve). During the first round of the BOF, the BOF project team learned that it was very important to bring together the various perspectives of service providers, government departments, investors, rightsholders and knowledge partners based on mutual trust. In the exploration of new themes, the provincial government will continue to collaborate with numerous partners from the very start.

Secondly, the project team realised that it was important to make the following amendments:

- **Focus on a broader scope of enterprises.** The relatively small group of social enterprises in the first round will not be able to create enough scale to solve wicked social challenges. The idea is for the second investment round to focus on companies that contribute to a balance between people, planet and profit. This means including not only companies that are already doing this, but also those that want to make the switch to a more positive and measurable impact.

¹⁹ This section is specifically based on an interview with Astrid Kaag, one of the key initiators of the BOF at the Noord-Brabant provincial government. This interview was conducted in 2021. It is important to realise that ideas and plans for BOF2 can evolve and that the final set up of BOF2 might differ from what is described here.

- **Involve more traditional financiers like banks, pension funds and insurance companies.** One of the reasons for this is that institutional financiers normally aim for financial profit maximisation whereby social profit is not, or hardly, taken into account. This creates a situation in which investment considerations are mainly based on the calculation of potential financial risks, while a shift is needed towards a financial system where potential positive social impact is also taken into account.
- **Stimulate more cooperation between government departments.** Current wicked issues, such as fair energy transition, the creation of an inclusive labour market and a circular economy cannot be solved with sectoral, one-dimensional solutions. These complex issues require solutions that combine the public and private sector and cross the borders of several public domains and departments. As the BOF aims to encourage solutions for wicked problems, it is evident that commitment from several government departments needs to be stimulated. This means that active participation and financial as well as non-financial contributions from several departments are sought including, for example, the departments of finance and energy transition. On top of that, active dialogue is foreseen with the provincial council (elected members) and the provincial executive (which prepares and implements the council's decisions).
- **Make contracts as simple as possible and provide space for innovation.** As governments and financiers are not used to working with each other they try to eliminate all risks by creating complicated contracts. This creates a rigidity that hinders flexibility and innovation. COVID-19 has made it even clearer that companies must be dynamic in their strategy and operations. The contracts also focus too much on process while they should focus on the outcomes and thereby offer freedom to the implementers to achieve results.

Based on the above-mentioned points, the setting up of BOF2 will be a combination of socially, ecologically, and financially profitable outcome financing. The purpose of this is to prevent a trade-off between financial and social returns. The BOF2 target group consists of businesses that contribute to wellbeing in Brabant but run into difficulties when trying to find financing. These businesses are scalable and demonstrably contribute to addressing integral challenges in the province at the

interface between people, planet and profit.



"So far, we have already achieved a couple of milestones in developing BOF2. We were confronted with the daily reality of our own organisation, namely that our procedures and tools are not, by definition, aligned with what we truly require to tackle social issues. We were challenged to step out of our own comfort zone again. We tried to stay curious and positive by asking the questions no one else does and by telling stories which have to be heard about enterprises that create a positive impact in society.

We will continue to do what Kate Raworth (Oxford University economist and author of Doughnut Economics²⁰) said while reflecting on the BOF: "The 21st century economy will be developed by learning in practice and then developing theory". Gathering practical experience is what we did and will continue to do with the Brabant Outcomes Fund. In our opinion, the Brabant Outcomes Fund is a tool, not a goal in itself. It is a promising tool but only one piece in a much larger puzzle, one step in the direction we want to go, which is to work together to increase everyone's wellbeing."

Astrid Kaag, policy advisor, provincial government of Noord-Brabant (see Appendix 1 for interviewees)

²⁰ "Doughnut Economics" is a concept of an economic model that balances between essential human needs and planetary boundaries. For further info, please see the book by Kate Raworth "Doughnut Economics: seven ways to think like a 21st century economist"

LIST OF APPENDICES

Appendix 1: List of interviewees



Astrid Kaag – Advisor / Policy Officer / Coach at the provincial government of Noord-Brabant (PNB)

The provincial government of Noord-Brabant is the outcome payer of the BOF. Astrid Kaag was one of the key initiators of the BOF. As an advisor at the province of Noord-Brabant, Astrid specialises in subjects such as social resilience, smart health, sustainability and creativity. It is her conviction that government bodies have a responsibility to play a role in in the creation of the so-called purpose economy. In this movement different stakeholders are needed with various backgrounds and perspectives on different levels: local, regional, European and global. Government authorities can especially learn from social entrepreneurs who show that it is possible to find tangible and innovative solutions for societal issues.



Henri Swinkels – (former) Governor of the province of Noord-Brabant (PNB)

The provincial government of Noord-Brabant is the outcome payer of the BOF. Henri Swinkels was one of the key initiators of the BOF. He was responsible for the portfolio quality of life and culture in the executive council of the province of Noord-Brabant from 2015 to 2019.



Nynke Struik – Programme Manager Social Entrepreneurship at the Rabo Foundation

The Rabo Foundation invests in social businesses in the Netherlands in order to help them make a greater impact. The Foundation does this by providing financing, knowledge – it is affiliated to various educational institutions – and its network. The Rabo Foundation regards the BOF as an excellent way of encouraging innovation and achieving social impact.



Martijn Berghman – Director at Refugee Team

The Refugee Team (RT) is a social enterprise that helps refugees in the Netherlands to integrate faster and better. RT does this by helping refugees to volunteer at sporting events and festivals. In return for their work, event organisers connect the refugees with their network. This helps refugees (70% of participants) find a job, internship or training place.

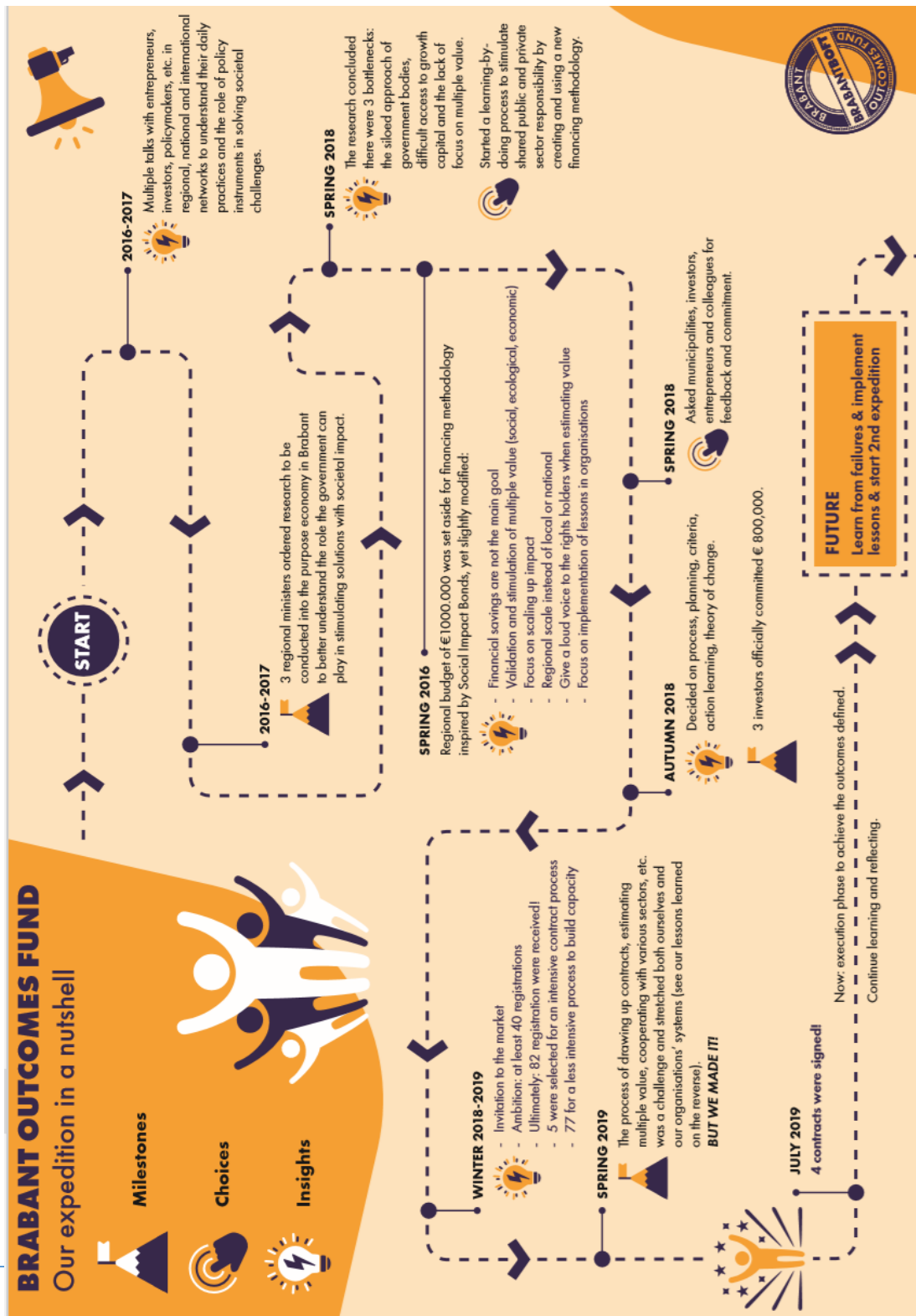


Björn Vennema – Co-founder & Managing Director at Social Finance NL

Social Finance NL is a social enterprise that partners with the government, the social sector and the financial community to find better ways of tackling social issues. Social Finance NL is a member of the global Social Finance Network with sister organisations in the United Kingdom, the United States, Israel and India.

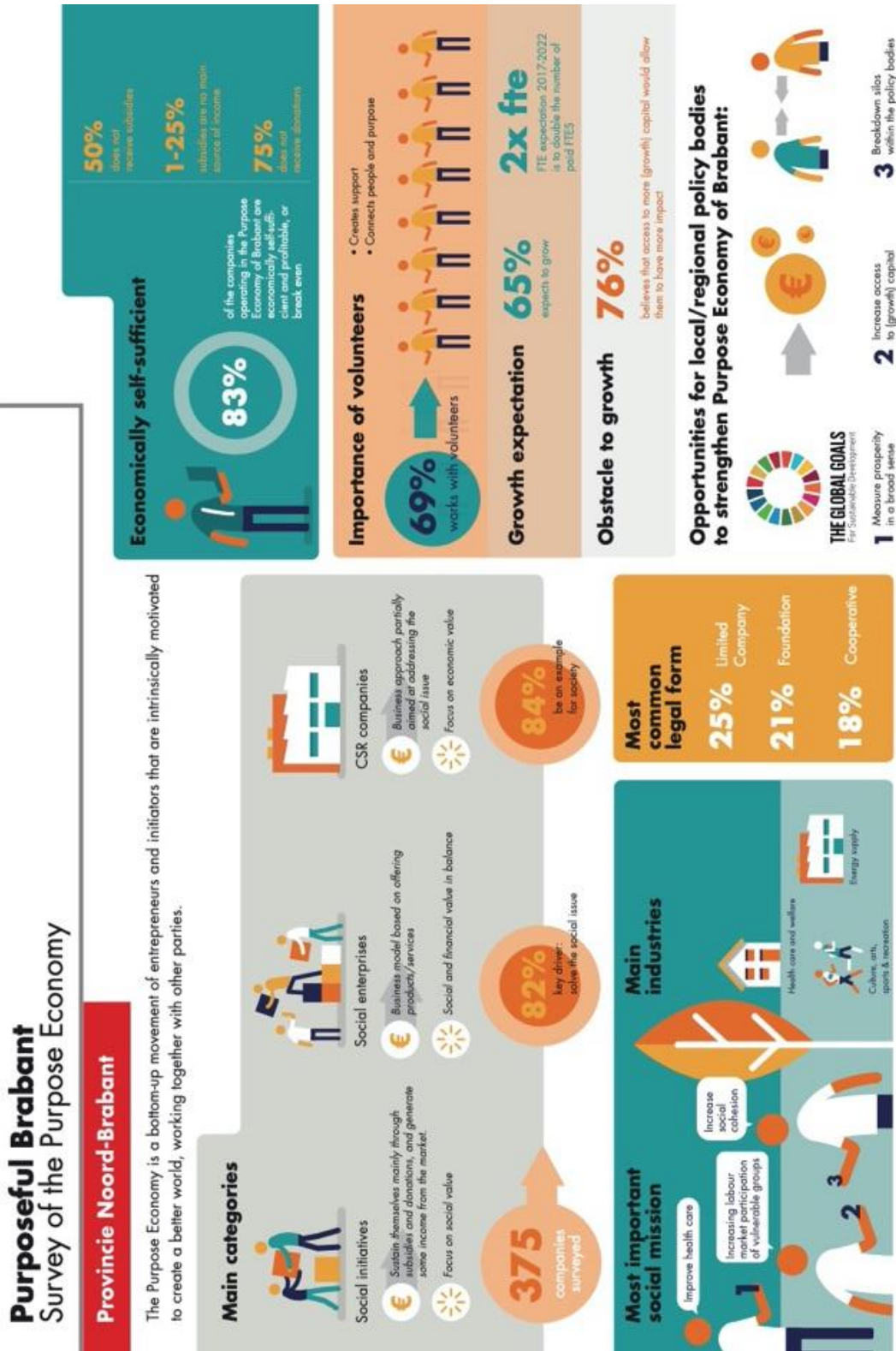
Appendix 2: Infographic of the BOF process from exploration to execution

Handout, developed by the province of Noord-Brabant, for the BOF website (2019)



Appendix 3: Results of the study on the purpose economy

Internal document, provincial government of Noord-Brabant, 2018



Appendix 4: Checklist internal resources and political commitment: key issues to consider

Internal document, provincial government of Noord-Brabant, 2018

Internal resources

- First, consider what expertise your organisation needs.
This means both substantive expertise (e.g. finance tools) and process expertise (e.g. supporting a multi-stakeholder process).
- Think about which people in your organisation need to be involved.
It might help to draft an internal stakeholders' map.
- Find out if key internal stakeholders: (a) are committed to the problem (b) have the time to participate (c) can commit their own network for this purpose.
- Check what financial resources are available.
Also take account of EU funds that can be used for social innovation.

Political commitment

- Think about the type of commitment you need.
For example: do you need (public) endorsements or active involvement?
- Can there be one political 'owner' or should there be more?
- How does the ambition of the new initiative match the formulated political ambition? How can the electoral cycle (new elections) affect the planning?
- How much freedom is there to innovate in the chosen problem area?

Appendix 5: Three questions for a problem analysis

Internal evaluation, provincial government of Noord-Brabant, 2019

Context analysis guidance to answer the question of where your organisation can make the biggest impact

Thorough problem analysis

From the BOF we learned that the basis of good SOC should be an analysis which helps to determine where your organisation can make the greatest impact. The most impactful problem area can be identified by asking questions on three topics:

1. Urgency and relevance

Which problems are considered big? How many people are involved? Is it important to solve the problem now or can it wait? How much of the problem can be solved in the short term and how much in the long term? Does solving the problem also generate other positive effects (*indirect impact*)? How relevant is this problem?

2. Lack of attention

When an organisation starts a SOC project, the greatest impact can be created by focusing on solving issues that others are not already tackling. During the context analysis it helps to investigate, for example, how many resources or people are already working on solving the problem, whether there are any good solutions available that have not yet been implemented, which other organisations are involved in solving the problem. In short, you determine what the additional value is of the involvement of your organisation.

3. Scope for action

It might sound obvious, but it is a good idea to reflect on your organisation's scope of action. Are any good solutions already available that can be supported? What is known about the estimate of effectiveness of these solutions? How much risk is your organisation willing to take

Appendix 6: Poster used to explain application procedure to social enterprises

Internal document, provincial government of Noord-Brabant, 2018



Appendix 7: Application form

Internal document, provincial government of Noord-Brabant, 2018

Application form Brabant Outcomes Fund	
Part 1a: background information	<ul style="list-style-type: none"> • Name • Address • Legal form • Revenue • Employees
Part 1b: Principles	Applicants were asked whether they identified with 10 principles (e.g. 'We only want to grow if this means we can contribute more to society').
Part 1c: Introduction of the enterprise and the entrepreneur 5 open questions (maximum 1000 characters)	<ul style="list-style-type: none"> • My organisation stands for.... • This is how we do it... • This is our team (the entrepreneur or the management) ... • This is how we guarantee our mission... • I am requesting outcome financing because ...
Part 1d: SDGs	Applicants could check which of the three SDGs they contributed to

<p>Part 2: The interventions</p> <p>22 questions: 3 closed, 19 open questions (maximum 2000 characters)</p>	<ul style="list-style-type: none"> • Which societal issues do you want to solve and why? • Describe your intervention • How long does the intervention take for one individual participant? • Where in Brabant (municipalities or regions) do you want to implement this intervention? – <i>Are you in touch with these municipalities or regions?</i> • How big is the societal issue in this particular region? • Which parties are important to execute this intervention well? – <i>Are you already working with these parties?</i> • What are the target groups of your intervention? • What are the characteristics of the main target group? • Are there any other groups on which your intervention has an (unintended) impact? • How do you reach your main target group and who do you need for this? • What is the minimum and maximum number of participants that could be part of your intervention within two years? • Do participants follow an individual or a group trajectory? • What are the most important results you have achieved so far? • Do you have experience with scaling up and, if so, what? • Do you measure your results? • What are the total costs of the intervention, separated into start-up costs, cost per individual participant (excl. start-up costs) and other costs? • What amount is required from the BOF? • What other sources of income could be used to cover costs? • Why is financing from the BOF necessary? • Would you like to share anything else?
--	--

Appendix 8: Criteria for selecting service providers

Internal document, provincial government of Noord-Brabant, 2018

0= not or not sufficient; 3= sufficient; 5= above average

Theme	1a	The social enterprise is involved in multiple value creation by contributing to two or more SDGs.
	1b	Result financing has added value because neither the market nor the government values multiple value creation.
Intervention	2a	The intervention focuses on new opportunities and developments in the lives of the participants and therefore makes a substantial difference to their lives.
	2b	The right stakeholders (such as a municipality/municipalities) are involved in the social enterprise, or it is feasible that the right stakeholders will have joined the initiative before the result contract is concluded.
Target group	3a	Currently, the target group is not being helped well (enough).
	3b	The target group can be located and contacted.
Results	4a	The social enterprise has formulated both quantitative and (initial) qualitative results.
	4b	The social enterprise has a track record, or another plausible reason to demonstrate that the results are achievable.
	4c	The social enterprise has demonstrated that it has measured results in the past.
The entrepreneur	5a	The person with final responsibility/the management has experience in the field of the intervention.
	5b	The organisation is professional (management, website, processes, network, team) and is ripe for scaling up.
	5c	On the basis of the information you have now read, do you think the entrepreneur is able to make the next step towards sustainable scaling up and can participate successfully in the BOF?
Miscellaneous	6a	Do you know of a similar business? If so, which knowledge/experience with regard to this business can we include in the assessment of this application?
	6b	Other comments/feedback based on your own expertise/background, for example financial risks, political and administrative context, opportunities.

Appendix 9: Table of contents – business plans

Internal document, provincial government of Noord-Brabant, 2019

Business plan Brabant Outcomes Fund

1. Introduction

Summary

Our mission

Ambition of the BOF cooperation

2. The organisation

History of the organisation

Type of organisation

Organogram and management

Team and team development

3. The societal problem we try to solve

Context analysis

Existing interventions

Relevant stakeholders

4. Description of the target group(s)

5. Influx of the target group

6. Intervention

Track record and impact measurement

Costs of intervention

Sustainability of intervention

8. Theory of Change

9. Value of expected outcomes

Expected outcomes and measurement agreement

Financial valuation of outcomes

10. Governance model

Appendix 10: Steps in developing a Theory of Change

Here we briefly describe the **steps that were taken to develop the Theory of Change** of Refugee Team (RT), one of the BOF’s selected service providers. The starting point for any Theory of Change is to ask yourself the following questions:

- Whom do I impact with my company’s activities?
- Who are my key stakeholders?

After that, you describe the mission (step 1) and specify in detail what activities you carry out for the key stakeholders (step 2). Next you make explicit the outputs (step 2) and outcomes (step 3 & 4) of those activities. Together, this forms a Theory of Change.

Developing a Theory of Change:
Example of Refugee Team (RT)



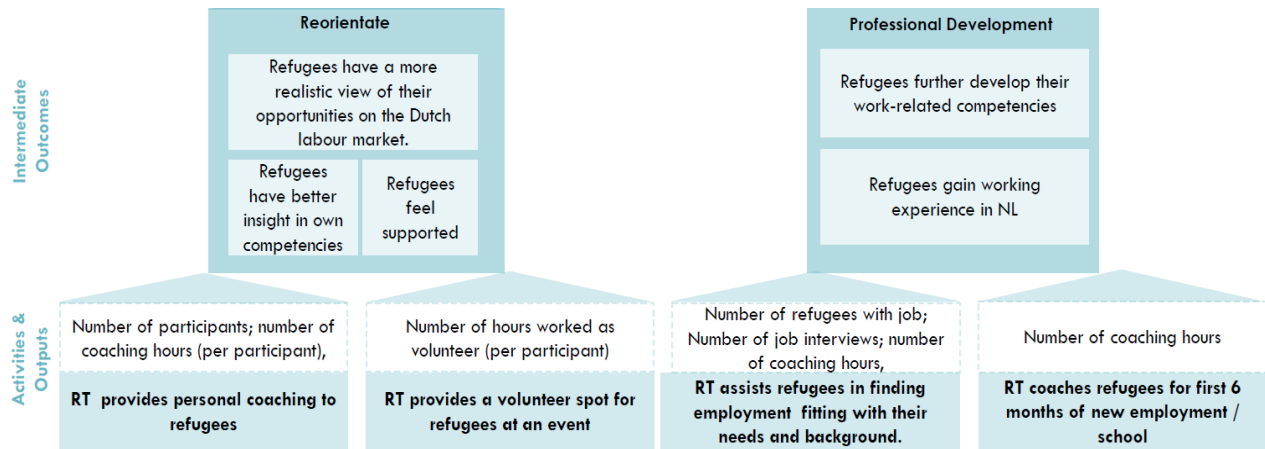
Step 1: Formulating mission (or the highest outcome the organisation strives for)

Refugees participating in RT experience that they can fully take part in life in the Netherlands: they integrate faster and better into Dutch society.

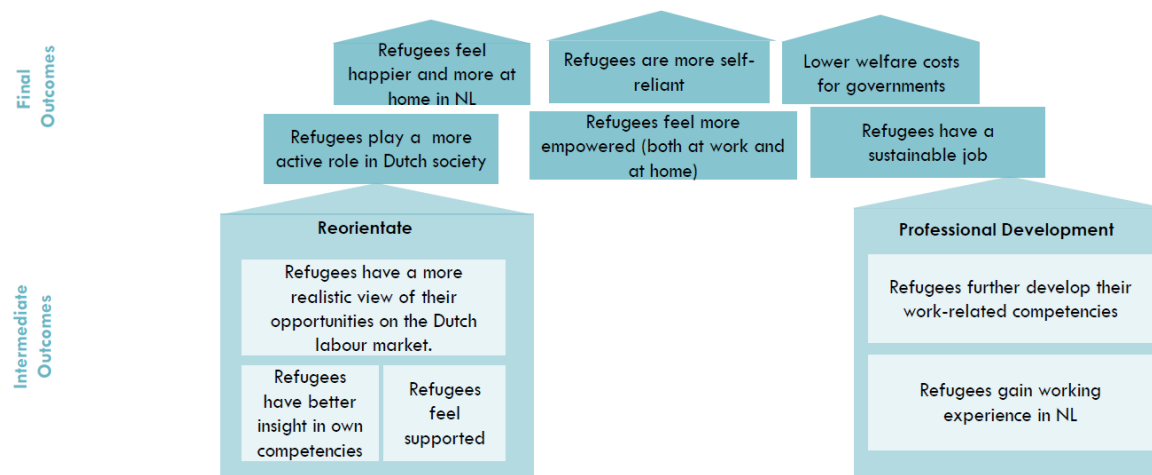
Step 2: Describing key **activities** and the direct **outputs** of these activities

Activities & Outputs	Number of participants; number of coaching hours (per participant),	Number of hours worked as volunteer (per participant)	Number of refugees with job; Number of job interviews; number of coaching hours,	Number of coaching hours
	RT provides personal coaching to refugees	RT provides a volunteer spot for refugees at an event	RT assists refugees in finding employment fitting with their needs and background.	RT coaches refugees for first 6 months of new employment / school

Step 3: Describing the outcomes of the activities.
Begin with the **intermediate outcomes**.

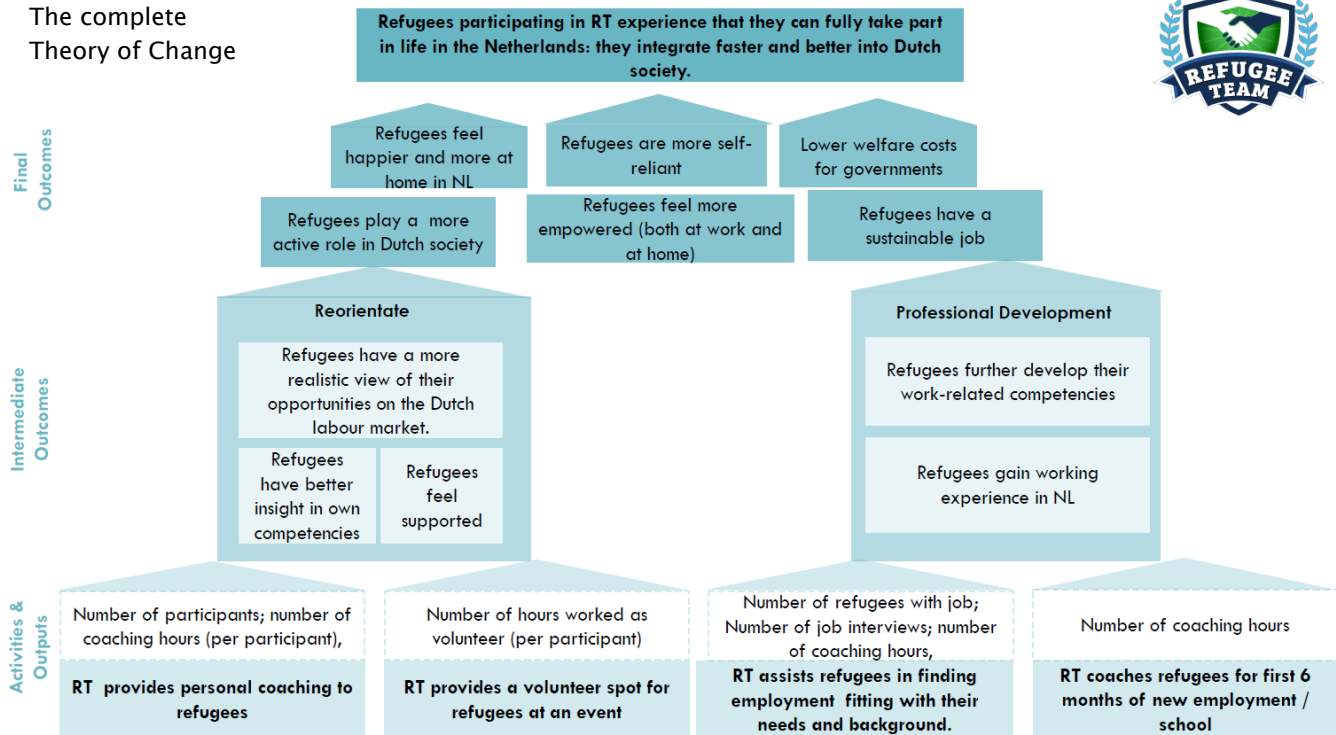


Step 4: Describing final outcomes of the activities.
These outcomes are often caused by multiple intermediate outcomes.





The complete Theory of Change



The Theory of Change we present here is a simplified version of the original. For more information on developing a Theory of Change for social entrepreneurs we recommend using The Impact Path.²¹

²¹ Please see <https://impactpad.nl/english/> developed by Avance Impact, Impact Centre Erasmus and Social Enterprise NL. Besides hands-on instructions, this guide also provides additional references about developing a Theory of Change.

Appendix 11: Outcomes targeted by the service providers²²

Sarban

Sarban's business plan describes the ambition to open a new restaurant and to achieve the following goals during the BOF implementation period:

- Inflow of 27 refugees, of whom 80% follow through to paid employment (internal or external). Each entrant does 14 consecutive months of paid work at Sarban for at least 24 hours a week and receives a MBO 1 or MBO 2 (vocational degree). During this period, they also work for an external employer for six months.
- 80% of the entrants undergo positive development in two of the three areas of self-reliance: social safety net, professional safety net and future plans.
- In addition, Sarban trains one refugee to become the restaurant's owner so that he/she can take over the restaurant after three years.



Fladderfarm Mobiel

For Fladderfarm Mobiel the team concluded that it was not yet possible to determine what their realistic outcomes would be. Therefore it was decided that Fladderfarm would be rewarded on the basis of their delivered outputs. In this way Fladderfarm could build up a track record based on

which outcomes-based contracts may be concluded in the future. Within the context of the BOF, the goal is to realise four new mobile 'caravans', in which a total of 42 'assistant farmers' are active at least five days a week.

²² Outcomes targeted by the service provider Refugee Team are presented in section 1.4.3

Ctalents

People with a sensory challenge, such as a hearing or visual disability, participate in a programme at Ctalents with the goal of finding a long-term job. Targeted outcomes within the context of the BOF are as follows:

- 53 people start work training and 41 successfully complete this training.
- Ultimately, 35 people find a job for at least 24 hours a week, a job that matches their skills and offers an appropriate salary.
- 90% of these 35 people keep their job for at least 12 months.
- No more than 11 of these 35 people are employed below their educational level, or work less than 24 hours a week.



Appendix 12: Cooperation agreement, execution phase of the BOF

Internal document, provincial government of Noord-Brabant, 2019

Key parties and their cooperation agreement

In the cooperation agreement roles and responsibilities of all parties were clearly specified.

Assumptions:

- The parties endorse the purpose of the cooperation agreement
- Each party contributes its share to the collaboration while retaining its own responsibility
- Business plans serve as a joint working document which can be supplemented and/or adjusted in the course of the execution phase.

Provincial government of Noord-Brabant

- Is the outcome payer/subsidy provider
- Is the client for the external evaluators
- Facilitates the meetings during the execution phase
- Has the lead in communication
- Attends bi-annual meetings

Foundation of investors

- Is the formal point of contact for the provincial government
- Is represented by a board with a delegation from the investors
- Is obliged to report to the provincial government regarding the progress of impact makers
- Handles payments to entrepreneurs

The individual investors

- Jointly draft and determine reporting format for each impact maker (in line with measurement plan and outcome payments)
- Are involved in monitoring the progress of impact makers and holding progress meetings with the impact makers every six months, on behalf of the investors' foundation
- Are, in principle, the first line of contact with the impact makers regarding the progress of the intervention
- Are present at the bi-annual meetings. If this is not possible, they provide written input in advance.

Entrepreneurs

- Are responsible for executing the intervention
- Provide information and report in accordance with the contract
- Are present at bi-annual meetings

Evaluators

- Provide advice on setting up the reporting format for each impact maker
- Provide advice for investors and the provincial government of Noord-Brabant on whether, or to what extent, outcomes are reached
- Draft (interim) evaluations in which progress on the selected indicators is reported
- Are present at bi-annual meetings

