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Impact Investment in Sport

Innovating the Funding of Sport for Development

fit for life

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S H O R T   S U M M A R Y

Fit for Life
Linking sport investment with measurable impact

Global data continues to show a strong link between grassroots sport participation and sustainable development. Current research on the social returns generated through sport shows that every $1 invested in a sporting intervention generates between $3 and $124 in value. Yet, **sport remains underutilized and misunderstood as a domain of investment**.

Every $1 invested
in a sporting intervention generates up to
$124
in value

UNESCO's **Fit for Life sports initiative** is making the case for multilateral sport funding through impact investment: a new model in which outcome measurement is prioritized to create social and economic return.

This report presents the case for impact investment in sport, which is relevant to a global array of budget-holders and financial markets. It covers the global momentum around these instruments, the cost of inaction, relevant case studies, and the adaptability and benefits of this model for different stakeholders. It also recommends key actions for sport authorities to grow the market for impact investment.

This report is a touchstone resource for any ministry, investor, or sport programme who believes in the impact of sport and wants to harness the potential of sport as an enabler of the SDGs.

Impact Investment in Sport

Innovating the Funding
of Sport for Development

Foreword

Today, we are facing a global crisis of physical inactivity and mental health issues. We urgently need to raise the profile of sport as an effective response to address them. One in four adults and more than four in five adolescents, particularly young women, are not sufficiently active. These figures were aggravated further by the COVID-19 pandemic, which saw a 41 per cent decline in physical activity. 70 per cent of PE teachers polled by UNESCO reported worsening mental and physical health of students during the pandemic. This bleak picture is a wake-up call to devise innovative propositions that take full advantage of sport-based solutions.

Despite the ample evidence of its positive impact, sport has been traditionally underutilized. Sport not only reduces obesity and depression but also contributes to better learning outcomes and even a 40 per cent improvement in students' test scores. Sport is also increasingly seen as an attractive proposition for efficient results-driven investment. UEFA recently modelled the value of amateur football in 25 European countries at around EUR €40 billion annually, across social, health and economic impacts. Returns on investments in Sport for Development (S4D) are even higher, and the room for improvement is broad. For example, sport represents only 0.5 per cent of GDP in Africa compared with 2 per cent globally. Sport can also create economic and development opportunities on an individual level, contributing to strong communities, gender equality and youth empowerment.

To build the business-case for sport as a development tool, better data on its social impact is necessary. UNESCO's flagship sport initiative Fit for Life is poised to collect and systematize this information and make it available, open-source. Fit for Life will also advance impact investment metrics in sports to increase available financing.

This work is being facilitated by UNESCO's role in the Coalition for Sustainable Development through Sport, a consortium of public development banks and experts launched at the Finance in Common Summit in 2020 with a joint vision to share knowledge and collectively mobilize resources for innovative sport for development funding opportunities. UNESCO coordinates the 'Leveraging the power of sport to achieve the SDGs' working group as part of this coalition. In March 2023, UNESCO also hosted an Expert Roundtable on Impact Investment in Sport, and will soon launch an expert advisory group to support Member States interested in this work.

UNESCO's Social and Human Sciences Sector is turning words into action — implementing social outcomes contracts in Azerbaijan and Chile, with other candidate countries on the horizon. These pilots will be showcased at the 7th International Conference of Ministers and Senior Officials Responsible for Physical Education and Sport (MINEPS), in Baku, Azerbaijan (26–29 June 2023). MINEPS VII will mark the starting point for partnerships and implementations, growing and funding UNESCO's global engagement in impact investment in sport.

This report catalyzes the lessons learned up to now. I hope its findings will be useful to all stakeholders interested in increasing investments in sport. Fit for Life is capturing this momentum, preparing tools that demonstrate how sport is a strong conduit for this style of development funding, and making impact investment accessible to all interested governments, investors, sport programmes, and funding bodies. Join us in calling for investments that respond to the power of sport, and join Fit for Life as we raise sport's profile as an enabler of sustainable development.

Gabriela Ramos

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UNESCO

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Last but not least, we would like to thank the growing network of impact investment experts who have taken this journey together with UNESCO. This report takes inspiration from the advice and commitments shared during UNESCO's March 2023 Expert Roundtable on Impact Investment in Sport. We would like to thank the participants of this panel for their continued advice, feedback and engagement (Dr Ozsel Beleli, Dr Eleanor Carter Dr Paul Downward, Mario Ferrario, Céline Gilquin, Richard Johnson, Mark Lovell, Liam McGroarty, Sangita Patel, James Ronicle, Juan Pablo Salazar, Abha Thorat-Shah, Lucas Tschan, Matthieu Valot). This network has become an important entry point for Member States and investors to engage with Fit for Life. We look forward to our continued collaboration, to further demonstrate the potential of impact investment in sport.

Contents

1:
Introduction

1: Introduction

Impact investment in sport (IIS) is a core component of UNESCO's flagship initiative, 'Fit for Life'. As the United Nations (UN) lead for sport and physical education, UNESCO is developing resources to scale up public and private investments in sport for development (S4D).

Fostering more and better investment in sport will be a major focus of the Seventh International Conference of Ministers and Senior Officials Responsible for Physical Education and Sport (MINEPS VII), to be held from 26 to 29 June 2023 in Baku, Azerbaijan. This Conference will be a springboard to raise awareness and facilitate action to make IIS a global reality.

It is increasingly recognized that sport delivers a range of benefits that extend far beyond the conventional sporting sphere (Angus and Associates, 2017; Palathingal, 2018). With support from UNESCO, the Commonwealth Secretariat (Hatton *et al.*, 2020) has demonstrated that sport contributes to at least eight of the Sustainable Development Goals (SDGs).

However sport finds itself at a crossroads. Enormous opportunities exist for further development, but these are currently underutilized. Examples include the capacity to connect a wide array of government domains, deploying these more effectively to meet sustainable development targets.

Sport is also facing challenges related to the evolution of its funding model (Cox and Sparham, 2013; Furrer and Elmer, 2020). Specifically, funding on the basis of inputs and outputs does not respond directly to opportunities for sport to showcase measurable outcomes that would better inform budget-holders and decision-makers, both within and beyond the sector.

A recent systematic review of international cost-benefit evidence on the social returns generated through sport reported ratios varying between 1:3 and 1: 124 (Gosselin, Boccanfuso and Laberge, 2020). To put it simply, high-quality research studies suggest that every US$1 invested in a sporting intervention generates between US$3 and US$124 in value. The variance in the range of return stems from the breadth of intervention objectives and target groups studied in the different research reports. Studies looking at the impact of sport on the prevention of primary and secondary health and wellbeing issues generally report social returns towards the higher end of the range, with the highest figure reported for a programme targeting persons with disabilities.

The S4D funding model can be reformed to generate greater impact through impact-driven funding and financing at scale. In so doing, investment into S4D can address several SDG targets simultaneously and potentially help narrow the US$4.2 trillion SDG funding gap as investors begin to appreciate the new opportunities presented through sport and how these provide conduits for the deployment of additional investment capital (Hatton *et al.*, 2020).

At the same time, such investment can be leveraged through recent innovations in contracting mechanisms, such as Social Outcomes Contracts (SOCs), that frame sport as a solution for social challenges. This approach can achieve measurable outcomes of significance to sport ministries, as well as to other government departments and local authorities and population groups. For example, the physical and mental wellbeing arising from sport will be of interest to health ministries, while the impact of sport on educational access and attainment will be relevant to education ministries. Meanwhile, mayors and communities will care about how sport strengthens community cohesion and fosters better gender and disability inclusion, among others.

This combination of participation in sport with non-sport outcomes will give public and private investors the evidence and the confidence to adapt their funding and financing models, enabling them to tap into the full opportunities for investment in S4D. It will also contribute to greater effectiveness and efficiency of development assistance and ultimately improve the wellbeing of people.

This paper considers social impact investment in sport (IIS) as an opportunity to scale up investment in S4D in a way that generates measurable benefits to sports ministries and their partners in pursuit of specific national and local priorities. These benefits combine cashable savings with wellbeing enhancements.

This paper also offers careful consideration of the opportunity presented by IIS strategies to resource sport for development programmes, both sustainably and at scale. It is intended primarily for sport policy and decision-makers who may not have sufficiently evaluated the opportunities presented by SOCs and impact investing. It is just as relevant to those in non-sport departments and agencies where sport may contribute to the achievement of their respective priorities. In addition, this paper will be relevant to social impact investors who have not considered sport as an investment proposition. Accordingly, this paper sets out arguments for IIS in a manner accessible for readers who may be new to the fields of SOC and/or social impact investment. Terminology, concepts and models are described, with emphasis on the particular relevance for national and local sport authorities who are likely to play a key role in advocating for and enabling change.

The positioning of this paper and its intended readership means that less emphasis is placed on describing the rich body of data and offering insights into why and how sport matters. Readers are encouraged to refer to the cited sources for fuller expositions, explanations and examples.

Section 2 sets out the case for change. It details current obstacles to S4D, and provides examples of the significant, growing cost of inaction. It also establishes the foundations upon which new funding models for S4D could be built.

Section 3 explores wider drivers that are encouraging a focus on outcomes. It examines key shifts at the international level, explaining how these are increasingly driving spending and investment decisions, and explains the potential for S4D to harness such drivers.

Section 4 examines specific mechanisms for transforming outcome intent into practical action to enable and grow IIS. These include social outcomes contracting, which holds the potential to direct S4D towards clearer articulation and evidencing of outcomes, helping to make the case for partnerships beyond sport. This also supports a more compelling case for investment through sport. The growth of global impact investment also presents significant opportunities for S4D to access capital at scale, beyond the conventional means of sport ministries and national governments. Lastly, the section discusses recent innovations in leveraging impact investment through social outcomes contracts, as a potential means of amplifying impact.

Section 5 explains the steps public sport authorities and their partners need to take in order to explore and engage with these opportunities. It explains the logical sequencing of actions and presents information on relevant toolkits, guidance materials and other resources.

Section 6 concludes with recommendations linked to UNESCO's potential role in supporting and facilitating this agenda, while encouraging public sport authorities and their partners to mobilize a broader set of stakeholders to drive innovation.

2:
The case for change

2: The case for change

MINEPS VII prioritizes improvements in how countries and sporting bodies plan, activate and evaluate the contributions of sport to the SDGs. The importance of this agenda has become increasingly apparent in the context of the COVID-19 pandemic, which has led to a 41 per cent decline in physical activity and a 200 per cent increase in youth mental health conditions (UNESCO, 2021). The scale of the challenge has accordingly grown and action is needed now more than ever.

There is robust evidence of the contribution of sport towards outcomes that are not thought of conventionally as 'sporting' outcomes (Sheffield Hallam University, 2021; Sport England, 2017). These include:

- **Physical wellbeing** – substantial evidence points to the benefits of exercise on at least 30 chronic diseases (Thornton *et al*., 2016), including the prevention of cardiovascular diseases, stroke, hypertension, some types of cancer, osteoporosis, Type 2 diabetes, etc.
- **Mental wellbeing** – exercise reduces anxiety, depression and stress; and generates improvements in life satisfaction, quality of life, identity and sense of belonging, etc.
- **Individual development** – sporting activity enhances self-efficacy, confidence, self-esteem and empowerment; helps avoid crime and antisocial behaviour; and increases volunteering, etc.
- **Social and community development** – sport improves community cohesion, encourage engagement among disaffected young people, and promote the inclusion of women and girls as well as people in vulnerable situations.
- **Economic development** – sport increases consumer spending and job creation for local economies, enhances career opportunities, and leads to wider social value creation, etc.

Research also recognizes the contribution of sport to several SDGs (Hatton *et al*., 2020). Notable among these are good health and wellbeing (SDG 3), quality education (SDG 4), gender equality (SDG 5), decent work and economic growth (SDG 8) and reduced inequality (SDG 10). In addition, sport contributes to sustainable consumption and environmental sustainability, which relates to responsible consumption and production (SDG 12), climate action (SDG 13), and peace, justice and strong institutions (SDG 16), including the safeguarding of athletes and participants from abuse and violence (which can be related to SDG 5 and SDG 16).

However, the causal links underlying these contributions have yet to be consistently articulated or evidenced, (Sport England, 2017; Taylor *et al*., 2015), although notable improvements have been made in recent years (Noble and Coleman, 2020; Peachey, Schulenkorf and Spaaij, 2019). There is also confusion about how the more granular measurement of outcomes, such as physical and mental wellbeing, individual development, social and community development, connects to the SDGs (UK Government, 2015). Furthermore, the benefits of sports have not translated into sustained action and funding at a systemic level, as highlighted by data on the scope and scale of sport impacts (WHO, 2022).

The status quo presents three main challenges. First, while Agenda 2030 described sport as an enabler of sustainable development (Palathingal, 2018), it remains under-recognized and under-utilized as a domain of, and driver for, development investment. Private investment has largely bypassed sport and, as such, has failed to capitalize on the important grassroots-driven and inclusive mechanisms for transformation that sport represents.[1]

1. See, for example, the Commonwealth Secretariat (nd) Pan-Commonwealth Innovators in Sport, available at: https://thecommonwealth.org/our-work/pan-commonwealth-innovators-sport (accessed 4 May 2023).

Second, this lack of evidence hinders systematic engagement of other partners in the S4D agenda, leaving sport authorities and organizations to bear the full weight of delivering positive outcomes while often lacking the necessary capacity and budgets. Addressing this funding gap requires a concerted effort to demonstrate that investing in sport is not a matter of diverting scarce resources away from other priorities, such as healthcare and education, but rather a matter of proving that sport further enhances progress in achieving these priorities, alongside targets for sport. It is not a zero-sum game.

Third, positive case studies that can serve as models have been neglected and not scaled-up. For example, despite the existence of well-articulated and evidenced 'theories of change' explaining how sport contributes to the desistance of crime, especially for vulnerable young people within the context of youth offending and serious youth violence (Mason, Walpole and Case, 2020), funding for sport-enabled interventions of this nature remains niche (Mayor of London, 2018). This issue is a symptom of the lack of communication and education around success stories, and prevents sport ministries and other government departments where sport can help drive outcomes from maximizing their effectiveness and efficiency.

2.1 The cost of inaction

As the World Health Organization (WHO, 2022) has noted, there is a global physical inactivity pandemic. Data from 194 countries show that less than 50 per cent of countries have a national physical activity policy, of which less than 40 per cent are operational. The COVID-19 pandemic has not only stalled the promotion of physical activity initiatives, but has also affected implementation of other policies, widening inequities in access to and opportunities for engaging in physical activity for many communities.

The 2021 edition of UNESCO's Quality Physical Education survey (2021), which gathered data from 117 countries, estimated that the COVID-19 pandemic led to a 41 per cent decline in physical activity and a 200 per cent increase in mental health conditions among young people. UNESCO also reported that physical education investment has been declining in recent years in many parts of the world, including in some of the wealthiest countries (Hardman, Routen and Tone, 2014).

The cost of inaction is astounding. Regarding the impact on health alone:

- A 25 per cent reduction in the rate of physical inactivity would prevent an estimated 1.3 million deaths a year globally (Lee *et al.,* 2012; WHO, 2010).
- In relation to non-communicable diseases (NCD) worldwide, it is estimated that physical inactivity is responsible for 6 per cent of the burden of disease from coronary heart disease, 7 per cent of type 2 diabetes, 10 per cent of breast cancers and 10 per cent of colon cancers (Lee *et al.*, 2012).

The COVID-19 pandemic has exacerbated these vulnerabilities. For example, physical inactivity is associated with a higher risk of severe COVID-19 outcomes (Sallis *et al.*, 2021) and a greater likelihood of infection (Lee *et al.*, 2022). Without radical intervention, the economic burden of physical inactivity will increase exponentially, with the WHO estimating that almost 500 million people will develop heart disease, obesity, diabetes or other NCDs, between 2020 and 2030, resulting in a cost of US$27 billion annually to healthcare systems around the world. Poor health and wellbeing, in turn, contribute towards poorer outcomes in other systems, for example through negative impacts on earning potential and income levels.

2.2 Foundations for action

While the challenges are significant, they are not insurmountable. A considerable, and growing, global body of data and evidence exists and can be used more effectively to inform policies and interventions, in order to attract new and at-scale investment.

Guidance and toolkits are helping interested parties to measure outcomes arising from sport more systematically and robustly (Blough and Rivat, 2023). A number of authoritative assessments have been made of the quality and coverage of existing data. For example, Sport England's comprehensive review of international data noted that the evidence for different outcomes varies in quality and volume, with physical and mental wellbeing well represented, individual development represented fairly well, and evidence on social and community and economic development (not including evidence on major sporting events) somewhat patchy.[2]

There is also an emerging evidence base demonstrating the financial value of such outcomes. For example, cost-benefit analysis has been applied to sport in recent years.[3] Such information helps stakeholders make informed decisions about investing in interventions that represent good value for money.

Efforts are underway to improve data quality and coverage for the application of cost-benefit analysis in sport, while simultaneously applying the method in more specialized contexts. Efforts are also being made to monetize the wider social returns generated through sport, in order to heighten their visibility. For example, the Union of European Football Associations (UEFA) has developed a model to monetize the wider societal benefits of grassroots football (UEFA, 2019). Through the application of this model, 8.6 million registered amateur players across 25 European countries have generated a cumulative €39.4 billion annually in direct and in-kind savings. Savings to the **economy** of €10.8 billion are achieved through club membership fees, equipment, merchandise, travel, food and beverages, and investment in infrastructure. In-kind savings to **society** of €12.3 billion result from the positive social impact of football on communities. Specifically, football's emphasis on teamwork, discipline and equal access for all, regardless of ability, race or gender, strengthens and educate local communities, which, in turn, increases earning potential by creating volunteer/employment opportunities as well as reducing crime rates. **Healthcare** savings of €16.3 billion are linked directly to football's role in reducing the risk of conditions such as Type 2 diabetes and heart disease, and improving mental health and well-being. This approach has also made inroads into grassroots rugby (Substance, 2022).

In addition, academic research worldwide has tested the 'theories of change' (UNDG, 2017) through which sport brings about various outcomes. These can be useful in helping to visualize and communicate how sporting interventions lead to benefits for different population groups[4] (Mayor of London, 2018)[5] as well as to different government departments and agencies.

These theories of change provide practical pathways for sport ministries to engage with wider sets of stakeholders, particularly in education and health, through clear articulation of the logic of causality underpinning sport's contribution to wider social and economic outcomes, and ultimately to the SDGs. They also provide assurance to social investors that sport for development is a viable investment proposition.

The theories of change also offer a holistic framework that can be populated with available evidence on specific outcomes, their financial value and indications of the strength of attribution. In relation to impact investment in sport, the evidence on outcomes presents a solid foundation for investment, in particular where the quality of data and the strength of attribution are highest, such as for physical and mental wellbeing.

By helping to clarify and manage risks to capital, this opens up enormous potential for leveraging new and at-scale financing for S4D, while simultaneously deploying existing resources more efficiently in service of better outcomes.

2. For example, OPM (2017)*; see also Eime et al. (2013).*
3. Some of the most robust examples derive from the UK. For more information, see Kokolakakis, Christy and Davies (2020).
4. A number of theories of change are available in the appendix of Sport for Development Coalition (2015).
5. This theory of change sets out the underpinning assumptions and causal logic expressed as a series of 'if X…then Y' statements. The theory of change is replicable elsewhere, albeit influenced by different contextual factors.

3: Growing momentum for outcomes

3: Growing momentum for outcomes

Opportunities for action and investment, underpinned by a greater focus on outcomes, are coalescing and gathering momentum. Seemingly discrete global developments, on closer scrutiny, point to a common focus on outcomes (Sin, 2022), a focus that is increasingly being used to inform investment and funding. Sport, as a domain for development investment, can channel these drivers and harness them as change agents beyond the cost-benefit metrics with narrow definitions used by governments.

All these have drivers relevance for the growth of impact investment where the conventional risk-benefit metrics, used usually to assess only financial outcomes, are being broadened to include environmental and social outcomes. This approach is underpinned by the realization that the current economic framework is not sustainable. While due regard is increasingly being given to environmental outcomes, there is much that sport can do to make social outcomes tangible as a basis for the deployment of impact investment.

Attitudinal driver: People around the world are becoming more socially conscious. Global consumers are indicating that they are willing to pay more for sustainable, ethical and socially responsible goods and services (GlobalData, 2022). This commitment is also reflected in choices around places of residence, employment and more. In other words, economic decisions by individuals are increasingly motivated by a concern for outcomes. This trend is also manifesting in individual investment decisions, such as the rise of crowdfunding for certain social entrepreneurial endeavours (OECD, 2015a).

Economic driver: Threats to long-term economic growth have deep social roots (OECD, 2015b). Such threats include ageing populations, flat-lining productivity in high-income countries, inequitable access to education opportunities that incur lifetime costs through sub-optimal human capital development, mismatch between skills and job market requirements, and growing income inequality all pose significant challenges. This twin concern for social needs and economic stability is the basis for impact investment, which posits that these agendas do not need to operate in conflict, but can instead grow in tandem.

External shock driver: The impacts of the COVID-19 pandemic and the climate emergency affect all parts of the world, but have a disproportionately negative impact on the Global South (Egger *et al.*, 2021; Pörtner *et al.*, 2022). The needs underpinning recovery and resilience extend beyond the conventional financial model, as populations worldwide demand a more equitable and fair approach (OECD, 2020). This clarion call for a more person-centred, ecosystem-sensitive alternative future for growth opens the door wide for the continued ascent of impact investment and outcomes-focused models.

Philanthropy driver: Philanthropy is increasingly exploring ways of linking giving to outcomes, for example through performance-based grants (UNCDF, 2021). With the significant increase in the utilization of data and analytics to inform decision-making around giving, and greater use of technology to enable and facilitate giving, this outcomes orientation is likely to widen in reach and appeal. This lays the foundation for increasing interaction between philanthropy and impact investment, with the noticeable emergence of blended financing approaches.

Investment driver: The world is experiencing exponential year-on-year growth in institutional and individual impact investment (Cohen, 2020). According to the latest estimates by the Global Impact Investing Network (GIIN) (Hand, Ringel and Danel, 2022), the size of the impact investing market currently stands at US$1.164 trillion in managed assets. This market has demonstrated significant momentum despite global shocks such as the COVID-19 pandemic, with new entrants and increased capital volume.

Government driver: Public spending is constantly under pressure. High spending, however, does not necessarily equate to greater public satisfaction (Bjørnskov, Dreher and Fischer, 2007; Flavin, Pacek and Radcliff, 2014) or better outcomes (Bein *et al.*, 2017). Government procurement can be riddled with inefficiency due to a lack of expenditure tracking in relation to desired outcomes, both within and across departments. An outcomes-focused approach for procurement and commissioning helps to direct scarce public resources more effectively. In addition, impact investment can be a powerful complement to, or disruptor of, conventional ways of doing 'government business', through the employment of mechanisms aimed at driving effectiveness and efficiency, underpinned by evidence on outcomes.

Global standards driver: A number of key international frameworks and standards, such as the Environmental, Social and Governance (ESG) agenda and the SDGs, emphasize explicitly the importance of social outcomes. On financial markets, Green Bond Principles, Social Bond Principles, Sustainability Bond Guidelines and Sustainability-Linked Bond Principles are all underpinned by an explicit commitment towards environmental and social sustainability (ICMA, 2021). While there are risks of tokenism and impact-washing, for example in relation to the purpose of ESG, growing requirements are in place for greater transparency and evidence-based reporting. These standards and frameworks increasingly drive behaviours, priorities and spending across governments, businesses and charities.

4:

Ways to achieve positive change in sport funding

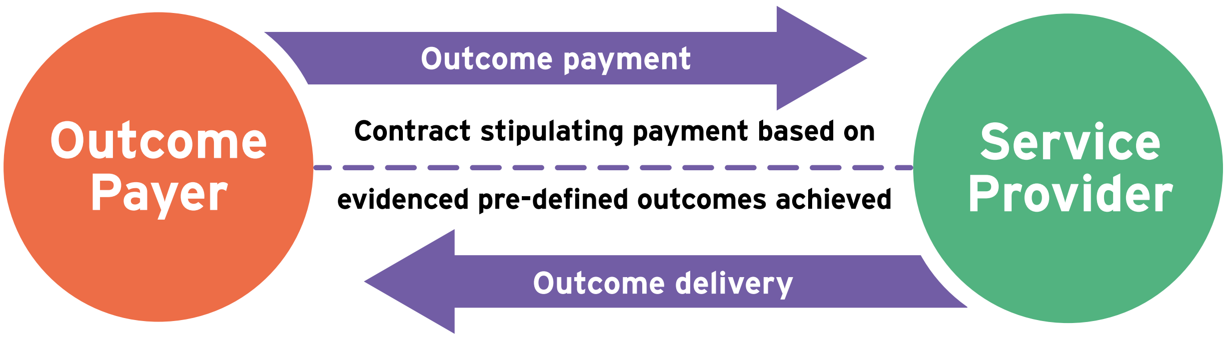
4: Ways to achieve positive change in sport funding

4.1 Contracting for social outcomes

An innovation that can help governments harness these macro-level drivers and produce tangible plans is Social Outcomes Contracting. The idea of paying for results or outcomes achieved through public services is not new (Bulaitis, 2020: 35–80), but has experienced a resurgence over the last two decades, largely as a consequence of motivation among governments to secure better value. In addition, governments have become interested in the potential for these forms of contracting to reconceptualize the risk-benefit function in public-private partnerships. In particular, public authorities have put a more explicit focus on social and economic impacts in the determination of private sector risk and reward.

This approach recognizes that the public sector is often a significant 'purchaser', and can use procurement and contracting as a lever to bring about desired changes (Ball and Gibson, 2022).[6] In outcomes-based forms of contracting for the delivery of services, all or part of the payment depends on specific outcomes being achieved. The transformative aspect of this model lies in the radical shift away from buying or paying for a service, towards buying or paying directly for outcomes. Payment is made post hoc on the basis of evidence. This involves changes in behaviours and requires different data. More importantly, it requires a change in mindset. This process is illustrated in Figure 1.

Figure 1. Structure of a direct outcomes-based contract



This approach contrasts with conventional ways of government contracting (Sin, 2021), which tend to take the form of cost-reimbursement contracts, fee-for-service contracts or activity-based contracts. Traditional forms of contracting are valid and appropriate in many cases, but certain situations require greater intentionality regarding the social outcomes to be achieved. In relation to S4D, sport and other public authorities may be interested in using funding not only to encourage participation in sport, but also to bring about other desirable consequences as a result of participation, such as improved gender inclusion or a reduction in youth reoffending.

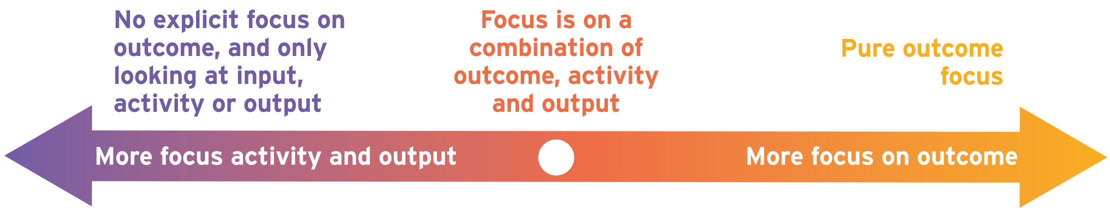
Outcomes focused contracting goes by many different names. These include payment by results (PbR), results-based financing (RBF), pay for success (PFS), outcome-based commissioning (OBC) and social impact contracting (SIC). It is important to note that not all of these are truly outcomes-based. For example, what constitutes 'results' or 'success' does not always indicate outcomes. There are well-known examples of both terms referring to

6. For example, Crespi and Castillo (2022).

headcount, activities or outputs (e.g. payment is made if a certain number of girls from deprived areas engage in sport, if a certain number of community-based physical activity sessions targeting older people are delivered, or if the volume of sporting facilities in rural areas reaches or exceeds a desired threshold level).

All forms of results-focused contracting aim to achieve social good. However, they vary regarding the extent of the focus on outcomes (as opposed to activities or outputs). As such, they can be considered to occupy different points on a spectrum, as illustrated in Figure 2.

Figure 2. Spectrum of results-focused contracting



At the risk of over-simplification, PbR contracts are often located closer towards the left of the spectrum, while OBCs are found towards the right. In recent years, the types of contracts that focus on outcomes as opposed to results have been increasingly referred to as Social Outcomes Contracts (SOCs) for the purposes of consistency.

It is also noteworthy that the full amount of the payment in these contracts is not always based on results or outcomes. The extent to which results or outcomes determine the proportion of overall payment will affect the risk to the different contracting partners.

4.1.1. Benefits of SOCs

Social Outcomes Contracts (SOCs) help convert a government's high-level interests in outcomes directly into an incentive structure for public sector contracting, thereby making it tangible. Linking payment to outcomes incentivizes service providers to maximize performance to achieve results for their beneficiaries. This approach encourages service providers to innovate (Webster, 2016) in order to achieve better results or outcomes.

Such innovations introduce improvements in delivery models and drive greater efficiencies (Appleby *et al.*, 2012). Providers are freed from the micro-management often associated with public sector contract management bureaucracy, which focuses on units of activities and prescriptive processes. In lieu of prescription, flexible and creative responses are encouraged and enabled with a view to towards meeting the needs of service beneficiaries (Albertson *et al.*, 2018).

Much of the international evidence base is dominated by high-income countries, particularly from Europe, North America and Australasia. However, these forms of contracting also exist in low and middle-income countries (LMICs). For example, a worldwide review of health contracts that involve results-based financial incentives (Eichler, Levine and the Performance-Based Incentives Working Group, 2009),[7] including many in LMICs, reported significant improvements in key health indicators under such incentivization schemes. For example, a review of incentives for tuberculosis diagnosis and treatment reported that treatment default rates in three Russian oblasts dropped from 15–20 per cent to 2–6 per cent. In Tajikistan, a treatment success rate of 89.5 per cent was achieved (versus 59.4 per cent for the comparison group).

7. Note that most of these contracts involve results-based, rather than strictly outcomes-based, financing.

4.1.2 Challenges in SOCs and how they may be overcome

Social Outcomes Contracts are challenging to construct technically. They require clear and careful definition of outcomes and associated metrics, unambiguous cohort selection criteria, appropriate outcomes pricing and thoughtful design of payment triggers. Much has been made of the specific risks of 'creaming' or 'cherry picking', whereby poorly designed contracts may result in service providers focusing efforts only on those who are easiest to help (Gustaffson-Wright, Gardiner and Putcha, 2016; Joint Committee on Tourism, Culture, Arts, Sport and Media, 2023). Additionally, misaligned incentives may encourage service providers to concentrate on outcomes accompanied by financial incentives to the exclusion of the beneficiary's wider needs.

For wider local, regional and national ecosystems, ill-conceived outcomes contracting may inadvertently skew the development of provider markets. Under such contracts, the service provider must ensure that they are able to finance the service until there is evidence that the desired outcomes have been achieved. This represents a considerable financial risk for the service provider, and many may not be willing or able to engage in such contracts. This will be true especially for smaller entities with lower reserves.

A reliance on the liquidity and capacity of providers to tolerate associated financial risks poses a second challenge when considering the suitability of such forms of contracting for sport. Specifically, this financing approach limits the scale of contracts because propositions are naturally limited by the financial capacity and tolerance of the delivery agent, rather than by the size of the need to be met.

Many of these challenges are being addressed through a growing body of open source toolkits and guidance, a steadily developing ecosystem of technical intermediaries across many parts of the world, and clearer models for the proportionate management of risks confronting the different parties in these types of contracts. For example, it is now usual practice to require specific definition of cohort inclusion and exclusion criteria in design and contracting procedures, to avoid the risk of 'cherry picking'. There are even examples of governments identifying the specific individuals with whom they would like the SOC to work (Mason, Lloyd and Nash, 2017). These developments have accelerated and expanded in recent years due to the involvement of impact investment in SOCs, and are discussed at greater length in Section 4.3.

4.2 Harnessing impact investment

The year 2022 was the first in which GIIN's estimate of the global impact investment market topped the US$1 trillion mark (Hand, Ringel and Danel, 2022). It has been estimated that only around 1.1 per cent of all assets held by banks and institutional asset owners are needed to address the US$4.2 trillion SDG funding gap (Hand, Ringel and Danel, 2022). The rise of impact investment bodes well for the narrowing of this funding gap, while holding potential for scaled-up and sustainable financing in S4D.

Impact investment can be found in both emerging and developed markets. While much has been written on the size and composition of the impact investment markets in Europe and North America, some of the most significant growth and innovative practice can be found in emerging economies. For example, almost half of global impact investment capital (43 per cent) goes to emerging markets. Sub-Saharan Africa alone attracts 21 per cent of the US$404 billion assets under management among investors responding to GIIN's Impact Investor Survey 2020 (Hand *et al.*, 2020), with the continent poised to attract continued impact investment from both regional and international sources (Hand *et al.*, 2020). Three sectors, which are already receiving significant impact investment capital and are aligned fully with SDGs, are likely to experience significant growth in impact investment: healthcare, Fintech and renewable energy (Capolaghi and Coulibaly, 2022).

Elsewhere, Forbes (Dallmann, 2021) has called Latin America the 'new frontier for impact investing', with both the Inter-American Development Bank[8] and CAF, the Development Bank of Latin America, playing crucial roles in market development. Indeed, CAF, in partnership with UNESCO, is currently exploring impact investment into sport. On the occasion of the 2023 Pan-American and Para-Pan-American Games, a SOC pilot project

8. See, for example, IADB (2021).

will promote the inclusion of persons with disabilities through sport.[9] Thanks to support from the International Olympic Committee and UN Women, this project now also includes a gender equality component.

Meanwhile, Southeast Asia has reportedly become the fastest growing impact investment market in recent years with increasing demand in education, healthcare and workforce development. As the market in Asia Pacific expands, exciting new trends emerge, such as the growing participation of local investors, particularly domestic wealthy families and high net-worth individuals (GIIN and Intellecap, 2018).

The Middle East is also developing unique characteristics in its approach to impact investment. Family businesses in Gulf Cooperation Council countries are the region's largest contributors to social and charitable causes (Marmore MENA Intelligence, 2022), and play a critical role in regional economies. In addition, banking in the Middle East already incorporates aspects of Islamic finance[10], which is growing in size and scope (Kuanova, Sagiyeva and Shirazi, 2021). In recent years, examples have surfaced that bridge the worlds of Islamic finance and impact investment (IICPSD and UNDP, 2014).

It is clear that impact investment is not monolithic and has been evolving in ways that are sensitive to context. Moreover, when deployed properly, impact investment has been shown to generate proportionately larger positive impacts in contexts of social disadvantage.[11] For example, there are compelling case studies that demonstrate how impact investment is being deployed in support of gender equality and women's empowerment objectives (UN Women, 2023a) (see Box A). This makes it eminently well-placed to meet the needs of investment into S4D, particularly in lower-income countries.

Box A: Example of a social bond issued by a commercial bank in Tanzania supporting gender equality

Issuer: NMB Bank is a large commercial bank in Tanzania that serves retail, corporate and government clients. Established in 1997, NMB Bank has grown successfully into the largest and most profitable bank in Tanzania. The sustainability agenda forms a core facet of the bank's organizational purpose. Recently, its debut Social Bond (Gender Issuance) was named Platinum Winner of the Sustainable Bond of the Year Category at the 2022 Global SME Finance Forum Awards.

Amount issued: TZS 74 billion (about US$30 million)

Date of issuance: 28 March 2022 (Dar es Salaam Stock Exchange, DSE)

Date of maturity: 28 March 2025

Use of proceeds: Proceeds from the Gender Bond will go entirely towards the Jasiri Women's Market Proposition under the Socio-Economic Empowerment project category. Use of the proceeds will enhance women's economic empowerment and sustainable development.

Gender considerations in the use of proceeds: The proceeds in this category can support micro, small and medium enterprises (MSMEs), as defined by the NMB Bank (turnover of up to TZS 150 million), and SMEs (turnover from TZS 150 million to TZS 15 billion), which are owned and/or controlled by women and can boost the development of new women entrepreneurs.

Source: UN Women (2023b).

9. For more information, see a side event hosted by CAF at the United Nations General Assembly, 'Latin America and the Caribbean working on the 2030 Agenda for Sustainable Development', 19–20 September, 2022, New York City. www.caf.com/en/currently/events/2022/09/caf-at-the-un-sports-as-a-key-investment-for-the-inclusion-of-people-with-disabilities.

10. Islamic finance is based on a belief that money should not have any value in itself. Instead, it is viewed as a way to exchange products and services that do have a value. It adheres to highly ethical standards as set forth in Islamic law (otherwise known as Maqasid al-Shariah), and considers the well-being of all stakeholders, broader society and the environment when making financial decisions (Sin, 2023).

11. See, for example, Reid *et al. (2022).*

Impact investment has only very recently started to appear in sport, and mainly in relation to professional sport and sporting infrastructure (see Box B).

Box B: Examples of equity and loan investments in sport

Example of an equity investment in sport

In 2022, Athletes Unlimited raised US$30 million in funds to invest in a collective of professional women's leagues in the USA (JohnWallStreet, 2022). Investors capped their financial returns to a 6–10 per cent annual rate of return, with any surplus going into a pool to be split equally between the players and efforts to further the company's mission, such as supporting their commitment to become carbon neutral.

Example of a loan investment in sport

The Sporting Capital Fund in the UK offers a loan-based impact investment approach specifically tailored to grassroots sport. Through unsecured loans of between £50,000 and £150,000, this Fund aims to support community organizations using sport to deliver wider social outcomes, with a view to promoting financial sustainability through revenue generation.

Over and above equity[13] and loan,[14] both of which are common asset classes, there are other emergent forms of impact investment,[15] some of which may be specific to certain countries.[16]

The need for and forms of external financing will vary depending on both demand and supply-side factors (Commission on Social Investment, 2022). However, there is a general consensus that more patient and flexible forms of capital will be required, and that impact investment needs to become more demand-driven and enterprise-led.

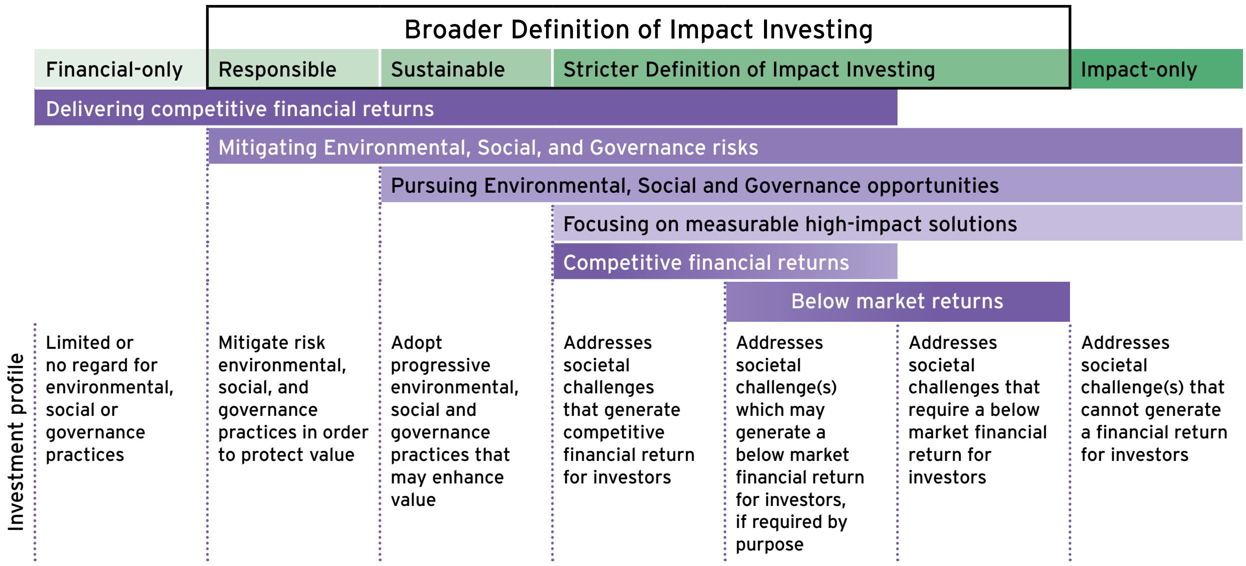
4.2.1 Challenges and new developments

Although progress has been made, growing impact investment with integrity, and drawing down capital sustainably and at scale into areas where it can make the most difference, remain a challenge. Standards for demonstrating and verifying impact have conventionally been low for many forms of impact investment. Indeed, accusations of 'impact washing' have become more prominent (Findlay and Moran, 2019; Gibson *et al.*, 2022). This has led the Securities and Exchange Commission in the USA to demand more detailed Environmental, Social and Governance (ESG) disclosures (US SIF Foundation, 2022). Similar regulatory developments can be found in the European Union[17] and elsewhere.

In addition to the emerging regulatory framework, clearer standards are also being articulated for impact investment. GIIN, for instance, has set out four tenets for impact investment (GIIN, 2019): (i) intentionality, (ii) investment with return expectations, (iii) range of return expectations and asset classes, and (iv) impact measurement. These tenets are vital to help raise awareness of what impact investment is and is not, and draw attention to the spectrum of such investment (Figure 3).[18]

12. See Sporting Capital Home Page | Sporting Capital (accessed 18 April 2023).
13. For a definition of investment approaches involving equity, and their pros and cons, see Good Finance, www.goodfinance.org.uk/equity-investment-0 (accessed 18 April 2023).
14. For a definition of loan-based investments (secured and unsecured), and their pros and cons, see Good Finance, www.goodfinance.org.uk/secured-loan and www.goodfinance.org.uk/unsecured-loan-incl-overdrafts (accessed 18 April 2023).
15. Charity bonds are one such example. For their definition, and for explanations of their pros and cons, see Good Finance, www.goodfinance.org.uk/charity-bonds (accessed 18 April 2023).
16. For example, the UK introduced the Social Investment Tax Relief (SITR) in 2014 (modified in 2017), in recognition of the increasing role social enterprises are playing in tackling social problems. For a definition of SITR, and its pros and cons, see Good Finance, www.goodfinance.org.uk/social-investment-tax-relief (accessed 18 April 2023). While SITR is specific to the UK, the concept of offering tax relief on investments is not uncommon internationally.
17. Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No. 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting (Text with EEA relevance) https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv%3AOJ.L_.2022.322.01.0015.01.ENG&toc=OJ%3AL%3A2022%3A322%3ATOC (accessed 16 April 2023).
18. Adapted from Bridges Fund Management (2015).

Figure 3. Spectrum of capital



As is clear from Figure 3, impact investment can involve both below market as well as market level rates of financial return. For example, in 2022 Athletes Unlimited raised US$30 million in funding to invest in a collective of professional women's leagues in the United States. Each investor agreed to cap their financial returns at a 6–10 per cent annual rate of return, with any surplus going into a pool to be split equally between the players and efforts to further the company's mission. Examples of the latter include investments in a voter-registration programme formed under AU's Power My Voice brand and the company's commitment to becoming carbon neutral. Such mission-aligned investment approaches have attracted new investors to sport, notably those who are willing to accept smaller returns in order to generate more value in the invested companies (JohnWallStreet, 2022). Different types of investors may be interested in backing different propositions.

Impact investment can be mapped onto the variance in data quality and attribution certainty of the different S4D outcomes, as discussed previously. In other words, types of outcomes achieved through S4D which have a more robust evidence base and are underpinned by clearer causal pathways – such as physical and mental wellbeing – may be prime candidates for the types of impact investment that are more risk-averse. It is important to note here that outcomes that have fewer tangible metrics or articulations of causality can still attract investment. For the types of outcome domains of S4D that may have more significant gaps in terms of the current evidence base or causal logic, types of investors with a higher risk appetite may be required. These tend to place greater emphasis on social returns while still expecting some financial returns, albeit below the market rate. Recent innovations in blending philanthropic and investment capital, for example, offer potential to accommodate higher-risk investment propositions.

The spectrum of capital further clarifies the point that investment (i.e. the provision of capital with expectation for financial returns) and funding (i.e. the provision of capital without expectation for financial returns) can both play a role in the S4D agenda. Again, mapping the evidence base on the financial value of different sport outcomes alongside the level of certainty of outcomes being achieved, can generate a better understanding of the likelihood of financial returns being achieved through different outcome propositions.

Increasingly, both philanthropic giving and financial investment fields are pivoting towards outcomes. For example, Performance-Based Grants (PBG), which aim to promote positive change by conditioning access to grants on the achievement of certain desirable goals – usually expressed in the form of minimum conditions and/or performance measures – have become increasingly commonplace.

Equally, new models of impact-aligned financing have been developing within financial markets. In particular, Social Bonds have emerged as a recognized financial instrument issued by governments, multi-national banks or corporations, with guarantees of repayment over a certain period of time, plus either a fixed or variable rate of return. Such use-of-proceeds bonds raise funds for new and existing projects with positive social outcomes. The Social Bond Principles set out the different project types that can be considered under Social Bonds (ICMA, 2021).

Another recent development with scope for commercialization is the Social Impact Guarantee (SIG) (Tan, Samdin and Lorinet, 2021). An SIG can be understood as a money-back guarantee for social impact. If the targeted social outcomes are not achieved, the insurers will pay out.

Other developments involve hybridization, blending philanthropy and investment capital. For example, Social Impact Incentives (SIINC) involve a 'pre-order' for the required impact between the funder and an enterprise (Roots of Impact, 2016). The enterprise then uses this pre-order to secure investment, using that investment to expand operations and deliver the desired impact.

What sets impact investment apart from other forms of investment, however, is not the asset class type, but the intentionality underpinning the capital (Ng and Mills, 2023). Variations in this intentionality determine where a specific funding or investment proposition falls within the spectrum of capital.

4.3 Drawing impact investment into outcomes contracts

This intentionality for outcomes can be passive (i.e. applying a negative screen to avoid unsavoury investments) or proactive (i.e. purposively seeking to achieve positive outcomes). Investment in S4D is likely to require positive selection, in line with the principles set out in UNESCO's Fit for Life sports initiative, which calls for an ethical and quality standards-led approach underpinned by partnership, monitoring through measurement and the sharing of knowledge. Indeed, the transparency that comes with open data will play a vital role in promoting greater awareness over time.

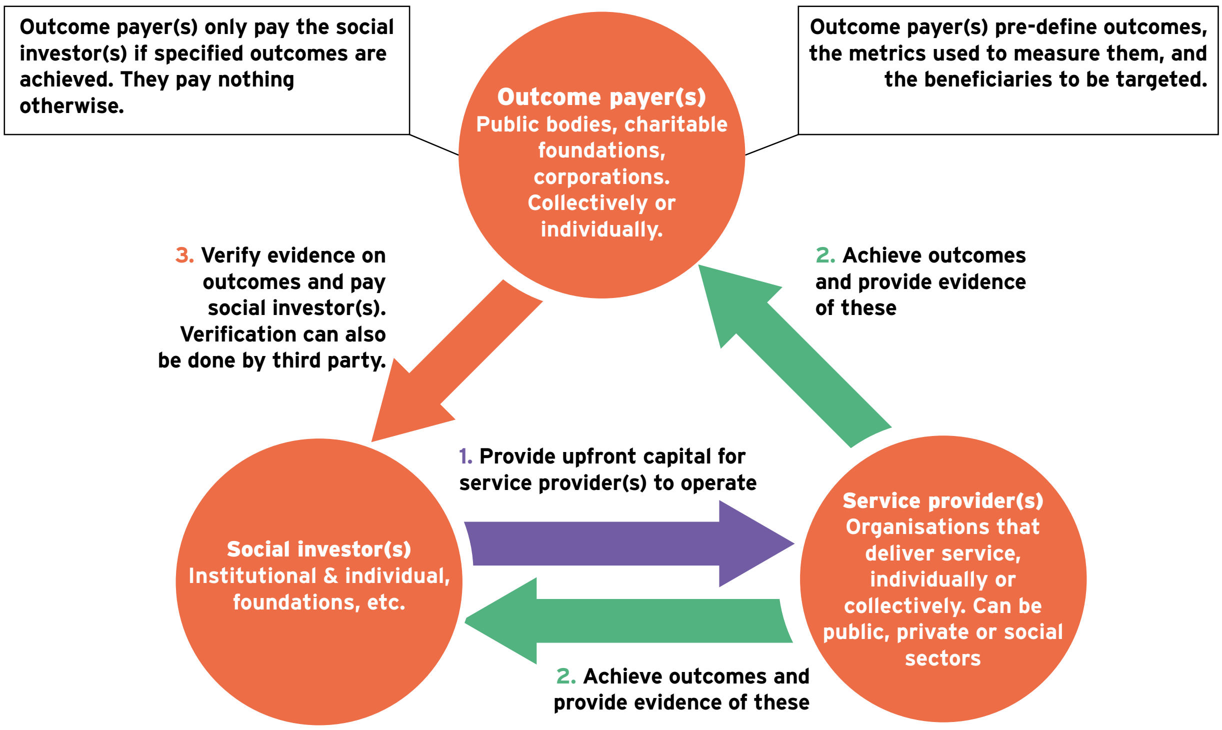
At the same time, the thrust of global impact investment developments can appear divorced from the lived experiences of people. One way of connecting the global with the local is to explore ways of channelling impact investment through outcomes contracting. However, while impact investment has been directed to priorities such as mental health, inclusion and the fight against gender violence, the medium used has not been sport. By adopting an outcomes contracting approach, sport offers huge potential for leveraging global impact investment in a way that spells out the enabling effect that sport brings to the achievement of wider outcomes in health, education, inclusion and more. This facilitates clearer lines of engagement and collaboration between sport authorities and other partners, while amplifying collective impact.

4.3.1 SOCs involving impact investment

Social Outcomes Contracts can be structured to draw in private investment capital. This approach was pioneered by the UK in 2010, which launched the world's first Social Impact Bond (SIB) (Social Finance, 2011). However, the use of the terms 'Social Benefit Bonds' (SBB) and 'Pay For Success' (PFS) contracts has led to confusion and misunderstanding. Moreover, the name 'Social Impact Bond' is itself a misnomer as it is not a 'bond';[19] instead, the SIB is a Social Outcomes Contract that involves external financing (see Figure 4) (Sin, 2019).[20] The social investor's role is to cover the upfront capital required for a service provider to set up and deliver prior to receiving payments for the outcomes achieved. The investor carries some or all of the financial risk of the outcomes not being achieved.[21]

19. See Good Finance 'What Is A Social Impact Bond?' available at: https://socialimpactbondtoolkit.goodfinance.org.uk/sib-basics/what-social-impact-bond (accessed 17 April 2023).
20. There may be other players such as intermediaries, external evaluators and others, but at its core, this type of contract must always have three key players – the outcome payer, service provider and social investor.
21. The amount of risk to capital can vary depending on how the contract is structured. Social investors may not always bear all or even more of the financial risk (see Galitopoulou and Noya, 2016).

Figure 4. Overview of the basic structure of an SOC involving impact investment



4.3.2 Benefits of SOCs with impact investment

Social Outcomes Contracts that draw in impact investment overcome some of the shortcomings of conventional SOCs. In a conventional SOC, the financial risk of non-achievement of specified outcomes is transferred from the government onto the service provider. Conversely, SOCs that involve impact investment shift the financial risk away from the service provider and onto social investors, thereby encouraging more providers to engage in outcomes contracts and become socialized in the discipline of outcome-based delivery, while still protecting governments from 'paying for failure'.

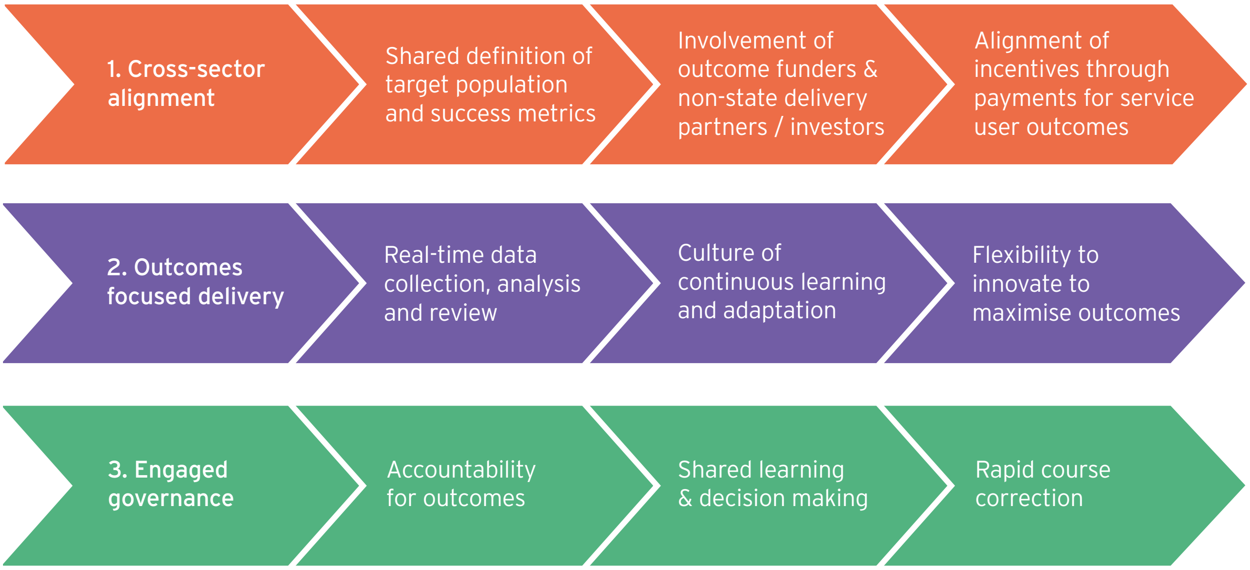
At the same time, the SOC structure transforms generic impact investment into something more targeted and purposive. For sport ministries, this could mean having the ability to tap into the trillion dollar source of global impact investment capital and routing it in ways that reflect local and national priorities (e.g. enhancing gender and disability inclusion, or improving physical and mental wellbeing through sport), while retaining person-centredness and simultaneously placing communities in control.

This type of SOC implies a freedom from reliance on the liquidity and risk appetite of individual provider entities, as well as from the ability of sport ministries and even wider government to stump up the required capital upfront, and can enable capital to be drawn down at a scale that meets the level of needs.

It is important to acknowledge that the issue of risk transfer is a complex one. While SOCs involving impact investment tend to shift all or most of the financial risk of non-achievement of outcomes onto social investors, in practice there is a wide range of risk allocation approaches. The sensible allocation of risk to different partners is often negotiated, reflecting different motivations and needs.

The active ingredients that make such SOCs work have been distilled into three core drivers – cross-sector alignment, outcomes-focused delivery and engaged governance (Savell, 2022), as illustrated in Figure 5.

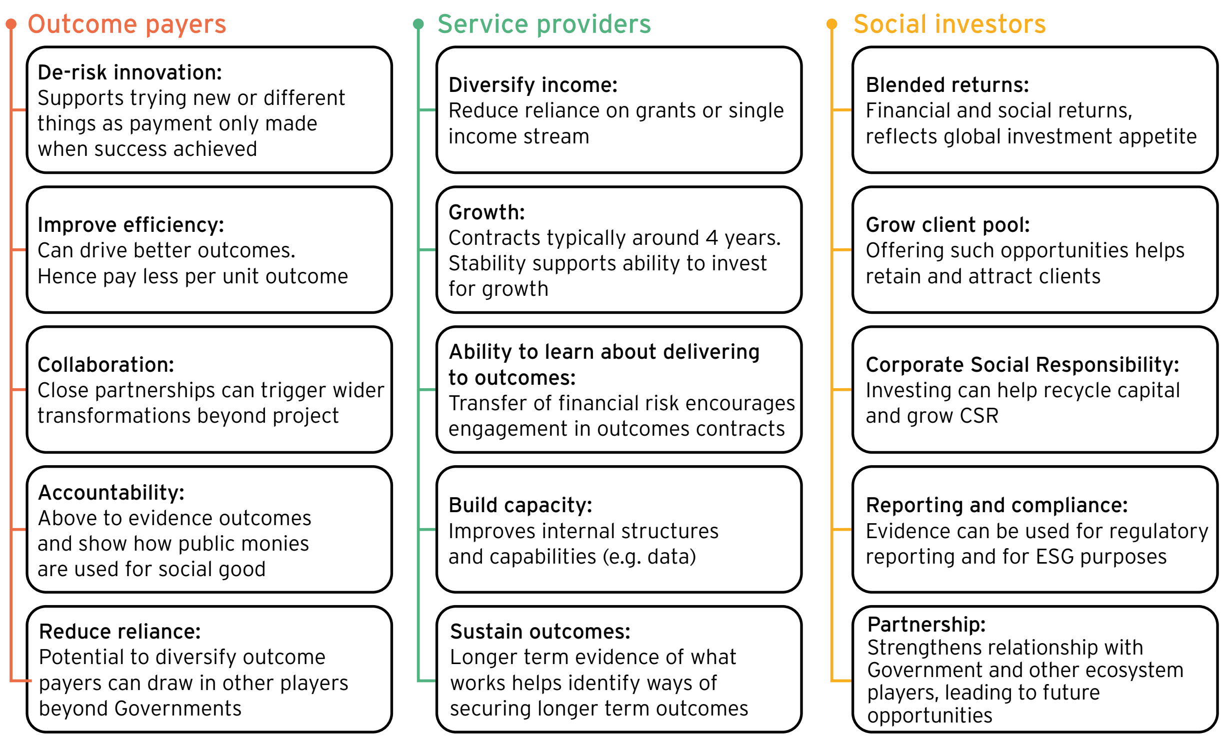
Figure 5. Drivers of resilience and impact within social outcomes contracts



International evaluations of such SOCs point clearly to the fact that different partners may take a lead on each of these drivers. Genuine collaboration and partnership are fundamental to the success of SOCs involving impact investment. More specifically, success is not determined by the specific partnership model or rigid role assignment, but is instead rooted in open discussions and negotiations around relative strengths and motivations across the various partners. This flexibility means that partners play to their strengths, and the lack of capacity of expertise in any specific partner does not hinder such instruments in achieving their purpose.

The collaboration, innovation and learning enabled by these instruments contribute to a wide range of benefits, which accrue to each partner, over and above the outcomes achieved for service beneficiaries (Goodall, 2014). These are summarized in Figure 6.[22]

Figure 6. Benefits of impact investment through outcomes contracts for different stakeholders



22. Modified from Sin (2019).

These instruments further generate a range of returns – both social and financial – to the wider system. In-depth research in the UK – the most mature SOC ecosystem in the world – reported that every £1 spent by the government resulted in a further £10 created in social, economic and fiscal value, of which £3 represents direct savings to, or costs avoided by, government (Stanworth and Hickman, 2022).

4.3.3 Challenges of SOCs involving impact investment

Over and above the challenges faced by all forms of SOCs, the inclusion of social investors (and potentially other players, such as intermediaries) introduces additional complexity. Many commentators have argued that these types of SOCs have high transaction costs. It is certainly true that the earliest SOCs incurred significant design and implementation costs when drawing in impact investment (Disley *et al.*, 2011). However, many of these costs incurred can also be found in other conventional forms of contracting (Gustaffson-Wright and Osborne, 2020: 14). It is therefore important to consider what is included in the total cost of structuring, implementing and validating the different types of contracts, and to appreciate that the costs may not be incurred in the same way, by the same stakeholders, or at the same level.

More importantly, SOCs involving impact investment have been evolving rapidly since their introduction in 2010. As they mature – as a result of replication after proof of concept has been established in a particular policy area – there is growing evidence of increased efficiency (Hameed *et al.*, 2021). There is also evidence that cumulative learning, alongside the growing body of toolkits, guidance and other resources,[23] has contributed to a reduction in the time and cost involved in their design and launching, even in new territories. For example, Abu Dhabi's Atmah project – the first in the Gulf region – took only five months from ideation to launch (Bidey and Sin, 2022).

While these resources are not currently bespoke to the needs of sport, they are still highly relevant to the majority of needs of those interested in designing such instruments in the field of S4D. Stakeholders can therefore build on these materials rather than reinvent the wheel.

There is also evidence that countries that engage with these instruments often stimulate the emergence and growth of intermediaries that bring, or transform, technical skills and expertise to better support the development of a thriving outcomes-focused ecosystem. The consolidation and growth of relevant expertise further reduces transaction costs, facilitating replication and upscaling.

There are further innovations to support SOCs at scale. Some of the barriers arising from siloed budgets, short-term budget cycles and the costs of developing individual projects, are being overcome through the use of pioneering multi-year Outcomes Funds. These funds pool together dedicated resources from across government departments, or between government and other domestic and international partners, to pay for outcomes, with the intention of issuing and supporting multiple SOCs, including those that involve impact investment (Savell *et al.*, 2021). This approach holds significant potential for sport, as it enables the pooling of budgets across departments in order to maximize impact for all.

4.3.4 Prevalence of SOCs involving impact investment

As at June 2023, there were 279 such SOCs in 38 countries.[24] Outside of the early adopting regions of Europe, North America and Australia, they can now be found in Asia (Cambodia, China, India, Japan, Republic of Korea), the Middle East (Israel, Jordan, Palestine, United Arab Emirates), Latin America (Argentina, Chile, Colombia, Peru) and Africa (Cameroon, Democratic Republic of Congo, Ethiopia, Kenya, Mali, Nigeria, Sierra Leone, South Africa, Uganda). These instruments are being used in a variety of policy areas, including: employment and training, child and family welfare, gender equality, health, education, homelessness, criminal justice, poverty reduction, agriculture and the environment.

23. For example, the UK Government Outcomes Lab has an authoritative and growing collection of case studies, research and evaluation reports, guidance and toolkits, templates and datasets (see https://golab.bsg.ox.ac.uk). The Brookings Institute, based in Washington, DC, produces robust overarching and thematic syntheses reports (see www.brookings.edu/series/impact-bonds). Good Finance, a UK-based portal, produces interactive and documentary resources, guidance, toolkits and case studies targeting demand-side players (see www.goodfinance.org.uk).

24. See Government Outcomes Lab, Impact Bond Dataset, available at: https://golab.bsg.ox.ac.uk/knowledge-bank/indigo/impact-bond-dataset-v2 (accessed 18 April 2023).

There have been a number of well-executed regional syntheses of SOCs involving impact investment,[25] including one covering Latin America (Ronicle and Strid, 2021) and another focused on Africa (Outes Velarde *et al*., 2022), both of which articulate key attributes and trends, lessons learned and good practices.

The review of these SOCs in Latin America found that the projects were well designed and accompanied by thorough consideration of the advantages and disadvantages of the model. It further noted encouraging signs that ecosystems supporting such SOC are being developed in some countries, with particularly impressive progress in Colombia.

There are interesting distinctions between the types of SOCs involving impact investment, and their motivations. While originating in the UK, largely due to austerity – which resulted in types of contracts focused on financial savings or cost avoidance for the government and public bodies – other countries have not necessarily employed them for the same reason. Early examples from Japan adopted a focus on improving societal wellbeing, which, in some cases, required more rather than less public spending. Similar to some other countries in Asia Pacific, Japan views such instruments as a mechanism for reconfiguring relationships between state and civil society (Sin and Tsukamoto, 2018).

Elsewhere, by drawing in impact investment, these SOCs have captured the attention of some governments in Africa, because they are seen as providing a mechanism through which the public sector can share the risk with foundations and donors (both domestic and international) around testing and scaling innovative social interventions (Outes Velarde *et al*., 2022).

In addition, these SOCs are increasingly used for system strengthening purposes (Gustaffson-Wright *et al*., 2017), over and above the achievement of specific outcomes for targeted intervention cohorts (see Box C).[26] Their ability to help build the capacity of the whole system in regard to effective policy implementation and effective service design and delivery is likely to have particular appeal for lower and middle-income countries (Andrews, Pritchett and Woolcock, 2016). A study published in August 2022 reported that one or more outcomes-based contracts were under development in 18 African countries: Benin, Burkina Faso, Chad, Côte d'Ivoire, Egypt, Ethiopia, Ghana, Kenya, Lesotho, Mali, Mozambique, Namibia, Niger, Senegal, Sierra Leone, South Africa, Tanzania and Tunisia. The associated pipeline projects have outcomes relating to health, water, sanitation and hygiene, social protection, climate change, agriculture, energy, women's empowerment, financial inclusion and early childhood development.

Box C: The Cameroon Kangaroo Mother Care project

The Cameroon Kangaroo Mother Care project ran from December 2018 to September 2021 and was commissioned by the Cameroon Ministry of Public Health and other partners. It aimed to demonstrate and refine a scalable model of Kangaroo Mother Care (KMC), an evidence-based approach to reducing neonatal morbidity and mortality. KMC was rolled out to ten public hospitals over the course of the project, using a train-the-trainer model to embed KMC expertise within the Cameroonian health system.

Based on lessons learned from the programme, the Government of Cameroon has announced its intention to embed KMC into their National Strategic Plan for Maternal and Child Health; incorporate KMC training into mainstream clinical training and support curricula; and create ongoing financial incentives within their mainstream results-based financing programme for health system strengthening, with payment triggers informed by lessons from the KMC project.

Aside from such regional synthesis reports, a recent thematic synthesis report on the use of such instruments in the education systems of LMICs (Elsby *et al*., 2022) reported that educational SOCs involving impact investment have proven a success, particular in terms of improving gender equality. Service providers have largely achieved the specified participation and learning outcomes. Such instruments could shift the focus towards outcomes,

25. For an example of an overview for Europe, see European Investment Advisory Hub (2021).
26. Adapted from Savell (2022: 22).

drive performance management, support adaptive management and lead to greater collaboration. A case study of a pioneering SOC in this area is given in Box D.

4.3.5 SOCs involving sport

Box D: The Educate Girls SOC

Duration: Launched in May 2015, with a duration of two years

Capital raised (minimum): CHF 267.73k (US$292.90k)

Investor: UBS Optimus Foundation

Outcome payer: Children's Investment Fund Foundation

Target cohort: Out-of-school girls in Rajasthan, India. Educate Girls compiled and maintained a census of out-of-school girls in treatment villages, which was validated annually by an independent intermediary (IDInsight).

The problem to be addressed: In spite of the Indian government's substantial commitment to education, nearly 3 million girls are still out of school despite being eligible. School access for girls is particularly poor in Rajasthan, with girls more than twice as likely to be out of school compared to boys in rural parts of the state. The country also has the largest illiterate population in the world, with only 50 per cent of women able to read or write.

Provider: Educate Girls

Intermediaries: IDInsight, Instiglio

Intervention: The Educate Girls SOC was initiated with the intention to scale the impact of Educate Girls, setting a target of enrolling and improving the quality of education for 15,000 girls in Rajasthan. Educate Girls has a proven model and performance history which made it attractive to investors, as well as a programme suited to an SOC contract.

Educate Girls utilized an integrated community-based approach to provide education to young girls aged 6–14 in Rajasthan. Their strong community ties positioned them to positively influence and communicate the value of education within rural Indian communities. In addition, Educate Girls' understanding of the cultural context and their flexible teaching approach, allowed them to create tailored teaching programmes adapted to the needs of the end user, which ultimately improves the quality of their education.

Outcomes: (i) enrolment of girls aged 7–14 in basic education, and (ii) improvement in the quality of education for boys and girls in grades 3–5.

Payment triggers: Payments linked to enrolment and education outcomes were based on an 80:20 split, with 80 per cent of payments tied to improved learning outcomes and the remaining 20 per cent determined by Educate Girl's ability to identify and re-enrol out-of-school girls.

Enrolment outcomes: Payment is triggered if enrolment hits 79 per cent of all eligible out-of-school girls. Student enrolment is defined by the percentage of out-of-school girls (between age 7 and 14) enrolled in school by the end of the third year. Educate Girls performed a door-to-door primary survey to identify out-of-school girls, ensuring an accurate target group at the start of the intervention. ID Insight independently verified the accuracy of the enrolment list by sampling a portion of the lists and conducting school and household visits.

Learning outcomes: Payment is triggered if at least 5,592 Annual Status of Education Report (ASER) learning levels are achieved above control group gains. Students' learning was measured using the ASER test, a widely used assessment of basic literacy and numeracy. The test measured three proficiencies: Hindi, English and Mathematics. The tests were administered to students before and after the intervention. IDInsight measured the impact based on learning gains (from one test to another between students enrolled in the programme and in nearby control villages) for students in grades 3–5 over the course of the programme.

Success achieved: In July 2018, the SOC presented its results, which were above the initial target. By the final year, the Educate Girls SOC had achieved 116 per cent of the set enrolment target and 160 per cent of the learning target. UBS Optimus Foundation (the investor) recouped their initial funding of US$270,000 plus a return of 15 per cent. The SOC introduced a shift from classroom-focused to group-focused approach: groups were created based on the competency levels of children, each child's progress was tracked and teaching sessions were increased overall.

Additionally, Educate Girls provided after-school support, with community volunteers meeting with students and parents outside of the classroom to address specific concerns. This proactive approach focused on outreach to improve student enrolment in hard-to-reach districts. The outcomes of the SOC provide encouraging results for organizations thinking about enlisting a Development Impact Bond (DIB) to finance an outcomes-based project to scale impact within a developing country.

Source: Government Outcomes Lab (2022).

The explicit focus on outcomes, the commitment to robust measurement, the encouragement of innovation and cross-sector collaboration, and the leveraging of impact investment capital to manage risks and to build up system capacity, all make these types of SOCs ideal for helping to realize the aspirations set out in Fit for Life. There is already an example of an SOC based on sport (Box E).[27]

Box E: The Chances SOC

Duration: Contracts signed in November 2020. Full launch of all projects took place in April 2021 after the COVID-19 pandemic eased. Completion in December 2024.

Capital raised (minimum): £1.25 million (US$1.54 million)

Investor: Big Issue Invest

Outcome payers: The UK Government Department for Digital, Culture, Media and Sport; Sport England; and more than 20 local authorities in England

Target cohort: More than 6,700 children and young people, aged 8–17. If referred by the Local Authority, they must meet at least one of the following conditions: excluded from school or having attended less than 60 per cent of classes during the previous full school term, aged 16–17 and not in education, employment or training (NEET), aged 13–17 and at risk of becoming NEET, and/or having offended less than three times within the previous 12 months or subject to a pre-court disposal order.

If self-referred, the person must meet at least one of the following conditions: not involved in a structured physical activity programme and/or have low levels of physical literacy, aged 16–17 and not in education, employment or training (NEET), aged 13–17 and at risk of becoming NEET and/or having offended three times or more in the previous 12 months.

The problem to be addressed: Young people who are experiencing complex social problems – underpinned by deprivation, poor family circumstances, adverse childhood experiences and who are living in areas where local services are too stretched to provide adequate support – have a higher probability of poor adult outcomes. Growing up in such circumstances present a series of risks that are difficult to overcome: lower educational outcomes, lower access to health services, absence of role models or positive adult references, higher probability of becoming NEET, and a higher probability of being exposed to crime and violence, both domestic and in the streets. Prevention is cost effective since a young person in the criminal justice system costs the UK taxpayer over £200,000, but support to stay out of the system costs less than £50,000.

27. Adapted from Patel (2022) and Local Government Association (2022).

Providers: A network of 16 local youth and sport organizations that are trusted by children and young people.

Intermediary: Substance – a research and technology company that helps organizations that do good, think smarter and make more of a difference. Over and above their delivery coordination role as an intermediary, Substance also conceptualized the SOC and sourced the investment and the outcome payers. The company is performance managing the SOC, and running a live action research project alongside.

Intervention: Participation in sport and physical activity is used as a means of enhancing social inclusion. The Chances Programme provides new opportunities and alternative life pathways for children and young people while improving their health and wellbeing.

Substance works with 16 local youth and sport organizations to coordinate delivery of the Chances Programme. These partner organizations are based in youth and community facilities where young people usually meet. While every service provider has the liberty to propose different activities, all of them offer opportunities to get active, engage with learning and volunteer in their community.

The intervention approach is not focused on measuring activities and outputs, such as the number of sessions spent playing football. Instead, it focuses on the bond developed between a young person and a trusted adult, and a personalized delivery approach which centres on supporting the young person to achieve change in their lives. These two factors drive the delivery model.

While the intervention is unable to address the root causes of young people's difficulties, the delivery partners have the flexibility to use a wide range of strategies to support them, building multiple layers of protection around the young person so they feel listened to, safe, supported and able to focus on achieving their goals.

Outcomes: (i) health and wellbeing; (ii) employment, education and employment; and (iii) reduced risk of re-offending.

Payment triggers: Payment is triggered by positive changes in engagement and involvement, which are measured by staff assessments using the Engagement and Progression Matrix.

Specifically:

Physical literacy, measured at the mid-point and end-point using a questionnaire.

Improvement in school or Pupil Referral Unit attendance of 5 per cent or 10 per cent over three full terms, compared to attendance for the full term immediately prior to referral to the programme, measured using school attendance data collected by local authorities.

Achievement of a recognized sports qualification/coaching award, started during any quarter, assessed based on recognized certificates of achievement.

Completion of a three-month volunteering or work experience placement, totalling a minimum of 30 hours, evaluated based on a letter from the organization documenting the length and type of the volunteering/work experience.

Enrolment into college/sixth form enrolment for 16–17 year olds who are NEET, evidenced by a placement and attendance letter from a registered educational institution.

A reduction in the re-offending of young people who have offended once, or who have been subject to a Pre-Court Disposal Order in the 12 months prior to programme referral, evaluated based on a letter from the local authority Youth Offending Service. Each outcome covers a period of 12 weeks for a maximum of four evaluations following the date of referral.

A reduction in the proportion of young people who have offended three or more times in the previous 12 months, by one-third over the year following referral, with no further offending over each three-month period following engagement, measured by a letter from the local authority Youth Offending Service. Each outcome covers a period of 12 weeks for a maximum of four evaluations following the date of referral.

Success achieved thus far: The Chances Programme is still in the delivery phase. Outcomes achieved to date are tracking well against the projected targets.

In addition, local authorities have reported improved partnerships with local service providers, while the latter have cited enhanced capabilities to collect the data needed to demonstrate impact, as well as the creation of strong networks with other local delivery partners.

While the Chances SOC remains the only one of its kind in the world to explicitly use sport to generate defined social outcomes, it is by no means the only SOC to integrate sport and physical activity.[28] At least ten other examples of SOCs involve sport and physical activity either as the main form of intervention, or blended with other non-sport interventions. These are considered health SOCs, and are intended to generate a range of individual physical and mental wellbeing outcomes, as well as financial savings and cost avoidance for health systems (see Appendix 1).[29]

Encouragingly, SOC projects involving impact investment with an explicit focus on sport are now being developed. For example, a coalition of international experts led by the Development Bank of Latin America (CAF), together with UNESCO, is in the process of designing an SOC involving grassroots sport as a vehicle for achieving disability inclusion in Santiago, Chile. The project is a partnership with local, regional and national governments, with ambitions to scale regionally based on the learning outcomes of the local pilot.[30] International coordination, such as through the aegis of UNESCO's Fit for Life sports initiative, would enable the lessons learned from this project to support the development of future impact investments globally, thereby amplifying impact and reducing transaction costs.

28. For a detailed explanation of how SOCs can be structured around sport, please refer to the video recording of a side event hosted by CAF at the United Nations General Assembly, 'Latin America and the Caribbean working on the 2030 Agenda for Sustainable Development', 19–20 September, 2022, New York City. www.caf.com/en/currently/events/2022/09/caf-at-the-un-sports-as-a-key-investment-for-the-inclusion-of-people-with-disabilities (specifically the video segment from 20:37 to 31:00).
29. This is based on new analysis of raw data from the UK Government Outcomes Lab's INDIGO database, and additional research conducted by the author. The database is available at: https://golab.bsg.ox.ac.uk/knowledge-bank/indigo/impact-bond-dataset-v2 (accessed 30 March 2023).
30. This project is named *Trampolín (see Diaz-Granados, 2022).*

5:
What public sport authorities and partners can do

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The global diffusion of SOCs, particularly those leveraging impact investment, demonstrates that these contracts are practicable in highly varied contexts, across high, medium and low-income countries with very different political systems, cultural and religious norms, and social priorities. The distinct contexts, needs and actors of each ecosystem influence the approaches used in the design and implementation, and the very form of SOCs.

Public sport authorities and other government departments are often perceived solely in terms of their role in providing funding or in delivering social interventions. Indeed, in the context of SOCs, public bodies are often represented as 'outcome payers'. Yet not all public bodies are willing or able to perform this role. In the case of many SOCs leveraging impact investment in lower-income countries, governments do not play this role or may play only a secondary outcome payer role. This opens up new possibilities for governments to reassess the risks and benefits of engaging in public-private partnerships. More specifically in relation to sport, sport ministries often have limited budgets, whereas the scale of the social issue to be tackled is cross-cutting and significant. It is therefore important that public sport authorities do not conceive of themselves (and what is asked of them) solely in terms of financing.

Together with wider government, public sport authorities can play a variety of roles over and above direct engagement in specific SOCs. Most critically, government can often play an enabling or facilitative role,[31] such as in the following ways:

- **Stimulate the supply and growth of impact investment capital.** This could be achieved through tax relief schemes, seed investment schemes or through the mobilization of dormant assets.[32]
- **Consider Outcomes Funds.** As mentioned previously, Outcomes Funds pool together dedicated funding which can be used to support multiple SOCs, including those involving impact investment. One or more actors (public, private and/or philanthropic) allocate funding for the operation of an outcomes fund. These actors may be domestic and/or international. Outcomes Funds allow impact to be scaled up while reducing transaction costs. If well designed, Outcomes Fund, can be a powerful mechanism to build ecosystem capacity alongside the evidence base (Savell *et al.*, 2021). Public sport authorities can make a business case for Outcomes Funds that cut across departmental budgetary silos to tackle cross-cutting issues at scale, thereby improving efficiency and quality across departments. They may also engage with international entities, such as donor agencies and major foundations, to attract capital into such Funds.
- **Enact supportive legislation.** In addition to legislation that encourages impact investment, governments may also legislate for a clearer commitment towards social outcomes, and embed this commitment in ways that value outcomes more tangibly (e.g. accounting for social outcomes in procurement decision-making, alongside conventional financial due diligence).
- **Encourage the practice and culture of measurement and data-sharing.** This can be instituted through reporting requirements, data-sharing protocols, and the provision of resources and guidance for measuring outcomes.

31. Adapted from Sin (2017).
32. A dormant asset is one that a firm is unable to reunite with its beneficial, or rightful, owner. The UK Parliament passed the Dormant Bank and Building Society Accounts Act 2008, which set the definition for a dormant account, and established what funds from dormant accounts could be used for in the UK. In its first iteration, dormant assets were used to resource the provision of services for young people, financial inclusion, and a social investment wholesaler to give financial or other support to third sector organizations (Big Society Capital, 2021). Similarly, the Japanese Diet passed the Dormant Deposit Utilization Act in December 2016, opening the way for funds in bank accounts that have been inactive for 10 or more years to be utilized to finance social welfare activities (Masataka, 2017).

- **Grow supportive infrastructure.** This can take various forms, including supporting local intermediaries able to provide the relevant technical support, incorporating academia as hubs of measurement excellence and to fill data gaps, and resourcing capacity-building programmes for public sector decision-makers and budget-holders, etc.

The relevance and priority of the various actions discussed above will vary across different ecosystems. Governments should consider the specific needs and strengths of their respective ecosystems in determining the appropriate actions required.

5.1 Ecosystem mapping

While there exists no one-size-fits-all approach to engaging with SOCs or with partnerships that are intended to drive better outcomes, the 'ecosystem readiness framework' is a diagnostic tool to assist public sport authorities and partners in clarifying priorities and steps to be taken. This framework is based on existing international research and extensive stakeholder engagement across high, medium and low-income countries. There is increasing recognition that the potential of SOCs and other outcomes-focused approaches can only be unleashed if they are able to work in settings with different levels of capacity and readiness.

In this framework, the absence of any condition or competency does not mean that an ecosystem should not engage in outcomes-based projects. Instead, it encourages the ecosystem players to build on and perhaps reorientate their strengths towards better supporting such endeavours, while prioritizing gap-filling actions so that the tasks are manageable and focused. This approach recognizes that different players have different resources and skills that may be brought to bear through collaboration.

One example of an ecosystem readiness tool is the DREAM Framework. This outlines the key enabling factors for launching SOCs involving impact investment in different ecosystems. It originated from SOC learning in Latin America. The DREAM Framework was expanded recently to incorporate aspects of more relevance to lower-income countries (Savell, Urrea and Thomas, 2022). This DREAM Plus Framework is summarized in Box F, and presented more fully in Appendix 2.

Box F: Dimensions of the DREAM Plus Framework

Demand from outcome funders:[33] competencies and conditions related to outcome funders' willingness, technical knowledge and financial capacity to participate, as well as their capacity to support other ecosystem stakeholders to engage.

Regulatory framework: conditions related to the regulation, rules and procedures in an ecosystem that influence stakeholder development and participation.

Economic and political context: the ecosystem's economic and political conditions, which can influence the degree of confidence non-state actors have in, or their acceptance of or resistance to, such approaches.

Availability of data: conditions and competencies related to the existence of information, data or evidence around population needs, existing interventions, outcomes and costs, among others.

Market capacity:[34] competencies and conditions related to the interest and technical capacity of non-government service providers, investors, intermediaries, evaluators and research centres around outcomes-based approaches.

33. The DREAM framework worded this as 'Demand from Government'. DREAM Plus broadened this to include other potential outcomes funders such as donor agencies or philanthropies, recognizing that these players are likely to be relevant in lower-income countries.

34. Under the DREAM Plus framework, the 'Market capacity' dimension includes additional market actors compared to those identified in the DREAM framework, namely academia or research centres.

The Framework is structured around three levels corresponding to the degree of ecosystem development. The first stage, 'ecosystem foundation', identifies key building blocks for establishing the first few pilots. The second stage, 'ecosystem expansion', identifies the competencies required for expanding outcomes-based approaches to other sectors and sets of stakeholders. The third stage, 'ecosystem consolidation', captures the factors needed for such approaches to become commonplace.

This framework helps to diagnose strengths and weaknesses at an ecosystem level. It clarifies the steps that may be taken to enable and encourage the launch of outcomes-based approaches, and takes account of the competencies that various system players may possess or lack.

5.2 Thinking through whether a SOC is needed

Once the ecosystem-level mapping has been conducted, public sport authorities and their partners should consider carefully whether a SOC is feasible and desirable, or whether some other form of contracting, funding or financing may be more appropriate. Four questions help interested parties determine whether a SOC is feasible and desirable (Hanrahan-Soar and Savell, 2021):

- Do all stakeholders agree on the social problem and a definition of success?
- Is there a clear rationale for using an outcomes-based approach?
- Is there enough uncertainty to make an outcomes-based approach a good fit?
- Will it be possible to pre-finance service delivery with private capital?

Several existing tools help to reflect on these issues from a technical design perspective and a relational management perspective. The UK Government Outcomes Lab has an interactive website that explores key considerations relating to SOCs aimed at drawing in impact investment.[35] Elsewhere, Ma'an – the Authority of Social Contribution, Abu Dhabi, has published a guide that includes a comprehensive checklist of issues to consider, and the rationales for considering them (Sin, 2021) (see Appendix 3).

Even if, as a result of this process, a SOC does not seem the most appropriate way forward, experience in mature SOC ecosystems has shown that systematic mapping helps partners to clarify the most appropriate pathways for achieving desired outcomes through alternative funding or commissioning approaches (Fraser *et al.*, 2018). Over time, this process socializes the different partners to become more effective in intervention design, implementation and funding.

5.3 Designing, implementing and reviewing SOCs

Once an informed decision has been made to proceed with a SOC, there are numerous resources available that set out the key components and the logical sequence involved in their design, implementation and review.[36] One of the most comprehensive and useful is the UK Government Outcomes Lab's interactive 'Impact Bond Lifecycle' tool, which was developed in consultation with practitioners and experts. This tool outlines considerations for the development, delivery and review of SOCs involving impact investment, with prompts and guidance at each of the seven lifecycle stages:[37] (i) reviewing options, (ii) developing the business case, (iii) managing relationships, (iv) designing the service, (v) mobilizing for delivery, (vi) overseeing delivery, and (vii) ongoing adaptation and learning. Each stage is further sub-divided into more granular steps. This tool is reinforced with more detailed technical guidance[38] on specific components such as: setting, measuring and pricing outcomes; awarding outcomes contracts; evaluating outcomes-based projects and more.

35. See Government Outcomes Lab, 'Key considerations when developing an impact bond' https://golab.bsg.ox.ac.uk/the-basics/impact-bonds/#key-considerations-when-developing-an-impact-bond (accessed 20 April 2023).
36. For example, Goodall (2014); Galitopoulou and Noya (2016)*; Cabinet Office and ATQ Consultants (2013); ThinkForward (nd a, b).*
37. See Government Outcomes Lab, 'Impact Bond Lifecycle', https://golab.bsg.ox.ac.uk/toolkit/impact-bond-lifecycle (accessed 20 April 2023).
38. See Government Outcomes Lab, 'Technical Guidance', https://golab.bsg.ox.ac.uk/toolkit/technical-guidance (accessed 20 April 2023).

6: Conclusions

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Securing sustainable and scaled-up funding for S4D has never been so vital as it is today. The rise of impact investment – one of many manifestations of wider global commitment towards social outcomes – offers real potential for unlocking significant financial resources. At the same time, innovations in contracting have not only made aspirations for better outcomes tangible in practice, but also opened up avenues for channelling impact investment into context-sensitive and needs-driven propositions. This combination presents unrivalled possibilities for deploying mission-aligned capital at scale, but in a way that is sensitive to the needs of different governments and the populations they serve.

As these developments in impact investment in sport are still nascent, there are still gaps in data and knowledge at the local, national and international levels. In-country ecosystem mapping, therefore, will be a vital first step in articulating the different barriers and opportunities that present themselves in different contexts, alongside existing resources. Transaction costs are higher when things are done at a project-by-project basis. Furthermore, there will be commonalities across different countries in terms of needs that are better met through coordinated efforts at the international level, including: tools for measuring the different outcomes generated through sport, data quality and standardization, methods for pricing outcomes, and certain types of investor engagement.

International interconnectivity should be strengthened through global mechanisms for sharing data, tools, resources and learning, so that countries can expedite progress while reducing transaction costs. There exist useful case studies, tools and resources – many of which are referenced in this document – but these are currently dispersed and are not always bespoke to the needs of IIS. A process of collation and curation will be necessary to ensure that the most relevant resources are pulled together and built upon, with clear signposting and easy access to their use.

As different countries benefit from data and learning exchange, they should also contribute to the growth of these repositories. The rationale here is that as each ecosystem builds up its internal capacity to support outcomes-focused endeavours, it also contributes to capacity building at the global level.

Impact investment in sport is a core component of UNESCO's Fit for Life sports initiative. As the UN lead for sport and physical education, UNESCO will play a vital role in advancing this agenda. UNESCO is uniquely placed not only to facilitate learning and data exchange, but also to steer new data collection, enabling the development and sharing of a common dataset for benchmarking and progress tracking.

The Organization can also play a critical role in terms of standards-setting which is already woven into UNESCO's quality standards for Quality Physical Education (McLennan, 2021) and Fit For Life (UNESCO, 2021). At the same time, UNESCO should also set quality standards for the use of such investment in S4D development, recognizing some of the risks in leveraging international impact investment capital. In ways akin to the Principles underpinning Social and Sustainability Bonds, and in line with more rigorous and transparent reporting requirements for ESG disclosures, UNESCO should clarify 'what good looks like' when it comes to IIS. This would ensure that impact investment is only drawn into quality initiatives that will make a difference, while ensuring clear and transparent reporting to avoid 'impact washing'.

Alongside standards-setting for the supply and use of impact investment monies, UNESCO could also advance the framework for designing Outcomes Funds at the national, regional and international levels. By defining the key parameters[39] for Outcomes Funds for S4D, in collaboration with partners, UNESCO can create consistency around outcome domains, outcomes verification approaches and evaluation techniques. This would help fill some of the evidence gaps and contribute to building an open-source database to facilitate learning and comparison, while also assisting public sport authorities and other stakeholders in reducing per-project transaction costs.

This paper and related resources should be used to help sport ministers and other ministers with sport as part of their portfolios, to activate and mobilize other stakeholders, both within and beyond their own departments, by reframing sport as a powerful enabler of sustainable development and a strong driver for improving government efficiency and effectiveness.

The joined-up efforts of public sport authorities and their national governments to promote impact investments, working in tandem with UNESCO alongside a growing international community of practice, represent a strategic opportunity to scale up public and private investments in sport for development.

39. For a description of the different design principles underpinning Outcomes Funds, serving different strategic objectives, see Savell *et al. (2021).*

Annexes

Annex 1: References

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Annex 2: Definitions

Activity. An action taken in the delivery of a service.

Activity-based contract. A type of contract whereby the party (or parties) contracted to provide a service will be paid on the basis of the type and volume of services provided.

Commissioner. An organization which funds or contracts for the delivery of a service.

Commissioning. The continual process of planning, agreeing and monitoring services. Commissioning is not one action but many, and aims to achieve the best outcomes with the resources available.

Contracting. A discrete set of actions defined as the materialization and ratification of partnerships through a formal legally binding agreement.

Cost-reimbursement contract. A type of contract whereby payment is based on the actual cost incurred by a service provider in carrying out the work specified in the contract, plus an additional fee.

Fee for service contract. A type of contract whereby payment to the service provider is based on service levels or outputs delivered, rather than outcomes.

Impact. The higher-level goal that a project's outcomes contribute towards.

Impact investment. Investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return. Impact investments can be made in both emerging and developed markets, and target a range of returns from below market to market rate, depending on the investors' strategic goals.

Impact investment in sport: The leveraging of impact investment into sport for development, through social outcomes contracting

Intermediary. The entity that performs the specific function of bringing together different partners and coordinating developments and delivery for the purpose of social outcomes contracting.

Intervention. The combination of an operational programme and strategies designed to produce beneficial changes.

Outcome. The short, medium and longer term changes that result from the activities and outputs of service delivery.

Outcome-based commissioning. A type of service contract that pays, either entirely or partly, on the basis of specified outcomes.

Outcome payer. An entity that enters into a contract to pay for specific, measurable social outcomes. It can be an individual or an organisation, often a government ministry.

Outcomes Fund: These funds support Social Outcomes Contracts at a larger scale. Instead of just producing a single contract for a single service, Outcomes Funds support a larger number of outcomes-based projects. The projects are developed and supported in parallel, under a common framework. The primary purpose of an Outcomes Fund is to scale up the advantages of outcomes-based contracting in order to tackle social issues and achieve a wider array of social outcomes. In some situations, Outcomes Fund can help overcome the challenge of silo budgets held by different entities that may share the same interest in tackling a specific issue.

By supporting a larger number of projects to be developed under a common framework, Outcomes Funds seek to achieve efficiency through reducing the development time and costs associated with each individual project.

Outcomes funds typically focus on a single theme or issue, such as homelessness, education or jobs. Outcomes funds vary considerably in their scale. Some Outcomes Funds can stretch beyond national and regional boundaries.

Output. The tangible product that results from activities carried out in delivering a service.

Payment by results. The practice of paying service providers for delivering public services wholly or partly on the basis of results achieved. The results may include outcomes, but often also include activities or outputs.

Procurement. The process by which the relevant parties find each other and come to an agreement about how to carry out a scheme. Procurement is normally understood as a process, with different actions taken that leads up to contracting.

Results-based financing. See *Payment by results.*

Service provider. An organization which is contracted or funded to deliver a service.

Service beneficiaries. People receiving the specific services and support which are covered by a delivery contract.

Social outcomes contract. A contractual arrangement that sets out to achieve pre-determined social outcomes deliberately. Payment is made entirely or partly on the basis of the achievement of the pre-defined outcomes.

Social impact bond. A contractual arrangement involving at least three separate legal parties – a commissioner, an investor and a service provider – where payment depends wholly or partly on achieving specified outcomes and where some or all of the financial risk of non-delivery of outcomes sits with the investor.

Social investor. A party that provides capital for the purpose of generating social as well as financial returns.

Social Return on Investment: A method for measuring broader socio-economic outcomes in a single monetary ratio against the costs involved in achieving those outcomes.

Appendices

Appendix 1: Existing Social Outcomes Contracts involving sport and physical activity

Type	Name	Country	Cohort	Intervention	Outcomes
SOCs that predominantly use sport and physical activity interventions, and are labelled Sport SOC					
Sport	Chances	20+ local authority areas in England, UK Contracts signed in November 2020	Children and young people aged between 8-17 with specific issues - low school attendance, recent offenders, looked after children, NEETS, pre-NEETs, and young people with mental health problems	Provision of new opportunities and alternative life pathways for children and young people, specifically through getting active, engaging with learning and volunteering in their communities	Engagement/'Involved' measure Physical literacy measure at mid-point Physical literacy measure at end-point Achievement of a recognised sports qualification/coaching award started during any quarter Reduction in re-offending of young people who have offended once or are subject to a Pre-Court Disposal Order in the 12 months prior to referral into the programme Reduction of young people who have offended three times or more in previous 12-month period by one third over the year following referral. No further offending over each three-month period following engagement. Improvement in school or Pupil Referral Unit attendance of each 10 per cent over three full terms compared to the full term immediately prior to referral to the programme Completion of a three-month volunteering or work experience placement totalling a minimum of 30 hours
SOCs that predominantly use sport and physical activity interventions, but are not labelled Sport					
Health	Vortis	Mima City, Tokushima Prefecture, Japan Contracts signed in April 2021	People who experience hip, joint or posture problems, for whom sport and physical activities may be suitable	Participants attend weekly group training sessions with Vortis coaches, from the local pro-soccer team, for eight weeks. They also practice the Vortis programme exercises at home at least once a week. All daily physical activities are tracked using a wearable device. Participants also receive useful nutritional information from a registered dietitian.	Improved exercise habits Improved motor functions
Health	Stevig Staan (Standing Strong)	7 locations in Limburg, the Netherlands Contracts signed in December 2022	Older people 70 years and above, with a significant fall risk and mobility issues	One-on-one appointment with physiotherapist or exercise coach, followed by specific guidance and support, or referral to other healthcare providers. Participants will be put on one of two different exercise programmes.	Fewer falls in and around the house
Health	Cancer and Work	The Netherlands Contracts signed in November 2017	Employees undergoing or having completed cancer treatment	The intervention hinges on exercise at home and at work. The programme offers physical exercise and help participants define targets and learn to cope with limitations. Participants will be assisted by coaches, who will guide them through an intensive programme.	Return to work Reduced absenteeism upon return to work

Type	Name	Country	Cohort	Intervention	Outcomes
SOCs that include sport and physical activity as part of wider sets of interventions, and are not labelled Sport					
Health	Ways to Wellness	England, UK (Newcastle Upon Tyne and Gateshead) Contracts signed in February 2015	People, 40-74 years of age living in areas of Newcastle West with high deprivation levels, with long-term health conditions (LTC)	Social prescribing (i.e. signposting to non-medical interventions including joining walking groups, physical activity classes) and promoting behaviour change for healthier and more active lifestyles)	Improved self-management of long term conditions leading to greater sense of well-being, reduced social isolation and fewer GP visits Reduced cost of secondary healthcare services as a result of improvement in self-management of LTC
Health	Northamptonshire Social Prescribing	Northamptonshire, England, UK Contracts signed in April 2021	People with long term health conditions and one or more of a number of pre-determined characteristics.	Social prescribing involving connecting people with relevant services and support in the community to promote positive physical and mental health and wellbeing. This includes exercises and active lifestyle interventions	Initial assessment with bespoke action plan completed Additional complexity payment for engaging with people with complex conditions Mental wellbeing improvement after 6 months Mental wellbeing improvement after 12 months Overall wellbeing improvement after 6 months Overall wellbeing improvement after 12 months Reductions in GP consultations
Health	Heathier Devon	Devon, South West England, UK Contracts signed in June 2018	Adults at risk of developing Type 2 diabetes, with a focus on 40 per cent most deprived population	One-to-one and group-based help to make positive lifestyle changes, including nutrition, physical exercise and mental wellbeing	Sustained drop in weight, waist, and blood sugars measurement - 6 months threshold Sustained drop in weight, waist, and blood sugars measurement - 12 months threshold Sustained drop in weight, waist, and blood sugars measurement - 24 months threshold
Health	Preventing Type 2 Diabetes	Israel Contracts signed in March 2016	People at risk of developing Type 2 diabetes	Over the course of two years, participants motivated to improve their lifestyle, improve nutrition and exercise, through mentorship and oversight	Reduction in Type 2 diabetes cases
Health	Preventing late-stage complications from Type 2 Diabetes	Aarhus, Denmark Contracts signed in November 2021	Vulnerable citizens with Type 2 diabetes	The intervention is split into four phases of three months' duration, which provide the citizens with knowledge, skills and relationships that support them in achieving a better quality of life, including improved nutrition, social and active lifestyle activities.	At least 36 per cent of the citizens who are screened for the intervention complete the intervention and show up for control measurements after 12, 24 and 36 months At least 31 per cent of the citizens who complete the intervention reduce their long-term blood sugar (HbA1c, measured in mmol/mol) by a minimum of 8.5 per cent 12, 24 and 36 months after beginning the intervention (individual measure) The citizens who complete the intervention achieve an average reduction in their long-term blood sugar (HbA1c, measured in mmol/mol) of a minimum of 8.5 per cent 36 months after starting the intervention (collective measure)
Health	Her Heart Her Way	Manitoba, Canada Contracts signed in October 2022	Winnipeg women with increased risk of cardiovascular disease, including high cholesterol and high blood pressure	Support is provided to change lifestyle risk factors related to diet, weight, physical activity, stress, alcohol or commercial tobacco use	improved systolic blood pressure Increased physical activity
Health	Healthcare Project with Enclave Municipalities	12 municipalities in Japan Contracts signed in April 2018	Local residents aged 40 and above	Programmes for incentivising mindset and behavioural changes, including personalised nutrition plans and exercise programmes	85 per cent sustained participation amongst those lacking physical activity Improvements in steps count of participants who formerly lacked physical activity, to reach the national recommended guideline after 3 months, or increase of step count by 1,500 steps

Appendix 2: The DREAM Plus Framework[40]

	Ecosystem foundations	Ecosystem expansion	Ecosystem consolidation
Demand from outcome funders	Willingness of government, philanthropies and/or donor agencies to trial an OBP Funding/resource available to cover feasibility and design, and to pay for outcomes Understanding of differences in commissioning OBP to grants/fee-for-service contracts	Increasing buy-in to and advocacy for value of OBP from outcome funder decision-makers, and value for money case built and communicated widely More funding for design, evaluation and outcomes payments Greater confidence in procurement, governance and management of OBP Ideally, outcome funders try to build ecosystem capacity	Governments and donor agencies have deep understanding of OBP, skills to assess value, design and launch them, and invest in their feasibility, design and evaluation Governments play a key role in funding, procuring, contracting and managing OBP, and support ecosystem development
Regulatory framework	Existing regulation/special permissions for pilots allows outcomes funders to contract for OBP	Efforts made to identify and begin to amend funder regulation and other constraints to facilitate use of OBP where necessary	Relevant regulation in place to facilitate use of, and participation of non-state actors in, OBP
Economic and political context	Service providers/investors have confidence in outcomes funders that outcomes payments will be made, and clarity on impact of unforeseen impediments to outcome delivery Non-state provision of services allowed in country	Ideally, efforts made to increase confidence in the economic and political context	Service providers/investors have good level of confidence in government's willingness and ability to pay for outcomes, as well as in the legal and political context
Availability of data	Sufficient data to define problem and identify priority populations, price outcomes and assess value for money, and inform outcome evaluation Robust data to inform outcomes payments can be collected Ideally, process/impact evaluations beyond verification of outcomes	Increasing investment in development of data systems to allow easier tracking of outcomes Efforts to share data and learning from OBP with broad group of stakeholders Ideally, outcome funders and providers shift accountability towards outcomes based on available data, and stakeholders increasingly use data to adapt programme delivery	Robust data systems to support problem definition, programme design and outcome verification across sectors Outcome funders and service providers routinely held accountable for outcomes Data and learning from OBP systematically collated and shared widely
Market capacity	One or more service providers (and investors if needed) willing to participate in OBP All parties committed to work collaboratively to deliver outcomes with transparent, multi-stakeholder governance	Increasing numbers of providers and investors understand and are interested in participating in OBP Specialist intermediaries advise and support stakeholders to design and implement OBP Ideally, specialist evaluators and research centres extract and communicate OBP learnings	Increasing numbers of providers/investors have experience of OBP Independent research on OBP effectiveness and impact encouraged Systematic support for outcome funders to design and manage OBP contracts

40. Gibson (2022: 2) based on Savell, Urrea and Thomas (2022).

Appendix 3: Checklist for thinking through the feasibility and desirability of SOCs

Technical and practical considerations[41]

Criterion	Why it matters
Ability to find entities willing to pay for results or outcomes	A SOC only exists if there are entities willing to pay on the basis of results and outcomes. Government may not always be willing to do so either because of anxiety over doing something unfamiliar, or because they may be put off by some of the complexity of designing a SOC. In addition, the responsibility over a social issue may be split amongst different agencies and there may not be a clear lead agency that is fully accountable or is able to fund interventions. An Outcome Fund approach may help, as it is one of the ways of pooling resources from different sources. Outcome payers are not limited to governments or public sector entities. Donor agencies, foundations, corporates and others can pay for outcomes.
Ability to define the key results and outcomes clearly	A SOC should only be based on the types of results or outcomes that are important. Payment should only be made on the basis of the things that are significant, and not on items that may be 'nice to have' but are not vital. The ability to define results and outcomes clearly ensures that these are then measured well, and there is a transparent link between the evidence of performance and the payment to be made.
Ability to measure key results and outcomes robustly	Results and outcomes of interest should be measurable without undue burden or cost, but should be sufficiently robust that the evidence is regarded as reliable and valid.
Ability to interpret data on results and outcomes clearly	It should be straightforward for everyone to understand what it means if an indicator goes up, comes down, or stays the same. In other words, it must be easy to understand what 'good' looks like, or what constitutes an 'improvement'. Types of indicators that lead to the potential for ambiguity should be avoided as this complicates payment.
Ability to identify the cohort that the service should target	This is important in ensuring that the right individuals are targeted, and it can also help prevent 'cherry picking' or 'gaming' by service providers who may choose to work with the individuals that are easier to work with, rather than the ones who genuinely need help.
Ability to attribute outcomes to the service	There must be reassurance that the government is rewarding genuine contribution to improvement brought about by the service. If other external factors significantly influenced the achievement of desired results and outcomes, then the government runs the risk of paying for things that are not directly because of the service.
Availability of baseline data	This helps to clarify how performance should be assessed, the degree of improvement that may be likely, and how to align the financial incentives to encourage reasonable levels of performance.
Ability to construct a counterfactual	This helps to clarify what may have happened anyway without the service, so that the government does not pay for things that are not the direct result of what the service achieved. It is important to note, however, that the robustness of constitutes an acceptable counterfactual can vary from contract to contract.
The achievement of desired results or outcomes is not guaranteed	A SOC only makes sense if there are risks involved in achieving the desired results or outcomes. If there is reason to believe that such results and outcomes are always and definitely going to be achieved, then it is not appropriate to have a contract that pays on the basis of achieving these results and outcomes as there is no risk involved, and the government is not effectively transferring any risk, but is instead guaranteeing profit for others.
Ability for a service to generate measurable results or outcomes within a reasonable timespan	If the desired results or outcomes take a very long time to emerge, this creates cashflow problems and increases risks for the service provider. In order to tolerate such risks, the service provider may require a higher fee or may ask for a smaller proportion of the contract value to be based on results or outcomes.

41. Adapted from Sin (2021).

Criterion	Why it matters
Ability to cost a service	If service providers are unable to calculate what it would cost them to achieve desired outcomes, as opposed to just delivering a set of activities, then it will be difficult to price the contract.
Ability to calculate a reasonable price for a desired result or outcome	There should be a clear basis upon which to estimate the cost of a desired result or social outcome. This will reassure the government that they are neither over-paying nor under-paying, and will also encourage service providers sufficiently to participate.
Availability of service providers	For any given service area where there is interest in developing SOCs, there should be the existence of service providers that are able to deliver a required service. Additional considerations may also include the requirement for service providers to be able to operate at a desired scale or to be able to reach specific target cohorts.
Willingness of service providers to engage in a SOC	Even where service providers exist, it cannot be assumed that they will be willing to engage in a SOC. The financial risk of non-delivery of required results or outcomes falls upon the service provider. It is important to ascertain whether there are service providers with the relevant risk appetite and who have sufficient ability to manage cashflow under these types of contracts.
Willingness of service providers to respond to financial incentives	As all SOCs operate on the basis of aligning financial incentives with the achievement of results or outcomes, those types of service providers that do not respond to financial incentives are not likely to do well under such contracts.
Ability to tolerate failure or under-performance	The government should not use SOCs in areas where under-performance or service failure will lead to dire consequences for the public (e.g. damaging public safety) or damage the government's reputation.
Additional criteria for a SOC involving impact investment	
Availability of social investors	As this type of SOC requires private financing, there needs to be the availability of suitable social investors who are interested in the specific policy or service area.
Ability to have a 'risk-to-reward' ratio that can attract social investors to engage while still providing good value for money for the government	The contract should be designed in a way that the financial incentives are sufficient to attract social investors, who are expected to take on the financial risk of failure. At the same time, the rewards must not be so high that there is undue value extraction from the public sector, or that the same outcomes can be achieved more efficiently through a different approach.

Desirability considerations

Criterion	Why it matters
Willingness to go through the effort	SOCs are usually complex to design and implement. Entities may not have the necessary resources or skills to engage in developing and implementing them. In addition, these contracts are probably not advisable if there is an urgent need for intervention as the quick response time will severely limit the ability to do proper design.
Aims for the development of the service provider market	SOCs transfer the financial risk of non-delivery of desired results and outcomes away from the government and onto service providers. This can privilege certain types of service providers and this may not always be in the best interest of the public or the government. The government may therefore choose a SOC that leverages impact investment in order to shift the financial risk away from the service provider. The government can use such contracts to encourage the growth of specific segments of the service provider market.
Aims for cross-sector collaboration	SOCs are often used as a vehicle for encouraging Public-Private Partnerships, Public-Social Sector partnerships, or Public-Private-Social sector collaborations. In areas where the scope for genuine collaboration may be limited, it may not be sensible to engage in SOCs as the evidence shows that the key ingredient that makes these types of contracts successful is effective collaboration.

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Impact Investment in Sport

Innovating the Funding of Sport for Development

Securing sustainable funding of sport for development has never been so vital as it is today. The rise of impact investment offers an opportunity for unlocking much-needed financial resources and growing sport programmes that have a largely untapped potential for generating social impact. The outcomes-based funding models examined in this report offer pathways for multilateral and cross-sectoral funding, with lower risk and clearer social and financial returns for public and private investors.

Impact investment in sport represents a robust model for operationalizing data in the service of increasing investment in this underutilized field. A key mechanism identified for growing the market of impact investment is the open-source sharing of global data, knowledge, tools, and standards, so that countries can expedite their work measuring and investing in sport's social and economic impact, while reducing transaction costs for funding new projects.

Policy makers, development partners, private financiers, academics, as well as sport and sport for development organizations, are invited to use the explanations, analyses, and case studies in this report as an entry-point for engaging in UNESCO's Fit for Life sport initiative. Through pilot projects and global data collection, Fit for Life will build a foundation for scaled up impact investment in sport in the years to come.

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