



RAVEN INDIGENOUS
IMPACT FOUNDATION

THE STATE OF OUTCOMES-BASED FINANCE IN CANADA



Sorenson
Impact Institute
UNIVERSITY OF UTAH

FOREWORD

Tawnshee, we are pleased to share the State of Outcomes-Based Finance in Canada research report, a joint initiative between the Raven Indigenous Impact Foundation and the Sorenson Impact Institute at the University of Utah. This report represents the first time a comprehensive review of the Outcomes-Based finance ecosystem has been undertaken in Canada and draws, for comparative purposes, an overview of OBF initiatives in other countries. The obvious question that jumps to mind when reviewing reports such as this is how this contributes to the social finance ecosystem in Canada. More importantly, readers could ask how this affects the well-being of Indigenous Peoples, which after all is Raven's mission through our foundation, venture capital arm, and outcomes finance arm.

For many years, communities, governments, investors and the general public have asked how we can get improved outcomes for the resources we are investing in different areas of society and the environment. Nowhere has this clarion call been more heard than in Indigenous communities and from Indigenous Peoples in how resources have been extracted but not reinvested in equitable proportions. This impact is compounded by generations of government programming meant to act in the interests of Indigenous Peoples which, in reality, has ranged from cultural genocide to stark incompetence (with noble intentions or not). This 'investment' has noticeably lacked two distinct features, 1) better outcomes for Indigenous Peoples and 2) programs and services determined by and reflective of the community itself. In an effort to reverse course for Indigenous Peoples and equity deserving groups everywhere, people and organizations have been building more impactful financial mechanisms to simply get to better outcomes. Hence, the emergence of Outcomes-Based finance projects in Canada.

Raven pioneered work in this space in Canada, terming these efforts "Community-Driven Outcomes Contracts or CDOCs." We have had increasing traction in scaling this into other sectors and other geographies. However, it quickly became apparent that a systems change level approach is required for OBF-scaling to identify and work with the right systems actors. After our experience, we believe deeply in the OBF approach as an extremely impactful tool to generate change and bring to life the intentions of the UN Declaration on the Rights of Indigenous Peoples. This research report is a first tranche of work in unpacking and understanding what works and what does not, and more importantly, what needs to change in order to scale. We also believe that this adds a significant block of investable products into the much-needed impact investing ecosystem. The report represents one of our initial contributions to the ecosystem and we hope you find its findings valuable in your efforts to create change for both people and the planet.

Marsee cho,

A handwritten signature in black ink, appearing to read 'J. Cyr', with a stylized, flowing script.

– **Jeffrey Cyr**, CEO Raven Indigenous Impact Foundation & Managing Partner, Raven Indigenous Outcomes Funds

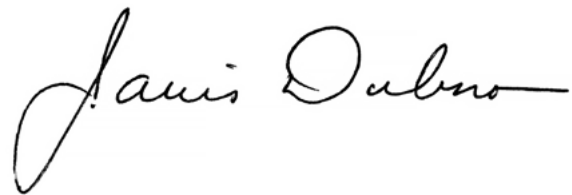
Over recent decades, some have asked why investment in social and environmental causes has not resulted in as much impact as hoped for. While there is a need for increased scale in the amount of dedicated resources, the answer also lies in how those resources are deployed in these causes. Specifically, dollars are often directed to a project regardless of whether it results in any social or environmental progress along any number of commonly desired dimensions for change. To that point, resources often flow to project managers chronologically before any evaluation can study whether the project made changes. Regardless of timing, results are the goal, but rarely a guarantee of funds. Tying the resources to impacts holds promise for getting more change from existing efforts around the globe.

To change that, an approach called Outcomes-Based financing (OBF) has surfaced and promises to be an effective tool to bring about change by flipping the traditional way of funding social or environmental programs to focusing on outcomes rather than outputs or inputs. Outcomes represent the true condition that is trying to be improved – kindergarten readiness, cardiovascular health, carbon footprints, wages, and so forth. Outputs represent the technical byproduct of a process – like the number of veterans served by a program. Inputs are even more distantly connected from change in the world; they are what goes into a process, like the number of staff hired to run a program. Impact is not about inputs or outputs directly – but most closely linked with outcomes and is specifically the change in outcomes caused by a program or intervention.

The value of OBF is its focus of paying for outcomes instead of inputs or outputs. This means potential for the project to choose an intervention that is more effective than without OBF. It means potential for additional focus and motivation to achieve outcomes, not outputs. It means potential for extra learning about what does and does not work, for whom, where, and under what conditions. It means potential for the taxpayer, or other stakeholders in the originating “donor,” to

de-risk their resources, so that resources can be saved from less effective interventions and pay for those that are more effective. In addition, OBF brings the public and private sectors together to collaborate and provides valuation of both the fiscal and societal benefit achieved by the investment of resources. In these ways, OBF could achieve more impact for the existing dollar than previously.

This report, a partnership between the Raven Indigenous Impact Foundation and the Sorenson Impact Institute at the University of Utah is the first to examine the state of OBF in Canada and brings together stakeholder perspectives from Canada and other countries engaged in OBF as to the benefits, challenges and opportunities to grow the sector. It provides an analysis to distill a set of recommendations for how leaders can leverage these learnings to build the OBF sector in Canada. These learnings and recommendations provide Canadian policy makers, OBF practitioners, and other stakeholders with a guide for considering how resources should be allocated to leverage this promising financial tool in addressing some of the pressing issues facing Canada today. We at the Sorenson Impact Institute are grateful to our partners at Raven Indigenous Impact Foundation for the opportunity to participate and collaborate with them to help build the OBF ecosystem in Canada.




– Janis Dubno, Managing Director,
Impact Finance, Sorenson Impact Institute



EXECUTIVE SUMMARY

Raven Indigenous Impact Foundation and Sorenson Impact Institute partnered to conduct research into the use of Outcomes-Based Financing (OBF) in Canada. The research included an in-depth understanding of Canada's current OBF utilization; benefits, factors for success, challenges, and opportunities; and a comparative analysis. The report resulted in the creation of a Canadian OBF database and recommendations for OBF enhancement.



Methodology

The team performed an extensive literature review and created a comprehensive database of OBF contracts and data to summarize the current Canadian OBF landscape. The team also completed a comparative analysis using data from Canada, the United States, and the United Kingdom, as well as conducted 17 virtual interviews with both Canadian and international OBF stakeholders.

Geographic & Focus Areas

The primary geographic areas involved in this study were Manitoba, Ontario, Nova Scotia, Saskatchewan, British Columbia, and Quebec, as well as three cross-provincial initiatives. Focus areas included workforce development, education, environmental (all Indigenous-led), social welfare, health and criminal justice.

Benefits of OBF

The findings indicate the transformative potential of OBF initiatives in Canada. OBF can shift the approach to resource allocation and assessment, emphasize outcomes, enhance transparency, relieve compliance burdens, and minimize financial risk to government.

Key Factors in OBF Success

Successful implementation of OBF initiatives relies on key factors: high-quality data collection and management, political champions, centralized coordination, capacity-building for service providers, stakeholder partnerships, adaptable contracts, and alignment between purchasers and the community.

Challenges & Opportunities

Limited understanding and awareness in Canada poses challenges for OBF, hindering integration into existing policy pathways, procurement processes, and legal frameworks. Additionally, rigorous measurement requirements, limited flexibility in modifying metrics, privacy concerns, and leadership turnover complicate implementation. Some organizations face challenges obtaining essential components for OBF success, prompting consideration of external resources; advancing the centralization and standardization of social impact data collection is seen as pivotal for demonstrating OBF value.

Additional Takeaways

Many participants acknowledged that without OBF, government funding for the intervention would likely not have been allocated. Most expressed willingness to use OBF again, citing operational and collaborative advantages such as relationship building, increased flexibility in service delivery, and improved data utilization for achieving outcomes.

Comparative Analysis

The comparative analysis focused on the United States and the United Kingdom. Each was selected for their comparable scale of activities and respective histories with OBF. The analysis detailed data on OBF implementation in each nation, factors of success, and focus areas.

Recommendations

Raven Indigenous Impact Foundation and Sorenson Impact Institute created five primary recommendations for better utilization of OBF in the Canadian social-impact financing landscape. Fostering collaborative partnerships, promoting greater information sharing, providing enhanced support for service providers, reviewing procurement procedures and legislative frameworks, and establishing Outcomes Purchase Fund(s) can all strengthen OBF usage in Canada.



Acknowledgements

The Raven Indigenous Impact Foundation and the Sorenson Impact Institute want to offer a heartfelt thank you to all of our contributors.

Firstly, without the enthusiastic voice and participation of diverse Outcomes-Based finance field practitioners this report would have not been possible. Our gratitude extends to you all for your candor and your ongoing contributions to the OBF ecosystem.

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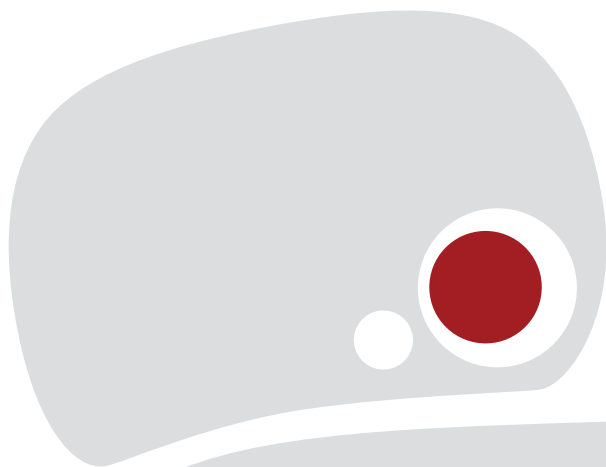
Researcher, Writer & Editor,

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Writer & Editor,

Rebecca Waterhouse, Raven Indigenous Outcomes Funds

Onwards together!



Definitions

In an OBF transaction, various stakeholders play essential roles in the successful implementation of projects or interventions aimed at achieving specific outcomes. These stakeholders can include:

Outcomes Purchaser or Outcomes Funder: Often government in the case of Canada, the outcomes purchaser or outcomes funder commit to paying for successful results, which can lead to cost savings and improved social outcomes.

Service Providers: These organizations or entities deliver the services or interventions necessary to achieve the desired outcomes. They are responsible for the day-to-day implementation and management of the project.

Investors: Investors provide the upfront capital required to fund the OBF project. They take on the financial risk and typically stand to receive a return on their investment if the predefined outcomes are achieved.

Intermediaries: Intermediaries facilitate and structure OBF transactions. They often act as connectors between government, investors, and service providers, helping to design the financial and contractual aspects of the OBF agreement.

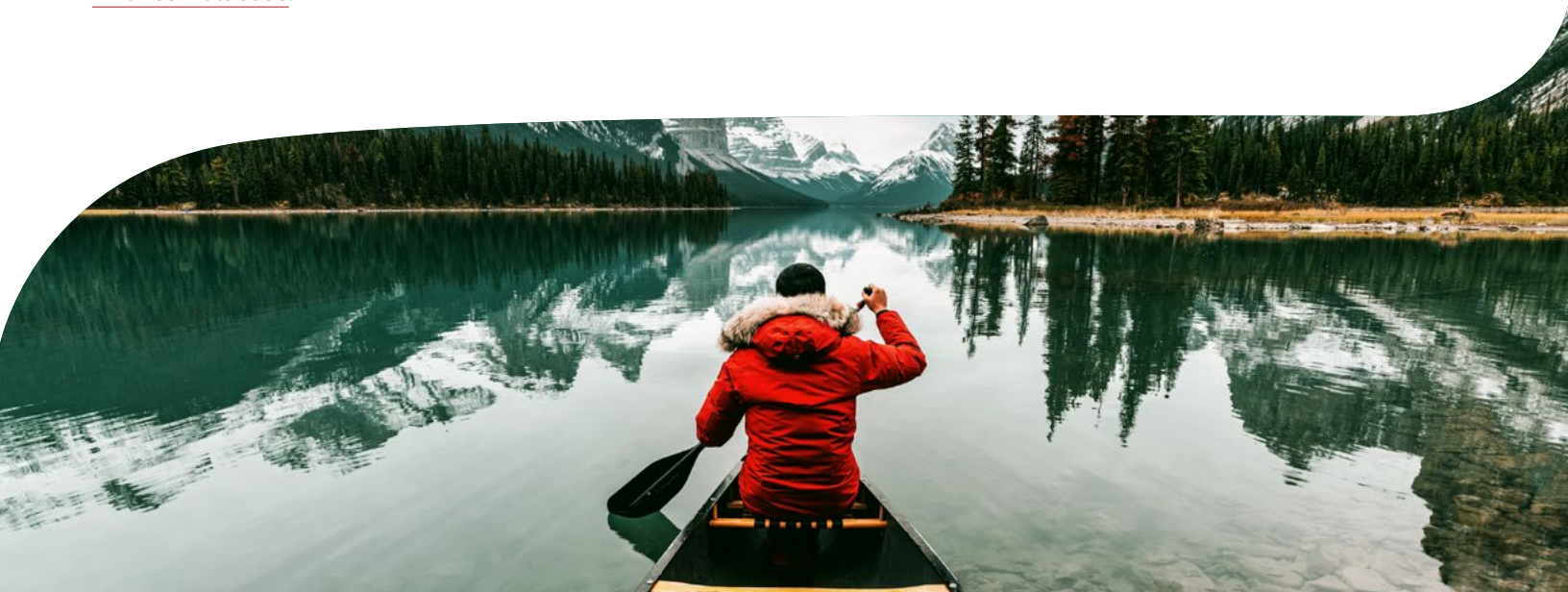
Beneficiaries: Beneficiaries are the individuals or communities directly impacted by the outcomes of the OBF initiative. Their well-being and success in achieving better life conditions are central to the goals of OBF projects.

Evaluators: Independent evaluators or assessment agencies are responsible for objectively measuring and verifying whether the predefined outcomes have been met. Their assessments are crucial in determining payment to investors and assessing the effectiveness of the intervention.

For examples of the various types of stakeholders mentioned above, please refer to our [Canadian Outcomes-Based Finance Database](#).

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INTRODUCTION

As nations invest more in the delivery of human services, global wellbeing indices are worsening. Between 1960 and 2023, public social expenditure more than doubled from less than 10% of GDP to over 20% on average across Organization for Economic Cooperation and Development (OECD) countries. Spanning diverse sectors, it is crucial to enact reforms that efficiently control costs and prioritize spending in programs that demonstrably achieve material improvements to quality of life outcomes.¹ Healthcare costs, which continue to rise unsustainably, make up a significant portion of these expenditures.² The impact of poor health also contributes to increasing healthcare spending, providing a costly factor that experts estimate reduces global GDP by 15% each year.³

Layering on another global challenge—climate change—OECD asserts that an annual investment of USD \$6.9 trillion is needed until 2030 to fulfill climate and development objectives. As over 60% of global greenhouse gas (GHG) emissions stem from existing energy, transport, building, and water infrastructure, achieving the world's climate and development goals necessitates an unparalleled transformation of these

infrastructure systems.⁴ The economic case for inaction is material, as estimates project an 18% drop in global GDP by 2050 if global temperatures rise by 3.2°.⁵

Escalation in social expenditures encouraged the growth of impact investments. As of December 2021, the Global Impact Investing Network (GIIN) estimates the global impact investing market value to be USD \$1.16 trillion.⁶ An Impact investment product, commonly referred to as Outcomes-Based financing (OBF), is designed to overcome the challenges governments have in investing in prevention and early intervention. This market consists of a diversity of demand-driven products, some of which are referred to as outcomes contracts, Pay for Success models, Development Impact Bonds, or Social Impact Bonds (SIBs). Outcomes contracts are designed to overcome the challenges governments often face in shifting public expenditure towards early intervention and prevention. Since the launch of the first SIB in the UK in 2010, the global SIB market size has grown to USD \$722 million invested in 275 projects serving over 2 million beneficiaries.⁷

EXPLANATION

The key feature of Outcomes-Based Finance is the alignment of financial incentives with positive social outcomes. Investors provide the upfront capital required to deliver these interventions, taking on the financial risk. If the predetermined outcomes are successfully achieved, the government repays the investors their initial capital plus a return on their investment. This structure not only encourages a focus on effective evidence-based interventions but also provides a mechanism for the public sector to pay for results, rather than simply for services delivered.

In the UK, these initiatives are commonly known as Social Impact Bonds or, increasingly, Social Outcomes Contracts. Throughout Europe, they are often referred to as Social Impact Partnerships. In the US, they go by the name of Pay-For-Success. In Australia, they are commonly known as Social Benefit Bonds.⁸

In Canada, they are most often referred to as Social Impact Bonds, and other terms such as Community-Driven Outcomes Contracts and Conservation Impact Bond have emerged.

As of September 2023, publicly available information indicates Canada has invested over USD \$14.5 million toward supporting 10,000+ beneficiaries through [OBF transactions](#), predominantly focused on provincial initiatives. The roots of OBF in Canada date back to 2014 with the introduction of the first OBF initiative, “Sweet Dreams.” In the same year, an additional five Outcomes-Based contracts were established, primarily focusing on workforce development and education. Upon further analysis, it was found that six of these initiatives were Outcomes-Based Programming (OBP) initiatives, distinctive from OBF as they do not involve investors. To help readers navigate our findings, OBP and OBF are grouped together under the broader category of Outcomes-Based Initiatives. The OBF ecosystem in Canada has continued to evolve steadily, with an average of two contracts structured annually. Notably, Manitoba has taken the lead by establishing seven OBF contracts, followed by other provinces such as Ontario, Nova Scotia, Saskatchewan, British Columbia, and Quebec. Moreover, three cross-province OBF agreements have been successfully initiated, indicating a trend toward centralization and the expansion of OBF initiatives. The issue areas covered by OBF in Canada range from workforce development, education, and environmental initiatives to social welfare, health,

and criminal justice. In recent years, there has been a noticeable increase in the number of environmental-related OBF contracts, all of which have centered Indigenous communities across Canada.

OBF in Canada is a concept that has gained momentum in recent years, yet remains relatively unfamiliar to the general public. Despite the growing interest and potential it holds, Canada lags behind the UK and the US in understanding and subsequently adopting OBF. While the overarching challenge for OBF in Canada is a lack of enabling systems and policies, the dearth of publicly available information on this innovative financing mechanism in a Canadian context exacerbates the issue. Fragmented information makes it difficult for prospective stakeholders to build understanding and explore its full potential to address the aforementioned challenges of rising public expenditure amidst the consistent delivery of sub-optimal results in health and environment.

To address this gap in knowledge and promote a deeper understanding of OBF in the Canadian context, the [Raven Indigenous Impact Foundation](#) (RIIF) and the [Sorenson Impact Institute](#) (SII) endeavored to comprehensively analyze the Canadian OBF environment. The investigation discovered



The Peterborough Social Impact Bond

The Peterborough Social Impact Bond was a pioneering financial instrument that was introduced in the UK in 2010. It represents a groundbreaking approach to addressing complex social challenges, specifically focusing on the issue of recidivism among short-sentence prisoners. In this innovative model, the government, service providers, investors, and intermediaries collaboratively designed a framework to fund and deliver interventions aimed at reducing reoffending rates and improving the lives of ex-offenders. It served as a pioneering example of how innovative financing mechanisms can be used to address pressing societal issues and has since inspired similar initiatives worldwide.^{9,10}

significant data fragmentation and the need for a centralized source of information. Consequently, the joint RIIF/SII team initiated the development of a [Canadian OBF Database](#) aimed at providing support for the future expansion of the ecosystem in Canada.

To enhance our understanding of the Canadian OBF landscape, the RIIF and SII teams conducted a comparative analysis with similar initiatives in the US and the UK, countries with extensive OBF experience. The objective was to compare the advantages, key success factors, challenges, and risks within the OBF ecosystem between Canada and the selected countries..

The ultimate goal of this report is four-fold:

- » First, to raise awareness and garner interest in advancing OBF within Canada through the distribution of this report;
- » Second, to enhance the transparency and accuracy of information available to the public through the compilation of

the findings from desktop research and stakeholder interviews and the creation of a an accessible and centralized, Canadian OBF database;

- » Third, to provide recommendations on what can be done to improve the ecosystem through the understanding of the Canadian environment in a comparative analysis with the UK and US ecosystems; and
- » Fourth, through the information disseminated in this report, to empower interested stakeholders to consider the potential use of OBF as a tool to achieve their organizational missions and objectives.

Through this effort, RIIF and SII aim to contribute to the growth and development of the Canadian OBF ecosystem and enable organizations to better harness the power of OBF for driving positive social change and innovation.



Canada's Start in OBF

The Sweet Dreams Program, led by the Saskatoon Downtown Youth Centre, known as EGADZ, is Canada's first SIB. The program, initiated in 2014 and still operating today, supports mothers who are aging out of care, fleeing domestic violence, re-entering the community from addictions treatment, or transitioning their children home, among other circumstances.¹¹ The Government of Saskatchewan was approached by EGADZ at a time when grant funding was not available and the design of the SIB was initiated as a result.

Success: Over the five years of the bond, 54 children were kept out of foster care. Long-term advantages of the program include education and sustained employment for the mothers. Having surpassed target outcome measures, investors Colleen and Wally Mah (CAD \$500,000) and Conexus Credit Union (CAD \$500,000) received their principal plus a 5% return. In 2019, the model was replicated at the Mother Teresa Middle School to support graduation for at-risk youth.





METHODOLOGY

To obtain a deeper understanding of the OBF ecosystem in Canada, the research team employed a multifaceted approach incorporating desk research, data collection from publicly available data, interviews with key stakeholders, and a comparative analysis. RIIF and SII conducted extensive research to gain insights into the landscape of OBF in Canada and globally by reviewing open databases related to OBF transactions, such as the INDIGO Initiative in the UK and the Brookings Institute in the US. Additionally, manual searches were conducted across various industry reports, articles, press releases, and other relevant publications to supplement the research efforts. The findings were then validated through engaging with key stakeholders involved at the transaction level of OBF agreements.

The research pulled data from the OBF Database, the first database containing a comprehensive list of OBF contracts in Canada. The OBF Database was created by SII with support from RIIF. The Database contains information on the name of the OBF transaction, launch year, contract duration, geographic areas involved, focus areas, transaction size, stakeholders involved, investment terms, and outcomes of these contracts, to the extent accessible from publicly available sources.

In addition to obtaining publicly available information on the OBF ecosystem, RIIF and SII conducted a total of 17 interviews involving stakeholders with direct involvement in structured OBF agreements. These interviews included 11 participants from Canada, 4 from the US, and 2 from the UK. In selecting Canadian interview participants, a deliberate effort was made to ensure diverse representation of stakeholder types, including Investors, Intermediaries, Beneficiaries, Service Providers, and Outcomes Purchasers. For international participants, the primary focus was on think tanks and Intermediaries with a proven track record of involvement in multiple OBF initiatives.

Standardized interview questions were formulated for all Canadian participants, supplemented by tailored questions specific to their respective stakeholder categories. The interview questions for the international participants were shaped by insights obtained from Canadian interviews and were kept consistent across all interviews. The interview questions for international participants were designed with a focus on the comparative analysis, ensuring that insights relevant to cross-country comparisons were gathered.¹²

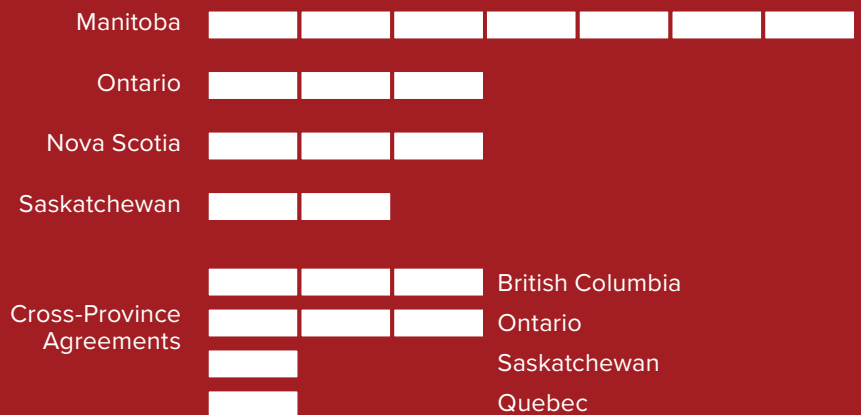
GEOGRAPHIC & FOCUS AREAS

of Outcomes-Based Finance in Canada

Geographical Areas

The majority of initiatives in Canada have been centered around individual provinces, with Manitoba leading the way with seven contracts. Other practicing provinces include Ontario, Nova Scotia, Saskatchewan, British Columbia, and Quebec. Additionally, three cross-province agreements have been successfully initiated in the past, indicating a trend toward centralization and the expansion of OBF initiatives.

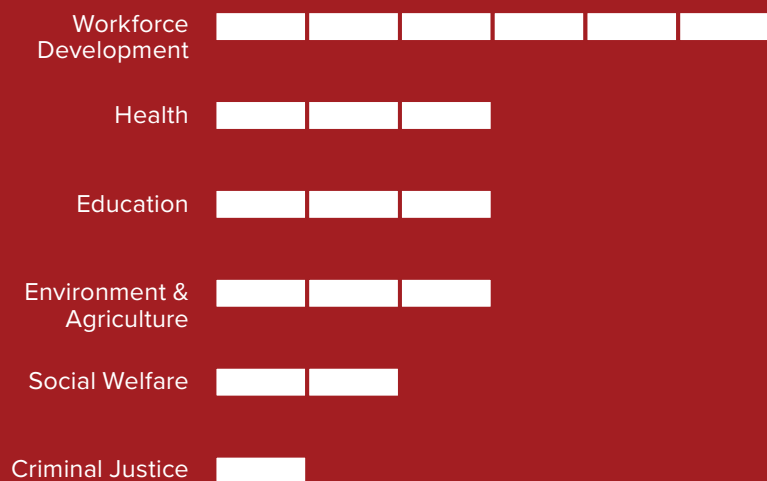
Frequency of Participation



Focus Areas

Workforce development is the most covered area with six OBF contracts structured in the past. Other focus areas include education, environmental, social welfare, health, and criminal justice. In recent years, there has been a noticeable increase in the number of environmental-related OBF contracts, all of which have been Indigenous led.

Number of Contracts



A close-up photograph of green cedar branches with fine, needle-like leaves, filling the top half of the page. The branches are in sharp focus, showing their intricate structure.

THE BENEFITS

of Implementing Outcomes-Based Finance Initiatives in Canada

OBF offers numerous advantages, serving as a transformative paradigm in the domains of social interventions and organizational efficiency. It encourages a nuanced approach to resource allocation and impact assessment, shifting organizational focus away from the traditional outputs-centric perspectives and more toward a strategic emphasis on outcomes. A crucial aspect of this shift lies in the data collection tied to prioritizing outcomes, thereby enhancing transparency regarding the specific actions that lead to achieving desired results. Additionally, a substantial benefit of OBF is the relief from burdensome government compliance requirements associated with grants and contributions. Furthermore, the instrument empowers governments to shift financial risk to investors, facilitating a greater number of social interventions funded through external capital.

OBF consistently showcases a significant advantage: its capacity to shift organizational thinking from focusing solely on outputs to prioritizing meaningful outcomes. Among the interviews conducted, 65% of the participants conveyed that their engagement with OBF initiatives significantly transformed their perspective on systems change and problem solving. They believed that embracing an outcomes-focused approach positively affected all parties involved. Notably, several interviewees observed that service providers were innovating at an accelerated pace compared to prior experiences, particularly regarding their approach to data collection. Rather than simply employing outcome information to bolster annual reports for funders, organizations had transitioned to using it

as a means to inform their impact and decisively shape their organizational priorities.

Prioritizing outcomes data collection leads to heightened transparency concerning the specific actions linked to achieving desired results. An outcomes approach enables continuous fine-tuning in service delivery based on the data and information gathered across all phases of design, implementation and amidst evaluation. The data collected in OBF programs frequently go beyond the outcomes payment structure to inform the optimization of operational processes.¹³ This enables the recognition of indirect process benefits extending beyond the initially defined outcomes, a level of recognition that is typically absent in traditional funding scenarios. Examples of said benefits include identification of untapped organizational capacities (human resources, legal, fundraising, etc), enhanced talent attraction, and improved investment policy decisions.

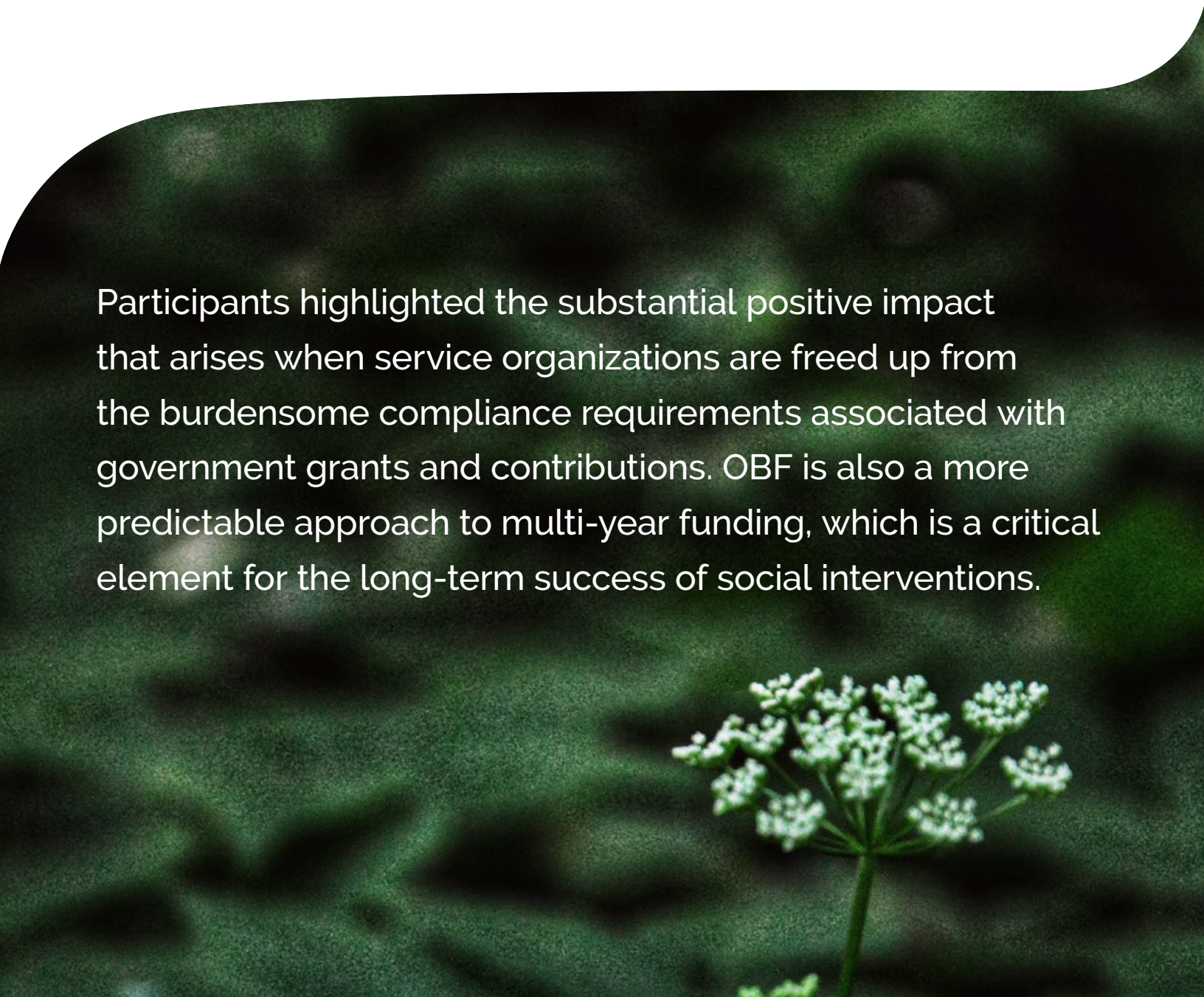
One of the most intriguing revelations from the interviews centers on the remarkable adaptability and agility of service providers with respect to embracing new financing methods for ongoing interventions. Participants highlighted the substantial positive impact that arises when service organizations are freed up from burdensome compliance requirements associated with government grants and contributions. OBF is also a more predictable approach to multi-year funding, which is a critical element for the long-term success of social interventions. Instead of imposing timelines dictated by the government with traditional funding, these arrangements can

be tailored to the schedules set by service providers, enabling more substantial and enduring impact.

An important benefit is that OBF contracts empower governments to transfer the financial risk of funding interventions to investors, enabling them to drive a greater number of social interventions using external capital. It also gives government agencies the opportunity to evaluate the outcomes of these interventions without the risk of upfront capital and transition them to direct government funding if they are successful. This approach enhances the accountability of government entities when allocating public resources. The integrated evaluation framework brought forward by OBF initiatives empowers them to concentrate on real, tangible outcomes resulting from the funded interventions, which can then inform their future

resource allocation decisions. The OBF framework enables the government to fund not only service providers but also make resources accessible to those actively spearheading progress on the ground. Additionally, it enables the government to showcase successful outcomes.

In essence, OBF emerges as a transformative paradigm in social interventions and organizational effectiveness. The advantages it offers highlight its potential to drive positive change. Based on our findings, the successful implementation and impact of OBF as a mechanism relies heavily on a few key factors. It is crucial to explore and understand these key elements to ensure a comprehensive grasp of how OBF can transform and optimize social interventions and organizational outcomes.



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KEY FACTORS

Contributing to the Success of Outcomes-Based Finance Initiatives in Canada

The successful implementation of OBF initiatives is a multifaceted endeavor influenced by various key factors. Our research underscores the foundational importance of high-quality data collection and management in OBF execution; data holds a pivotal role in shaping effective strategies and decision-making. Moreover, the active and sustained support of political champions across different levels of government is imperative for success in utilizing OBFs; cohesive and widespread endorsement of OBF principles, as political backing and departmental championing are identified as key determinants in the success of Outcomes-Based contracts. The presence of a centralized coordinating body enhances organizational efficiency, and capacity-building support for service providers improves their ability to meet OBF requirements. The collaborative nature of OBF projects necessitates strong partnerships among multiple stakeholders, emphasizing the significance of cohesive teamwork. Furthermore, the dynamics of stakeholder collaboration and adaptability of OBF contracts play crucial roles in project success. Lastly, alignment between the outcomes-purchaser and the community is essential to project success regardless of being purchaser-led or community-led.

Data Collection and Management

Multiple interviews mentioned high-quality data collection and management as an essential component of OBF initiatives. An organization with a well-established system in place, or the ability to effectively communicate data points externally, is more likely to adapt successfully to OBF. This implies that larger organizations or those with more-comprehensive processes hold an advantage in this context. For instance, one

interviewee emphasized that larger organizations, with resources to handle multiple transactions, could leverage their experiences to enhance efficiency in future OBF engagements.

Multi-level, Sustained Government Support

Research participants emphasized that OBF challenges conventional government program procurement and funding methods, and thus necessitates active and ongoing support from political champions at different levels of government. These champions are often individuals who recognize that the diverse needs of communities cannot be adequately addressed through conventional spending in regards to complex policy areas.

Of those interviewed, 58% explicitly highlighted the pivotal role of political backing and departmental championing in the success of their Outcomes-Based contracts. They emphasized that without cross-partisan political support, these initiatives could flounder, particularly during periods of political transition.

In the interviews, political champions were commended for their willingness to take calculated risks in addressing ongoing social and environmental crises. Instead of resorting to reactionary programs and policies, these champions opted for innovative and preventive approaches such as OBF. Currently, [Manitoba's SIO](#) is leading the efforts, working as an intermediary, creating space to connect and explore, and convening different stakeholders for the structuring of four SIBs since 2014. However, a noticeable void exists in terms of efforts from other federal and provincial entities to support the OBF ecosystem.

MANITOBA SOCIAL INNOVATION OFFICE'S SOCIAL IMPACT BONDS

Name	Year	Focus	Investment \$CAD
Restoring the Sacred Bond	2019	Offered up to 200 Indigenous mothers with Indigenous Birth Helpers during the prenatal period and up until the first year of the infant's life. Program outcomes demonstrated a greater than 29-day reduction in overall days in care when compared to a matched control group, with many of the infants spending zero days in care.	\$2.6M
Quit Smoking with your Manitoba Pharmacist	2020	Offers up to 4500 people who want to quit smoking with health coaching and smoking cessation support through pharmacies across the province.	\$2M
Her Heart Her Way	2020	Offers up to 400 women at risk of heart disease with specialized support and health coaching to reduce their systolic blood pressure and increase physical activity.	\$600K
Kakiskinawtahitonan	2023	Offers youth in Winnipeg and Thompson who are involved with the justice system with intensive holistic high-fidelity wraparound supports that are grounded in Indigenous knowledge, culture and traditions with an overall goal to reduce the average number of days youth spend in custody.	\$2.25M
Innovative NRG	2020	Innovative NRG uses Rapid Organic Converter technology to vaporize organic waste that would otherwise go to landfills, which decreases greenhouse gas emissions and creates green jobs.	Outcomes-based programming

Centralized Coordinating Body

Canada's transition toward a more impactful, Outcomes-Based ecosystem faces challenges rooted in provincial fragmentation, the absence of a centralized coordinating body, and the need for capacity-building support for service providers. Interview participants consistently highlighted the lack of centralization within Canada's OBF landscape. Centralization could provide a structured platform for organizations to navigate the challenges accompanying the adoption of an OBF approach. New administrative and financial processes are imperative, and knowledge-sharing on best practices can expedite the learning curve for newcomers while fostering the creation of additional Outcomes-Based mechanisms.

Stakeholder Collaboration

The fundamental nature of OBF is collaborative; interviewees confirmed that the participation of multiple stakeholders is essential to project success. Well-established community

networks and strong ties with beneficiary populations are critical features of successful service delivery. Participants also highlighted that intermediaries, like RIIF and previously MaRS, can play an integral role in facilitating OBF transactions by ensuring that government requirements are met without complicating the community's role in pursuing better outcomes. These partnerships enable all parties to harness each other's strengths and collectively address weaknesses, especially in critical areas like data management, government relations, accounting, and other related functions.

Many interview participants stressed the importance of an intermediary organization with robust transactional management capabilities as a critical component of success and a requisite to grow the Canadian OBF ecosystem. Participants noted their observation that organizations hiring external consultants for various components, such as fundraising or identifying and payment terms, encountered challenges with collaboration and implementation at various stages of their OBF development. In Canada, MaRS played a central role as

The Community Hypertension Prevention Initiative

The Community Hypertension Prevention Initiative, a program launched in 2016 to support 7,000 at-risk seniors in lowering their risk of cardiovascular disease, was co-developed by the Heart and Stroke Foundation and the MaRS Centre for Impact Investing (MaRS); MaRS brokered key partnerships, structured agreements and supported core fundraising, and was anchored by the engagement and buy-in of the Public Health Agency of Canada (PHAC). As the outcomes payer, PHAC saw an opportunity to de-risk the investment by guaranteeing CAD \$1 million of the total CAD \$3.4 million investor capital. This risk mitigation act brought in investors, catalyzing the involvement of 11 investors, the greatest amount on a Canadian OBF transaction to date.^{14, 15, 16}



the primary coordinating organization for an extended period and achieved early success with OBF, as underscored by one interviewee. However, due to a lack of government leadership and a subsequent decline in market activity, MaRS took a step back. The organization's recent absence in the domain has created a noticeable coordination gap in the ecosystem. As a result, there has been a material drop-off in capacity building and ecosystem development with their departure. However, since 2022, RIIF has been engaging with governments across all tiers, advocating for supportive structural changes, investing into community capacity building, and most recently, hosting their inaugural Outcomes Finance Summit in November 2023 focused on broad-based learning.

Stakeholder Dynamics and OBF Contract Adaptability

External factors play an important role in the success of OBF transactions and in ensuring that the intended beneficiaries received the appropriate services. We found that OBF success is significantly influenced by the collaborative dynamics among stakeholders and adaptability of the OBF contract. For example, a joint willingness to update measurement metrics and adjust service delivery according to the evolving environment. Insights from the interviews highlighted instances where Outcomes-Based transactions were temporarily put on hold because of the COVID-19 pandemic, or substantial adjustments were made to service interventions. The pandemic

The Community Driven Outcomes Contract

The Community Driven Outcomes Contract (CDOC) is an Indigenous outcomes-finance model championed by the Raven Indigenous Impact Foundation (RIIF), an Indigenous financial intermediary. Through this innovative approach, RIIF and partners supported the training, certification, and employment of Fisher River Cree Nation and Peguis First Nation members in the installation of 124 geothermal heat exchange units and additive home repairs including windows, roofs, doors, and insulation.

Working with the service provider Aki Energy, an Indigenous social enterprise rooted in the community, the objective was to enable a self-determined pathway towards energy sovereignty on reserve via the adoption of renewable energy with access to technical resources and supportive, culturally safe capital.

The investors, including Lawson Foundation, McConnell Foundation, Trottier Foundation, Lundin Foundation, and Sage Lacerte, provided the CAD \$5.1 million of upfront capital required. Interim success was verified, which triggered the Outcomes Payments from Canada Mortgage Housing Corporation (CMHC) and Efficiency Manitoba allowing for investors to receive their principal plus a 4% annualized return.





The Alternative Suspension Social Impact Bond

Launched in 2021, [The Alternative Suspension Social Impact Bond](#) (AS SIB) is a cross-province OBF agreement designed to mitigate school dropout rates among youths aged 12–17 and to prevent repeated suspensions.¹⁷ YMCAs across Canada, led by the YMCAs of Quebec, serve as the service provider for this initiative, which was co-developed by Public Safety Canada, Impact Canada and MaRS Discovery District.¹⁸

The AS SIB's effectiveness lies in flexible interventions that respond to local conditions, supported by its inclusive board comprising representatives from YMCA Quebec, investors, Public Safety Canada, and a Canada Research Chair in adolescent attachment to school. According to Stephen Huddart, Chair of the AS SIB board, "The inclusive and representative structure of the board, operating on the principle of open disclosure and trust-based relationships, has enabled frank and generative discussions about program design and delivery – enabling a degree of adaptability in the program that is appropriate to complex, changing circumstances."

A notable instance of adaptability occurred after the 2021 Abbotsford floods, when the program was adapted to improve frontline workers' capacity to offer 'emotional first aid' to participating youth experiencing increased levels of anxiety, depression, and anger. The program also developed enhanced community referral networks to complement the program's capacity to serve higher needs youth.

redirected the focus of senior government officials and elected representatives in Canada towards more immediate priorities.¹⁹ Likewise, on the global stage, OBF faced hurdles during migrant and refugee crises or in the midst of conflicts such as the war in Ukraine.

Some participants observed disruptions in the processes of establishing and nurturing relationships during the pandemic. These disruptions primarily stemmed from the restrictions on in-person meetings, which subsequently impeded the effectiveness of outcomes-focused initiatives.

The data collection and interpretation procedures also experienced setbacks, marked by delays and reduced access to beneficiary communities, caused by the shift to remote work and social distancing measures. Furthermore, participants indicated that, in certain cases, evaluation metrics became unattainable in the context of the COVID-19 environment. These changes affected nearly all Outcomes-Based transactions in Canada.

Outcome-Purchaser and Community Alignment

Traditionally, OBF has been led by outcomes purchasers, typically government entities in the case of Canada. However, there is a growing trend, both domestically and globally, where these initiatives are driven by local communities. Among the 17 individuals interviewed, all but one expressed a perspective on their preferred approach to initiate an OBF transaction. Half favored an outcomes-purchaser-led approach, while the other half believed that community leadership was essential for OBF origination.

The benefits of outcome-payer-led initiatives include having an outcome payer involved at the outset of the project, which ensures the clarity and specificity of the set objectives aligned with the purchaser's priorities. This alignment can enable greater scale and facilitate more extensive policy discussions and a greater likelihood of systematic changes. Additionally, centralized planning can lead to resource optimization as decisions are made based upon a broader perspective, reducing the potential duplication of efforts. However, this approach

The Deshkan Ziibi Conservation Impact Bond



Launched in 2020, **The Deshkan Ziibi Conservation Impact Bond** (DZCIB) exemplifies the power of OBF in driving systemic shifts.²⁰ This transaction serves as an inspiration for conservation stakeholders to collaboratively establish objectives and work towards the most urgent short-term and long-term goals for the well-being of a unique biodiversity area. The DZCIB contributed to enhanced planning and habitat restoration efforts while also fostering reconciliation between non-Indigenous and Indigenous communities around a critical shared issue. Ultimately, the DZCIB established a platform for leadership in conservation where individuals from all walks of life could come together to discuss their commitments in addressing issues within the defined conservation area and contribute to the economic, social, and cultural values of a unified response.

As of July 2021, the DZCIB pilot has supported 53 healthy landscape projects in the Deshkan Ziibi region resulting in numerous ecological, sociocultural, and economic benefits. Sixty-nine hectares (171 acres) of habitat in southern Ontario have been improved, 39,000+ native plants have been planted, and approximately 450 people have been engaged in high-quality learning and activities on the land.

may sometimes overlook unique contextual or social factors in various regions or communities, resulting in less effective programs. It can also stifle innovation and creativity at the grass-roots level and often involves bureaucratic processes leading to delays and inefficiencies.

For community-led initiatives, the most profound benefit is the context-specific solutions that are co-designed, thereby increasing program relevance and effectiveness. Local involvement promotes community ownership and engagement, fostering a sense of responsibility.

Moreover, local actors often possess valuable insights and innovative ideas to address complex issues. However, decentralization can lead to fragmentation and coordination challenges among multiple stakeholders. Allocating funds based on local priorities may not always align with broader national or organizational objectives, making it challenging to locate purchasers for outcomes. Additionally, these localized initiatives may face difficulties in scaling up and reaching a wider audience without additional support from other parties. They also noted that, due to the resources required for structuring an OBF transaction, it becomes more costly and challenging to organize when the transaction size is small, as is often the case with community-led initiatives. Nonetheless, it is worth noting that there have been instances of community-driven OBF initiatives that were also larger in scale, at least within the context of Canada.

Interviewee, Dr. Diane-Laure Arjaliès, Associate Professor at Ivey Business School at Western University, refers to Canada's first [Conservation Impact Bond](#) she helped lead as an exercise in "deep relationship building between the Chippewas of the Thames First Nation and conservation organizations interested in biodiversity protection."²¹ She describes the work as going "at the speed of trust," but eventually transforming the community by restoring lands to Indigenous stewardship and having graduate classes at Western University being led by these same Indigenous organizations.

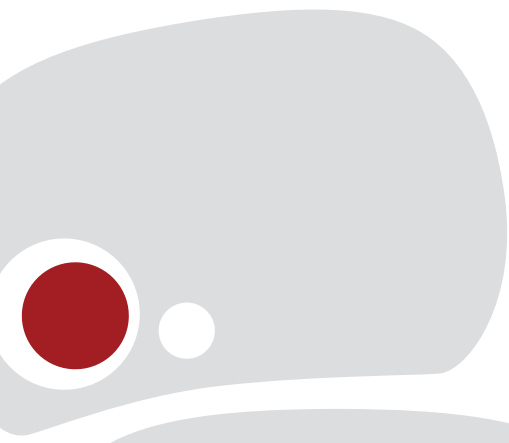
The half of interviewees who advocated for a community-led approach pointed out historical mistrust between the government and beneficiary communities due to the intact systems of colonization. OBF can encourage the rebalancing of power dynamics among all stakeholders, mitigating the imbalances often associated with traditional funding. The current top-down approach to the delivery of human services often fails to serve those most in need, as design and delivery is not led by those most in need. Respondents also contended that the community-led approach could be more sustainable, as the involved organizations maintain autonomy and ownership, which may not always be the case with outcomes-payer-led initiatives.

Both approaches are valued by practitioners if they can result in the same procedural outcome, wherein beneficiary voice is central and guiding. Early and continued alignment between outcomes-purchasers and the community can happen in either approach. National and international precedent confirm that the sooner community and purchaser entities and interests align, the better the outcomes success trajectory.

Interviewee, Janis Dubno, Managing Director at the Sorenson Impact Institute, states,

"The best projects start with community, then policymakers get on board...or were collaborating already if you facilitated the process well. But the truth is you don't have a project without an outcome payer, starting with an outcome payer is a great position to be in but you have to be sure the community is engaged in defining success."²²

Beyond identifying the key success factors, our research has also brought to light a nuanced understanding of the challenges and opportunities that characterize the OBF ecosystem in Canada. These insights present a comprehensive perspective on the Canadian OBF landscape, contributing to a more informed discourse regarding the dynamic interplay between challenges and opportunities within this evolving framework. The examination of both sides of the spectrum enriches our comprehension and provides a foundation for strategic considerations in advancing OBF initiatives in the Canadian context.



“The best projects start with community, then policymakers get on board...or were collaborating already if you facilitated the process well. But the truth is you don’t have a project without an outcome payer, starting with an outcome payer is a great position to be in but you have to be sure the community is engaged in defining success.”

— JANIS DUBNO, MANAGING DIRECTOR, SORENSON IMPACT INSTITUTE





CHALLENGES & OPPORTUNITIES

Within the Outcomes-Based Finance Ecosystem in Canada

In exploring the landscape of OBF initiatives, challenges arise from a general lack of understanding and awareness, leading to misconceptions. Organizations wrestle with regional fragmentation and the complexities of scaling up, encountering obstacles in achieving effective governance, robust internal administration, and a sound data infrastructure. Some organizations encounter difficulties in obtaining the essential components necessary for OBF success, leading them to consider the utilization of external resources. Furthermore, the absence of a standardized outcomes measurement tool impacts cost-effectiveness. The crucial step towards making the value of OBF tangible lies in advancing the centralization and standardization of social impact data collection. There are additional operational challenges, including outdated accounting practices and time-consuming agreements, leadership turnover, financial misalignment, and the speed of transaction-making. Interview participants suggest an outcomes-purchase-fund as a potential solution.

Lack of Understanding and Awareness

When asked about the challenges facing Canada's OBF ecosystem, 76% of interview participants point to a knowledge gap that affects both the government and the general public. Nearly all participants agree that there is a general lack of understanding and awareness. Suggestions from these interviews indicate that this deficiency is partly fueled by the lack of accessible and shared information in the space and by

a harmful misconception that these mechanisms promote the privatization of social services.

One participant who, in the early days of OBF, conducted interviews with more than a dozen venture capital firms and wealth managers from major banks in Canada found there was a limited understanding of the OBF instrument among traditional finance market practitioners. These practitioners often struggle to grasp the concept of a SIB, given the illiquid nature and returns funded by government or philanthropic sources. The interviewee relayed that their thinking tended to be binary, centering on the traditional capital market's pursuit of returns and risk mitigation. However, the recent emergence of environmental, social and governance (ESG) considerations has raised hopes for more inclusive and open discussions on OBF with practitioners in the traditional finance realm.

Several interview participants pointed to the prevalence of misconceptions as a notable factor contributing to the knowledge gap. These misconceptions erode the understanding of financial outcomes by portraying them as a form of privatization, suggesting that OBF allows governments to reduce public programming while enabling companies to profit from social issues. Contrary to this perspective, participants asserted that they have never encountered a situation where this was actually the case. These misconceptions have made some politicians wary of endorsing OBF initiatives due to the public's potential trepidation surrounding the concept.

One interview participant stated that when their organization initially experienced success with their SIB, people were naturally apprehensive about private investors getting involved in funding social infrastructure. They went on to explain that local communities started showing strong support for the initiative upon examining the underlying reasons behind the social problem, realizing that the government might not have been able to replicate the success as quickly or at all.

Interviewees also emphasized that those unfamiliar with OBF often believe that solving social problems should rely entirely on public funds. OBF does not clash with this ideology; instead, it harnesses private finance within a structured and government-funded process. It leverages agile capital from investors and the expertise of intermediaries to tackle sticky issues –areas where governments have faced challenges in achieving improved outcomes. To further this point, proponents agree that OBF is not a universally-applicable solution to solve all of society's issues, rather it is best suited for evidence-based interventions directed at high-cost, persistent issues. As governments frequently outsource responsibilities, the collaborative process of OBF offers a promising avenue for building shared understanding as to what it takes to shift systems and capital toward the betterment of society.

Regional Fragmentation

Interview participants also raised concerns about regional fragmentation and the complexities of scaling up operations beyond an identified priority region. They pointed out challenges such as high turnover in the OBF field and the lack of academic partnerships. Many participants emphasized the need to engage academic partners to foster interest within communities and among policymakers, a development they believed was occurring at an insufficient pace across the country. Others advocated for the involvement of academic organizations and experienced evaluators early in the process to ensure success in OBF initiatives. Canada possesses a wealth of capacity within academic institutions, providing an opportunity to contribute through educational training and the provision of fellowships in social finance.

Essential Components for Implementation

Interviewees also stressed that not all organizations are equally well-suited for OBF. The participants were in strong agreement that possessing effective governance, robust internal administration, solid data infrastructure, and general adaptability are fundamental characteristics of service providers ready to embrace Outcomes-Based models.



Buy Social Canada

Buy Social Canada championed the social procurement movement in Canada by advocating for the refocusing of existing purchasing practices of private, public and corporate institutions to achieve positive social, environmental and governance impacts by procuring from social enterprises.

They offer open resources, social purchasing partnerships, consulting, training, accreditation and social enterprise directory.

While this may be true, service providers have the option to utilize external resources to fulfill the data requirements of OBF transactions. One interview participant suggested that when an organization's internal infrastructure struggles to handle complex data or information flow, an intermediary can step in to provide valuable assistance. Another participant noted how there is significant potential in offering training opportunities for new data collection tools, administrative databases, and related resources to organizations interested in exploring this approach.

Though high-quality data plays a pivotal role in the success of OBF transactions, its necessity has the potential to hinder the growth of the overall ecosystem. The evaluation of robust data behind a program's performance is crucial for developing cost-effective and impactful social interventions. However, service providers may lack the necessary resources or capacity to collect, clean, and analyze such data. Simultaneously, when the measurement process becomes overly stringent, and when predefined metrics and assessments prohibit service providers from iterating or adjusting during their experience with OBF, it significantly hampers the successful delivery of desired outcomes (see The Alternative Suspension Social Impact Bond on page 20).

Most interviewees confirmed that sharing data in this field can be challenging, often due to legal or regulatory hurdles as well as organizational restrictions on proprietary information. It is imperative to enhance transparency in outcomes projects within Canada; when outcomes data reveals the results of an intervention, it can wield significant influence for how stakeholders address similar issues in other regions. Sharing progress publicly, even when outcomes data deviate from expectations, can help to further socialize the benefits of OBF broadly.

Absence of Standardized Measurement Tool

While there is currently no standardized outcomes measurement methodology or tool for OBF in Canada, many participants supported openness with respect to further exploration. Developing a standardized tool, in turn, will promote cost-effectiveness and enhance overall efficiency of implementing

and measuring these initiatives. Participants believed that the best evaluators considered data from multiple perspectives while maintaining a high degree of integrity and consistency in reporting to outcomes purchasers. Moreover, investors who received frequent data updates were more committed to the success of social interventions. It was noted that real-time data fosters stronger relationships, leading investor organizations to provide more support when gaps are identified. Externally, OBF proponents need to sustain impact-oriented communications, especially with purchasers, and an openness to experiment with how successes are showcased.

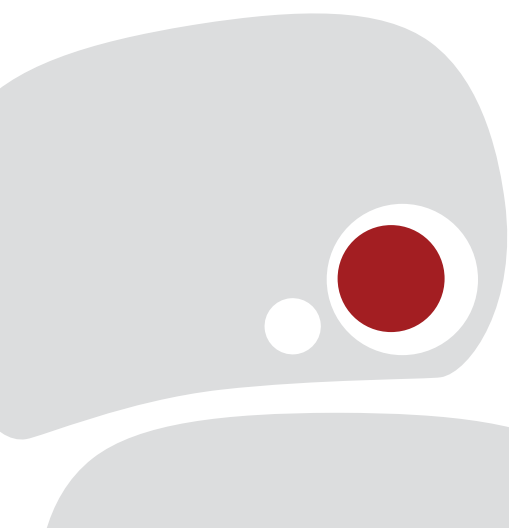
Proponents believe that progress towards centralization and standardization of social impact data collection will make the value of OBF more tangible. While OBF can drive social services toward data-driven decision-making, it must not let imperfect data hinder its approach. Articulating hard-to-access information on social outcomes is crucial for enabling service providers and governments to rethink public service delivery. Although governments have some data on outputs, focusing resources to make them publicly available may not be sufficient. OBF represents a step forward, aiming to fill the gaps in understanding on how best to resolve social service delivery issues while addressing them in real time.

Operational Challenges

Interview participants expressed their frustration with multiple aspects of operations and logistics for executing successful OBF projects.

Outdated Practices

Participants identified outdated accounting and procurement practices and the time-consuming execution of agreements as frustrations in the OBF process. As Canada has demonstrated a significant commitment to advancing information management towards greater openness and transparency, this state of disharmony raises concern.²³ A fundamental shift in procurement practices seems essential to align with the government's overarching objective of fostering a deeper public understanding of its services.



“Government-led outcomes purchasing funds offer the cost and efficiency gains achieved in capital pooling, learning and standardization. They can be treated as sinking funds,²⁴ with government appropriating dollars as budget cycles permit and as outcomes are verified allowing for the cycling in-and-out of projects. This is a means by which the government can play in the innovation sandbox while also maintaining current programming and iterating as results come in.”

— JEFFREY CYR, MANAGING PARTNER, RAVEN INDIGENOUS OUTCOMES FUNDS & CEO,
RAVEN INDIGENOUS IMPACT FOUNDATION



Several participants explained that government departments and agencies initially show interest in the OBF model due to the value for money proposition. However, they often encounter obstacles when dealing with inflexible legal agreements and procurement policies. One of the international interviewees commented that Canadian government spending tends to be more restrictive and risk-averse, with only a few instances where governments have been willing to adjust the terms and conditions governing the use of public funds.

Respondents emphasized that, while it is a reasonable expectation for the government to exercise a degree of risk aversion, the situation in Canada has become excessively cautious. Maintaining bureaucratic barriers that slow OBF adoption for the purposes of risk aversion is unwarranted; at the core of the model is the opportunity for governments to innovate without added risk—a central point proponents must continue socializing. Given that OBF provides a means to reduce the risk associated with government investments in social innovation, it is perplexing that there has been minimal alteration in Canada's procurement policies.

Interview respondents emphasized that the ultimate objective of OBF is to utilize public funds to secure a commendable social or environmental outcome that would have been challenging to finance adequately under the rigid requirements of existing procurement methods. Ultimately, OBF presents an alternative to the stringent demands associated with government grants, contributions, and procurement standards, which frequently require applicants to demonstrate track records in a way that can bias against emerging social innovations or marginalized communities.

Some Canadian provincial governments, namely Manitoba, have made noteworthy strides, particularly in offering pathways for Indigenous leadership in OBF and streamlining the

procurement process. As time progresses, the hope is that governments will strategically align Outcomes-Based interventions with existing investment priorities rather than delaying the adoption of OBF until new budgetary allocations or major federal legislation are announced.

Leadership Turnover

Interview participants also underscored leadership turnover across all participating entities as an operational challenge in managing OBF initiatives. This challenge is attributed to the substantial demand for relationship management and internal organizational adjustments, particularly as the structuring of an OBF transaction can extend over multiple years. Changes in government leadership and new administrations might be less receptive to expenditures related to social innovation, causing concern among interview participants. They expressed worries about the vulnerability of the OBF ecosystem when governments committed funds and then withdrew their support mid-process. The participants emphasized the need for organizational patience and resilience when dealing with these issues that have the potential to impact the outcome-oriented processes. A number of participants advocated for leveraging the capacity found in allied academic institutions that could offer long-term advisory, evaluation, and fellowships to assist in ongoing capacity building.

Funding Misalignment

Another key insight from the interviews was that when OBF initiatives targeted multiple issue areas spanning different jurisdictions, identifying a champion department became challenging. At times, OBF initiatives offer cross-cutting benefits, and those estimated to accrue to the primary outcomes -payer entity, the entity responsible for funding certain activities, may not be less in value than the program's full cost receive commensurate gains, often referred to as the "wrong-pocket problem."

EXPLANATION

Outcomes purchase funds are increasingly recognized as a pathway for scaling OBF contracts. The creation of these funds serves multiple purposes, including streamlining the process of establishing OBF by reducing time, cost, and complexity. Additionally, outcomes purchase funds contribute to building the impact investment market, promoting the expansion of OBF, fostering cross-sector partnerships, and realizing economic efficiencies in social interventions. By redirecting funds based on objective data, outcomes funds aim to support projects with demonstrable, measurable results, while simultaneously discouraging investment in ineffective initiatives. These funds also play a role in accelerating ecosystem learning about OBF contracts and effective interventions for addressing complex social issues.²⁵

Outcomes purchase funds are commonly referred to as "outcomes funds." We deliberately use the term "outcomes purchase funds" to distinguish it from other outcomes funds specifically designed for investors pooling funds for investment in OBF transactions.

Securing multiple outcomes payers in an attempt to align costs with benefits is a significant challenge for the OBF model.

Speed of Transaction-Making

Many interview participants also voiced concerns regarding the protracted timeline required to establish individual OBF contracts. These interviewees advocate for a more centralized approach to outcomes procurement by the government rather than department-by-department efforts. Participants expressed that it would be considerably easier if there were a pool of funds for outcomes purchasing or a fund involving other investors to instill confidence and attract new capital to OBF.

Without prompting, more than 30% of interviewees expressed support for a centralized outcomes fund that would support a diverse number of contracts. This included suggestions that a project comprising a portfolio of initiatives could receive more efficient scrutiny and support from both investors and the government, as opposed to stand-alone, customized projects. The notion of a government-led outcomes purchase fund garnered notable support across multiple interviews, with investors and outcomes purchasers exhibiting a particularly strong interest.





ADDITIONAL TAKEAWAYS

from Research into the Canadian Outcomes-Based Finance Ecosystem

When presented with a hypothetical scenario wherein OBF had not been involved, many participants indicated that the government would not have allocated funding for the intervention. When participants were asked about their willingness to utilize an OBF instrument again, or if they had any regrets regarding their previous usage, almost all of them expressed a willingness to use the instrument again, provided that the right conditions, as interpreted by each individual organization, were met. Their primary rationale for this response was their belief that the operational and collaborative advantages offered by OBF truly enabled outcomes achievement for the interventions they endorsed. These advantages included relationship building and increased flexibility in service delivery due to more agile capital and improved use of data.

One intriguing aspect of OBF is the potential for rapid scaling of success when an initial transaction yields positive outcomes. According to insights from our interviewees, entities such as impact investing institutions, foundations, and high-net-worth individuals swiftly increase their capital contributions to service providers participating in OBF arrangements. By framing these contributions as investments rather than donations, the amount of funding experiences a significant uptick, and outcome-based contracts stimulate increased private capital investment in social service delivery.

This distinctive approach to generating outcomes tends to nurture more dynamic and adaptable relationships with investors when compared to traditional grant or philanthropic models. As an illustration, one interview participant highlighted

that an impact investor opted to contribute the proceeds from an OBF contract after witnessing the outcomes produced by the intervention. Another participant emphasized that, when OBF is structured effectively, it mobilizes the investor to take a more active and flexible investing relationship than is often taken in a granting approach.

This endorsement does not imply that private investors exhibited no risk aversion with regard to OBF. Some participants noted that Canada's largest financial institutions were not showing the same level of pioneering enthusiasm for research and development as seen in other nations. Similarly, international participants explained that investor risk aversion was present in the UK and US before their ecosystems flourished. Participants contended that initial concerns were addressed by raising awareness about the approach, including incorporating philanthropic grant capital to mitigate risks and stimulate OBF investments, ultimately gaining support from both investors and the government.

Investors in OBF initiatives typically evaluated their investments based on the outcomes generated rather than profit. They emphasized that the primary goal of OBF was to influence governments to support initiatives that create significant impact. While this may be the case, an opportunity exists to promote OBF investment from a policy perspective, as indicated by an interview participant who proposed that the loss of principal resulting from a failed OBF initiative could be eligible for a tax write-off.

The interest in investing in OBF in Canada is steady and maturing. Participants agreed that there are currently not enough investment opportunities in the OBF ecosystem, expressing a desire for more activity in this space. Excitement for prospective OBF vehicles in the coming years, due to the infusion of capital offered through the Social Finance Fund, was considerable. Participants placed emphasis on encouraging further private market participation. An interviewee suggested that outcomes purchasers use guarantees and catalytic or subordinated capital as investment safeguards; these could entice impact investors to issue previously unallocated funds to support OBF development.

Ultimately, the responses from the interviews signify momentum for OBF, highlighting an opportunity for all stakeholders to collaborate and explore avenues for advancing the field. As Canada navigates the changing landscape of governmental responsibilities, the significant resources required for data collection, the perils of inaction, and the value of real-time and outcomes data will continue to grow in importance, particularly when addressing hard-to-reach issue areas. Increased accountability, transparency, and improved service delivery are all fundamental principles of Canada's commitment to fostering a more open government and enhancing its democracy.²⁶ If executed effectively, OBF can contribute significantly to this important transition.

The Raven Indigenous Outcomes Fund



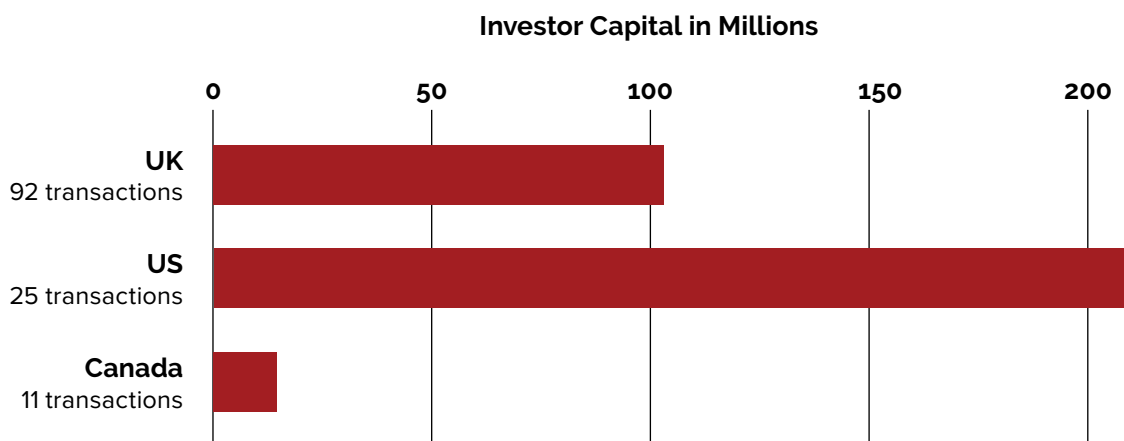
The Raven Indigenous Outcomes Fund (RIOF) is a first-of-its-kind fund (CAD \$50 million) that manages OBF instruments to address priority issues in Indigenous communities in Canada. The fund will manage outcomes contracts in health and climate. In health, Minoayawin, a community-centered lifestyle intervention initiative, aims to reduce Type 2 diabetes prevalence using a two-eyed-seeing approach, incorporating Indigenous knowledge systems with Western medical methods. Outcomes contracts in climate will advance the net zero transition for on-reserve housing through electrification and climate-conscious retrofits targeting energy efficiencies, GHG emission reductions, and localized training and employment opportunities.

RIOF is a sister fund to the Raven Indigenous Capital Partners (RICP) venture Impact Funds, RICP being the first Indigenous-focused private equity firm in Canada and the US. With a targeted first close in Q1 of 2024, the RIOF seeks to build economic reconciliation and implement the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP). This is the first investment through which Boann Social Impact, a wholesaler of the Social Finance Fund, will help advance social finance in Canada.²⁷

COMPARATIVE ANALYSIS

Despite Canada's reputation as a socially progressive and affluent nation, it lags behind in the adoption of innovative financial mechanisms. Selected for comparison due to their scale of activities and rich histories, the UK and United States (US) are at the forefront of OBF. According to our [Canadian OBF Database](#), as of the end of 2022, Canada successfully launched 12 OBF projects valued at USD \$14.5 million. In contrast, according to the University of Oxford's Government Outcomes Lab (GoLab) [Impact Bond Dataset](#), the UK and the US are at the forefront of such endeavors, with 92 and 25 structured transactions amounting to USD \$103 million and USD \$211 million respectively. GoLab's website does disclaim, however, that the dataset is a collaborative and iterative initiative, primarily dependent on projects worldwide volunteering to share their data, and does not conduct audits, cross-checks, or verifies all the information provided. ²⁸

As compared to Canada, the UK benefits from broad cross-government consensus, comprehensive resources, and the presence of multiple outcomes purchase funds. In the US, state-level OBF initiatives receive support from either state-level or federal-level grants, resources provided by think tanks, and the establishment of an outcomes purchase fund. While Canada's initial efforts received support from various government entities and stakeholders, they have been primarily driven by the Manitoba [Social Innovation Office](#) (SIO) and a select group of other practitioners in recent years. In the UK and the US, the primary areas of focus are workforce development, social welfare, and health. Whereas in Canada, the emphasis of OBF initiatives has so far been placed on workforce development, followed by health, education, and environmental initiatives.



NUMBER OF OBF INITIATIVES INTERNATIONALLY VS. CANADA

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When comparing Canada to the US and UK, our research indicates that the latter two nations benefit from robust government support, leading to more well-established resources, infrastructure, and policy frameworks conducive to OBF initiatives. Additionally, the creation of outcomes purchase funds has played a pivotal role in advancing the field and promoting enhanced collaborations between the private and public sectors.

Government Support

The UK has made significant strides in fostering political support for OBF. The government has introduced initiatives like SIBs to attract private investments for social programs. Furthermore, [Big Society Capital](#) was established in 2012 to fund such efforts. It was funded through English dormant bank accounts and contributions from the four major UK high street banks²⁹ and was a result of the recommendations by [The Social Investment Task Force](#).³⁰ This move demonstrated a joint commitment by both the UK government and the private sector to promote OBF initiatives. Moreover, it demonstrated that political leaders in the UK recognize the potential of OBF to address complex social issues. Multiple UK governments have continued to facilitate a conducive policy framework through the further launch of multiple outcomes purchase funds.³¹ One

of the strengths in the UK's political support for OBF is the broad cross-party consensus. Successive governments have endorsed OBF as a means to deliver better outcomes while controlling costs. This consensus fosters a stable environment for OBF, ensuring that initiatives continue regardless of changes in leadership.³²

In the US, OBF initiatives have largely emerged at state and local levels with field-building support from the federal government. States such as New York, Massachusetts, and Utah, driven by individual political leaders, financial intermediaries and local agencies, have been at the forefront of championing OBF efforts.³³ Moreover, the US federal government has taken an active role in promoting OBF. The Obama administration's endorsement of Pay for Success through initiatives such as the [Social Innovation Fund](#) provided several grants to explore and structure OBF initiatives.³⁴ Furthermore, the [Social Impact Partnership to Pay for Results Act](#) (SIPRA) was signed into law in 2018, allocating USD \$100 million for the implementation of "Social Impact Partnership Demonstration Projects" and the execution of feasibility studies in preparation for these projects. This move expanded the Federal government's endorsement of OBF initiatives across the US.³⁵

Maycomb Capital



Maycomb Capital is a woman-owned and led impact investing firm founded in 2017. Our funds provide financing to support strategies and enterprises that transform communities. To date, Maycomb has raised nearly \$90 million in impact debt capital dedicated to achieving better outcomes in communities across the United States.

Our flagship impact debt fund, the Community Outcomes Fund, launched in 2018 with \$53 million in commitments. The Community Outcomes Fund is the largest investment vehicle in the United States dedicated to outcomes financing. As of the end of 2023, the Community Outcomes Fund was nearly fully committed to high-impact investments in outcomes financings, across the issue areas of early childhood, workforce development, and health equity.

The Community Outcomes Fund II seeks to make domestic investments in diversified outcomes financings that expand access to economic opportunity for individuals and families that have historically been left behind. Outcomes financing is an increasingly recognized form of innovative financing that uses flexible, mission-aligned debt to fund organizations and programs that successfully deliver the outcomes they intend to achieve. Like the Community Outcomes Fund before it, Fund II will focus on the issue areas of early childhood, workforce development and health equity.



While OBF presents a promising approach to address complex social issues, Canada has room to enhance its efforts in various areas to catch up with nations that have more established OBF ecosystems, such as the US and UK.

During the interviews, Canadian participants emphasized the limited access to education and information concerning OBF in a Canadian context. In contrast, institutions such as the [Government Outcomes Lab](#) in the UK and think tanks like the [Urban Institute](#) and [Brookings](#) in the US, offer a wealth of comprehensive resources and data on OBF initiatives. This accessibility to information not only facilitates knowledge sharing but also fosters engagement among interested parties to launch new OBF initiatives.

In addition to the resources made available by the aforementioned American and British organizations, efforts from the government were fundamental in helping with capacity building, centralization of efforts, and encouraging collaboration between stakeholders. The UK government has continued to show considerable support for service providers participating in OBF initiatives. Initiatives such as the Life Chances Fund have provided funding for innovative service providers participating in OBF initiatives.³⁶ Service providers in the UK often receive capacity-building support through organizations like [Social Finance UK](#) and Big Society Capital. These organizations offer training, technical assistance, and resources to help

service providers meet the requirements of OBF contracts. This support ensures that service providers can effectively deliver the desired outcomes.

In the US, a portion of SIPPPRA's funding can be directed toward feasibility studies aimed at preparing for OBF projects. This allocation serves to alleviate the initial financial constraints associated with funding these projects and enables stakeholders to engage in exploration and innovation.

In Canada, Manitoba SIO has taken the lead by initiating the launch of four SIBs since 2014. However, a noticeable void exists in terms of efforts from other federal and provincial entities to support the OBF ecosystem. Moreover, similarly to the UK and US ecosystems there is an opportunity to provide grant funding to service providers and intermediaries to facilitate the advancement of such transactions. While Canada's recent introduction of the [Social Finance Fund](#) signifies a substantial advancement in strengthening the broader social finance landscape including potential support of OBF initiatives, its principal emphasis is not specifically on nurturing these transactions. Consequently, the precise impact it will have in this domain remains unclear.

Resources, Infrastructure, and Frameworks

Another area of concern raised by Canadian interviewees pertained to a lack of well-established resources, infrastructure, or policy frameworks. One aspect mentioned was data collection within the context of OBF. The absence of a comprehensive data landscape implies that investors, outcomes purchasers, and service providers are left without the necessary insights to make well-informed investment decisions due to the lack of a uniform data collection presentation. On an international scale, there have been recent initiatives focused on establishing systems to gather real-time data, tracking progress, and facilitating necessary adjustments in targeted areas.³⁷ As an illustration, the Brookings Institution has created a Tool Finder, a database aimed at assisting in the identification of digital tools for real-time data collection in education, particularly those utilized in low- and middle-income countries.³⁸ These tools not only enhance the precision of outcome pricing but also streamline data collection efforts. Accurate and timely data systems further furnish participating stakeholders with a structured framework for identifying the key performance indicators they should collect. In addition, such tools create an opportunity for OBF initiatives to scale by collaborating with multiple service providers while ensuring that data collection adheres to a consistent and standardized methodology.

Canadian interview participants also suggested that Canada's accounting and procurement processes, as well as the legislative framework supporting them, are not currently equipped to effectively implement OBF mechanisms. While international participants acknowledged similar challenges when dealing with public funds, their experiences differed from their Canadian counterparts. They hinted at the possibility that when outcomes financing receives more political support, there will be increased transaction volume and enabling legislation.

Based on feedback from international interview participants, the importance of adhering to the original procurement process in the US was emphasized as a critical factor for success. Meanwhile, in the UK, the importance of flexible and adaptable legal agreements was stressed, with an emphasis on aligning objectives and fostering more collaborative, less transactional interactions. It was stressed that the primary objective of these transactions is to maximize value for the targeted population.

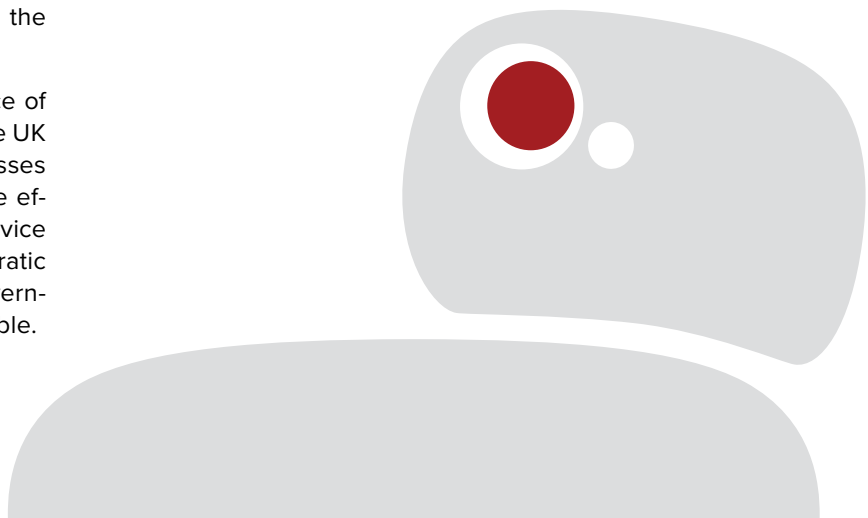
International participants also highlighted the significance of collaboration with government entities as a strength of the UK and the US OBF ecosystems. Even if a department possesses valuable data, its worth diminishes if that data cannot be effectively leveraged to enhance the efficiency of public service delivery. By forging relationships that are less bureaucratic and placing emphasis on delivering the outcomes that governments desire, OBF becomes more accessible and attainable.

Outcomes Purchase Funds

The feedback from Canadian participants also advocates for the establishment of a government pool of outcomes purchase funds as a means to promote the development of the Canadian OBF ecosystem. Establishing an outcomes purchase fund would encourage a more centralized approach to government outcome procurement, potentially providing technical support for the formation of OBF transactions and expediting the transaction-making process.

An outcomes purchase fund offers several advantages, including the provision of a dependable source of funding for OBF initiatives. While individual initiatives may encounter their unique challenges, the establishment of these funds has in general tackled numerous issues linked to standalone OBF contracts. These include ensuring the readiness and availability of outcome purchase funding, navigating government turn-overs, managing the complexity of transaction designs, and reducing the upfront resources required for implementation. This approach provides the benefit of risk diversification for investors and potentially outcomes purchasers, as the fund supports multiple projects, spreading and mitigating potential risks across various initiatives. Additionally, outcomes purchase funds can be designed with varying levels of support from different tiers of government. Another advantage of the establishment of an outcomes purchase fund is the opportunity to foster collaboration at both national and local levels.

There were 17 outcomes purchase funds launched around the world between January 2011 and November 2021. Nine of these were in the UK, the US, Europe, Asia, and sub-Saharan Africa.³⁹ The largest outcomes purchase fund in the UK is the central government's Life Chances Fund: a £70 million commitment over a nine year period starting in 2016 to provide contributions to outcome payments for payment-by-results contracts tackling complex social problems. The fund aims to support over 51,000 individuals to achieve better life outcomes in areas such as health, employment, and housing.⁴⁰ In the US, the \$100 million SIPPPRA, as mentioned previously, is intended to provide funding for outcomes purchasing and feasibility studies for OBF contracts.



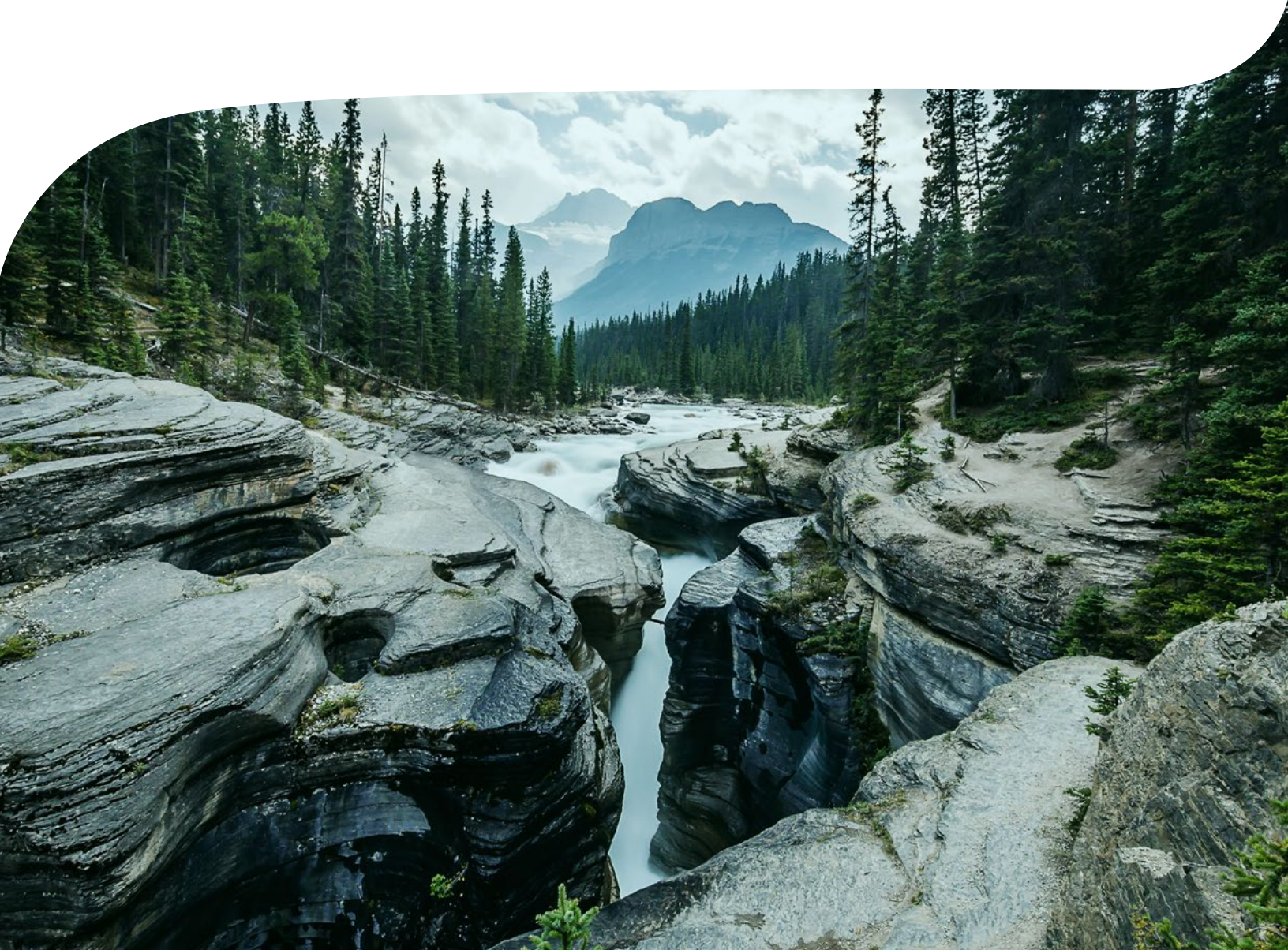
Both the Life Chances Fund and SIPPRa receive financial backing from national governments and extend funding to initiatives driven by local jurisdictions. In the case of the Life Chances Fund, it mandates that local governments shoulder the majority of the outcomes payment, with the fund contributing approximately 20% of the total payment.⁴¹ On the other hand, SIPPRa stipulates that applications must be submitted by either state or local governments.⁴² This structural framework holds the potential to facilitate the centralization of initiatives while simultaneously addressing local concerns.

Outcomes purchase funds, if not structured appropriately, can introduce unnecessary challenges. Interview participants noted that some of the evaluation metrics required for securing this funding can be overly stringent, placing greater strain on service providers. In fact, one participant emphasized that SIPPRa's insistence on statistical significance within an experimental evaluation design in order to trigger a payment could significantly escalate the cost of these initiatives. Resources

that could have been directed towards creating impact are instead allocated to meet these demanding requirements.

Furthermore, there are challenges related to the expertise of the organizations or agencies leading these outcomes purchase funds. Some of them may lack experience in the realm of social interventions or in efficiently allocating funds to these initiatives. This inexperience can pose additional hurdles in the successful implementation of such funds.

In summary, while OBF presents a promising approach to address complex social issues, Canada has room to enhance its efforts in various areas to catch up with nations that have more established OBF ecosystems, such as the US and UK. Greater investment in this space has the potential to unlock the full potential of these innovative financial mechanisms and would enable maturation of the Canadian ecosystem. Such growth would require political support, capacity building, and the establishment of government outcomes purchasing funds to drive meaningful change and impact in Canadian society.



RECOMMENDATIONS



The research findings have shed light on several critical aspects of the OBF ecosystem in Canada. In light of the opportunities and challenges identified, we offer the following recommendations to enhance and strengthen the ecosystem.



Foster Collaborative Partnerships: Stakeholders within the OBF ecosystem in Canada should actively seek and establish more collaborative partnerships. These partnerships should encourage participation from a wide array of actors, including investors, outcomes purchasers, government agencies, service providers, and intermediaries. By fostering collaboration, the Canadian OBF ecosystem can leverage the collective expertise and resources of stakeholders, ultimately promoting innovation, inclusivity, and the creation of solutions that address the complex challenges it faces.

Promote Information Sharing: Greater sharing of information among stakeholders is crucial to enhancing awareness and promoting transparency within the OBF ecosystem. Stakeholders involved with the ecosystem should work together to create a platform to facilitate the exchange of relevant information to further boost awareness and understanding among all participants involved in the ecosystem.

Enhance Support for Service Providers: Service providers play a pivotal role in the OBF ecosystem's success. To support their growth and effectiveness, industry and government bodies should provide enhanced support as a means to boost capacity and facilitate the launch of future OBF initiatives. This support can take the form of financial incentives, access to resources, and technical assistance; all of which will help service providers refine their governance, internal operations, and data infrastructure. This

reinforcement of service provider capabilities will not only encourage increased participation, but also enable the OBF ecosystem to more effectively address the requirements and expectations of its stakeholders.

Review Procurement Procedures and Legislative Framework: The government's role is central in shaping the OBF ecosystem's landscape. To ensure its growth and resilience, all levels of government should conduct a comprehensive review of procurement procedures and the legislative framework governing OBF in Canada. Streamlining procurement procedures and making them more accommodating to innovative solutions will encourage the participation of a broader range of stakeholders. Updating the legislative framework will create a more conducive environment that is clear, adaptable, and supportive of innovation and responsible finance practices.

Establish an Outcomes Purchase Fund: To stimulate innovation and investment within the OBF ecosystem, establishment of an outcomes purchase fund in Canada should be prioritized. This fund should be designed to support initiatives, projects, and innovations that have a positive impact on the ecosystem's development and measurable outcomes. By aligning funding with tangible results, it ensures that investments are directed towards initiatives that contribute to the ecosystem's growth and, by extension, the broader welfare of Canadian society.



CONCLUSION

OBF in Canada represents a promising yet underexplored financial mechanism with enormous potential for addressing social and environmental challenges. While it has made strides, Canada lags behind global leaders like the UK and the US in the adoption and understanding of OBF.



The key challenge facing OBF in Canada is the significant knowledge gap, resulting from a lack of publicly available information and misconceptions surrounding OBF. The fragmented data landscape underscores the need for a centralized Canadian OBF database, allowing for a more comprehensive analysis and informed decision-making.

The implementation of the aforementioned recommendations will be instrumental in fostering a thriving and sustainable OBF ecosystem in Canada. Through collaborative efforts, information sharing, support for service providers, and government-led initiatives, the ecosystem can adapt, innovate, and make substantial contributions to addressing complex societal challenges while driving economic growth. These recommendations serve as a call to action, urging all stakeholders

to work together and contribute to the betterment of the OBF ecosystem, thereby unlocking its full potential for the benefit of Canada and its citizens.

OBF initiatives offer numerous benefits and the potential for transformative change. To realize these transformations, a more coordinated and comprehensive approach is essential, involving centralized expertise and capacity-building support. As Canada works to overcome challenges, and as it seeks to draw on global experiences to enhance and innovate a more streamlined OBF model, the opportunity to harness OBF's potential remains strong. Further engagement will contribute to driving positive social change while fostering innovation, ultimately leading to more efficient and effective delivery of social services while optimizing the utilization of public funds.



RAVEN INDIGENOUS
IMPACT FOUNDATION



Sorenson
Impact Institute
UNIVERSITY OF UTAH

Thank You

RIIF and SII are grateful to all readers as we were eager to share this first-of-its-kind report, to encourage further learning and inspire both conversations and collaborative action. We are actively considering a second phase, follow-on investigation into how enabling OBF infrastructure is established. This could include a deeper dive into effective OBF supporting systems, processes, policies, governance structures and purchasing fund designs. In this vein, we welcome reflections, connections and future research considerations to be sent to info@riif.ca. The [Canadian OBF Database](#) is housed at <https://riif.ca> and updates can be submitted to the RIIF team at the aforementioned email.



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