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Social Entrepreneurship, Empowerment and Cohesion Project (SEEEO)

Guidance Note for Outcomes-Based Contracts

February 2025



REPUBLIC OF TÜRKİYE
MINISTRY OF INDUSTRY
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THE WORLD BANK
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About Social Entrepreneurship, Empowerment and Cohesion Project (SEECO)

The SEECO project is implemented by the General Directorate of Development Agencies of the Ministry of Industry and Technology, managed by the World Bank and financed by the European Union's Facility for Refugees in Türkiye (FRIT). For local level activities, cooperation is made with Development Agencies with high institutional implementation capacity.

The project covers 11 provinces under the jurisdiction of 5 Development Agencies. These agencies and provinces: Ipekyolu Development Agency (Gaziantep-Adıyaman-Kilis), East Mediterranean Development Agency (Hatay-Osmaniye- Kahramanmaraş), Karacadağ Development Agency (Şanlıurfa-Diyarbakır), Çukurova Development Agency (Adana-Mersin), Dicle Development Agency (Mardin).

Purpose of the Report

This report has been prepared by SEECO to provide practical tools and information that development agencies, other public institutions, and philanthropic organizations in Türkiye may need to explore Outcomes-Based Contract mechanisms in their programs.



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Introduction

Public institutions are facing pressure to solve complex social problems with limited resources. For Türkiye, issues such as youth unemployment, women's participation in the economy and local economic development are among key issues. Despite significant investments and support in these areas, traditional funding and procurement models do not always achieve the intended results. By its very nature, Outcomes-Based Contracts only pays for the achievement of previously agreed results. In this way, it offers an innovative approach to more effective and efficient use of public and philanthropic resources.

As of the date of this report, more than 250 outcomes-based contracts and projects have been implemented in 40 countries, including Türkiye.¹ Although there is variation across sources, it is estimated that between USD 500 million and USD 1 billion of capital has been allocated to development projects through outcomes-based contracting.

Outcomes-Based Contract (OBC) model provides public and philanthropic organizations with an innovative approach that extends beyond traditional service procurement or grant making, and enables collaboration with new types of investors. By focusing on “what is achieved” rather than “what is done”, the OBC structure ensures that public resources are utilized in the best way possible in suitable projects. The model aligns the expectations of funders, service providers and the beneficiary communities, directing all stakeholders toward achieving impactful shared objectives and outcomes.

Outcomes-based contracts are often used for social issues in which measuring achieved outcomes is feasible. While its application to environmental issues is gradually emerging, a review of contracts around the world shows that the most contracts are in areas of **employment and training, health, education, child and family welfare, homelessness and criminal justice**.²

In traditional program funding structures, payments are made in accordance with pre-determined budget items for the planned activities. In contrast, in the OBC structure, public or philanthropic institutions pay for impact outcomes. The responsibility for achieving these outcomes, carrying out related activities for their achievement, and the performance risks lie with the investors. With this structure, public or philanthropic institutions only pay for achieved and verified results, directly linking resources to evidenced impact outcomes. Payments are made for results, not processes.

¹ [Social and development impact bonds by the numbers - December 2024 Snapshot, Brookings](#)

² [University of Oxford. Government Outcomes Lab \(GoLab\) - Impact Bond Dataset](#)



For example, let's consider the goal of increasing youth employment. Various projects could be planned that include activities such as online or face-to-face training, events, mentoring and support to encourage participation in training. In traditional funding models, payments are made to the project owner upfront or during the process, regardless of whether employment outcomes are achieved. Public funding would cover expenses such as equipment needed for training, preparation for training, subsidies for participant's attendance, and salaries of the staff. Although each element required to achieve outcomes is funded under a traditional grant or procurement program, these services often lack an intrinsic motivation to achieve the ultimate outcome — retained employment.

In the OBC structure, the public only pays if the employment target is achieved and proven. The investor, who is responsible for both the process and the outcome, works with service providers to manage the process to achieve the employment target. Payments are only made if these employment targets are met, ensuring that public funds are only spent on outcomes that deliver real value to society. As such, this model enables public bodies to attract private sector investment and expertise while improving accountability for the use of resources.

This guide was created to provide regional development agencies, other public institutions and philanthropic organizations in Türkiye with the practical tools and knowledge needed to explore outcomes-based contracting mechanisms in their programs. By adopting the OBC model, public and philanthropic leaders can introduce a results-based approach to their funding programs and deliver better value for money with evidenced results in their target areas, and ensure more efficient use of resources to promote lasting social and economic progress.

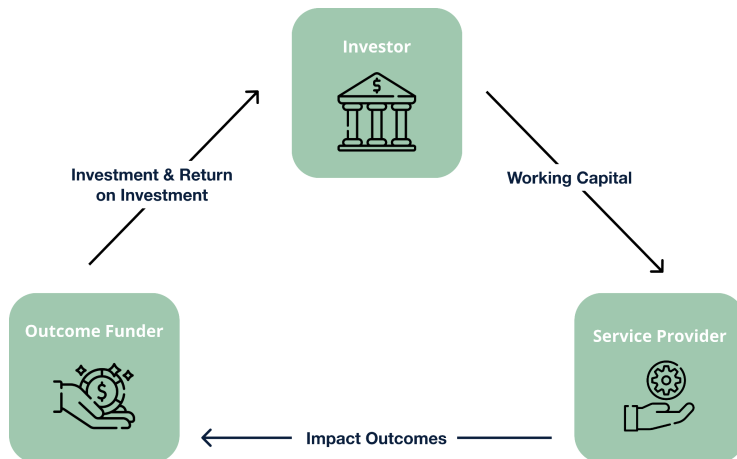
1. What is an Outcomes-Based Contract and what does it offer?

1.1. What is an Outcomes-Based Contract?

An outcomes-based contract (OBC), formerly known as a social impact bond (SIB), is a contract in which public or philanthropic entities agree to make payments in exchange for positive social or environmental impact.

The OBC is a funding approach in which payments are linked to predetermined, measurable outcomes rather than activities. In traditional contracts or procurement processes, service providers are paid for carrying out certain activities or providing services, regardless of the impact of those activities or services. In contrast, with OBC, payments are only made when the predefined outcomes have been achieved and verified. Meaning, in the OBC model, it is not the process that is financed, but payments are made for the results after they have been achieved, i.e. the results are effectively "bought".

Fig.1 - Basic outcomes-based contract structure



Roles in an Outcomes-Based Contract

There are four main actors in the OBC structure: the Outcomes Funder, the Investor, the Service Provider and the Beneficiary. In addition, there may be independent financial auditors and outcome verifiers.

Outcomes funder: Typically, public or philanthropic institutions act as outcomes funders. They are responsible for identifying the desired outcomes in the social areas they focus on and making payments for the outcomes once they have been achieved and verified.

Investor: The investor assumes the financial and performance risk to achieve the outcome defined by the outcomes funder(s). The investor provides the upfront financial resources required for the activities necessary to achieve the outcomes. The investor also actively participates in the process by working with the service provider (or several service providers) responsible for implementing the needed activities. Once the outcomes are achieved and verified, the investor receives the corresponding payments for each outcome from the outcomes funder. Depending on the subject matter and structure of the contract, there may be several investors. The investors in the OBC structure are motivated by the achievement of social impact rather than high financial returns. They take an active role in the process and ensure that progress is made towards the defined outcomes.

Service provider: In an OBC, there may be one or more service providers, depending on the subject matter and scope of the contract. These are the organizations hired by the investor to carry out the activities necessary to achieve the defined impact objectives. These activities may include, training, mentoring, support in overcoming addiction problems, health services, etc. The service providers receive payments from the investor for these activities, either at the beginning of the work or during the course of the work. Another task of the service provider, depending on the context, is to follow up on the results achieved. Service providers can be private companies, social enterprises or non-governmental organizations (NGOs).



Difference between OBC and traditional procurement

In traditional procurement or grant awarding, the services offered by different providers are evaluated through tenders or applications on the basis of a specific budget, then a selection is made. Payments are made for the services provided as part of this selection. However, the results at the end of the project/process are not linked to the payments and there are no financial penalties if the results are not achieved or fall short of the ideal scenario.

What is the process in an OBC model?

Consider an OBC where the outcomes funder agrees to make outcomes payments to the investor for each young person who starts a job and remains employed for at least three months:

1. **Defining impact outcomes:** The outcomes funder defines outcomes with a set criteria, e.g. X young people with certain qualities entering employment and remaining employed for at least three months.
2. **The role of the investor:** The investor works with one or more service providers of its choice to organize relevant training and employment support. The investor bears all associated costs.
3. **The role of the service provider(s):** The service provider(s) run the training and support programs to prepare the target group for employment, assist with job placement and provide on-the-job support. The progress of those who start work and remain employed for three months is tracked.
4. **Outcome verification and payment:** For each young person who has remained in employment for three months, and has been evidenced, the investor receives the agreed payment from the outcomes funder as compensation for the outcome achieved impact.

Türkiye's first outcomes-based contract, "**Istanbul Kodluyor**", was similarly designed with a focus on youth employment. Details of this example will be shared in the following sections.

This approach enables OBC to bring an outcomes-focused perspective to the delivery of public services, encouraging investors and service providers to innovate and adapt their methods to achieve maximum impact. It also helps public and philanthropic institutions maximize the value of their resources, ensuring that their investments deliver measurable social or economic benefits. The steps for designing and structuring outcomes-based contracts are detailed in Chapter 3 - Structuring of an Outcomes-Based Contract and its Basic Building Blocks.

Social Impact Bond or Outcomes-Based Contract?

The first application of an OBC was in 2010 in the United Kingdom. The project aimed to reduce the reoffending rates of specific groups of prisoners released from Peterborough Prison, demonstrating to both public and private sector investors that an OBC structure could generate both measurable outcomes and financial value.³

During the design phase, it was initially envisioned that this financial structure would be issued as a bond, allowing it to be traded and used as an investment instrument by market participants. This approach aimed to attract more investors to the social impact space through tradable financial instruments. However, these expectations were not met. Despite being labeled a "bond" for many years, the structure never materialized as an issued or publicly tradable financial instrument. Due to the confusion caused by the terms "bond", a name change was adopted, and the model is now referred to as an Outcomes-Based Contract (OBC).

The World's First Outcomes-Based Contract: Peterborough Prison "One Service" Project

Launched in 2010, the Peterborough Outcomes-Based Contract (formerly known as the Social Impact Bond, or SIB) was a groundbreaking initiative aimed at reducing reoffending rates among short-term prisoners at the Peterborough Prison in the UK. Traditional rehabilitation programs struggled to lower reoffending rates effectively due to fragmented service delivery and service providers working in isolation. The Peterborough OBC introduced an outcomes-based contract worth £5 million, transferring performance risk to private investors. The outcome funders were the UK Ministry of Justice and the Big Lottery Fund, while the investors included a group of philanthropic organizations, such as Social Finance.

The primary goal was to achieve a 7.5% reduction in reoffending rates among approximately 3,000 male prisoners with sentences shorter than 12 months. Investors partnered with multiple service providers to establish a coordinated support system that offered services such as housing assistance, employment training, and personal mentorship.

The results were promising. The first cohort experienced an 8.4% reduction in reoffending rates compared to the national control group. Overall, the project exceeded its target, achieving a total reduction of 9% in reoffending rates. This success enabled investors to receive their outcome payments.⁴

³ [Evaluating the World's First Social Impact Bond. Rand Europe](#)

⁴ [HMP Peterborough \(The One Service\). GoLabGo Lab & Peterborough Social Impact Bond HMP Doncaster. UK Ministry of Justice. 2014](#)

1.2. Why use an Outcomes-Based Contract?

Complex social issues such as increasing women's participation in the workforce, reducing drug use and helping individuals overcome addiction, increasing enrollment in schools and improving education outcomes, among others, require the coordination of multiple service providers, innovative approaches, and holistic solutions. Traditional procurement processes, which are often activity-based, sometimes fall short in designing and managing multidimensional programs needed to achieve desired outcomes.

In particular, addressing such complex social problems may require coordination of multiple service providers. Traditional service procurement methods, where no single entity is accountable for the ultimate outcome, may be inadequate. OBC structures transfer the performance risk of the project's ultimate outcome entirely to one entity (an investor, who risks their own capital), thereby encouraging and creating space for the delivery of coordinated and comprehensive services. And from the perspective of outcomes funders, the complicated process management and financial risks are transferred to the investor.

Istanbul Kodluyor project by the Istanbul Development Agency (ISTKA)⁵ also demonstrated that, public institutions and philanthropic organizations can use these mechanisms to attract private sector investment, innovation, efficiency, and expertise to their projects.

Additionally, OBC structures support the need for greater accountability and transparency in public and philanthropic spending. By focusing on outcomes, OBCs enable policymakers to measure the effectiveness of public spending and gain evidence-based insights to improve and scale successful programs.

Key Advantages of Outcomes-Based Contracts

1. Focus on Measurable Impact

In OBCs, payments are tied to concrete results rather than activities or expenditures. This approach ensures that all resources allocated to the project are directed toward achieving measurable outcomes. Likewise, since investors are paid only when outcomes are achieved, they direct service providers to focus on results rather than processes. Activities become tools to achieve impacts (e.g., increased educational achievement rather than simply reaching students). Investors can even change the way services are delivered or replace service providers if necessary to achieve the targeted outcomes.

⁵ The project is detailed in chapter 4.



2. Encouragement of Innovation

Service providers, drawing from past experiences, often seek flexibility to design and implement innovative solutions. However, developing and implementing innovative approaches carries risks, and many NGOs or small-scale service providers lack the financial capacity to bear these risks. Investors, motivated to provide more efficient services, work with such organizations within the OBC structure, providing them with resources and creating space for testing innovative approaches in areas where improvements are needed.

3. Accountability

OBCs establish a strong framework and database for accountability by aligning payments with measurable success. The verifiable evidence submitted by investors for payments enhances transparency and strengthens accountability.

4. Efficient Use of Resources

Since public and philanthropic resources are spent only when outcomes are achieved, OBCs facilitate and ensure the efficient use of resources.

5. Attraction of New Funding Sources

In OBC mechanisms, the investor uses their own resources upfront, effectively providing working capital for sectors like health, education, and employment. This allows small and medium-sized organizations that might not otherwise win public tenders to grow by serving investors.

6. Risk Management

OBC structures transfer performance risk to investors, reducing the financial risk borne by public and philanthropic institutions. This encourages investors and their chosen service providers to focus on results while minimizing risks for public and philanthropic outcomes funders.

7. Evidence for Scaling

Since the verification of results is a prerequisite for payments, OBCs promote rigorous data collection and evaluation. This generates data on which programs are the most and least efficient in achieving outcomes. This approach supports the scaling of successful interventions, the discontinuation of ineffective ones, and contributes to the development of future policies.

8. Promotion of Collaboration Among Service Providers

For complex problems requiring collaboration among multiple service providers, the investor, who is responsible for the ultimate outcomes, fosters and coordinates

cooperation among different providers. This enhances the efficiency and effectiveness of the group of services that would otherwise be delivered in silos through traditional procurement or grant structures.

2. Which projects are suitable for Outcomes-Based Contracts?

Outcomes-based contracts are not universally applicable for all types of public services or projects. The following criteria help determine whether an OBC is an appropriate mechanism for the intended project or impact:

1. Clearly Defined, Attributable Outcomes

OBC structures require outcomes that are measurable, specific, and verifiable. For example, outcomes such as “securing employment for 500 unemployed youth in defined job categories within a specific time frame” or “increasing middle school enrollment and graduation rates for girls in rural areas” are suitable for OBC because they are measurable and directly linked to the services provided.

2. Data Access and Quality

Payments and outcomes measurements rely on the availability and accessibility of trustworthy data. If existing datasets, such as employment statistics, social security records, or health outcomes, can be utilized, implementing an OBC becomes more straightforward. In cases where data is unavailable or unreliable, investment in creating verifiable data systems might be necessary, increasing the initial costs.

3. Engagement of Skilled Service Providers

The presence of capable service providers or organizations with experience in achieving outcomes in the relevant sector is crucial. These providers could be non-governmental organizations or private companies. Since the investor assumes the financial and performance risks, service providers are selected by the investor based on their track record and ability to deliver outcomes oriented services effectively.

4. Nature of the Problem

OBCs are particularly suited for well-defined, complex, but solvable problems that require collaborative solutions. Examples include:

- **Employment Programs:** Increasing workforce participation and securing sustainable jobs for specific groups such as youth or women.
- **Education Projects:** Improving enrollment and graduation rates in regions with low school participation or reducing dropout rates. Target populations can also be narrowed, such as focusing on girls in rural areas.

- **Substance Abuse Treatment and Rehabilitation:** Rehabilitating youth with drug addiction and reintegrating them into society.
- **Increasing Rural Farmer Incomes:** Supporting smallholder farmers through efficient agricultural practices and financial literacy to enhance productivity and household incomes.

Although still limited in number, OBCs are also increasingly applied to environmental issues.

5. Cost-Benefit Evaluations

OBCs take into account the value that the outcomes bring to the public and their socio-economic benefits in the short and long term. For instance, an anti-drug program can reduce long-term treatment costs and lower crime rates, providing value beyond individual beneficiaries. Public institutions evaluate whether the value created by the project exceeds its cost.

An OBC should aim to holistically address the problem, creating value for various stakeholders and leveraging collaborative funding. This approach promotes public-private partnerships, efficiency, and better-targeted services, making OBCs an innovative and impactful alternative for delivering public services and solving social challenges.

Table 1 - Key Questions & Approaches for the Outcome Funder

Key questions for the Outcome Funder	Importance of the question	Approach to the answer	Examples
Is the problem significant enough to justify action and funding? Which public or philanthropic institutions could act as outcomes funders or other stakeholders?	The solution of some problems may fall within the responsibility of different public administrations. There may also be philanthropic institutions that deal with only specific dimensions of these problems. Solving the problem can create both short-term and long-term value for each of these institutions. Different institutions may "purchase"	The final amount to be paid by the public for the outcomes should be justified in relation to the medium and long-term benefits to the public. In the OBC structure, we should consider how to approach solving the problem holistically, for which stakeholders we are creating value, and	For example, a program to increase employment could benefit different institutions separately by reducing unemployment benefits, reactivating idle productive capacity, improving welfare, increasing potential additional tax revenues, and empowering women. While there may not be a single institution that values each of these benefits, these gains may be the priorities of different organizations individually.

	the outcomes that benefit society. There can be multiple outcomes-funders.	who wants to "buy" the value that will be created.	A philanthropic foundation might fund outcomes in a particular area by working with different public agencies to prioritize women's participation in the workforce or in a particular geography.
Can short-term spending create long-term benefits? Can the necessary activities to solve the problem be completed in a short time, and can both short-term and long-term outcomes be achieved?	OBC investors typically prefer 2-5 year programs to manage their risks. Very short-term budgets may be insufficient in terms of time to create lasting results.	Projects that allow for a long-term solution to be achieved through a short-term upfront investment, instead of spreading expenditures over an extended period, will be more attractive to both the outcomes funder and the investor, as they create long-term value.	A program lasting 18 months, aimed at reducing unemployment by helping young people acquire new skills, supporting their entry into the workforce, and assisting them in maintaining their jobs can provide long-term public and social benefits. Similarly, the benefits of an upfront investment to increase participation in education and success in rural areas will be realized for many years.
How much should the project cost be?	OBC structures have fixed administrative costs. As the total project amount increases, the per-beneficiary cost decreases.	In global examples, OBC projects range between 2-3 million dollars to 30-40 million dollars. In projects under 2-3 million dollars, fixed costs may make per-unit costs less attractive.	Some of the project costs are variable (changing based on the number of people served), while some are fixed (project management team, legal costs, reporting, etc.). The per-beneficiary unit cost will consist of the distribution of fixed costs across all beneficiaries and the total of variable costs. The larger the number of beneficiaries, the lower the per-person fixed cost will be.
Is there a sufficiently large beneficiary universe?	The target beneficiary group will affect the scale of the project. In order for the investor to create the expected impact, there must be a sufficiently large and accessible beneficiary group.	During the feasibility study, the scale and characteristics of potential beneficiaries will be determined to reach the targeted number/condition of impacts, and based on these characteristics, the services to be offered by the investor and their approximate amounts will be determined.	The potential mismatch between the targeted number of results and the possible number of results will put the project at risk. The risk will also increase the project's cost.

Are there proven, data-backed, scalable applications and competent service providers?	If there are no suitable service providers for the task, the investor will not be able to carry out the work. The scalability of proven solutions is an opportunity sought by investors.	During the feasibility study, potential service providers should be identified, their approximate costs, past experiences, and scalability potential should be assessed.	For example, are there competent institutions that can provide various services based on the needs of target families and children to increase school enrollment and success for girls in rural areas? What kind of activities have they previously carried out in this field? Is there a reliable service provider for each service in the necessary service range?
Can the targeted impacts be objectively measured and proven?	Since payments will be based on proven impacts, the targeted impact must be measured and reported in an objective and verifiable manner that the parties will not doubt.	When designing the project and setting the targeted outcomes, impact measurement and reporting mechanisms should be considered from the very beginning. The targeted outcomes should be simplified as much as possible in terms of measurement, if possible. Questions such as whether measurement is feasible, what the evidence will be, how it will be obtained, and what the cost of measurement and reporting will be need to be answered. It is important for the contract to include provisions that allow flexibility in the case of unforeseen situations.	In an employment-related project, social security records in our country can serve as evidence. However, it may not always be possible to obtain these records from participants. In more complex projects, such as increasing success in education, measurements may be more difficult. A control group may be required. These may be sensitive, challenging, and costly to implement. All these details should be considered from the start. These details will constitute an important part of the contract.



3. Structuring of an Outcomes-Based Contract and its Basic Building Blocks

The following recommendations serve as a guide for effectively structuring outcomes.

3.1. Basic building block: Target outcomes

Outcomes-based contracts are less suitable for solving simple problems, such as building a school or providing a material input, which can be solved more efficiently by traditional procurement methods. For more complex problems, such as getting homeless people into employment, increasing school enrollment in rural areas, or improving girls' success in school, problems that require multiple inputs and services, OBCs deliver more efficient results for outcomes funders.

When designing a contract, it is essential to ensure that the desired outcomes are aligned with public policy or the priorities of philanthropic organizations. This alignment strengthens collaboration between investors and outcomes funders as they work toward a common goal in their long-term relationships. To reduce the risk of unintended consequences or disagreements, it is critical to carefully and explicitly define outcomes in a way that aligns with policy objectives.

Although there is no generally recognized method for defining outcomes, certain characteristics are considered important. Segmentation of the target group (e.g. by age group, geographical area or income level) and explicit identification of eligible beneficiaries help to reduce the risk of potential conflicts. In addition, involving both providers and beneficiaries in the design process can lead to more effective contracts and better-designed benefits.

It is important that the goals that trigger payments meet the SMART criteria. SMART was first introduced by George T. Doran in 1981 and stands for Specific, Measurable, Achievable, Relevant and Timebound. This widely accepted approach ensures that goals are clear, achievable and aligned with desired outcomes. In the context of OBCs, defining outcomes using the SMART framework is a useful way to ensure success and accountability.

- **Specific:** The objectives should be defined clearly and unambiguously. For example, instead of “improving early childhood development”, a more specific alternative can be “to increase immunization rates among children from low-income families in a specific region by 20%” or “to reduce absenteeism by 50% among 500 students”. This clarity ensures that all stakeholders have a common understanding of the goal and minimizes disputes over payment criteria.

- **Measurable:** Outcomes must include metrics that can be used to evaluate progress and success. For example, the number of former drug addicts who have been drug-free for at least six months provides quantitative data, while the improvement in self-esteem measured by independent evaluation reports in a women's empowerment program provides qualitative data.
- **Achievable:** Targets should be realistic and take into account available resources, opportunities and time constraints. Setting unachievable targets can deter investors, demotivate service providers and lead to the failure of contracts. For example, it may be unrealistic to aim for a 50% increase in employment in a short period of time, where a 15% increase is more aligned with the realities of the market.
- **Relevant:** Outcomes should be consistent with broader policy objectives and meet the needs of the target population. This ensures meaningful and effective activities and at the same time encourages ownership by stakeholders, increasing the likelihood of success.
- **Timebound:** Outcome goals should have a defined timeframe to ensure accountability and focus. For example, "Reduce homelessness by 10% in a specific region within two years" or "Provide 1,000 homeless youth with sustainable employment and independent living within two years" creates urgency and prioritizes efforts within the contract period.

Adherence to these principles can enable OBCs to tackle complex problems effectively and achieve sustainable results.

3.2. OBC Examples

Mental Health and Employment Partnership (MHEP) - United Kingdom

The Mental Health Employment Partnership⁶ was launched in the UK in 2015 to support people with severe mental health problems, substance use and dependency, learning disabilities or autism to find work. One of the key features of the MHEP was its ability to bring together national and local public resources and charities to create different pools of outcomes-funders and investors for different regions.

OBC Stakeholders and Roles

Multiple outcomes-based contracts were structured as part of MGEP for each region.

⁶ [Mental Health and Employment Partnership \(MHEP\), Social Finance](#)



In the first phase, across all contracts:

- **The investor** was [Big Issue Invest](#),
- **The outcomes funder** was [The National Lottery Community Fund](#),
- **The coordinator** responsible for the organisation, performance and process management was [Social Finance](#), who was appointed to the role by the investor.

Between 2015 and 2022, six contracts were signed with different start and end dates and outcome targets. In addition to the National Lottery Community Fund, the district council of the respective region was also part of each contract as an outcomes funder.

In the second phase, between 2019 and 2024, five contracts were created for five regions. For these five contracts, the [Life Chances Fund](#), managed by the National Lottery Community Fund of the UK Department for Digital, Culture, Media and Sport, was the outcomes funder. As with the first phase, each contract included the local district council as an additional outcomes funder. The total payments that the investor could claim back if the impact targets for these five contracts were met were set at a maximum of £6.5 million⁷.

Various institutions acted as service providers in the contracts, sometimes concluding contracts for several regions.

Activities

At the heart of the MHEP is the "Individual Placement and Support (IPS)" program, which was developed in the United Kingdom to provide employment opportunities for people with mental health and substance abuse problems. The program was later expanded to include veterans, people with physical problems and people recently released from prison.

The structure of the program provides for an employment specialist to be brought together with the person participating in the IPS program. As a first step, the employment specialist assesses the person's previous experience, strengths, skills and motivations, as well as the challenges and limitations of their current situation. They then help to identify potential employment opportunities and work environments that are suitable for the individual. Once these areas have been identified, the employment specialist assists the individual in preparing a CV, contacts employers on their behalf and actively seeks to find a suitable position. For the jobs found by the employment agency and also by the individual, the application phase is supported by preparing applications and practicing job interviews. Once the individual has started the job, the relationship with the employment agency is continued in order to help them stay in work.⁸

⁷ [Mental Health and Employment Partnership: Second Interim Report \(summary\). UK Department for Culture, Media & Sport, 2024](#)

⁸ [Information for Clients. IPS](#)

The MHEP has successfully merged public and social funding sources with the IPS program and scaled it up for wider application.

Outcome Targets

While the composition of the investors and outcomes funder structures differed from region to region, the outcomes targets were the same for all contracts.

Outcome targets in the initial phase contracts: <ul style="list-style-type: none"> - Participation in the program - Job start - Job retention for 6 weeks - Job retention 6 months 	Outcome targets in the second phase contracts: <ul style="list-style-type: none"> - Participation in the program - Job start - Work at least 13 weeks in a job with less than 16 hours per week - Work at least 13 weeks in a job with more than 16 hours per week
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Based on the findings from the first phase, the outcome goals related to student retention were updated for the following reasons:

1. Participants preferred part-time jobs, and retention rates were higher for part-time jobs.
2. There were difficulties in collecting evidence of continued employment. This was due to loss of communication with individuals who had started work and progressed onwards.

Achieved Outcomes

Between 2015 and 2024, MHEP facilitated employment for 2,046 individuals, and 72% of them remained employed for at least 3 months.⁹

When evaluating the impact outcomes of the last five contracts, it was observed that some results were above expectations, while others were below, based on the medium scenario. The table below shows the outcome evaluations of five different contracts according to their medium scenarios.¹⁰

⁹ [Mental Health and Employment Partnership \(MHEP\). Social Finance](#)

¹⁰ [Mental Health and Employment Partnership: Second Interim Report \(summary\). UK Department for Culture, Media & Sport, 2024](#)

Table 2 - Achieved Outcomes of the MHEP OBCs

Outcomes	Haringey & Barnet	Shropshire	Enfield	Tower Hamlets (SMI)	Tower Hamlets (LD)	Haringey & Barnet
Participation to the program	104.5.%	135.3%	43.8%	114%	29.3%	104.5.%
Job Start	89.5%	102.1%	67%	91.6%	96%	89.5%
Job Retention	80.6%	73.3%	68.1%	77.9%	369%	80.6%

Allchild - United Kingdom

[AllChild](#) works on early interventions to build the social, emotional, and academic skills of children in the most disadvantaged neighborhoods of the United Kingdom to support their development.

OBC Stakeholders and Roles

AllChild provides this support with 3 OBCs with the last one still ongoing.

The first contract was completed between November 2016 - March 2021, with a maximum payment of £3.04 million for impact outcomes¹¹, and the second one was completed between January 2018 - March 2021, with a maximum payment of £1.05 million for impact outcomes.¹²

In both of the first two contracts, the **investor** and **intermediary organization** was [Bridges Outcomes Partnerships](#), and the **outcomes funder** was [The National Lottery Community Fund](#), along with the relevant district councils for each contract.

AllChild continues its work by scaling its impact through the third contract with a larger investment. The third contract set the maximum payment for impact outcomes at £16.24 million over 5 years. Bridges Outcomes Partnerships continues to be one of the investors and the National Lottery Community Fund is one of the outcomes funders. In this new third contract, further public and charitable organizations have joined as investors and outcomes funders. The complete list of outcome funders and investors can be viewed on the contract's page in the GoLab INDIGO database.¹³

¹¹ [West London Zone \(London Borough of Hammersmith and Fulham\). GoLab](#)

¹² [West London Zone Royal Borough of Kensington and Chelsea. GoLab](#)

¹³ [West London Zone. placed-based support for children and young people: scale-up. GoLab](#)

Activities

As part of AllChild's early intervention system to support child development, a two-year program of one-on-one sessions with selected students is offered. The aim of the program is to help students develop relationships and skills that make them feel confident, happy and supported at school, at home and in their communities.

At the core of the program are the Link Workers, who communicate personally with the students. The Link Workers are employed by AllChild, work in the schools and collaborate with the teachers.

Students who are eligible to participate in the program are selected by their schools based on AllChild's assessments of achievement, absenteeism and other information. For students who are selected and agree to participate, their families and teachers also play an active role alongside the Link Worker.

The Link Worker works with the student's family and teachers to identify what opportunities exist for the student's development, what subjects they would like to learn or try, and what areas they would like to improve in. It supports the student in developing the necessary skills to achieve their goals and shows them how to proceed.

During this process, AllChild works with more than 40 non-governmental organizations to provide various activities such as drama, sports, art, math, English and speech groups.

An important factor in AllChild's success is the collaboration with multiple service providers to make the various institutions and support systems work more effectively through a common impact goal. The involvement of local schools, school stakeholders, service providers and the community in the design and implementation of the program has made the outcomes of the services offered more effective.

Outcomes Targets

The impact goals of the contract are evaluated based on children's enrollment in the program, their high level of interaction within the program, school attendance, academic performance, and emotional well-being. The following table shares the steps that trigger payments. The details of the payment mechanisms can be viewed in the contract's case study in the GoLab INDIGO database.¹⁴

¹⁴ [West London Zone. GoLab](#)



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Table 3 - Payment Triggers of the AllChild OBC

No Payment	1st Payment	2nd Payment	3rd Payment	4th, 5th and 6th Payments
It is determined that the child is eligible for the program	The child and his/her family give permission to participate in the program.	Sufficient interaction with Link Worker and participation in one of the partner supports	Continued engagement and participation	<p>The 3 final payments at the end of the program are determined by selecting one of the rate cards prepared for the 7 subjects listed below and according to the matching pricing.</p> <ul style="list-style-type: none"> - Reading (for Primary School) - English (for Secondary School) - Mathematics - Well-being - Writing (for Primary School) - School interaction (for Secondary School) - School attendance status - Parent interaction - Child / teacher satisfaction

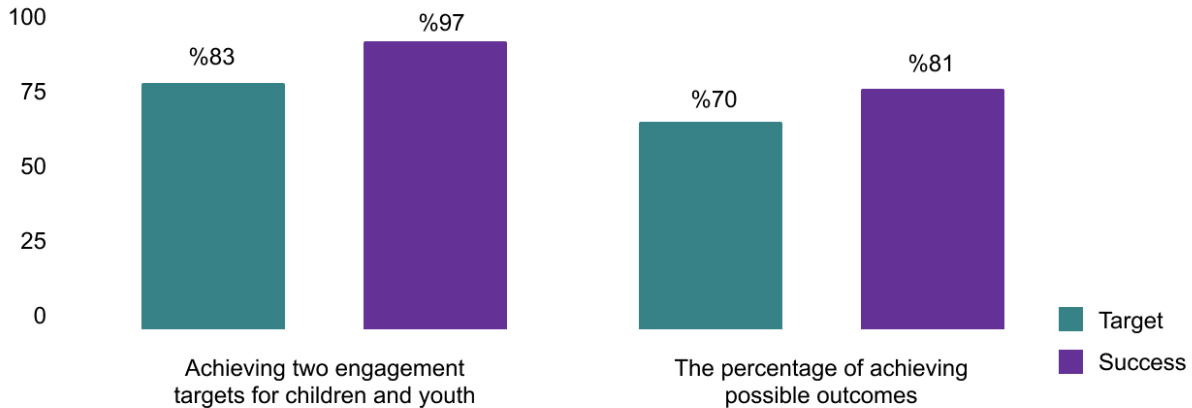
Achieved Outcomes

AllChild supported more than 3,000 children between 2022 and 2024.

According to AllChild's impact measurement reports, 61% of young people at risk in terms of mental health are no longer at risk, 58% of young people at risk in English and math have improved their grades, and 95% of the school administrators they work with say that AllChild's support has made a positive difference to their students' development and potential.¹⁵

¹⁵ [Allchild Annual Report 2023 - 2024](#)

Table 4 - AllChild's 2020 - 2022 Programme Outcome Performances



Between 2020 and 2022, the program group, which consisted of 441 students, exceeded both the interaction targets with children and youth and the targets for achieving target impact outcomes.

Source: [West London Zone, placed-based support for children and young people: scale-up, GoLab](#)

Education Outcomes Fund - Global

The Education Outcomes Fund (EOF)¹⁶ was established in 2018 by the Education Commission and GSG Impact. UNICEF is responsible for managing the fund. It is structured as a fund of funds for outcomes and works by signing outcomes-based contracts with different investors in different regions. The fund focuses on Sustainable Development Goal 4 - Quality Education and aims to link financial support with measurable results to improve outcomes and employment in the education sector.

In a study conducted in 2021, the Fund examined the results of accessible data from 71 education programs in 30 countries worldwide and found that 48% of these programs had no positive impact on learning outcomes. This finding underscored the need for outcomes-based contract structures such as EOF.¹⁷

The fund aims to raise one billion dollars from international development and philanthropic sources by 2030 to transform the lives of more than 10 million children and young people. Examples of OBC initiatives carried out by the Education Outcomes Fund can be found in detail on their website.¹⁸ Two examples are detailed below.

¹⁶ [Education Outcomes Fund](#)

¹⁷ [How can outcomes fund support the evidence agenda?, Education Outcomes Fund, 2021](#)

¹⁸ [The Evidence, Education Outcomes Fund](#)

Colombia Youth Employment Initiative

The Colombia Youth Employment Initiative was launched in 2017 in three cities in Colombia (Bogotá, Cali, and Pereira) to provide sustainable employment for vulnerable youth, particularly for those displaced within the country due to armed conflict.

In the contract structure:

- **Outcome Funders** were [the Swiss State Secretariat of Economic Affairs \(SECO\)](#), [IDB - Inter-American Development Bank](#), and the Government of Colombia's Department of Social Prosperity.
- **Investors** included three foundations in Colombia: Fundación Corona, Fundación Mario Santo Domingo, and Fundación Bolívar Davivienda.
- Multiple organizations took on the roles of **Service Providers** and **Intermediary Institutions**.¹⁹

The outcome targets were set as individuals starting a formal job, and job retention for 3 and 6 months.

As a result of the OBC;

- 899 individuals started a formal job (117% of the target, which was 766)
- 677 individuals retained their jobs for 3 months (88% of the target, which was 766)
- 309 individuals retained their jobs for 6 months (60% of the target, which was 514)

Following these successful results, the program was scaled and continued.

Educate Girls - India

In 2015, the Educate Girls outcomes-based contract was launched in the Bhilwara region of Rajasthan, India. Educate Girls was designed to address the lack of education and low academic performance among girls. In the region, one in ten girls aged 11 to 14 was not enrolled in school, and less than a quarter of children in rural areas in 3rd grade could read at second grade level or solve simple math problems.

In the contract structure

- **Outcome Funder** was [Children's Investment Fund Foundation](#)
- **Investor** was [UBS Optimus Foundation](#)
- **Service Provider** was [Educate Girls](#), a non-profit civil society organization.

¹⁹ [Colombia Workforce Development SIB: Empleado Futuro. GoLab](#)

Outcome targets were:

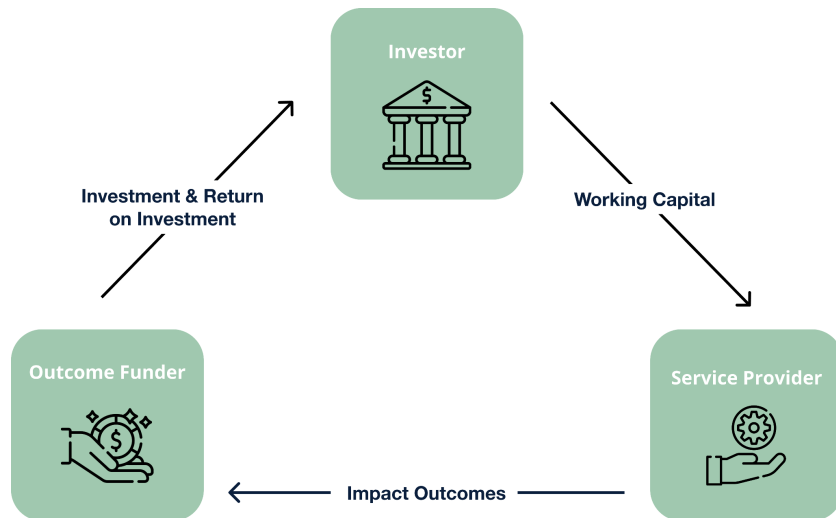
- Improving exam results for children in grades 3, 4, and 5
- Increasing enrollment rates for girls aged 7-14

At the end of the three-year program, the first impact target was exceeded by 116% and the second target was achieved by 160%. Due to the great success of the program and with the support of philanthropic organizations, the outcomes funder scaled up the program. Educate Girls was then expanded to 3,500 villages in India, enabling 1.6 million girls who had been out of school to start their education.²⁰

3.3. Stakeholders and their roles in an OBC

An OBC brings together multiple stakeholders, each with distinct roles and responsibilities, to achieve measurable social or economic outcomes. The primary stakeholders include **outcomes funders**, **investors**, **service providers**, and of course, **beneficiaries**. In addition to these, there are also advisory institutions and outcome verification institutions.

Fig. 2 - Basic outcomes-based contract structure



Outcomes funders are typically public sector institutions or philanthropic organizations. In the first example of an outcomes-based contract in Türkiye, this role was assumed by the Istanbul Development Agency. These institutions define the objectives in the initial phase based on their priorities and the principles mentioned above and commit to providing funding based on the achievement of the defined outcomes.

²⁰ [The Evidence, Education Outcomes Fund](#)



Investors provide upfront capital (working capital to service providers under service purchase agreements) to finance the services, assuming both the financial and performance risks. They expect a payback from the outcomes funder based on the achievement of the outcomes. The involvement of investors from the outset strengthens the concept of the OBC and helps to ensure that it is adapted to market realities. During project implementation, they play an active role in coordinating between service providers and communicating with the outcomes funder.

The service providers may be non-governmental organizations (NGOs), civil society organizations or private companies. The service providers are selected by the investors and conclude contracts with the investors. This is not a public procurement procedure. In order to manage their risk, the investors work with the service providers that they believe can deliver the required services in the most appropriate and effective way. The experience, innovative approaches, scaling potential and operational capacity of these organizations are critical to the success of the program and play an important role in the investor's selection of service providers.

Depending on the size of the OBC, several institutions can take on each of these three roles. In addition to these main institutions, consulting companies and outcomes verifiers can also be involved in the projects.

Consulting firms support the development of projects, help outcomes funders identify suitable targets for the OBC structure, assist in finding investors and bringing parties together, prepare the feasibility of the OBC and provide support in financial and legal negotiations and structuring. They facilitate the design and management of the OBC, coordinate the efforts of all parties involved and ensure alignment. Many OBCs, particularly outside the UK and US, have been initiated and implemented by intermediary organizations.

Outcomes verifiers can be appointed to independently assess the extent to which target outcomes have been achieved to ensure transparency and accountability. Outcomes verifiers are particularly important when objectives are complex and subjective. For example, a project's employment outcomes can be verified using social security records without an external verifier. However, a program designed to measure the success of girls in elementary school or the reduction of drug addiction may require an external verification with complex assessment tools.

Finally, the **beneficiaries**, the individuals or communities who use the services, are at the heart of OBC's success. Their active participation in the design and feedback process ensures that the services provided are appropriate, effective and tailored to their needs. Beneficiaries are usually involved in the process by the outcomes funder and investor from the beginning of the OBC to ensure that realistic goals and service content are set.

Characteristics of a Good Outcome Funder

In OBCs, the outcomes funder is the driving force and guide of the project. Typically, public sector institutions, philanthropic organizations, or sometimes private sector companies assume this role. The outcomes funder defines the strategic vision and allocates the funds that will be paid out to the investor if the project is successful. As the party who is allocating resources, they also have priority in defining the targets.

The primary responsibility of the outcomes funder is to act as the guardian of public or donor funds and ensure that these resources are effectively used to achieve measurable social or economic impact. By defining clear and accessible outcomes, the outcomes funder establishes criteria for success and provides a framework for collaboration among all stakeholders. Additionally, the outcomes funder plays a significant role in managing risks by creating incentives that encourage innovation and accountability, and by shifting certain risks to investors.

Beyond financing, outcomes funders act as facilitators, filling the gap between stakeholders such as investors, service providers, and beneficiaries. By fostering collaboration and maintaining transparency, the outcomes funder ensures that all parties are aligned and committed to achieving the defined outcomes. Their leadership and strategic oversight are indispensable in creating a well-structured, effective, and sustainable outcomes-based contract.

Outcome funders must maintain a balanced level of flexibility when managing OBCs, particularly in the face of significant unforeseen events that can impact service delivery and the achievement of agreed-upon outcomes. Circumstances such as the COVID-19 pandemic, drastic macroeconomic downturns, or political instability can create barriers beyond the control of investors and service providers, making originally set targets unattainable despite their best efforts. In such cases, rigid adherence to initial outcome targets can undermine the effectiveness of the program, discourage investor participation, and ultimately fail to deliver value to beneficiaries. By incorporating adaptive management mechanisms such as renegotiating performance targets, adjusting timelines, or modifying payment structures, outcome funders can ensure that OBCs remain impactful, sustainable, and fair to all stakeholders, while still maintaining accountability and value for money.

3.4. Pricing the Outcomes in an OBC

In OBCs, the pricing of outcomes is a critical and challenging issue for creating a fair, value-generating, and performance-incentivizing structure for the parties involved. The agreed outcome price should reflect the implementation costs of the project, the savings or benefits it will provide to the outcomes funder, and the risks taken on by the investor. Below are key considerations that can be useful when pricing outcomes.

Cost of Services

When an OBC project is being prepared, although the procurement process for service providers has not yet started, investors and outcomes funders usually collect information on potential service providers as part of the OBC project feasibility study in order to make a cost estimate. To calculate these costs, the tails of the desired outcomes, target beneficiaries and services required to achieve the objectives need to be roughly determined. Conducting such an analysis in advance by funding agencies or consulting firms can be an incentive for investors.

Service costs can be divided into three main categories:

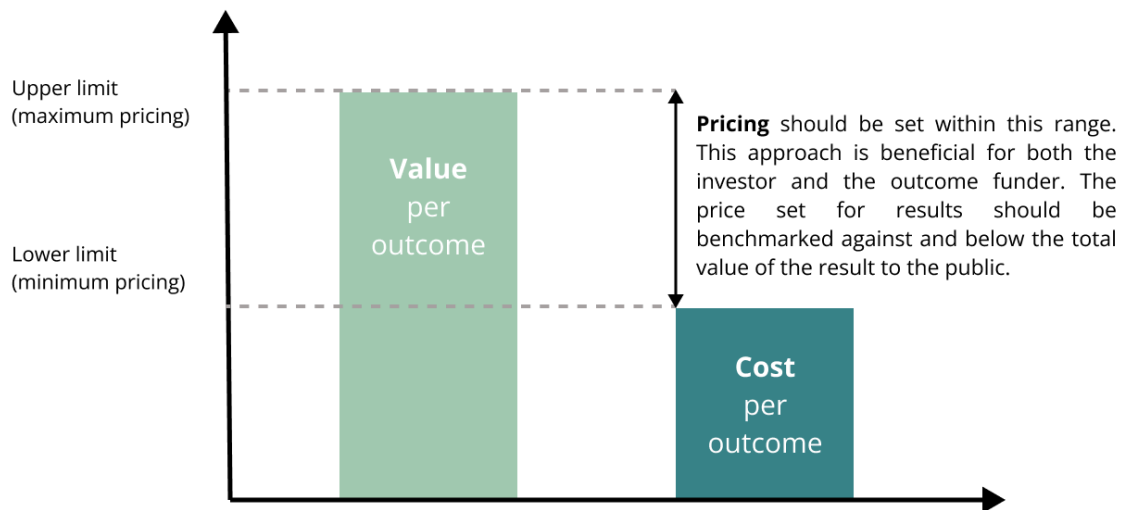
1. **Direct Costs** (e.g. personnel, materials, program implementation): These are usually variable costs that change with the number of beneficiaries.
2. **General Overheads** (e.g. administrative and operating costs): These expenses can be considered as the administrative costs of the investor and are usually fixed. As the number of beneficiaries increases, the impact of these costs on unit costs decreases.
3. **Evaluation and Monitoring Costs:** These costs can vary depending on the complexity of the program's subject. This item covers the collection, verification, and documentation of evidence required by the investor to report to the funder of the results and to verify the results. In some cases, independent auditors may be involved in reviewing and approving this evidence. In program design, it is critical for the parties to assess the necessary access to documents and data to reduce these costs to an acceptable level.

Balanced Pricing

Pricing can be considered between a lower and upper limit. Based on the above approaches to calculations, the total and unit costs of achieving the desired outcomes are estimated. These costs form the lower limit of pricing. The upper limit represents the maximum value that can be generated by achieving the outcomes from the perspective of the outcomes funder.

The outcomes prices should lie between these two boundaries. A price within this range creates the target values within the amounts expected by the public and also offers a return that incentivizes the investor to succeed.

Table 5 - Pricing Outcomes



Source: [Pricing outcomes, GoLab](#)

Scale and Unit Economics

Building OBCs typically involves a costly and time-consuming process of extensive planning, data analysis and collaboration between stakeholders. During this process, some of the costs assumed by investors are fixed, while others are variable. Fixed costs typically include set-up and operational infrastructure expenses, while variable costs may fluctuate depending on the number of beneficiaries or the scope of the program.

In this context, the use of economies of scale is an important way to improve the cost efficiency of an OBC structure. Economies of scale refer to the reduction in unit costs as the number of beneficiaries within the program increases. For example, if an OBC structure has fixed costs of 100,000 TL, the unit cost per beneficiary would be 1 TL for 100 beneficiaries, but would decrease to 0.20 TL for 500 beneficiaries. As the program expands, the impact of fixed costs on unit costs decreases, making the structure more cost efficient.

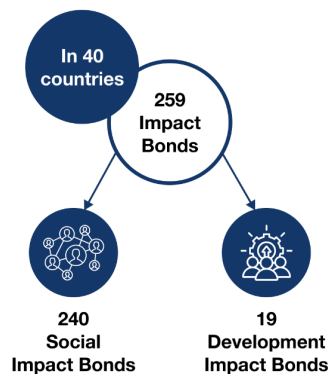
It is therefore crucial that OBC agreements are designed to be sufficiently large and not too small to ensure that they are above an economically viable threshold.

Larger projects not only increase cost efficiency, but also provide a more attractive opportunity for investors and outcomes funders. These larger projects also allow service providers to reach a wider audience, maximizing social impact. To date, approximately 250 OBCs have been implemented, with an average contract value of around 3.5 million dollars.²¹

While the funding amounts vary, it is projected that since the first OBC in 2011, between 500 million and 1 billion USD has been directed toward development projects through these contracts.

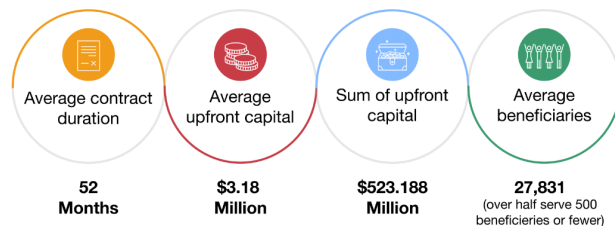
Fig. 3 - Data on Global Impact Bonds

Global Impact Bond **Numbers**

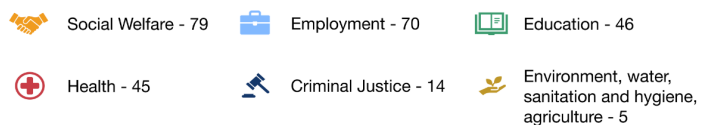


B | Global Economy
and Development
at BROOKINGS

Global Impact Bond **Statistics**



Impact Bonds **Divided by Sectors**



Source: [Social and development impact bonds by the numbers. Brookings. 2025](#)

Under the old term impact bonds, a distinction was made between social impact bonds and development impact bonds. If the outcomes funder was a public institution, it was called a Social Impact Bond (SIB), if the outcomes funder was a foundation, charity or a development organization, it was called a Development Impact Bond (DIB). These two models differ only in the structure of the institution funding the outcomes. Since this categorization is used in the Brookings data, the report retained them in the visualization presented here.

²¹ [Social and development impact bonds by the numbers. Brookings. 2025](#)

Expected Impact and Probability of Success

Pricing should reflect the expected impact of the program and the likelihood of achieving the results. The expected level of outcomes (overall success) can be predicted based on data from similar previous programs, results from pilot programs and available evidence. Expectations should be realistic and, where possible, staggered, taking into account different scenarios such as pessimistic, baseline and optimistic. Projects with a high probability of success are usually planned with lower outcome prices, while riskier projects require higher prices to compensate for the uncertainty.

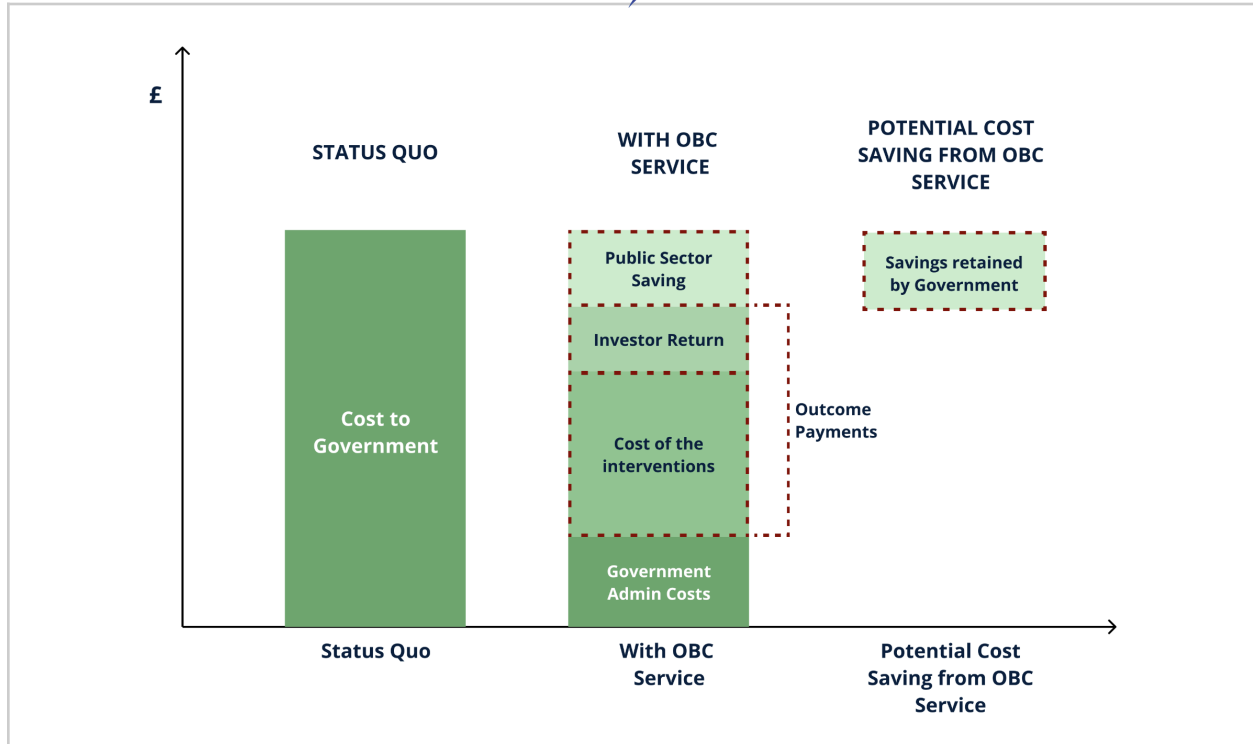
Economic and Social Value Created from the Perspective of the Outcome Funder

The total economic and social value created for the outcomes funder and society should be calculated. When assessing the overall value, both the direct and indirect benefits and savings generated by the project should be taken into account. For example, in the Peterborough Prison example, the economic and social values created include crime reduction, prevention of harm to citizens, productive reintegration of prisoners into society and savings from reduced reoffending. A program to reduce youth unemployment might consider the economic contribution of youth to the economy, the reduced burden on their families, the prevention of negative outcomes such as crime or alcoholism, and increased public tax revenues through employment.

The donor funding the outcomes should evaluate the results taking into account all the values created by the project. By taking a comprehensive view of the positive impact of the program on individuals, communities and society as a whole, pricing can be aligned with the overall social and economic benefits.

Table 6 - Status Quo vs. Potential Saving from OBC

The diagram below shows how savings are provided for the outcomes funder in an OBC structure or how the goal is to create more and lasting value with the same resources. If the amount spent in the status quo is spent more efficiently by the investor in the OBC structure, the investor will only be able to generate a return. Thus, the outcomes funder, whether a public institution or foundation, will either spend less than in the status quo or achieve more results with the same expenditure. Furthermore, payment will only be made for the results achieved.



Investor and Service Provider Success and Efficiency Incentives

Pricing and payment terms should be designed to encourage investors and, indirectly, service providers to be successful and efficient. Prices should be adjusted to reflect the risk taken by the investor (e.g. partial reimbursement if results are not achieved). The outcomes funder can ensure this by identifying proportionately priced intermediate outcomes. For example, in a program aimed at increasing women's employment in rural areas, the main outcome could be employment with at least minimum wage for six months or more. Intermediate and lower-priced results could include participants acquiring certain skills, becoming employable and demonstrating this through assessments. The investor can also be incentivized beyond the targeted outcomes through various structures. In the early stages, performance-based adjustments can also be included in the structures that offer better financial returns for outcomes that exceed targets. These arrangements encourage overachievement of targets.

Practical Steps for Outcome Pricing

1. Define Clear Outcomes

Ensure that the outcomes are specific, measurable and time-bound (e.g. "provide employment for Y people with X criteria within two years"). This clarity simplifies pricing.

2. Estimate Total Costs

Calculate the potential total cost of the measures and services required to achieve the outcome. Plan an additional budget for unforeseen challenges.

3. Calculate the Total Value of the Outcome Created

Consider both direct cost savings and broader societal benefits to calculate the tangible monetary value of the direct and indirect, short- and long-term positive effects of the outcome.

4. Determine Payment Triggers

Decide whether payments will be made in stages for individual outcomes (e.g. for every employment) or only when thresholds are reached (e.g. a 15% reduction in the crime rate).

5. Verify Pricing with Stakeholders

Work with service providers, investors and other outcomes funders as appropriate to ensure that pricing is realistic, fair and motivating for all parties.

4. Case Study: İstanbul Codes (İstanbul Kodluyor)

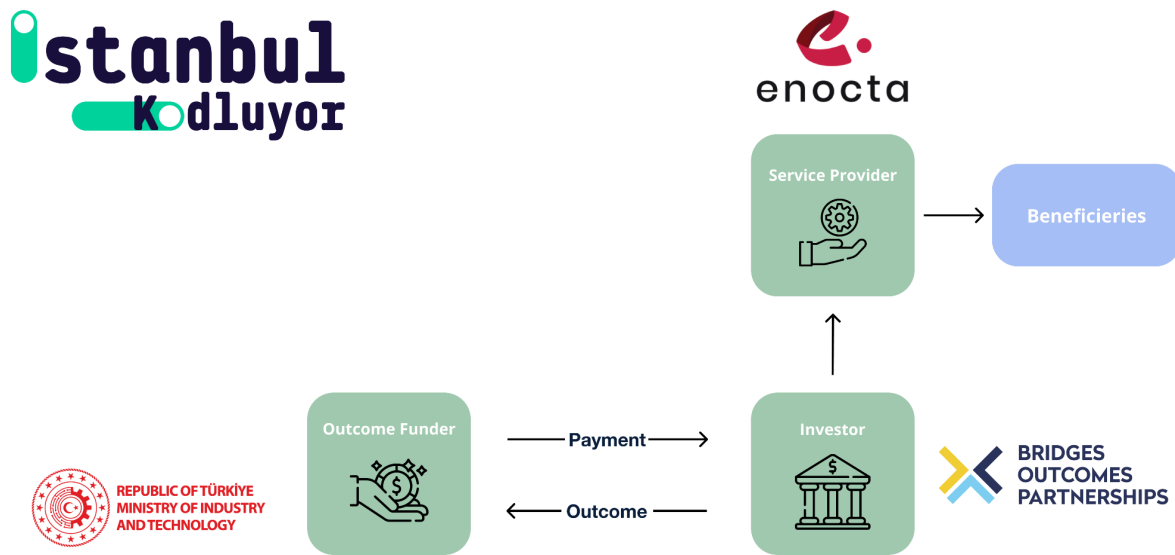
The first outcomes-based contract studies in our country were initiated and completed by the Ministry of Industry and Technology of the Republic, Directorate General of Development Agencies, with the support of the European Bank for Reconstruction and Development (EBRD) in 2022. The study focused on reducing youth unemployment, which was a priority of the development agencies.

In this OBC, the **outcomes funder** was [İstanbul Development Agency \(İSTKA\)](#), and the **investor** was [Bridges Outcomes Partnerships \(Bridges\)](#), a UK-based organization and the largest investor in OBC projects worldwide. Bridges was introduced to İSTKA by the EBRD. With EBRD's support, Dalberg Advisors and Etkiyap prepared a pre-feasibility study, and based on this feasibility, the details and pricing of the targeted outcomes were negotiated between Bridges and İSTKA.



In these negotiations, Etkiyap and Alethina Impact provided OBC structuring consultancy services to İSTKA. Legally, Türkiye's first outcomes-based contract was adapted from a commonly used English law contract by Hergüner Bilgen Üçer Law Firm for Turkish law as a pro-bono support. Öncel, Aydın & Uygun Law Firm provided legal consultancy to İSTKA.

Fig. 4 - İstanbul Kodluyor's Stakeholders



The contract duration was for 24 months. The project's feasibility, preliminary preparations, and negotiations took approximately 12 months.

The İstanbul Kodluyor project aimed to achieve two important development goals. The first was to reduce youth unemployment and the second was to close the expected skills gap in the field of information and communication technology (ICT) sectors. In this framework, the project targeted young people between the ages of 18 and 35 who:

- Have been unemployed for at least 12 months according to Social Security Institution (SGK) records,
- Have not been in school for at least 6 months according to government records,
- Are high school graduates, and are neither in employment nor in education (NEET).

The aim of the project was to provide these young people technical skills in various programming and software areas as well as soft skills in order to prepare and support them into



employment. İSTKA defined specific job codes for the software sector, and the investment contract aimed to help young people who meet the program's criteria to find employment in these approved jobs.

Bridges conducted an open tender as the investor to select the service provider. The service procurement was not a public tender, but was conducted by Bridges, a private organization that assumed the financial risk of the program. Bridges selected the service provider based on its pricing, performance and institutional strength.

İstanbul Kodluyor was selected from 63 applicants as one of nine projects to be supported by the [Outcomes Accelerator](#) program of the Outcomes Finance Alliance, which spearheads the increased use of OBCs worldwide and supports their scaling. The project was also selected to be the first from Türkiye to be exhibited at the Oxford University Government Outcomes Lab in 2024 and was represented by İSTKA, Bridges, Etkiyap and Alethina.

İstanbul Kodluyor was carried out as a pilot project. The pilot confirmed that OBC projects can be implemented in the Turkish context, create added value for the public and attract investor interest in the country. The lessons learned during implementation will be used to expand the project. The most important lessons include:

- Maintaining the personal motivation of participants is crucial in employment-oriented projects. It is therefore necessary to move away from the concept of an "employment-guaranteed" project and manage perceptions.
- Given the changing economic conditions, the expected skills gap in the ICT sector in Türkiye did not materialize. With such unforeseen developments beyond the control of the parties, revisiting certain aspects of the project and the contract to fairly adapt them to changing market conditions was an important element for project success.
- Proving the outcomes and collecting and submitting evidence, followed by the outcomes funder's review can take a lot of time and resources. When selecting target outcomes, the mechanisms for evidence collection and verification should be well designed and tested where possible.
- Clearly communicating that the service procurement process undertaken by the investor is not public procurement will avoid potential misunderstandings.
- Monitoring and project management on the outcomes funder's side has created less burden compared to standard projects and brought additional benefits to the outcomes funder.

5. Conclusion

Outcomes-based contracts are an innovative model that ensures efficient, effective and measurable use of public and philanthropic organizations' resources to achieve social impact. This model increases the accountability of public spending by paying only for outcomes that have been achieved and verified while maximizing the effectiveness of services. OBCs encourage the development of stronger collaboration mechanisms between investors, service providers and beneficiaries to find more effective solutions to societal problems. OBC structures shift performance risk to investors while enabling service providers to use innovative methods to achieve the best results.

What does an outcomes-based contract financial structure offer?

The financial structure of OBCs is designed to achieve measurable impact with public and philanthropic funds, while encouraging investors to innovate and achieve lasting outcomes with available funds in the most efficient and effective way possible. The way it works can be summarized as follows:

- 1. More Efficient and Accountable Use of Public and Philanthropic Resources**
For outcomes funders, this structure ensures efficient use of funds. Payments are made only when success is evidenced, ensuring that public resources are not wasted on ineffective solutions. The provision of data and evidence of the outcomes also facilitates accountability for all parties, increasing transparency.
- 2. Risk Sharing and Outcome Payments**
Outcomes funders make payments only when predefined and independently verified outcomes are achieved. This reduces financial risk for public institutions and foundations. During the implementation phase, the performance and financial risk of the program is assumed by the investors.
- 3. Performance Incentives for Investors**
The investors' financial return depends on the success achieved. If the targeted outcomes are exceeded, investors can achieve a higher return. This structure encourages investors to collaborate with service providers to develop innovative solutions and improve service quality.
- 4. Working Capital Provided by Investors to Small Service Providers**
In an OBC structure, investors provide the capital required upfront to carry out the activities from their own resources. The investor uses this capital to hire service

providers and initiate activities. These service providers may be non-governmental organizations, civil society organizations or small social enterprises that have little chance of winning a tender under conventional procurement mechanisms due to a lack of financial resources. However, investors can act more flexibly than public institutions. They give priority to working with those service providers that can deliver the best service in the most efficient way. Thus, OBCs facilitate the procurement of services from relatively small institutions, providing them with working capital and supporting their growth. If the intended outcomes are not achieved, the financial risk remains with the investor and this risk is not transferred to the service providers. This provides a valuable opportunity for small social enterprises that have demonstrated their potential for impact through previous work but may not be able to obtain funding to scale through traditional means.

5. Flexibility and Collaboration

Investors typically work with multiple service providers to offer a comprehensive and holistic approach to complex social issues. This collaboration reduces the inefficiencies of fragmented service models delivered in silos and ensures that stakeholders can achieve shared goals in a coordinated way by leveraging each other's strengths. As the investor is responsible for the ultimate outcome, they also have the freedom to deploy their capital in the most appropriate way. In this structure, there are no rigid spending categories tied to strict conditions, which allows flexibility in the implementation process. The investor can replace a service provider, approach or program that is not delivering the desired outcomes to avoid wasting resources and ensure the most effective use of funds.

The information presented in this guide has been prepared to explore the potential of outcomes-based contracts for development agencies and other public institutions in Türkiye and to provide guidance for their implementation. This mechanism offers opportunities particularly in priority areas such as youth unemployment, women's participation in the labor force and local development.

In conclusion, the adoption of OBC structures will contribute to improving the delivery of measurable social outcomes in Türkiye, to deploy resources more strategically and strengthen collaboration between the public and private sectors. This approach can inspire and guide public and philanthropic organizations looking for innovative ways to achieve better outcomes and better value for money.



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Additional Resources

[Brookings - Outcomes-based financing Database](#)

[Oxford University, Government Outcomes Lab \(GoLab\) - Data on Impact and Government Outcomes - INDIGO](#)

[Oxford University, Government Outcomes Lab \(GoLab\) - Outcomes-based contracts database](#)

[Oxford University, Government Outcomes Lab \(GoLab\) - Pricing Outcomes](#)

[Is your program suitable for a social impact bond?, Social Ventures Australia, 2015](#)

[A technical guide to developing social impact bonds, Social Finance, 2013](#)

[Outcomes Finance Alliance](#)

[Outcomes Accelerator - Video of the Türkiye application](#)