# HBGI's Outcomes Contracting Capacity Building Workshops:

## Session Three:
operational considerations for delivering outcomes-based contracts

स्वागत!     Bienvenu!     Bem-vindo!

مرحباً!     خوش آمدید!

¡Bienvenido!     Willkommen!

# Welcome!

# High level outline of session three

**~** **Introduction and Welcome**
- 'House keeping'
- Introduction to the session
  **Shomsia Ali,** Senior Advisor, HBGI

**~** **What Drives My Bottom Line?**
- Considering the operating budget
  **Richard Johnson,** CEO, HBGI

**~** **Outcomes Readiness Among Social Sector Organizations in India**
- British Asian Trust (BAT) panel discussion
  **Rhea Miranda,** Social Finance Analyst, BAT
  **Anushree Parekh,** Associate Director, BAT
  **Arun Nalavadi,** Executive Director, Magic Bus
  **Ritesh Agarwal**, Vice President, Education Initiatives

**~** **Close and Thank you**

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# What drives my bottom line?

# Common types of funding/contracting?

A restricted or unrestricted gift

A grant

Budget reimbursement

Paid per person on the program

Paid for inputs or maybe outputs

# Types of organization behavior?

- Take the money and do 'good things' until it's gone.

- Aim to spend the budget, with maybe 10% to cover my overheads.

- Manage my costs carefully and look to recruit staff at no more than industry average.

- Recruit as many low cost staff as I can.

- Find cheap premises in a cheap part of town.

- If the volume of referrals or program starts drops, then lay off staff.

- If I can't recruit staff, take on fewer referrals.

- Bid cheap to win the contract and then deliver what I can with that budget.

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# Full Service Partnerships (FSP) in California

# An FSP is at 70% capacity?

- The FSP is contracted by the County Behavioral Health Department for a certain size of caseload, i.e. 100 adults who are homeless with serious mental illness.

- The objective is reduced homelessness, incarceration and hospitalization.

- The FSP aims to meet the needs of these people, to do 'whatever it takes', and to maximize billable minutes (from Medi-Cal). But they basically have a cap on the value of the contract.

- Their delivery model requires a certain size of caseload per Caseload Manager.

- They are struggling to recruit since COVID 19. They have three vacancies. Their headcount is at 70% of where it should be for 100 adults.

**What do they do?**

# Managing under a grant or budget reimbursement:
## The usual mindset

> I take my contract value and divide it by the number of months I have to deliver, et voila, my budget!

> If I can deliver more cheaply, and the money isn't clawed back, then I can make a surplus.
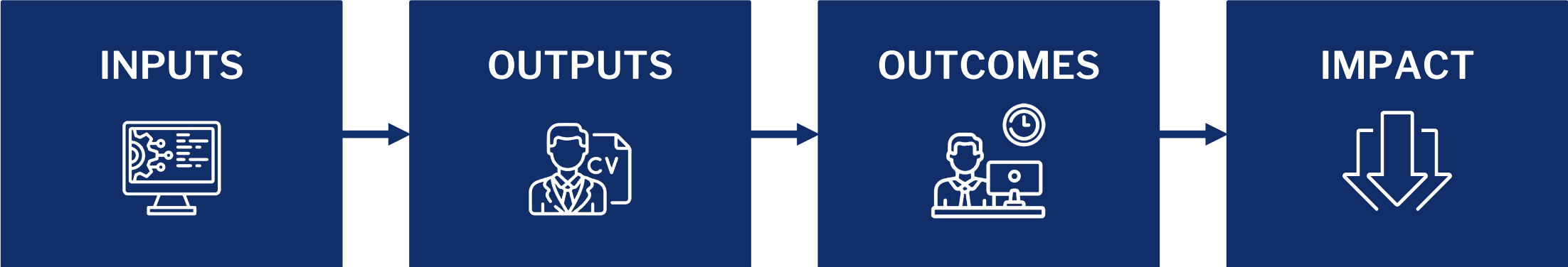
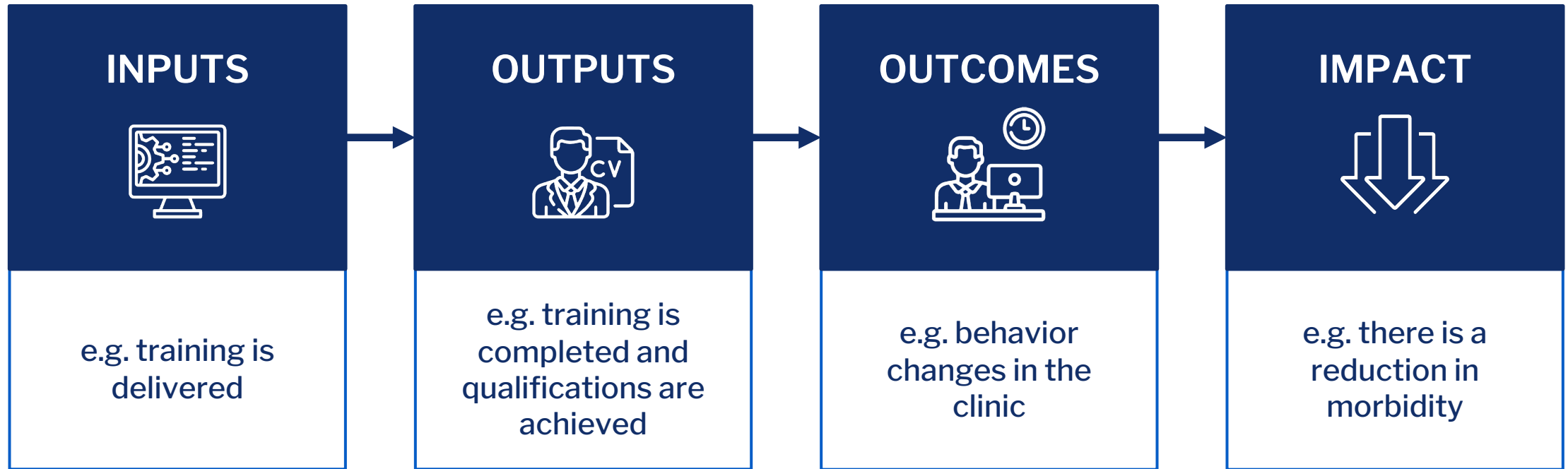> I have a monthly cap on spending.

> If I lose staff and have to reduce program starts (shrinking my potential contract value), and my commissioner consequently cuts my income, I just have to deliver within the new, reduced envelope.

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# The Results Chain



INPUTS → OUTPUTS → OUTCOMES → IMPACT

# The Results Chain

| INPUTS | OUTPUTS | OUTCOMES | IMPACT |
|--------|---------|----------|--------|
| e.g. training is delivered | e.g. training is completed and qualifications are achieved | e.g. behavior changes in the clinic | e.g. there is a reduction in morbidity |

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# A good outcomes-based model can:

+ **Align incentives**, or policy with payment.

+ **Change the culture**, change the language and focus.

+ Increase the **quantity and quality** of performance.

+ Deliver **value for money**.

+ Pass the **risk of not achieving** to the service providers (or the investors).

+ Also possibly pass the **volume risk** to the service providers (i.e. reaching more, more excluded people).

+ Address **donor fatigue**.

+ Increase **transparency** over where money goes (i.e. increase accountability and exclude 'leakage').

+ Focus service design on the destination and with the service user. Encourage an **individualized, localized approach** (and an 'asset-based approach' moving away from 'deficit' or a 'medical model').

+ Enable **flexibility and incentivize innovation** (including in response to conflict).

+ Create a **data rich system** because of the performance focus.

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# Attaching the payments to performance?

Agree a **clear, simple** definition of success. Define your target population. Don't prescribe the inputs. Tie the payments to activities/outcomes which are:

Not too far down the 'results chain';

Measurable;

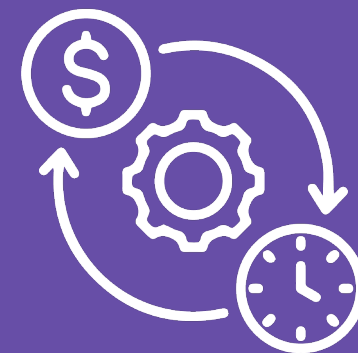Clear, comprehensible
(and a small number of them);

Verifiable;

Relevant, with 'face validity' (i.e. operationally real and linked to what success is);

Costed with commercial nous and considerate of cashflow.

Then…….track, report and review.

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# What changes if you are paid for performance?

# Performance = earnings

**?** Do you understand what drives your performance?

**?** Do you have a Costed Operating Model, i.e. do you understand the relationship between your inputs and your outcomes (between your expenditure and your earnings)?

**?** Do you know where to invest? Good expenditure is an income driver.

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What is your
biggest cost?

What is your
greatest driver
of performance?
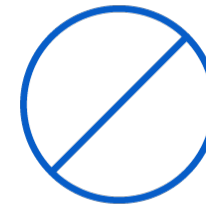
**What happens
if you stop
spending?**

# From contract management to performance management in Afghanistan

# Nine-month performance review of payment indicators
## (self-report Jan – Sep 2019)

| Province - SP | Rank | Children Under 5 Morbidity | All Postnatal Visits | All Antenatal Visits | Sputum + Cases Treated | Couple Years of Protection | Institutional Deliveries | Cesarean Sections | Growth Monitoring | TT2 + Vaccinations for CBA Women | Penta 3 Vaccinations | Major Surgeries | Total score (out of 30) | Indicators below index (n) | Indicators above index (n) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| KABUL - SDO/OCED | 1 | | | | | | | | | | | 0 | 29 | 0 | 9 |
| LAGHMAN - HNTPO | 2 | | | | | | | | | | | 1309 | 27 | 1 | 8 |
| NIMROZ - MRCA | 3 | | | | | | | | | | | 396 | 25 | 2 | 7 |
| KANDAHAR - BARAN/OHPM | 3 | | | | | | | | | | | 0 | 25 | 1 | 6 |
| HIRAT - AADA | 5 | | | | | | | | | | | 0 | 24 | 2 | 6 |
| UROZGAN - SHDP | 5 | | | | | | | | | | | 429 | 24 | 1 | 5 |
| NANGARHAR - AADA | 7 | | | | | | | | | | | 13231 | 23 | 2 | 5 |
| PAKTIKA - OHPM | 7 | | | | | | | | | | | 1748 | 23 | 3 | 6 |
| KHOST - OHPM | 7 | | | | | | | | | | | 1158 | 23 | 2 | 5 |
| KAPISA - MoPH | 10 | | | | | | | | | | | 538 | 22 | 4 | 6 |
| LOGAR - CAF/OPHA | 10 | | | | | | | | | | | 547 | 22 | 4 | 6 |
| PAKTYA - HEWAD/NAC | 10 | | | | | | | | | | | 777 | 22 | 4 | 6 |
| KUNAR - HNTPO | 10 | | | | | | | | | | | 1725 | 22 | 3 | 5 |
| SAR-E-PUL - SAF | 10 | | | | | | | | | | | 0 | 22 | 3 | 5 |
| JAWZJAN - SAF | 15 | | | | | | | | | | | 0 | 21 | 4 | 5 |
| HELMAND - BRAC | 15 | | | | | | | | | | | 0 | 21 | 3 | 4 |
| GHAZNI - AADA | 17 | | | | | | | | | | | 2579 | 20 | 4 | 4 |
| GHOR - CHA | 17 | | | | | | | | | | | 0 | 20 | 3 | 3 |
| DYKUNDI - MOVE/OCCD | 17 | | | | | | | | | | | 453 | 20 | 4 | 4 |
| KUNDUZ - JACK | 20 | | | | | | | | | | | 0 | 19 | 5 | 4 |
| BALKH - BDN | 20 | | | | | | | | | | | 0 | 19 | 5 | 4 |
| FARYAB - SDO/OCED | 20 | | | | | | | | | | | 971 | 19 | 5 | 4 |
| FARAH - MRCA | 20 | | | | | | | | | | | 1297 | 19 | 4 | 3 |
| WARDAK - SCA | 24 | | | | | | | | | | | 1062 | 18 | 6 | 4 |
| ZABUL - SDO/OCED | 24 | | | | | | | | | | | 0 | 18 | 5 | 3 |
| BAGHLAN - BDN | 26 | | | | | | | | | | | 0 | 17 | 6 | 3 |
| BAMYAN - AKF | 26 | | | | | | | | | | | 0 | 17 | 6 | 3 |
| PARWAN - MoPH | 28 | | | | | | | | | | | 1530 | 16 | 6 | 4 |
| NOORISTAN - AHEAD/OCCD | 28 | | | | | | | | | | | 0 | 16 | 5 | 2 |
| PANJSHER - MoPH | 28 | | | | | | | | | | | 0 | 16 | 7 | 3 |
| BADGHIS - MMRCA | 31 | | | | | | | | | | | 365 | 15 | 7 | 3 |
| BADAKHSHAN - AKF | 32 | | | | | | | | | | | 1091 | 14 | 8 | 2 |
| TAKHAR - AHEAD/OCCD | 33 | | | | | | | | | | | 0 | 13 | 8 | 1 |
| SAMANGAN - AHEAD/OCCD | 33 | | | | | | | | | | | 0 | 13 | 8 | 1 |
| Overall score (out of 102) | | 95 | 94 | 83 | 76 | 64 | 60 | 60 | 59 | 52 | 41 | | | | |
| Provinces below index (n) | | 2 | 4 | 7 | 11 | 18 | 19 | 15 | 12 | 23 | 30 | | | | |
| Provinces above index (n) | | 29 | 30 | 22 | 19 | 15 | 11 | 8 | 4 | 7 | 4 | | | | |

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# The costed operating model

- Demonstrates the relationship between inputs (and their cost) and the outcomes (and associated payments), with robust, informed performance assumptions.

- Shows month by month, the activities being undertaken and the staffing and other resources required.

- Captures all back office or administrative costs, any management or corporate overhead, and any other incidental costs.

- Includes set up costs, such as (but not exclusively): recruitment and induction; data systems development; premises sourcing and equipping, and; marketing to employers and jobseekers.

- Shows income month by month.

- Is clear where 'break even' occurs in terms of cashflow (i.e. where the program becomes cash positive, with start-up and early costs all covered).

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# A worked example of developing an operating budget:
## Refugees into jobs in Ethiopia

**ENGAGEMENT AND ENROLLMENT**

| Total | | 10,000 | | | | |
|---|---|---|---|---|---|---|
| Number of cohorts | | *17* | | | | |
| Number per cohort | | 588 | | | | |
| | | | | | | |
| Month | 1 | 2 | 3 | 4 | 5 | 6 |
| Starts | 0 | 588 | 588 | 588 | 588 | 588 |
| | | | | | | |
| Number of Door Knockers | 15 | 15 | 15 | 15 | 15 | 15 |
| if caseload is: | *40* | | | | | |
| Number of Team Managers | 1 | 1 | 1 | 1 | 1 | 1 |
| if ratio to Door Knockers is 1 to: | *12* | | | | | |
| Number of Admin | 2 | 2 | 2 | 2 | 2 | 2 |
| if ratio to Door Knockers is 1 to: | *6* | | | | | |

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## ON PROGRAM

| Job entries | 65% | | | | | | | |
|---|---|---|---|---|---|---|---|---|

| Month | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
|---|---|---|---|---|---|---|---|---|
| Remaining cohort | | *100%* | *100%* | *100%* | *100%* | *100%* | *35%* | |
| | | | | | | | | |
| No. on the program | | 588 | 588 | 588 | 588 | 588 | 206 | |
| | | | 588 | 588 | 588 | 588 | 588 | 206 |
| | | | | 588 | 588 | 588 | 588 | 588 |
| | | | | | 588 | 588 | 588 | 588 |
| | | | | | | 588 | 588 | 588 |
| | | | | | | | 588 | 588 |
| | | | | | | | | 588 |
| | | | | | | | | |
| Total caseload | 0 | 588 | 1176 | 1765 | 2353 | 2941 | 3147 | 3147 |
| | | | | | | | | |
| Number of Case Managers | 0 | 17 | 34 | 50 | 67 | 84 | 90 | 90 |
| if caseload is: | *35* | | | | | | | |
| Number of Team Managers | 0 | 1 | 3 | 4 | 6 | 7 | 7 | 7 |
| if ratio to Case Mgrs is 1 to: | *12* | | | | | | | |
| Number of Admin | 0 | 3 | 6 | 8 | 11 | 14 | 15 | 15 |
| if ratio to Case Mrgs is 1 to: | *6* | | | | | | | |

## IN-WORK SUPPORT

### Sustained jobs

Not sustaining

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | 100% | 95% | 90% | 85% | |
| Month | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| Job entries | | | | | | | 382 | 363 | 344 | 325 | |
| | | | | | | | | 382 | 363 | 344 | 325 |
| | | | | | | | | | 382 | 363 | 344 |
| | | | | | | | | | | 382 | 363 |
| | | | | | | | | | | | 382 |
| | | | | | | | | | | | |
| Total caseload | 0 | 0 | 0 | 0 | 0 | 0 | 382 | 746 | 1090 | 1415 | 1415 |
| | | | | | | | | | | | |
| Number of Case Managers | 0 | 0 | 0 | 0 | 0 | 0 | 8 | 17 | 24 | 31 | 31 |
| if caseload is: | **45** | | | | | | | | | | |
| Number of Team Managers | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 1 | 2 | 3 | 3 |
| if ratio to Case Mgrs is 1 to: | **12** | | | | | | | | | | |
| Number of Admin | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 3 | 4 | 5 | 5 |
| if ratio to Case Mrgs is 1 to: | **6** | | | | | | | | | | |

|  | Month | | | | | |
|---|---|---|---|---|---|---|
|  | 1 | 2 | 3 | 4 | 5 | 6 |
| Number of Door Knockers | 15 | 15 | 15 | 15 | 15 | 15 |
| Number of Case Managers | 0 | 17 | 34 | 50 | 67 | 84 |
| Number of In-Work Support | 0 | 0 | 0 | 0 | 0 | 0 |
|  |  |  |  |  |  |  |
| Number of Team Managers | 1 | 3 | 4 | 5 | 7 | 8 |
|  |  |  |  |  |  |  |
| Number of Program Managers | 4 | 4 | 4 | 4 | 4 | 4 |
| (4 Contracts) |  |  |  |  |  |  |
| Number of Administrators | 2 | 5 | 8 | 11 | 14 | 16 |
|  |  |  |  |  |  |  |
| **Monthly salaries** |  |  |  |  |  |  |
| Case Manager | *$ 750.00* |  |  |  |  |  |
| Team Manager | *$ 900.00* |  |  |  |  |  |
| Program Manager | *$ 3,500.00* |  |  |  |  |  |
| Admin | *$ 400.00* |  |  |  |  |  |
|  |  |  |  |  |  |  |
| Total salaries | 27113 | 42099 | 57085 | 72071 | 87057 | 102043 |
| With oncosts of: | *25%* |  |  |  |  |  |
|  | 6778 | 10525 | 14271 | 18018 | 21764 | 25511 |
| **TOTAL STAFFING COST** | **$ 33,891** | **$ 52,623** | **$ 71,356** | **$ 90,088** | **$ 108,821** | **$ 127,553** |

## CONTRACTORS' TOTAL DELIVERY COSTS

*Cost recovery*

| | |
|---|---:|
| TOTAL STAFF | $ 3,066,940 |
| % of jobseekers who benefit from discretionary spend (e.g. sewing machines) | |
| 100% | |
| Cost of disc. spend at $100.00 per jobseeker | $1,000,000.00 |
| Other costs (including premises etc.) | $ 3,189,891 |
| *If staff and disc. spend costs represent* 65% *of direct spend* $ 6,256,830.57 | |
| IT system (MIS) | $150,000 |
| Implementation and induction | $ 900,000 |
| Overhead 10% | $ 830,683.06 |
| **TOTAL DELIVERY (excl. margin)** | $ 9,137,514 |

## COSTS

| | Month 1 | 2 | 3 | 4 | 5 | 6 |
|---|---|---|---|---|---|---|
| Staffing | $ 33,890.93 | $ 52,623.42 | $ 71,355.92 | $ 90,088.41 | $ 108,820.90 | $ 127,553.40 |
| | | | | | | |
| Disc spend | $ 41,666.67 | $ 41,666.67 | $ 41,666.67 | $ 41,666.67 | $ 41,666.67 | $ 41,666.67 |
| Premises etc. | $ 118,144.10 | $ 118,144.10 | $ 118,144.10 | $ 118,144.10 | $ 118,144.10 | $ 118,144.10 |
| IT system | 25000 | 25000 | 25000 | 25000 | 25000 | 25000 |
| Implement. | 900000 | | | | | |
| Overhead | $ 30,766.04 | $ 30,766.04 | $ 30,766.04 | $ 30,766.04 | $ 30,766.04 | $ 30,766.04 |
| | | | | | | |
| TOTAL | $ 1,149,467.74 | $ 268,200.23 | $ 286,932.72 | $ 305,665.22 | $ 324,397.71 | $ 343,130.20 |
| **CUMMULATIVE** | **$ 1,149,467.74** | **$ 1,417,667.97** | **$ 1,704,600.69** | **$ 2,010,265.91** | **$ 2,334,663.62** | **$ 2,677,793.82** |

## INCOME

| | Month 1 | 2 | 3 | 4 | 5 | 6 |
|---|---|---|---|---|---|---|
| Starts | | $ 107,500.16 | $ 107,500.16 | $ 107,500.16 | $ 107,500.16 | $ 107,500.16 |
| Jobs | | | | | | |
| Sustaines | | | | | | |
| | | | | | | |
| **TOTAL** | **$ -** | **$ 107,500.16** | **$ 107,500.16** | **$ 107,500.16** | **$ 107,500.16** | **$ 107,500.16** |
| CUMMULATIVE | $ - | $ 107,500.16 | $ 215,000.32 | $ 322,500.48 | $ 430,000.64 | $ 537,500.80 |

## IN-MONTH CASH POSITION

| | Month 1 | 2 | 3 | 4 | 5 | 6 |
|---|---|---|---|---|---|---|
| | $ -1,149,467.74 | $ -160,700.07 | $ -179,432.56 | $ -198,165.06 | $ -216,897.55 | $ -235,630.04 |

## CUMM. CASH POSITION

| | Month 1 | 2 | 3 | 4 | 5 | 6 |
|---|---|---|---|---|---|---|
| | $ -1,149,467.74 | $ -1,310,167.81 | $ -1,489,600.37 | $ -1,687,765.43 | $ -1,904,662.97 | $ -2,140,293.02 |

# Living and breathing performance?

**?** What (robust, clear, informed) targets do you have? At every level?

**?** What internal performance tracking, reporting and reviews do you have?

**?** How transparent are you about performance at every level?

**?** What happens if someone is underperforming?

**?** How do you try to increase staff performance?

**?** Are you the best employer in your market?

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Enabling service providers to
be 'outcomes-ready'

British Asian Trust

# The need for outcomes readiness among service providers is growing

**Donor shift towards 'spending better'**

**Donors and govt. regulations emphasizing accountability for impact**

**Increased awareness and interest from service providers**

**Increase in support available to service providers**

**PUSH FACTORS**

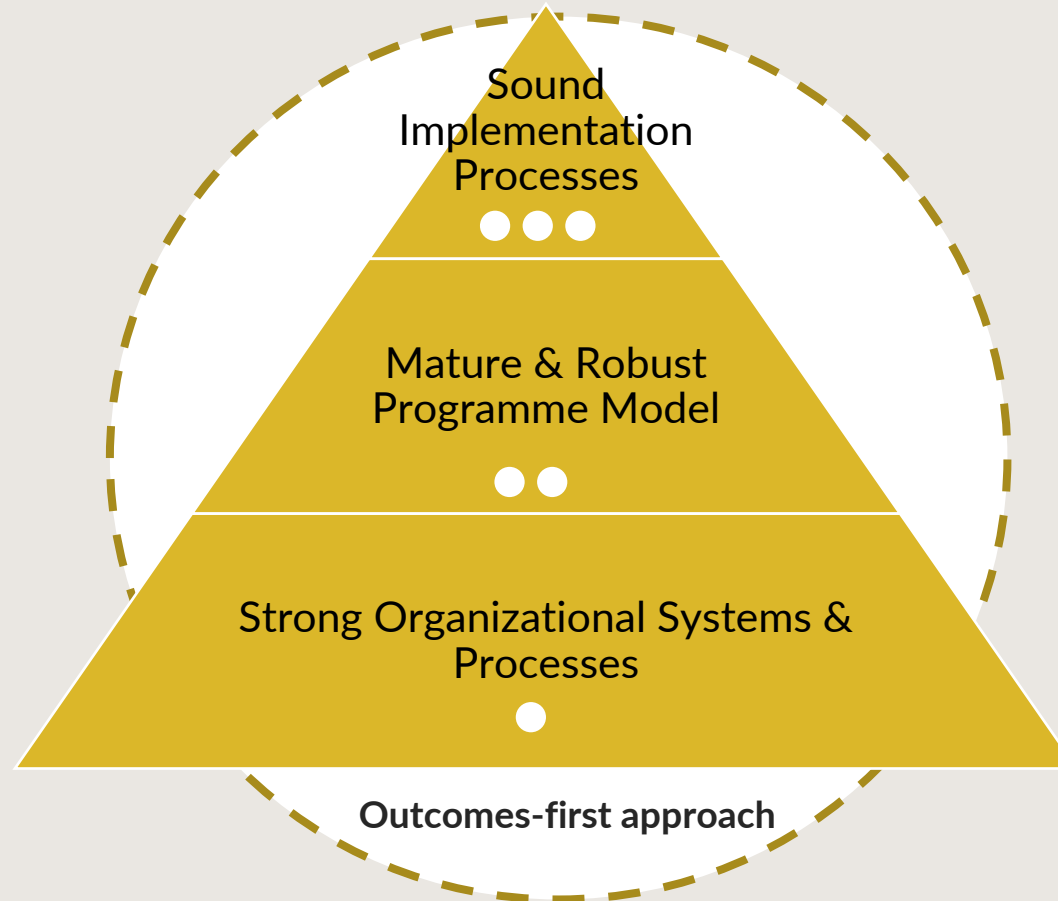**PULL FACTORS**

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# Some benefits of outcomes-based contracts to service providers

1. Transfer of risk from service providers to investors with upfront capital

2. Shift in dynamics from grantee to sector expert

3. Flexibility to innovate and adapt delivery processes

4. Support for performance management, innovation and data-based decision-making

5. Strong signaling of expertise and credibility to the wider sector

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# A 'pyramid framework' on outcomes readiness

**The British Asian Trust felt the need to conceptualize and invest in an Outcomes Readiness Framework to build a pipeline of outcomes-focused service providers for future instruments by:**

1. Defining the characteristics of an outcome-ready organization
2. Assessing and mapping their current capabilities across key pre-defined parameters
3. Building a transition plan to adopt a strong outcomes-focused approach at the organisational and programmatic levels
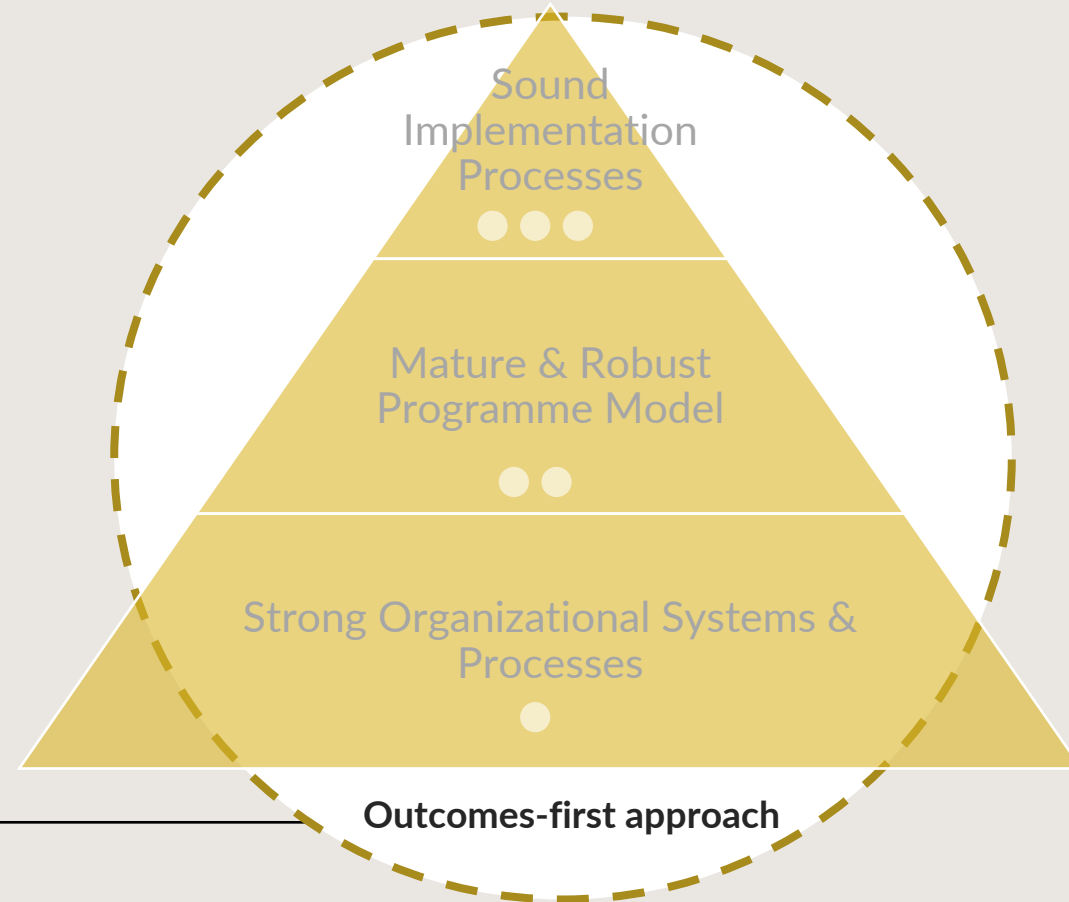


Sound Implementation Processes

Mature & Robust Programme Model

Strong Organizational Systems & Processes

**Outcomes-first approach**

**We developed the Outcomes Readiness Framework in partnership with sector experts such as Svarya and ATMA to:**

1. Conduct secondary research on existing frameworks and assessment tools globally
2. Consult service providers, donors, investors to collate their insights and expectations
3. Contextualize to align with needs of India's social impact sector
4. Test the framework through a capacity-building initiative over 2 years
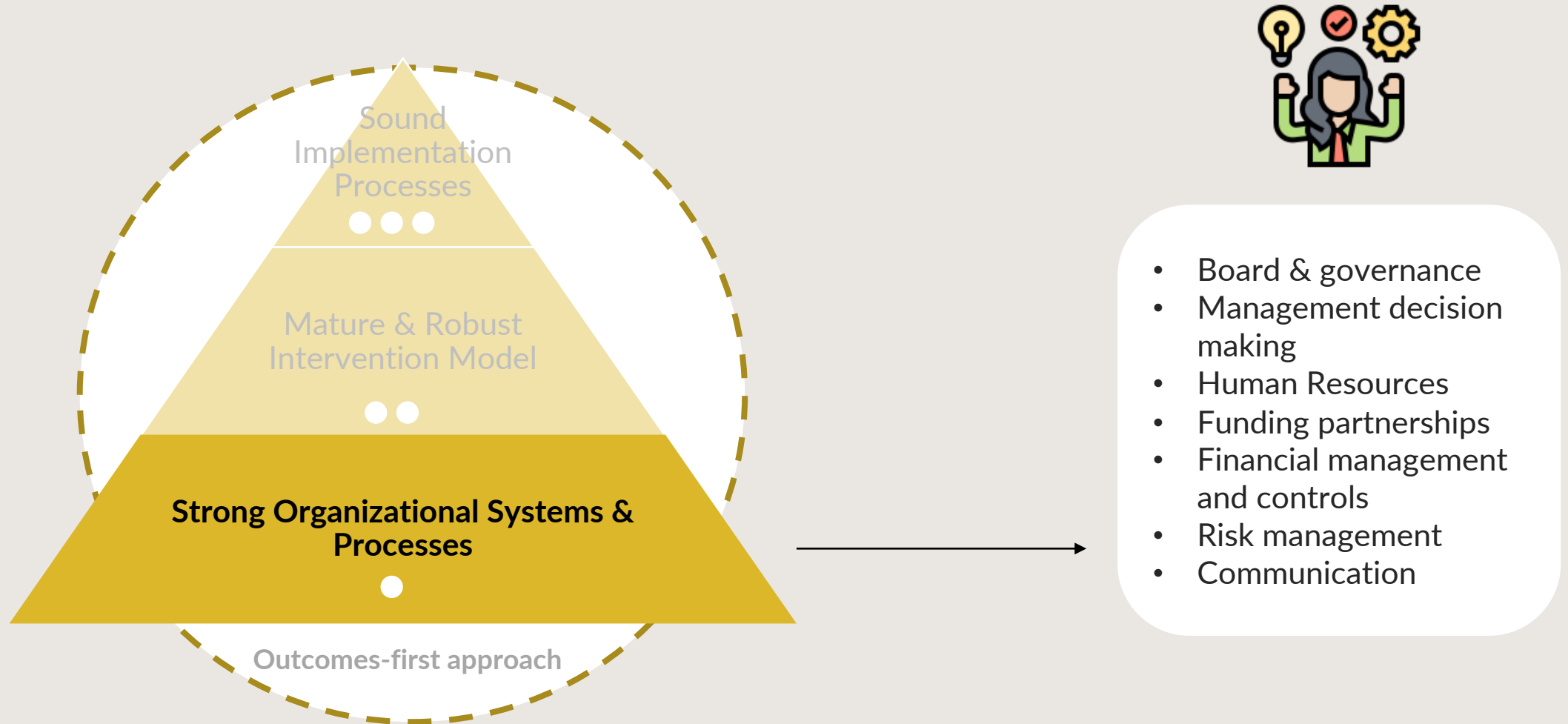
British Asian Trust

# Outcomes-first approach

- Alignment of overall organizational strategy to the outcomes it wants to achieve over the medium and long run to guide the priorities of different departments such as fundraising, programme management, M&E etc.
- High engagement and buy-in at all levels from leadership to frontline design a clear programmatic road map that aligns with organization's mission.
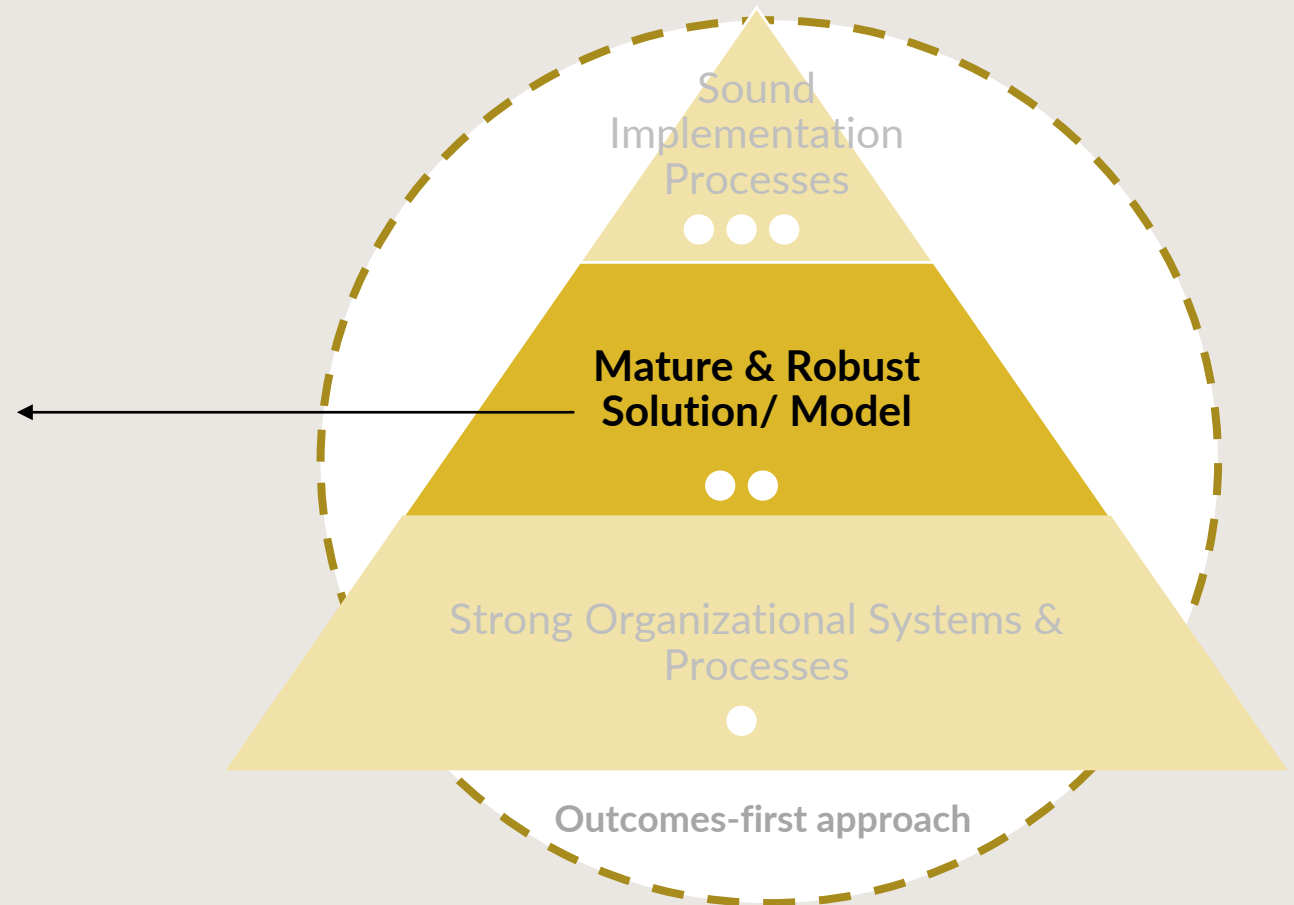
Sound Implementation Processes

Mature & Robust Programme Model

Strong Organizational Systems & Processes

**Outcomes-first approach**

British Asian Trust

# Strong organizational systems and processes



Sound Implementation Processes

Mature & Robust Intervention Model

**Strong Organizational Systems & Processes**

Outcomes-first approach

- Board & governance
- Management decision making
- Human Resources
- Funding partnerships
- Financial management and controls
- Risk management
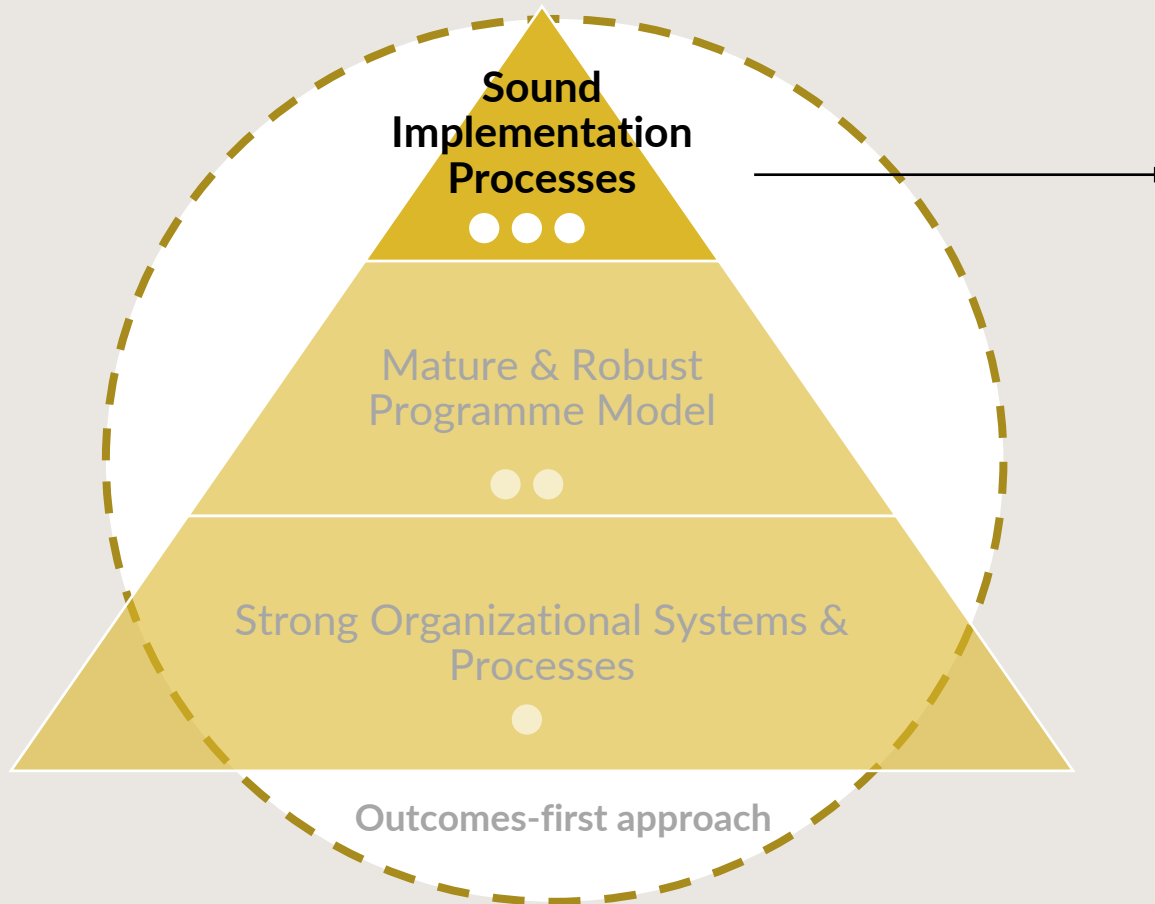- Communication

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# Mature and robust solution/model

- In depth knowledge of the domain
- Solution backed by internal or external evidence
- Ideally validated through third-party impact assessment
- Robust M&E system (Knowledge, Attitude & Practice - KAP)
  - Indicators
  - Appropriate standardized assessment frameworks
  - Data collection tools
  - Data analysis systems & templates
  - Tech integration in M&E
  - Internal & external benchmarks for outcomes
  - Feedback loop with programme teams

Sound Implementation Processes

Mature & Robust Solution/ Model

Strong Organizational Systems & Processes

Outcomes-first approach

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# Sound implementation processes



Sound
Implementation
Processes

Mature & Robust
Programme Model

Strong Organizational Systems &
Processes

Outcomes-first approach

- Well-understood and documented standard operating practices
- Potential to scale
- Sound budgeting
- Performance-based culture

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IT'S A *Marathon* NOT A SPRINT!

British Asian Trust

# Discussion with leaders among service providers on outcomes-based contracts

**Anushree Parekh**
Associate Director, Social Finance
British Asian Trust

**Moderator**

**Arun Nalavadi**
Executive Director, Sustainability & Livelihoods
Magic Bus

**Ritesh Agarwal**
Vice President
Educational Initiatives

British Asian Trust

# Thank you for attending!

Richard Johnson, CEO ([Richard.johnson@hbgi.org](mailto:Richard.johnson@hbgi.org))

Shomsia Ali, Senior Advisor ([shomsia.ali@hbgi.org](mailto:shomsia.ali@hbgi.org))