

THE ELEVEN STEPS IN RUNNING AN HBGI OUTCOMES FUND



In practice, many of these steps may be concurrent and iterative, but it helps to think of them as a process. They are described in further detail below.

1. FUND RAISING

Raising initial development costs and contributions to the Outcomes Fund itself.

Fund raising continues as the Fund is grown in the light of evidenced impact, transitioning through four phases to be replaced by mainstream funding, as described below.

Fund management will be charged as a percentage of the Fund value (up to a maximum of 10%, dependent on Fund size), to cover every step, including: administration and governance, service contracting, program performance/impact maximisation and wider stakeholder and system engagement.

On the HBGI side, the Fund will be led by an Outcomes Fund Director. The Director will be supported by a small team of Contract & Performance Managers, each of whom will manage two to three contracts, depending on size and complexity of each contract. Technical support comes from HBGI's small core team and technical partners (e.g. legal, data, banking).

2. FUND STRUCTURING AND OVERSIGHT

Establishing a banking 'home' for the Fund and ensuring robust processes are in place to track and control utilization of the funds.

A quarterly report to the Fund Board will describe **financial** performance in terms of contracts awarded (i.e. fund allocation), payments made for services/outcomes, how the Fund is tracking against disbursement plan, and administration costs. This will be alongside the quarterly report on program performance and outcomes for service users.

3. MARKET ENGAGEMENT

Engaging with potential service providers, providers of related services, community organizations, service user representatives, policy makers and governments. Raising awareness and understanding of the Outcomes Fund, to generate interest and support. This is also the beginning of capacity building, which is embedded throughout the operations of the Fund.

In the subsequent steps as providers prepare proposals, would-be bidders are helped to understand the requirements and how to define outcomes and to plan an effective program (including how to develop an operating model and an operating budget). Post-selection, detailed feedback will be provided and a further workshop will be held on why some proposals succeeded and others did not.

4. REQUEST FOR PROPOSALS (RfP)

The RfP sets out possible target populations and minimum service standards (including 'rules' around safeguarding and equity etc.). Proposals detail the services to be delivered and the measures of success (i.e. the outcomes), and the payment triggers or 'rate card'. The payment triggers must favour outcomes and be measurable and verifiable.

All proposals must be submitted with a 'Costed Operating Model' showing the cost associated with everything proposed/promised and the link to outcomes – with monthly expenditure and income detailed.

As well as ensuring all promises are fully costed and testing that there is a robust 'theory of change', the Costed Operating Model will show cashflow and highlight any gaps. The proposal must include a plan to address any need for working capital. Organizations might cover this through reserves, present a complete solution in partnership with 'social' or 'impact' investors, or engage with HBGI who may propose an upfront 'mobilization allowance' (a loan to be repaid through performance) or broker meetings with potential investors.

5. SELECTION

Selection will emphasise technical strength and ability to deliver performance (plus organization structure, staff capacity, cost-effectiveness, ability to finance, strength of local partnerships including with government, and systems for HR, quality assurance and data capture).

The selection criteria will be clearly set out in the RfP.

The Fund will look for a diverse portfolio of programs, supporting programs in different locations working with diverse populations, to maximize reach and learning. Early programs will be selected partly as 'proof of concept', probably with an existing evidence base and with a compelling narrative, to assist with future fund raising. Relationships with local governments will be verified.

The due diligence of selection additionally draws up an action plan, agreed with the service providers, to address any capacity gaps in their organization or delivery model.

Selection is undertaken by a group of people, led by the HBGI team, with input from strategic global partners, subject matter experts (i.e. mental health and whatever else the Fund is targeting) and the HBGI Lived Experience Council.

6. CONTRACTING

Contract design and then contracting with providers, including finalizing the 'rate card' (i.e. the payment triggers and payment value).

The contract will also set out how performance management, quality assurance and data sharing will be undertaken. This will include defining 'step in rights', which the Fund will exercise if there is under-performance in the contracted service.

7. MOBILIZATION

The service providers mobilize as set out in their proposals.

With project management to ensure the program is mobilized as proposed with people, premises/delivery locations, processes and IT/data capture in place, with fortnightly dashboards reporting on progress.

8. PERFORMANCE MANAGEMENT

An ongoing drive of performance to maximize impact.

Once the program commences, it will be delivered within a structured performance management framework, led by the HBGI Contract & Performance Manager. The primary objective of this is to ensure as many meaningful outcomes are delivered for as many people as possible. It will also ensure compliance with the contract and include quality assurance of delivery. Performance on the program will be captured and tracked in 'real time', with weekly and monthly reporting. On a monthly basis the Contract & Performance Manager will chair a Performance Board, to which the service provider reports, at which they will review progress and identify continuous improvement (a form of results-focused 'implementation research').

The performance of a program depends on the wellbeing and performance of the service provider. HBGI recognizes a contracting entity has a vital role as 'market steward'. HBGI will facilitate shared learning and will look to continue building the capacity of the service providers and the systems that they operate in.

9. PAYMENT ADMINISTRATION

Verification of outcomes/payment triggers, and efficient and timely mechanisms for making payments.

There has to be efficiency and high performance on both sides of the contract, including in turn-around from submission of invoices by providers (which is likely to be on a monthly basis) to payment by the Fund. The efficiency of the internal systems will be reported and reviewed in the governance meetings. Where external verification is needed, this may require a third party to be contracted.

10. GOVERNANCE

Monthly Performance Board with each contract, monthly performance dashboards across all contracts, and quarterly Fund Board meeting.

The monthly Performance Board will be chaired by the HBGI Contract & Performance Manager. These Boards will include stakeholder representatives (such as local government), to build local buy-in and capacity, as well as service users.

The quarterly Fund Board will be chaired by the HBGI Fund Director, with similar stakeholder representation (including global strategic partners and donors), as well as HBGI's Lived Experience Council.

Audit and assurance will be risk-based and will start with assurance of the service provider's own systems before then, if necessary, going direct to services.

11. COMMUNICATION / DISSEMINATION

Communication runs as a theme throughout, communicating data and performance, driving higher performance, sharing tools and lessons, reaching across the market and building interest and capacity, going out to wider stakeholders including governments and to funders past, present and future.

Monthly performance dashboards will all be made publicly available online. A report following the quarterly Fund Board will also be published and shared with all donors. Data generated by the programs (appropriately curated) on service users and their experiences, program activities and performance, and all costs, will also be openly shared. All tools/processes/documentation developed by HBGI in the management of the Fund and its contracts will be published on the HBGI website.

TOWARDS MAINSTREAM FUNDING

How to sustain the programs and the impact on lives, moving towards mainstream funding.

One of the purposes of the outcomes-contracting model is to increase accountability and transparency – to strengthen the pitch to donors and to build the 'Return on Investment' case for governments. Such key stakeholders will also be proactively engaged in the running of the Fund and in program/performance oversight.

The Fund will aim to transition through four phases: first, funding the outcomes of a relatively small number of 'proof of concept programs' (with a Fund value of around \$25m); second, scale the programs and increase the geography (with a Fund value of around \$250m), with an emphasis on the participation of government representatives; third, use the evidence on program impact to match-fund with local governments, with 50/50 Fund versus government money, with contracting jointly managed; and, fourth, progress to 100% government funding, with ongoing technical assistance to migrate all management systems.