

What ‘good’ looks like

— Amber Bloos

Economic news is dominated by numbers and graphs, but the institutes and platforms focusing on alternatives use words such as ‘regenerative’, ‘caring’, ‘purposeful’ and ‘inclusive’ to describe the (new) economy. How is this reflected in new financial instruments?

A friend of mine likes to say: “Money is the root of all evil.” But someone else recently told me: “Money is the most neutral thing we have. It just means: ‘I owe you.’ It depends on how you use it, what conditions you attach to it. You could use money to promote different values.” He recommended talking to the Province of Noord Brabant: they are experimenting with an outcomes fund, a financial instrument focused on rewarding entrepreneurs contributing to social and ecological values.

But before I travelled to the South of the Netherlands, I talked to economist and decision analyst Mara Airoidi. She is the Director of the independent research group Government Outcomes Lab (GO Lab) at the University of Oxford Blavatnik School of Government, and does extensive research into the development and functioning of outcomes and impact funds internationally. There she works together with practitioners, co-creating knowledge with the people who work on social programmes and are trying to achieve better social outcomes. Airoidi seemed to be the perfect person to tell me more on the what, why and how of outcomes funds.

Defining outcomes funds

Outcomes funds are an emerging phenomenon, which means there is no shared definition yet. “In the UK, there are many outcomes funds; internationally, there are about 16 or 17, depending on what you call an outcomes fund,” says Airoidi. But there are certainly traits that all outcomes funds have in common. The most obvious and important trait is the focus on outcomes instead of output. This really calls for a different way of thinking, especially for governments. Instead of just allocating resources to a certain company to provide certain activities, you would start by defining the desired outcomes together with the different stakeholders involved.

For example, instead of paying a school to give unemployed people English or IT courses, hoping this will result in long-term employment, the desired outcomes are defined together by the different parties involved: investors, government and contractors, such as (social) entrepreneurs or companies, and ideally also the participants themselves.

Through this process, it could become clear, for example, that employment is not the only important goal, but that building confidence is another desired result. After the outcomes are defined, it is up to the contractor to figure out how they will achieve them.

Outcomes funds are often criticised for having high transaction costs. Critics believe the money spent on designing these complicated contracts would be better used in delivering programmes. “But I think we then underestimate the benefits of the time we invest in getting people around the table to agree on what ‘good’ looks like,” says Airoidi. When you’ve spent time together to create a shared **purpose**, it’s also much easier to later adapt to changed circumstances when needed. Airoidi saw many examples of this during the Covid-19 pandemic. Organisations were offered the option to change to a more traditional contract, but chose to stick to the outcomes contract, simply adapting to achieve the outcomes in different ways.

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Another trait of outcomes funds is the desire to learn by doing, the willingness to admit when things go wrong, and to improve. Airoidi gives the example of a case in Colombia: "Intentionally from the beginning, they said: we are here to learn. So let's do a number of the same type of projects, but let's do one and then pause and reflect and then do the next one." This monitoring mindset is not to be taken for granted. "It takes a lot of effort to see how things are going," she adds. "It is much easier to do something that is standard and just have a checklist and it's done. But really interrogating and asking yourself: 'Are we really going where we want to go?' I think that's what's revolutionary."

The Brabant Outcomes Fund

Defining together 'what good looks like': this expression really stuck with me from the conversation with Airoidi. Time to go check out how they are doing this in the province of Noord-Brabant, where I talked to Advisor and Policy Officer Astrid Kaag, who initiated the Brabant Outcomes Fund (BOF). I got to know her as a passionate and persistent person, trying to pave ways to a new and purposeful economy within the government, even though this isn't always easy. In her motivation for starting the outcomes fund, I recognise a lot of Airoidi's story. "If you look at the reports of the province, it's about: 'How much money have we spent this year?' It's not really about: 'What have we spent that money on? And how much has that gone to improving the region?'" Kaag says.

On top of that, she believes that the government focuses too much on what is going well, sometimes ignoring complex social and ecological issues. "Looking at the bigger picture, connecting different perspectives, people don't really like that, because then it becomes too complex. But we have to embrace the complexity of the things we find too difficult to dismiss, because otherwise we will never find the right solution pathways," she adds.

When looking for examples of initiatives that do embrace complexity, Kaag immediately thought of social entrepreneurs. "If the pain you feel is the starting point of your project, initiative or company, then you automatically come up with a comprehensive approach to complexity," she says. Upon Kaag's requests, a study was set up to map the obstacles social entrepreneurs are facing. Unsurprisingly, the study shows that the structure of our systems creates important bottlenecks. For example when looking for financing, enterprises are only assessed on their financial worth, and not on their social worth. Another stumbling block is the departmentalisation of the government: if you are a company that helps lonely elderly people while also con-

tributing to biodiversity in the park, you have to deal with two separate policy programmes, making it hard to apply for those budgets. These are all elements that led to founding BOF at the end of 2018. Technically, it is based on a social impact bonds funding model, whereby private investors fund the outcomes-based approach devised by social entrepreneurs. Once the results have been achieved, the government pays the investors back, including returns. "And because this is about a transition, a change in the system, I've always said: we don't know yet how this works, so we need to start and find out in practice," says Kaag.

Perspective of a social enterprise

In 2019, the first round of funding by BOF was financed by Oranje Fonds, Stichting DOEN and the Rabo Foundation. Four enterprises received funding, namely CTalents, Fladderfarm Mobil, Refugee Team and Stichting Sarban de Toekomst. I spoke to one of those entrepreneurs, Martijn Berghman, founder and CEO of Refugee Team, to find out why the organisation took part, and what the experience was like. Refugee Team was founded in 2016, when Berghman realised 90% of refugees in the Netherlands were still unemployed two years after they arrived. Through volunteering at sporting events, festivals and active workshops, Refugee Team offers them a place where they can **participate** from day one, practise the language and build a network. It turned out to be a formula for success, helping people to quickly integrate in the Netherlands. Before joining BOF, Berghman was already used to being paid for results: the municipality only paid Refugee Team when long-term employment was reached. "The pre-financing part was up to us, plus the whole risk. BOF was the first time we involved an investor from the start, enabling us to take that growth step and increase our impact in one fell swoop." »

Moreover, BOF also took Refugee Team's broader impact into account. While the municipality defined impact by simply calculating what it saved on social benefit costs when someone got employed, BOF worked with Berghman and his team to define and monetise broader impacts, such as language learning and self-confidence, into the contract. While this is an improvement, Berghman warns that the financial system's tendency to quantify everything doesn't necessarily suit more qualitative impacts. "By what percentage has someone's self-reliance increased? We have developed all sorts of complicated equations and measuring instruments with a questionnaire and score system and so on, but we are now realising that we do not capture all impacts in this way. **Empowerment** is in the personal stories of the participants: for example in their changed appearance." Next time, he hopes to think of more qualitative ways of measuring impact.

Another lesson learned is that **trust** is more important than contracts. Before signing with the BOF, Refugee Team had to outline every scenario to the very last detail. "It was a pretty intense process between the investor, the province and us as a company." One year later, the Covid-19 pandemic hit. All 60 events mentioned in the contract were cancelled within six days. "So basically, that contract could go into the shredder." But, just as Airoidi predicted before, the good relationship that had been built up over the previous year ensured that there was still an (adapted) agreement that was supported by all parties.

Building a new economy on shared experiences

Navigating the uncharted territory of outcomes funds is difficult, but hard work pays off. For the next round of BOF, the budget is brought together by many of the province's programmes, ranging from economy to agriculture and food, overcoming structural bottlenecks. The structure is not only based on social impact bonds but also on loans, giving different kinds of enterprises and investors the possibility to be involved. In fact, BOF has received recognition from renowned 'new' economists such as Kate Raworth and Mariana Mazzucato – something Kaag is very proud of. "In their work, I keep recognising elements which make me think: see, that is what we are doing on a smaller scale. It's that urgency of the public and private sector **taking responsibility** for complex social issues together, bearing the risks together, but also both profiting from the social yield. It's the fact that you need focus and that you need to go for it, that you need to take action instead of just talk."

Airoidi also believes outcomes funds fit into a bigger movement, and she is excited about what form our economy might take. She tells me that there are many people in love with outcomes funds, but in the end it's not about this specific instrument. Outcomes funds may be discarded or evolve over time; what it's really about is what this instrument tries to do: bringing together different stakeholders who define together 'what good looks like' to them. "I think all this ambition, which is typical for millennials, by the way, to make a positive difference or impact for people on the planet, is a global phenomenon and it's becoming more and more prevalent. This will have fundamental consequences on how we measure the activities of our countries, our companies and how we interact with each other."

I feel Airoidi, Kaag and Berghman have shown me a glimpse of what a new economy could look like in practice. I also feel strengthened in my own search for VALUE. Isn't this what Melodie, Girma and I, as well as all the people we're meeting along the way are trying to do too? Defining shared goals, departing on a journey and exploring different routes to get to these goals. We may take a wrong turn every now and then, but as long as we stay flexible and open, and keep our goals in mind, I'm sure we'll get somewhere. ▼