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Feasibility first : Trials and tactics of feasibility in the implementation of social impact bonds

Mathilde Pellizzari

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Mathilde Pellizzari. Feasibility first : Trials and tactics of feasibility in the implementation of social impact bonds. Sociology. Université Paris sciences et lettres, 2022. English. NNT : 2022UPSLM075 . tel-04068196

HAL Id: tel-04068196

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THÈSE DE DOCTORAT
DE L'UNIVERSITÉ PSL

Préparée à Mines Paris - PSL

Feasibility first:
**Trials and tactics of feasibility in the implementation of social
impact bonds**

La faisabilité d'abord :
**Epreuves et tactiques de faisabilité dans la mise en œuvre des
social impact bonds**

Soutenue par

Mathilde PELLIZZARI

Le 02 décembre 2022

Ecole doctorale n° 543

**Sciences de la Décision, des
Organisations, de la Société
et de l'Échange (SDOSE)**

Spécialité

**Sciences, technologies,
sociétés**

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Feasibility first:

Trials and tactics of feasibility in the implementation of social impact bonds

La faisabilité d'abord :

Epreuves et tactiques de faisabilité dans la mise en œuvre des social impact bonds

A mon père.

A ma mère, partie avant la fin.

*A la fin d'un cycle, et au début d'un
nouveau.*

« LE CLIENT :

*Je ne marche pas en un certain endroit
et à une certaine heure ; je marche, tout
court, allant d'un point à un autre, pour
affaires privées qui se traitent en ces
points et non pas en parcours ; je ne
connais aucun crépuscule ni aucune
sorte de désirs et je veux ignorer les
accidents de mon parcours. »*

Bernard-Marie Koltès, Dans la solitude
des champs de coton.

*“José Arcadio Buendía [estaba]
entregado por entero a sus
experimentos tácticos con la abnegación
de un científico y aun a riesgo de su
propia vida. [...] Pasaba largas horas en
su cuarto, haciendo cálculos sobre las
posibilidades estratégicas de su arma
novedosa, hasta que logró componer un
manual de una asombrosa claridad
didáctica y un poder de convicción
irresistible. Lo envió a las autoridades,
acompañado de numerosos testimonios
sobre sus experiencias y de varios
pliegos de dibujos explicativos [...]. [...] Durante varios años esperó la
respuesta.”*

Gabriel García Márquez, Cien años de
soledad.

Acknowledgements

I first thank Eve Chiapello, Andrea Mennicken, Nicolas Mottis, and James Williams for being part of my defense committee. I am honored that they accepted to read and discuss my PhD dissertation, which draws inspiration from their works.

I am infinitely grateful to Liliana Doganova and Fabian Muniesa for their constant support. Je remercie particulièrement Fabian pour ses intuitions lumineuses, et pour le superbe article que nous avons co-écrit, qui m'aura grandement aidée à formuler ma thèse. Je remercie Liliana pour toutes ses suggestions éclairantes, ses critiques et « traductions » de mes écrits parfois balbutiants, depuis mon travail de master dans l'option "Affaires Publiques et Innovation" de l'Ecole des Mines. I will not forget their support even in the saddest moments of my life, in particular to review my doctoral project in order to have it financed. It was definitely worth it.

J'exprime toute ma reconnaissance à l'Impact Invest Lab (iiLab), devenu FAIR en 2021, pour s'être embarqué avec moi dans cette thèse sur les social impact bonds. Merci à Jean-Michel Lécuyer, trésorier de l'iiLab, et à Cyrille Langendorff, président, pour avoir cru dans mon projet et m'avoir donné les moyens de le réaliser. Merci à Raphaëlle Sebag, qui a assuré mon encadrement au sein de l'iiLab puis de FAIR, et qui est également membre de mon jury. Je la remercie sincèrement pour son envie de partager son savoir, pour la place et l'autonomie qu'elle m'a laissée, et pour ses apports indéniablement constructifs et bienveillants.

Je suis extrêmement chanceuse d'avoir réalisé cette thèse dans l'environnement brillant et bienveillant du Centre de Sociologie de l'Innovation (CSI). Grâce notamment à l'atelier doctoral, organisé par Fabian Muniesa et David Pontille, j'ai la satisfaction d'avoir reçu une formation solide et passionnante. J'ai pu y présenter mes travaux, et bénéficier des critiques et conseils de Madeleine Akrich, Béatrice Cointe, Jérôme Denis, Brice Laurent, Alexandre Mallard, Morgan Meyer, David Pontille, Vololona Rabeharisoa, et Didier Torny : je les remercie pour leur attention et leur intérêt. Brice Laurent et Didier Torny ont également fait partie de mon comité de suivi de thèse, qui a été un outil précieux pour tester et améliorer mon travail. Merci à Florence Paterson et Frédéric Vergnaud pour leur aide, et pour nos échanges toujours

chaleureux. Merci à Catherine Lucas, qui a toujours une pensée pour nos estomacs curieux de ses voyages, en plus de son efficacité pour gérer la vie administrative du CSI.

Je suis heureuse d'avoir croisé la route de mes camarades doctorant.e.s et post-doctorant.e.s pendant ces quatre années de thèse : Nassima Abdelghafour, Marie Alauzen, Mathieu Baudrin, Félix Boilève, Victoria Brun, Jean Daniélou, Abdoulaye Diaw, Quentin Dufour, Evan Fisher, Clément Foutrel, Clément Gasull, Jean Gozaukas, Cornelius Heimstädt, Léone-Alix Mazaud, Kewan Mertens, Allyson Pallisser, Émilie Perault, Mathieu Rajaoba, Loic Riom, Roman Solé-Pomiès, Sophie Tabouret, Félix Talvard, Carole-Anne Tisserand, et Alexandre Violle. Nous avons partagé joies, angoisses, revendications, intuitions, pauses café et autres réjouissances arrosées de l'aventure doctorale ! J'ai majoritairement partagé mon bureau avec Nassima, dont les travaux et les mots m'ont beaucoup inspirée. I very much appreciated getting to know Lieselotte N. Niebch, who visited the CSI in 2019. Je me réjouis que Cornelius et moi ayons commencé, et terminé notre thèse en même temps. Bravo à nous.

I thank all those who crossed my path and believed in my capacity to produce a relevant contribution, often more than I personally believed. I thank my friends Roxane, Manon, Cyril, Inès, Grégoire, Sandrine, Christophe, Bérénice and many more, for their support in every moment of this research. Among them, Ximena, Adrien, and my old friend Camille took great care of me during my Parisian stays and were always curious about my PhD wanderings. I also thank Inès for always manifesting so much interest for social impact bonds and impact investing. I thank her for our adventures but also for our endless debates on the would-be nature of the world, which all fueled my own reflections. I thank my roommate Héloïse for sharing with so much kindness and fun my day-to-day PhD life.

Je remercie du fond du cœur Géraldine, et mes très chers amis Antonio et Omar, pour m'avoir rappelé souvent que j'avais dans la bonne direction.

Je remercie ma famille et tout particulièrement ma sœur Charlène, Killian, et leur fille Néréa pour leur soutien et leur inspiration. Mon frère Fabrice a toujours affirmé son soutien et sa fierté, qui me touchent beaucoup. Je remercie également ma grand-mère, qui a retenu mieux que personne le sujet de ma thèse du haut de ses 99 ans. Je remercie mes parents. Mon père m'aura donné le goût de la belle plume et la détermination pour atteindre mes objectifs, qualité partagée par mère, que rien n'a jamais retenue. Croyez-le, elle n'aurait pas été aussi

discrète si elle avait pu être à nos côtés, et je regrette qu'elle n'ait pas eu le temps d'assister à cet aboutissement et à mon nouvel envol.

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List of acronyms

AMF	French Authority for Financial Markets, <i>Autorité des Marchés Financiers</i>
ANT	Actor-Network Theory
CORFO	Chilean Corporation for Production Development, <i>Corporación de Fomento de la Producción</i>
CSR	Corporate Social Responsibility
DIB	Development Impact Bond
EU	European Union
FAIR	Acronym for <i>Financer, Accompagner, Impacter, Rassembler</i> (Financing, Supporting, Impacting, Gathering)
GSG	Global Steering Group for Impact Investment
IDB	Inter-American Development Bank
IDB Lab	Innovation laboratory of the the Inter-American Development Bank (before, IDB-MIF)
IDB-MIF	Multilateral Investment Fund of the Inter-American Development Bank (which became IDB Lab)
iiLab	Impact Invest Lab (FAIR since 2021)
IRR	Internal Rate of Return
MDS	Chilean Ministry for Social Development, <i>Ministerio de Desarrollo Social</i>
MDS Divison	Chilean Division for public-private cooperation, Sub-Secretary for Social Evaluation, Ministry of Social Development, <i>División de Cooperación Público-Privada, Sub-Secretaría de Evaluación Social, Ministerio de Desarrollo Social</i>
NAB	National Advisory Board for Impact Investment
NPM	New Public Management
NPV	Net Present Value
OECD	Organisation for Economic Cooperation and Development
PESSII	French administrative department for the social and solidarity economy and impact investing, French Treasury, <i>Pôle de l'économie sociale et solidaire et de l'investissement à impact, Direction générale du Trésor</i>
PPP	Public-private partnership

SDG	Sustainable Development Goal
SECO	Swiss State Secretariat for Economic Affairs
SENAME	Chilean National Service for Minors, <i>Servicio Nacional de Menores</i>
SGEI	Services of General Economic Interest
SIB	Social Impact Bond
SISBEN	System for the identification of social program beneficiaries, <i>Sistema de Selección de Beneficiarios Para Programas Sociales</i> (Colombia)
SpainNAB	Spanish National Advisory Board for Impact Investment
SPV	Special Purpose Vehicle
SRI	Socially Responsible Investing / Sustainable and Responsible Investing
SSE	Social and Solidarity Economy, <i>Economie sociale et solidaire</i> (ESS in French)
UN	United Nations
UNDP	United Nation Development Programme

Résumé de la thèse

La thèse s'intéresse à un type récent de politiques sociales visant à donner accès à des formes d'accompagnement innovantes et efficaces à des populations vulnérables. Ces interventions se développent dans des domaines aussi divers que l'emploi, l'éducation, le logement, ou la prison, avec l'ambition de résoudre les problèmes sociaux rencontrés par des populations identifiées comme étant en difficulté. Les social impact bonds (SIB, aussi contrats à impact en français) incarnent cette ambition en permettant d'une part de mettre en place du financement basé sur les résultats, du point de vue de l'Etat, et d'autre part de développer l'investissement à impact, c'est-à-dire les canaux d'investissement financier réservés au secteur social. Dans les SIB, l'Etat paie en fonction des résultats sociaux effectivement mesurés au cours des projets. Pour réaliser les projets, des investisseurs privés apportent le budget opérationnel. Si les résultats sociaux sont à la hauteur des objectifs fixés, alors les investisseurs retrouvent leur capital et touchent un retour sur investissement. Par contre, si les résultats ne sont pas probants, les investisseurs perdent leur mise. Les SIB se sont développés dès 2010 dans de nombreux pays dans le monde, tout en restant marginaux en termes d'argent investi et de nombre de projets développés. Ces projets répondent néanmoins à une tendance grandissante, que j'appelle le paradigme du « faire le bien avec la finance », qui considère la finance indispensable pour répondre aux enjeux sociaux et environnementaux contemporains.

Quel type de politique publique permet et est permise par les SIB ? Quels sont les rôles et responsabilités attribués aux différentes partie-prenantes de ces projets, dont l'Etat, les investisseurs, les évaluateurs, les bénéficiaires ? Comment se matérialise la mesure de l'impact social et quels en sont les effets ? Comment les paiements sont-ils définis, et que cela dit-il de ce qui compte, ou pas, dans ces politiques sociales spécifiques ? Cette thèse se consacre à l'analyse empirique de ces projets, et répond à ces questions par le prisme du problème vernaculaire de la « faisabilité. » Je me concentre sur la manière dont les praticiens rendent compte et justifient leurs actions, défendant le fait que les caractéristiques et les effets des SIB prennent forme au cours de leur mise œuvre concrète et des difficultés que cela suppose. J'identifie la notion de faisabilité comme une priorité dans le montage de ces projets.

Je démontre que les praticiens sont constamment amenés à remettre en question et justifier la faisabilité de ces montages dans des « épreuves de faisabilité », et qu'ils ont recours à des « tactiques de faisabilité » pour maintenir la faisabilité des SIB malgré les contingences et contraintes qui apparaissent au cours de la mise en œuvre. Inspiré de Michel de Certeau (1984), le cœur de mon argumentation décrit ces tactiques comme des actions improvisées qui ne suivent pas des plans tout tracés mais se renouvellent, et « font avec » les incertitudes et les imprévus.

Cette thèse s'appuie sur une enquête ethnographique de 4 ans sur le montage des SIB. La thèse a été réalisée au sein de l'association iiLab puis FAIR, le collectif de la finance à impact en France. Grâce à ce contrat doctoral, j'ai réalisé 4 ans d'observation participante au sein de FAIR, pendant lesquels j'ai eu le loisir de participer à de nombreuses activités opérationnelles liées aux SIB (dont formation, études de faisabilité, recherche et publications, veille), mais aussi d'assister à l'évolution du secteur de l'investissement à impact en France et à l'international. De plus, j'ai étudié le montage des SIB en Colombie, et au Chili, qui offrent deux perspectives différentes de la France en termes de stade de développement des SIB, de situation économique, et de tradition politique. Dans ces trois pays, en plus de diverses activités d'observation participante, j'ai réalisé 54 entretiens semi-directifs et analysé de nombreux documents techniques et juridiques sur le développement des SIB et du secteur de l'investissement à impact.

Le **premier chapitre** discute la mise en œuvre de SIB dans trois juridictions : le Chili, la Colombie, et la France. Il se concentre sur les efforts que le montage des SIB a supposés. Je montre que ces projets ne se soumettent pas à un modèle standard ou idéal, comme les promoteurs des SIB et la littérature académique tendent à le supposer. Qu'ils soient décrits en termes de « promesses » ou de « menaces », les SIB sont régulièrement abordés comme des outils bien délimités amenant des transformations d'ordre connu au sein de l'Etat et du secteur social. Je m'appuie sur la notion « d'épreuve de faisabilité » pour prouver la variabilité des SIB. La notion d'épreuve s'appuie d'une part sur la sociologie de la traduction, et en particulier les travaux d'Akrich (1987, 1989, 1993) sur l'intégration d'un nouvel objet technique dans un environnement donné, qu'elle voit comme une co-production de l'objet et de l'environnement dans laquelle les qualités des entités en jeu sont spécifiées. La notion d'épreuve se réfère d'autre part à la sociologie de la justification (Boltanski and Chiapello

2007; Boltanski and Thévenot 2006), considérant que les épreuves poussent les praticiens à justifier leurs actions. Dans les épreuves de faisabilité, les praticiens mettent en avant la faisabilité comme justification centrale. Grâce à ce cadrage théorique, je montre que les SIB sont construits à travers le processus contingent de leur montage, et les épreuves de faisabilité traversées.

Le chapitre décrit finement le montage des SIB et les épreuves de faisabilité rencontrées au Chili, en Colombie, et en France. Au Chili, le développement des SIB a été mené par l'Etat. Il a pris la forme d'une intervention technocratique justifiée par une notion de responsabilité publique face aux citoyens (*public accountability*), dans le contexte social extrêmement tendu de fin 2019. Le processus, de la sélection des secteurs visés à l'identification précise des projets à développer, a reposé sur l'usage de méthodes de classification et d'évaluation censées assurer la transparence et la robustesse des analyses.

En Colombie, le montage des SIB a été mené par des fondations locales et des acteurs du développement. L'ambition était de rendre les politiques publiques sociales plus efficaces et « modernes » grâce d'une part à la production de données, et d'autre part à la participation de l'investissement privé. Les SIB ont été mis en œuvre grâce à un programme de développement porté par la Banque Interaméricaine de Développement, qui a progressivement installé le paiement aux résultats, mais aussi les politiques publiques en faveur de l'investissement à impact, au sein de l'Etat.

En France, les acteurs ont jugé indispensable d'adapter les caractéristiques des SIB au contexte local, lié à l'existence de l'Etat-Providence et d'une éthique spécifique du secteur social. La position de l'Etat en tant que financeur principal du social (ou de l'économie sociale et solidaire) a été préservée puisque les SIB ont été réservés au domaine de l'innovation sociale. Les méthodes de contractualisation ont également permis d'éviter de mettre en compétition les acteurs du social. Enfin, le pouvoir des investisseurs a été limité, par exemple via la définition d'un plafond pour le retour sur investissement.

Ce chapitre montre que c'est au cours des épreuves de faisabilité que les caractéristiques des SIB, mais aussi les qualités des politiques publiques, sont spécifiées. Ainsi, des notions telles que responsabilité publique (au Chili), modernisation (au Colombie), ou éthique (en France),

bien qu'elles résonnent avec les traditions politiques en place dans les pays concernés, ne sont pas des catégories prédéterminées : elles se précisent pendant les épreuves.

Le **deuxième chapitre** analyse la contractualisation des SIB, et plus précisément la recherche des cadres institutionnels, juridiques et réglementaires permettant leur mise en œuvre, tant du côté du paiement aux résultats (donc de l'Etat) que de l'investissement financier. Je démontre que les caractéristiques des SIB entrent en conflit avec les formulations existantes, dans la loi et la régulation, de ce que les politiques sociales sont censées être. Trois conflits majeurs sont discutés. Premièrement, les SIB changent la *temporalité* de l'investissement public. Non seulement ils impliquent un financement pluriannuel, mais aussi un financement incertain, puisque le paiement de l'Etat dépend des résultats sociaux obtenus. Les SIB demandent donc aux payeurs publics d'engager un montant sur plusieurs années, et sans avoir l'assurance qu'il sera dépensé dans le futur, alors que le budget public est normalement voté et exécuté sur une base annuelle. Deuxièmement, les SIB se concentrent sur les *résultats* plutôt que sur les activités financées, comme c'est le cas dans les subventions classiques. En conséquence, la comptabilité publique, qui est normalement basée sur le suivi des coûts réels via des factures, doit intégrer la possibilité de rendre des comptes à partir de mesures de résultats. Troisièmement, les SIB impliquent le paiement d'un *retour sur investissement* aux investisseurs en case de bonne performance sociale, mais aussi la gestion de *risques* divers.

Ainsi, je soutiens que ces changements placent l'Etat dans la position d'un investisseur, qui doit investir sur plusieurs années, qui s'intéresse aux effets de ses investissements plutôt qu'à la nature des activités financées, et qui gère des risques financiers et des retombées économiques. Le chapitre interroge la durabilité de ces changements, et en particulier des aspects issus de tactiques de faisabilité, considérés comme temporaire et dont la légalité est parfois débattue. Je montre que le développement des SIB est un processus dépendant du sentier (*path dependent*), au cours duquel des choix de montage, même tactiques, sont verrouillés et institutionnalisés. Ce chapitre rend compte, en conséquence, de la nature dynamique et négociée de ce qui est légal, et s'oppose donc à une vision de la légalité comme une notion binaire, figée dans des textes.

Le **troisième chapitre** s'intéresse à « l'impact » social qui est au cœur des SIB. Cet impact est de nature particulière en tant qu'il est explicitement lié au paiement des résultats sociaux. Contrairement aux discours dépolitisant portés par les tenants de l'investissement à impact,

qui posent l'impact social comme une solution universelle aux enjeux mondiaux de développement durable, je soutiens que la notion d'impact porte une politique : elle favorise une certaine formulation des problèmes et des solutions, et produit des effets sur les objets « impactés. » Je défends le fait que la notion de tactiques de faisabilité permet d'accéder à cette politique. Je m'intéresse aux processus de valuation (Muniesa 2011) qui sous-tendent la définition des indicateurs d'impact et du prix que l'Etat paie pour chaque résultat probant.

A travers l'analyse de deux études de faisabilité de SIB, je mets en lumière les tactiques de faisabilité employées pour définir les objectifs d'impact (ou de résultats). Je relève de telles tactiques dans trois domaines : la définition des indicateurs et la fixation des prix associés aux résultats, la spécification de la méthodologie d'évaluation, et la délimitation de la population ciblée. J'identifie, dans ces processus de valuation, deux critères déterminants dans la qualification des SIB comme faisables : d'une part, la production de coûts évités suffisants pour l'Etat, justifiant son investissement dans les SIB et le paiement d'un retour sur investissement aux investisseurs, et d'autre part, la possibilité de limiter le risque financier pour les investisseurs (un sujet également traité dans le chapitre 4). Je démontre que les praticiens s'inquiètent tout particulièrement de la disponibilité et de l'accessibilité de données, en particulier des données de coûts pouvant justifier les choix d'indicateurs et de prix, mais également de la représentation des données. La construction de l'évaluation d'impact dans les SIB doit en effet s'intégrer dans des discours explicites et convaincants pour que les pouvoirs publics, mais également les investisseurs, décident de s'engager dans ces projets.

Par ailleurs, le chapitre s'intéresse aux effets de l'évaluation d'impact sur le travail social. Il montre que les tactiques de faisabilité s'appliquent également pendant la mise en œuvre opérationnelle des projets. En particulier, la relation entre les travailleurs sociaux et les bénéficiaires fait les frais de l'anxiété générée par les indicateurs d'impact. Je soutiens que la théorie du changement portée par les indicateurs, c'est-à-dire l'hypothèse selon laquelle des bénéficiaires bien accompagnés vont atteindre les résultats sociaux escomptés, est performative : les indicateurs tendent à provoquer ce qu'ils sont censés mesurer. Les opérateurs sociaux qui mettent en œuvre l'accompagnement développent des tactiques pour faire en sorte d'obtenir l'impact attendu, quitte à développer des stratégies d'exclusion des personnes qui ne rentrent pas dans le cadre de la théorie du changement.

Le **quatrième chapitre** examine comment la notion d'impact social a été intégrée aux processus d'investissement. Il décrit les SIB comme un produit d'investissement à impact particulier, qui remet en question la notion traditionnelle de « viabilité » financière basée sur l'échelle risque-rentabilité. En effet, dans les SIB, le retour financier dépend exclusivement de la performance sociale des projets financés, et en aucun cas de la rentabilité économique des opérateurs. Tandis qu'il existe des modèles établis pour calculer les risques et l'espérance de gain en fonction de la situation économique d'une organisation, il n'y a aucune méthode qui permette de prédire, de quantifier, et donc de contrôler la performance sociale dans le moyen terme. Je montre que les investisseurs et intermédiaires financiers inventent de nouvelles manières d'aborder la viabilité financière dans ce contexte, mais je soutiens que l'introduction de l'impact dans les méthodes d'investissement reste ancrée dans l'imaginaire financier (Ortiz 2014) lié à l'échelle risque-rentabilité.

Le chapitre analyse des pratiques qui ont émergé pour la gestion de « l'incertitude » particulière attachée à la performance sociale. Les praticiens se sont confrontés à des nouveaux risques tels que le « risque social » (que les résultats espérés ne soient pas atteints), le « risque de partenariat » (que le partenariat ne soit pas maintenu), et le « risque de valuation » (lié à l'incertitude sur les méthodes d'évaluation du risque). En conséquence, des tactiques de faisabilité ont consisté à ajuster les indicateurs de manière à maximiser le niveau d'information quantitatif (même si ces informations n'ont pas la robustesse scientifique espérée), mais aussi à participer concrètement à la gestion opérationnelle pour ajuster les résultats aux prévisions financières. Le chapitre s'intéresse également aux modifications des SIB suite à la crise du Covid-19 qui a éclaté en 2020. Les partenariats ont majoritairement résisté grâce aux structures de gouvernance, ayant le pouvoir de réintégrer ce qui « déborde » dans le cadre contractuel, même dans le cas d'un brusque changement contextuel comme avec le Covid-19. Les contrats préservent néanmoins, avant tout, les conditions financières (risque et rentabilité).

General introduction

This dissertation discusses a form of social intervention that has developed in recent years in policy areas such as employment, education, or criminal justice, to provide preventative and innovative support to vulnerable populations while assessing the outcomes of these services. Based on a narrative of efficiency and scarcity of public resources, this approach shifts the focus of social support from the activities implemented to the outcomes measured on sample populations. It does so by shifting public financing from operational funding to “outcome payment”, i.e., payment for tangible outcomes. One emblematic type of project in the field of outcome-based financing is Social Impact Bonds (SIBs), which have been designed to leverage private investment finance in support of operational activities.

Since the 2010s, this approach has become influential among international and local policy institutions as well as proponents of “impact investing”, an area of finance dedicated to addressing social issues. These developments have raised academic debates about the policy transformations they bring about: should responsibility for social services be shared with private investors? What kind of social policy can and should the welfare state take care of nowadays? Is “efficiency” an adequate objective for social services? Should investors make profits from social outcomes – and how much? Are support recipients adequately supported and care givers working in proper conditions in these schemes? Is it relevant and even possible to measure social outcomes? What is the adequate scale for social programs?

This dissertation departs from these debates. It aims at analyzing the development of outcome-based and investment-based approaches to social policy and their effects from the angle of their pragmatic implementation rather than trying to assess the adequacy of these new approaches. It focuses on the way practitioners account for and justify their endeavors, arguing that the characteristics and effects of new policies take shape through their enactment and the difficulties implementation raises. Building on a four-year ethnographic inquiry into SIBs, I show that practitioners primarily worry about the “feasibility” of their arrangements, and constantly tinker with implementation contingencies to make SIB design workable. I theorize this phenomenon thanks to the notion of “tactics of feasibility”:

improvised actions that do not follow fixed plans but “make do” with unforeseen situations and uncertainties, in order to maintain the feasibility of SIB projects. Through this theoretical lens, the dissertation addresses the following questions. What kind of policy sustains and is sustained by SIBs? What are the roles and responsibilities attributed to the different entities involved – including public authorities, the state, investors, social organizations, evaluators, support beneficiaries, but also technical devices for impact measurement and financial valuation? How are vulnerable populations considered and supported through these particular projects?

The first section introduces SIBs as a type of intervention that lies at the crossroads of public management reform and social finance development. The second section focuses on the operating principles of SIBs and gives an overview of their development worldwide. The third section discusses academic debates about SIBs and positions the approach adopted in this research. The fourth section presents the conceptual framework of this dissertation. The fifth section gives an overview of the empirical material and the investigation methods used for this doctoral research. The sixth section finally exposes the outline of this dissertation.

1. The roots of SIBs: the convergence of public management reform and social finance after the 2008 crisis

Here, I introduce SIBs as a type of intervention that lies at the crossroads of public management reform and social finance development. I describe the main forces that have driven outcome-based and investment-based approaches to social policy. I discuss the perspective of international groups of practitioners that have actively supported the development of these approaches. I show that SIBs take roots in a two-fold hypothesis: on the one hand, the necessity for public management reform in a post-2008 austerity context (sections 1.1 and 1.2), and on the other hand, the need for innovative financing schemes to support the global social and climate agenda (section 1.3). The last subsection (section 1.4) then questions this particular combination of public reform and financial innovation.

1.1. The limited means of governments in face of “social problems”

In the aftermath of the 2008 financial crisis, austerity measures bloomed in various countries. They consisted in reducing public spending, cutting programs (including social programs) that were considered non essential, and increasing taxes in order to reduce government deficits. This situation has been taken as a basis for impact finance proponents to acknowledge the limited resources of governments and the need for partnerships with the private sector. Among these proponents, Social Finance has been a central actor. Social Finance is a nonprofit consulting firm dedicated to tackling “social problems” through cross-sector partnerships and evidence-based approaches¹, which pioneered SIBs in the UK and was among the firsts to promote the use of private investment in social programs. Social Finance has produced a number of reference reports and among them, a 2012 publication that introduces SIBs as “a new tool” to “mobilize private capital to advance social good.” Why is this new tool a promising advance? According to Social Finance, it may respond to contemporary public budget constraints:

“[G]overnments at all levels are struggling in the face of large deficits that reflect not only the lingering effects of the financial crisis, but also long-term structural gaps (with spending growing faster than revenues).” (Social Finance 2012:7)

There seems to be little hope of overcoming government deficits since, according to the report, public budgets are structurally unbalanced with spending higher than revenues. This implies that governments are doomed to conduct policies, including social policy, with increasingly limited resources. The report puts at the forefront the critical role of nonprofit organizations in the provision of social services and warns that a growing need in funding remains unmet:

“Limited funding—especially the lack of long-term funding—constrains nonprofits’ growth and contributes to a high degree of fragmentation within the social sector. Even nonprofits with the strongest track records are unable

¹ Social Finance UK’s website describes the organization as follows: “We’re a not for profit organisation that partners with governments, service providers, the voluntary sector and the financial community. Together, we find better ways of tackling social problems in the UK and globally.” <https://www.socialfinance.org.uk/about-us> (accessed September 2022)

to significantly expand their services and benefit a wider portion of the population.” (Social Finance 2012:4)

The report affirms that nonprofit organizations struggle to grow and to cover wider populations by lack of funding. In fact, the report accounts for the failure of government but also of philanthropy to meet the needs of vulnerable populations and calls for alternative ways of addressing social problems:

“Traditionally, nonprofit programs and social services have been supported by government and philanthropy. While both are essential funding streams, they have been unable to meet the overwhelming need.” (Social Finance 2012:6)

This leads to a two-fold conclusion: on the one hand, additional resources are needed, and on the other hand, public funds must be used more efficiently. As we will see next, private finance is presented as a solution to both shortfalls.

1.2. The narrative of government insufficiency and inefficiency

The narrative of government insufficiency is widespread, in particular in the discourses of international institutions. Since 2015, the United Nations have developed the well-known 2030 Agenda for Sustainable Development: a set of global objectives aimed to end poverty, protect the planet and ensure prosperity for all by 2030.² This global agenda, which comprises 17 “sustainable development goals” (SDGs) with specific targets for each goal, has driven global policy action in recent years. The goals cover social policy areas such as poverty, health, education, economic equality, but they also target sustainable infrastructure, economic growth and climate action. The SDGs have emerged as the central normative framework for sustainable development for governments and non-state actors alike. Partnerships between state and non-state actors are encouraged for the financing of these ambitious goals. The road towards the 2030 Agenda requires considerable investment that, the narrative goes, governments alone cannot afford. The UN Secretary-General has developed a strategy for SDG financing which states the importance but also the limitation of “domestic public resources”:

² Source: United Nations. “Transforming our world: the 2030 Agenda for Sustainable Development.” <https://sdgs.un.org/2030agenda> (accessed September 2022)

“The finance needs for SDG investments are vast and urgent. Domestic public finance is key, especially to providing public goods and essential services. In many developing countries, the mobilization of domestic public resources still falls well short of requirements; and external public resources, including official development assistance (ODA), remain essential in many countries. [...] However, the public sources of funding in all countries, rich and poor alike, clearly do not suffice to fund the SDGs. Hence, private finance is an essential component of the financing of the 2030 Agenda.” (UN Secretary-General 2018:2) (emphasis in original)

The strategy calls for development finance and private finance to support the financing of the SDGs, since “the public sources of funding in all countries [...] clearly do not suffice.” Partnerships for the implementation and the financing of actions towards the 2030 Agenda are even the object of the seventeenth SDG. SDG 17 targets cross-sector cooperation and private investment “to ensure that countries have the means to recover from the pandemic, build back better and achieve the Sustainable Development Goals.”³

Furthermore, the intervention of non-state actors is often promoted as a way to enhance public spending efficiency. The Social Impact Investment Taskforce, which was set up under the UK Presidency of the G8 in 2013 to advance impact investing in the G8 jurisdictions, developed this type of argument. The Taskforce members included investment professionals and government officials. The Taskforce published a reference report in 2014 with the evocative title *“Impact Investment: The invisible heart of markets. Harnessing the power of entrepreneurship, innovation and capital for public good.”* The report argues that private capital can and must serve public good. One reason for this, the report indicates, lies in government insufficiency in face of social needs. It adds the following:

“All of the countries on the Taskforce also face growing pressure, in a context of fiscal restraint, to allocate government spending more efficiently and effectively to social needs.” (Social Impact Investment Taskforce 2014:1)

In this view, efficiency is precisely a virtue of the private sector, which argues in favor of cross-sector collaboration. As for impact investing, “it can help [governments] fulfil [their responsibilities] more effectively.” It “has the potential to help deliver services more

³ Source: United Nations. “Goal 17: Revitalize the global partnership for sustainable development.” <https://www.un.org/sustainabledevelopment/globalpartnerships/> (accessed September 2022)

efficiently” by “financing innovative approaches” and prevention (Social Impact Investment Taskforce 2014:2).

Indeed, the Social Impact Investment Taskforce claims that private finance – especially impact investment –, besides providing access to “vast new pools of capital”, brings “entrepreneurship and innovation expertise” within the public sector (Social Impact Investment Taskforce 2014:5). Likewise, the 2012 Social Finance report argues for integrated social policies that can cut across public agencies and act to prevent social problems: “Because the costs of remediation and prevention are divided among departments, agencies often lack the incentive to collaboratively develop and deliver effective, integrated solutions at scale” (Social Finance 2012:10). What can be done to improve the making of policy? Social Finance contends that private finance can play a relevant role. The report promotes the use of SIBs, which can support the making of effective social policy “by allowing governments to transfer the financial risk of prevention programs to private investors” (Social Finance 2012:10). This implies that developing effective services is a matter of managing the financial risk associated with new methods. This is why investors appear to be particularly relevant: they are specialized in managing risks. In the next subsection, I introduce the terms in which impact investing is indeed characterized as a response to limited government resources.

1.3. Impact investing as a response to government insufficiency and inefficiency

This subsection examines how impact investing proponents envision the role of investors in social policymaking. In doing so, it acknowledges the influential role of impact investing proponents in making room for the private financing of welfare, as Golka (2019) has previously argued. Golka studies the establishment of an impact investment market in the UK. He identifies a convergence between impact investing dynamics and British social policy, leading to a form of financialization that, he contends, ended up redefining the prevailing rules of social welfare. His argument is also about investors’ ability to create cooperative ties with non-financial actors – in particular within the state – to their own advantage. This dissertation does not discuss the establishment of a social impact investment field. Still, like Golka, it highlights dominant justifications for the mobilization of impact investment finance in social welfare

policy, and intends to grasp the interconnections between investment principles and welfare principles.

By definition, impact investing brings together “investment” expertise and “impact” targets. Impact investments have been defined by practitioners themselves as investments “that intentionally target specific social objectives along with a financial return and measure the achievement of both” (Social Impact Investment Taskforce 2014:1).⁴ The two pillars of impact investing are, besides traditional financial performance, *intentionality* and *measurement* of the social and environmental impact produced by the projects and organizations financed. A third pillar is often added: that of *additionality*, i.e., ensuring a contribution to business and impact development that would not have happened without investor intervention (see Groupe de Place Impact 2021). Impact investment initiated in the UK and the US in the 1990s as a movement aimed to respond to the needs of the nascent social enterprise field, which offers enough profitability to attract financial investment (Golka 2019). Impact investment gained momentum after the 2008 financial crisis, reflecting the establishment of a large and robust social enterprise market that could form a proper asset class (Chiapello and Knoll 2020a). The impact investing community has framed this investment approach as distinct from traditional investing (Barman 2015) or socially responsible investing (Arjaliès et al. 2022), and more recently as a model to follow for reforming the economic system (e.g., Cohen 2018).

Here, I identify key benefits that this particular blend is supposed to bring to social welfare, namely capital on the one hand, and effectiveness and innovation on the other hand.⁵ First, impact finance is expected to make a large pool of capital immediately available for social organizations and programs to grow in scale. As the previous subsection suggested, impact finance proponents attribute the reproduction of social problems to a lack of public resources

⁴ The Global Impact Investing Network (GIIN), the main association of impact investors based in the US, provides a similar definition of impact investing that serves as reference including for the GSG: “Impact investments are investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return.” Source: The GIIN. “Impact investing.” <https://thegiin.org/impact-investing/> (accessed September 2022)

⁵ Golka (2019) makes a similar observation. He argues that impact investing proponents legitimized the introduction of for-profit templates into social welfare through narratives of, on the one hand, disruption by means of social innovation, and on the other hand, scaled-up social change. This would be permitted by vast pools of capital that are flexible and tailored to the needs of social organizations, which would increase the efficiency and the effectiveness of these organizations.

and thus, of private investments (see also Chiapello and Knoll 2020a; Golka 2019). According to the Social Impact Investment Taskforce report:

“As investors add the third dimension of impact to risk and financial return in their decision making, we expect there to be a considerable pool of capital looking for opportunities to invest in achieving measurable social impact.”
(Social Impact Investment Taskforce 2014:18)

The report displays the objective to unleash “up to \$1 trillion of new investment” to help “impact entrepreneurs” achieve scale (Social Impact Investment Taskforce 2014:3). The idea that investment volumes can solve social problems is a main argument in favor of impact finance (Golka 2019:121–22). It is more generally an argument that supports “blended finance”, a strategy promoted by international institutions such as the OECD. Blended finance is defined as the strategic mobilization of public, development and private finance together to achieve sustainable development in particular in developing countries. It aims to “enlarge the total amount of resources available to developing countries.”⁶ In this view, there is a direct causality between the amount of resources available and the advance towards social and climate goals (such as the SDGs). However, there is a counterpart to the mobilization of large volumes of capital, which the notion of blended finance explicitly puts forward: investment conditions – whether regulation, risks and return or the projects – must be favorable for investors to be willing to commit to sustainable development. The next subsection will explain in further details this issue as part of what I term the “doing good with finance” paradigm.

Second, this new pool of investment is expected to “tackle social problems more innovatively and effectively” (Social Impact Investment Taskforce 2014:3). The Taskforce report affirms that “[i]n some cases, investment can be more effective than donations in helping the poor [...]” (Social Impact Investment Taskforce 2014:1). This narrative reflects a perspective that Golka has also well identified in the UK Treasury policy discourse in the terms of “an emphasis on *enterprise creation and economic growth as a public welfare end* in its own right, as well as *financial markets as a superior means* to achieve that” (Golka 2019:139) (italics in original). In this view, economic growth ensures scale and allows for a long-term strategy, whereas grant funding is scarce and intermittent.

⁶ The OECD. “Blended Finance.” <https://www.oecd.org/development/financing-sustainable-development/blended-finance-principles/> (accessed September 2022)

Moreover, it is the effective measurement of impact – an endeavor that impact investing effectively institutes – that safeguards the achievement of the missions of social organizations (Social Impact Investment Taskforce 2014:28), whereas grant funding is often delivered without condition on actual results. Thus, besides the efficiency of investment capital itself, proponents argue that impact investors offer a valuable expertise to governments and social organizations: the expertise of measurement, but also the culture of innovation. By definition, impact investing finances profitable social organizations and bets on risky, innovative approaches, which makes it an adequate tool to foster social innovation:

“By financing innovative approaches, impact investing also has the potential to help deliver services more efficiently and, in some cases, tackle the underlying causes of growing demand for social services instead of just trying to cope with their consequences.” (Social Impact Investment Taskforce 2014:1)

The quotation clearly links impact investing, innovation, and effective solution to social problems. Social innovation appears simultaneously as the possibility of change, the necessity of institutional transformation for addressing social problems, and the opportunity for developing the for-profit impact firm model (Golka 2019:117).

1.4. The “doing good with finance” paradigm

I have previously outlined two complementary arguments that are used to justify the mobilization of private finance in social welfare: on the one hand, governments lack resources and expertise to address contemporary social problems, and on the other hand, private finance can bring capital, effectiveness and innovation to the social sector. These arguments pertain to what I refer to as the “doing good with finance” paradigm: the idea that finance can indeed do good, but also that contemporary problems cannot be addressed without the involvement of private finance. What kind of “good” is to be achieved with finance? How do models involving private investment (re)define social welfare? These questions drive the dissertation and will be addressed across the chapters. Here, I intend to introduce these reflections by discussing how risk and return can alter social welfare, understood as both a policy domain and concrete social programs.

1.4.1. *The lens of risk and return*

I contend that the kind of “good” that can be produced with finance is to be understood through the lens of the two main principles that govern finance, namely risk and return. This claim is also the object of chapter 4. As we have seen previously, private finance is presented as an opportunity to allocate the risk of innovating in the social welfare sector to investors, while governments seem rather risk-averse. Just as venture capital takes risks to fund young start-ups, impact investing would be able to take the risk of betting on innovative social “solutions” (Cohen and Sahlman 2013). In this view, social “good” is risky. Impact investing proponents pose social innovation as an essential means to address contemporary social “problems.” As the Social Impact Investment Taskforce report explains, not only banks and asset managers but also philanthropy should “embrace the risk involved in backing innovative new ideas that can improve society” (Social Impact Investment Taskforce 2014:40). Innovation, including social innovation, entails risks – of “failure”, translated into risks of losing money – that financial actors are urged to take.

As far as return is concerned, impact investing proponents argue that social good is compatible with financial return, contrary to the principles that govern the charity sector – as well as the public sector. In France, for instance, the prevailing legal form in what is called the “social and solidarity economy” is the association, in which profitable activities are indeed limited by law to a small part of the budget of the organization.⁷ On the contrary, the social enterprise legal form allows to seek social good through commercial activities. The Social Investment Taskforce report promotes the alignment of social objectives with financial ones:

“This new approach is built on a number of shared beliefs: that, in some cases, investment can be more effective than donations in helping the poor; that social motivations harnessed to financial ones can sometimes do good more effectively; and that in many situations there is no inevitable trade-off between financial and social return.” (Social Impact Investment Taskforce 2014:1)

This quotation highlights three claims. First, investment tends to improve the effectiveness of social support, implying that donations, including public funding coming from the fiscal activity

⁷ Service-Public.fr. « Une association à but non lucratif peut-elle avoir une activité commerciale ? » <https://www.service-public.fr/particuliers/vosdroits/F31838> (accessed September 2022)

of the state, are part of an outmoded system. Second, financial motivations can foster social impact. Third, “there is no inevitable trade-off between financial and social return.” In sum, financial return can and should be congruent with social return. Therefore, practitioners claim that the more financial returns are produced, the more social good can be created. As the 2012 Social Finance report states:

“Impact investing [...] has drawn substantial interest over the past few years. With the potential to spark significant progress, this approach could bring a large new pool of capital to bear on social problems. Unlike public-sector or grant funding, impact investments produce financial returns that can be reinvested in the social sector.” (Social Finance 2012:7)

The report argues that financial returns can be reinvested – or “recycled”, in impact investing jargon – and produce more impact, which “public-sector or grant funding” cannot do.

1.4.2. Structuring effects of the “doing good with finance” paradigm on welfare

The above developments show that the “doing good with finance” paradigm is effectively articulated with risk and return objectives. However, as I mentioned in the previous subsection, a counterpart of mobilizing private capital for social welfare is the need for establishing favorable investment conditions for investors. This means that the “doing good with finance” paradigm has a structuring effect on the objects financed. I have identified three salient effects on welfare in the scholarship on SIBs, namely the facilitating role of the state, the politics of evidence production, and the transformation of welfare policies.⁸

First, according to impact investing proponents, the state has an essential role to play in facilitating social innovation and impact investing:

*“This will involve [for governments] creating supportive **legal and regulatory frameworks**, in the case of social sector organisations to ensure that the rules governing them do not inhibit entrepreneurial risk-taking and innovation, and for impact-driven businesses, to ensure that they can, if they*

⁸ My contention partly draws from the historical analysis of social finance and impact investing that Chiapello and Knoll (2020a) conducted. The authors identify three transformative phenomena that structure social finance and impact investing: the financialization of the economy, the reforms associated to the neoliberal turn and the transformations of welfare states.

*want, maintain their social mission, through legal mechanisms and forms; **removing regulatory obstacles around fiduciary duty** that currently deter potential impact investors, and, where possible, **providing tax incentives.**"*
(Social Impact Investment Taskforce 2014:40) (emphasis added)

Laws and regulations are useful to organize legal forms that allow for implementing an entrepreneurial strategy (including profitability) while following a social mission, but also for incentivizing impact investing, for example through tax reliefs. Here, the state is expected to be a facilitator but also to mitigate risks attached to demand in capital and to fiduciary duty. This relates to what Gabor (2021) identifies as the “de-risking” role of the state. In the “de-risking paradigm”, as she terms it, public and development finance protects investors from bearing specific risks that underpin the development asset classes, namely political, climate and demand risks. Gabor provides an insightful analysis of this paradigm as a “state-building project” that sets the institutional foundations for multiplying investment opportunities (for asset managers mainly based in the global North) in poor and middle-income countries. Tax reliefs, grants, and other debt-based instruments are tools that participate in constructing investible assets by removing specific risks (Gabor 2021). Setting aside the problem of North-South relations, I identify similar de-risking dynamics in the development of an impact investing market in rich countries such as the UK. Interestingly, while investors are supposed to relieve governments from the risks attached to innovation, the state is also required as a de-risking player against demand and regulatory risks.

Second, impact investing requires the management and governance of evidence. This entails a specific formatting of social organizations. The Taskforce report suggests that governments should “[set] out policies to equip social sector organisations and innovators to access the impact investment market, including providing grants to social sector organisations for capacity building” (Social Impact Investment Taskforce 2014:40). The aim is to make social organizations “investment-ready.” Several scholars have shown that impact investors indeed take part in organizing and fueling the market for “investible” organizations. To Chiapello and Knoll (2020a), investors and intermediaries – e.g., Social Finance – actively build such “bankable” projects by financializing social organizations, in the sense of ingraining financial language and values into them (see also Chiapello 2015). In the case of impact investing, social organizations must be capable of producing financial returns but also measurable social value (Chiapello and Knoll 2020a) – “blended value” (i.e., inextricably financial *and* social) in Bugg-

Levine and Emerson's (2011a) terms. To do so, investors implement methods such as building capacity with entrepreneurs and mobilizing intermediaries (Bourgeron 2020). Impact investors also invest in producing and circulating metrics that can display "evidence" in an explicit way (Barman 2020; Bourgeron 2020; Chiapello and Knoll 2020a).

These transformations institutionalize a focus on *outcomes* rather than activities in the social sector, but also in public governance. Impact investing brings governments in the governance of result-based approaches through public-private collaborative arrangements. This spurs a "new public governance" form (Osborne 2006) based on collaborative design involving actors as diverse as philanthropists and other financiers, public authorities and entrepreneurs (Chiapello and Knoll 2020a; McGoey 2014). In these arrangements, governments are supposed to take ownership of the metrics, indicators and ratings used to account for the production of social impact and optimize public spending. This is reminiscent of the new public management (NPM) frame that aims at transposing private management methods, like performance tracking, output control, and sound resource use, to public management (Chiapello and Knoll 2020a; Hood 1991). NPM reforms have been associated with the development of neoliberal modes of government (Chiapello and Knoll 2020a). In line with this argument, but also keeping in mind the limited analytical value of the notion of neoliberalism due to its manifold uses and meanings (Birch 2015; Venugopal 2015), this dissertation aims at characterizing the modes of government to which the advent of outcome- and investment-based interventions gave rise.

Third, the welfare policies developed within the "doing good with finance" paradigm are performance-based approaches in which individual trajectories – instead of collective or societal ones – count. This trend emphasizes the self-responsibility of one's human capital (Chiapello and Knoll 2020a; Mennicken and Espeland 2019). These policies encourage and incentivize a free-choice welfare system based on, for instance, private insurance schemes and pension funds instead of collective systems. They also encourage the proliferation of and competition between different service and insurance providers in the welfare sector (Chiapello and Knoll 2020a). Finally, these policies increasingly apply the principles of behavioral economics according to which human behavior is driven not by a perfectly rational decision-making process but rather by a process involving human sociability and emotions (Dolan et al. 2010). Behavioral economists consider that social problems such as poverty,

recidivism, and homelessness, result from “behavioral failure, cognitive deficiencies, irrational decision making, or even a lack of “character capital” (Gandy et al. 2016)” (Wirth 2020). Policies inspired by behavioral economics thus aim to influence the way people make decisions about, for example, their health, occupation or consumption through non coercive measures including specific messengers, incentives, norms or default options (Dolan et al. 2010).⁹

To conclude this section, the “doing good with finance” paradigm orients social welfare towards evidence-based and public-private approaches that focus on risk and return and emphasize individual trajectories. Then, what are the concrete effects of this paradigm? How is it implemented? How can we grasp its effects on welfare policies worldwide? This dissertation focuses on an emblematic support for the implementation of the “doing good with finance” paradigm, namely social impact bonds (SIBs).

2. Social impact bonds at the crossroads of outcome-based financing and impact investing

SIBs are paradigmatic in the trend described above in that they explicitly bring together public authorities and impact-driven investors around social innovations intended to improve social policy. SIBs promote public management reform through outcome-based commissioning and the evaluation of innovative social policies. In parallel, they support the expansion of the impact investment market by turning outcome-based financing into investment opportunities. This section introduces SIBs and provides an overview of SIB development.

2.1. SIB operating principles

SIBs are used to finance small-scale interventions that address “social problems” by providing renewed support to targeted populations with labels such as vulnerable, poor, “at risk”, homeless, unemployed, NEET (young people Not in Employment, Education nor Training), etc.

⁹ This paradigm has been described in terms of “nudging” people’s behavior in the “right” direction (Thaler and Sunstein 2012; Wirth 2020).

SIBs are a form of outcome-based financing in which the government pays for effective social outcomes. On the other side, investors invest upfront in the interventions in hope of “success” – i.e., the achievement of expected outcomes – because if so, government funding pays them back and offers them a return on investment.

The dissertation takes SIBs as its object for the study of the “doing good with finance” paradigm in which public management reform and innovative finance converge. Although there are a variety of expressions of SIBs, as my investigation and other works have evidenced, there is a recognized “SIB” object that I aim to describe here. I use in particular descriptions of the “SIB model” by the main intermediary that participated in its creation: Social Finance.

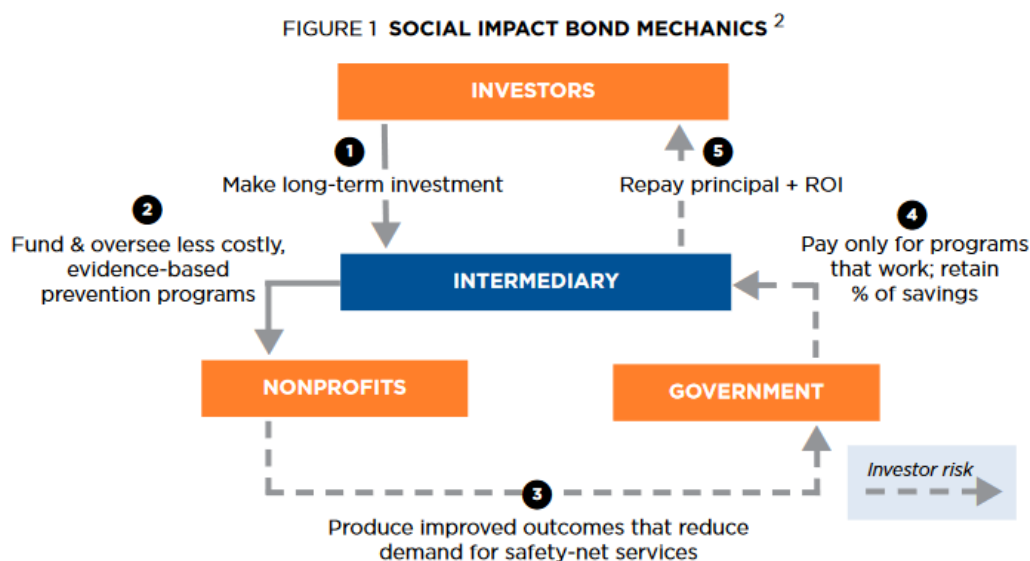
2.1.1. SIB mechanics and stakeholders

SIBs have some standard features that make them recognizable despite the variety of SIB projects. I identify five essential characteristics. First, the main stakeholders are public authorities, investors and social organizations. The latter act as “**operators**”, also called “**providers**” in SIB parlance. In this dissertation, I choose to refer to each category of actors in the practitioners’ terms in order to ensure clarity. However, this does not mean that I take the names and roles of each of them for granted; this dissertation precisely discusses the social order that SIBs both embody and install.

Second, SIBs target groups of population that are considered vulnerable or off-track, e.g., prisoners, homeless, jobless people. They are called “**beneficiaries**” or “**participants**.” Third, in SIBs, public authorities pay for effective social outcomes. While they assume this role, they are called “**outcome payers**” or “**outcome funders**” and they make “outcome payments.” To this end, the impact of the interventions financed is monitored and measured according to a set of metrics. Fourth, **investors** provide upfront financing and are reimbursed – with a bonus – only if pre-defined social targets are achieved. Fifth, SIBs are small-scale interventions that can amount to a few million dollars and serve not more than hundreds of beneficiaries over 3 to 5 years. As I explain below, Social Finance attributes other characteristics to the “model” such as public savings, risk transfer, and incentives. Beyond these more or less standardized characteristics, SIB implementation follows different trends as regards policy areas, the actual interventions implemented, typology of operators and investors, legal settings, impact

indicators, etc. Chapter 1 discusses in further details the standardized, ideal “SIB model” by contrast with actual SIB projects implemented in different places.

The SIB mechanics is often described with a diagram that represents the different stakeholders and their relationships. Figure 1 is one example of such simplified representations. It displays investors providing upfront funding for nonprofits (or operators) to implement a social program (arrows 1 & 2). Nonprofits’ activities then produce social outcomes (3). An independent evaluator measures the results according to indicators and quantified targets that are specific to the project and defined in advance (4). The government (or outcome payer) pays for effective results (4). This payment finally goes to investors and can cover the principal and a return according to the results (5). The diagram additionally includes an intermediary whose role is the overall management of the cash flows and the SIB contract. Yet, the presence of an intermediary is optional, as for example in French SIBs (see chapter 1), and when there is one, its role varies.



- | | |
|----------|---|
| 1 | An intermediary issues the SIB and raises capital from private investors. |
| 2 | The intermediary transfers the SIB proceeds to nonprofit service providers, which use the funds as working capital to scale evidence-based prevention programs. Throughout the life of the instrument, the intermediary would coordinate all SIB parties, provide operating oversight, direct cash flows, and monitor the investment. |
| 3 | By providing effective prevention programs, the nonprofits improve social outcomes and reduce demand for more expensive safety-net services. |
| 4 | An independent evaluator determines whether the target outcomes have been achieved according to the terms of the government contract. If they have, the government pays the intermediary a percentage of its savings and retains the rest. If outcomes have not been achieved, the government owes nothing. |
| 5 | If the outcomes have been achieved, investors would be repaid their principal and a rate of return. Returns may be structured on a sliding scale: the better the outcomes, the higher the return (up to an agreed cap). |

Figure 1. "The Social Impact Bond Mechanics" as described by Social Finance (Social Finance 2012:12).

2.1.2. Savings, risk transfer, incentives

From the perspective of public funders, SIBs are a form of outcomes-based financing: governments pay for effective (i.e., measured) social results. In principle, outcome payers are not interested in the methods implemented to achieve the results. They are interested in the production of social results, e.g., a decrease in reoffending among a targeted population of ex-prisoners, unemployed people being employed, homeless people entering and staying in accommodation, etc. The focus on results (or equally, outcomes) is attached to a logic of budgetary savings: the changing situation of the beneficiaries would alleviate "remediation" costs produced by, for instance, prison, emergency shelters or state aid. According to this

logic, government savings are supposed to be higher than outcome payments. This is what legitimates the payment of investor return. As the Social Finance report explains:

“These outcomes translate into government savings that can be achieved within a relatively short time frame and are large enough to cover the program’s cost and a reasonable return to investors.” (Social Finance 2012:5)

In theory, the government pays less than what it saves. And if no significant outcomes are produced, it pays nothing. SIBs appear as a response to government insufficiency and inefficiency (see sections 1.1 and 1.2): in any case, SIBs allow governments to save money and allocate budget to interventions that prove to “work.” Investors are supposed to assume the risk associated with the production of outcomes. They indeed lose their capital if the targets are not hit. SIBs implement what is called “risk transfer” from governments to investors:

“If improved outcomes are not achieved, the government is not required to repay the investors, thereby transferring the risk of funding prevention services to the private sector and ensuring accountability for taxpayer money.” (Social Finance 2012:4–5)

The rationale for governments to avoid “risks” is that, as I have argued, public budget can be more efficiently allocated to effective programs. The quotation above also suggests that it is a matter of accountability for taxpayer money. Thanks to SIBs, the narrative goes, governments can prove the effectiveness of public spending. While doing so, they incentivize operators to implement any means to produce positive outcomes: this is expected to encourage innovation. Indeed, SIBs do not bind operators with a fixed program of activities. As they see the outcomes unfold along the way, operators should be able to adjust their support to do better. In Social Finance’s terms:

“Where the government is willing to pay organisations for generating substantial savings whilst delivering desired improvements in the lives of those whose needs are being addressed, as is the intention with a SIB, it creates a significant economic incentive for these organisations to raise the capital needed to tackle social issues in an innovative way.” (Social Impact Investment Taskforce 2014:16)

In this view, outcome measurement is not the mere measurement of outcomes that would have been produced anyways. The SIB mechanics is meant to encourage innovation and the production of the expected social results.

2.1.3. The first SIB: Peterborough

The first SIB was launched in 2010 in Peterborough, UK. It is worth presenting this project because it was established as a role model for SIB development later on. The SIB was commissioned by the Ministry of Justice with the objective of reducing the reoffending rate among short-sentenced men in the prison of Peterborough. A group of providers gathered as the “One Service” consortium to offer individualized and comprehensive support to three cohorts of 1,000 men released from prison. The project was designed for 7 years for a total amount of £5 million. Big Lottery Fund – i.e., the National Lottery charity, which behaved as an investor in the SIB – together with a group of 16 investors, provided the working capital. Social Finance played the role of contract designer and intermediary. Figure 2 shows the diagram and main characteristics of the SIB.

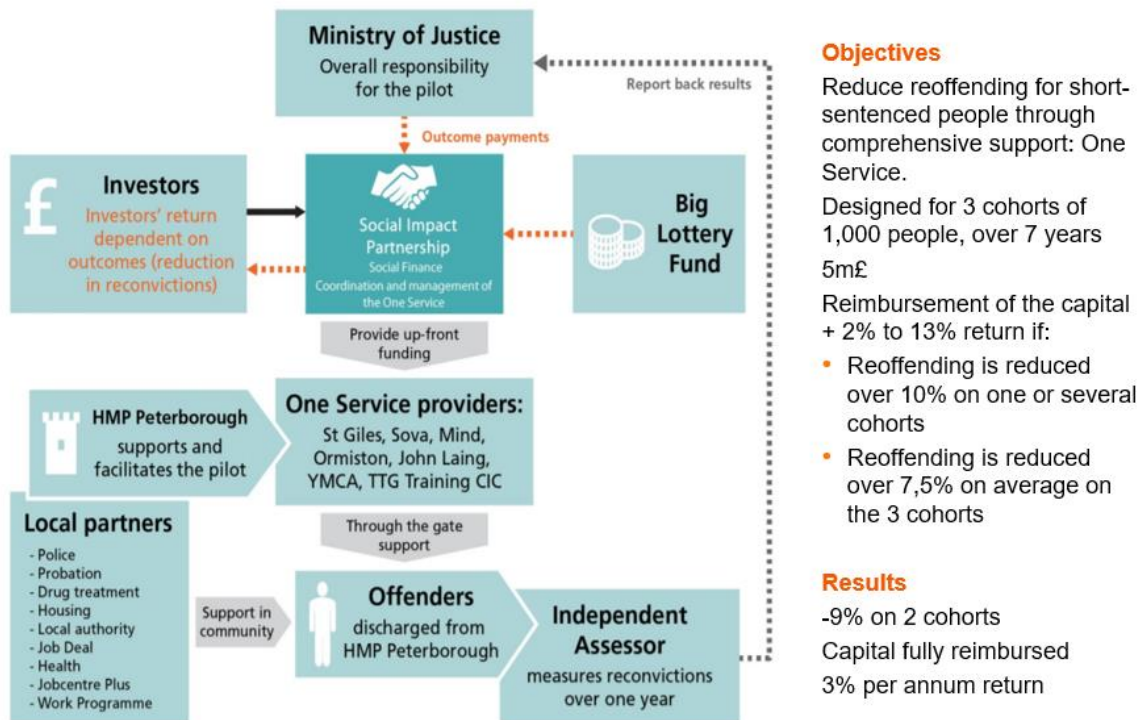
The contract was designed to support 3,000 people over 7 years but it was terminated earlier. The program was implemented for only 2,000 people over 5 years. Despite its reduced reach, the intervention was considered a success: the reoffending rate among the beneficiaries decreased by 9% against comparable administrative data, which was higher than the SIB goal set at 7.5%. The investors were repaid in full and received a 3% return on investment.¹⁰ In fact, the SIB was ended early because a national result-based program, “Transforming Rehabilitation”, was introduced in the course of the project and was redundant with the SIB. The Ministry of Justice aimed to capitalize from the good results produced by the SIB and to extend the intervention to all types of prison sentences through Transforming Rehabilitation. However, this program was criticized because, according to the Public Accounts Committee, it not only failed to achieve its objectives on reoffending, but it also under-funded the services,

¹⁰ Social Finance. “Peterborough.” <https://www.socialfinance.org.uk/peterborough-social-impact-bond> (accessed September 2022)

which prompted “cherry picking” (i.e., the exclusion of complex cases in order to produce better results).¹¹



The first SIB: Peterborough (2010)



Source: Ministry of Justice, 2015, The payment by results Social Impact Bond pilot at HMP Peterborough: final process evaluation report

Figure 2. Snapshot of Peterborough SIB. Source: iiLab.

2.1.4. Variation on SIBs: development impact bonds

As the next section explains, SIBs have developed in many countries in the world, where governments have been keen to try this new way of financing social programs. A different version of SIBs have been implemented in poor countries in the form of “development impact bonds” (DIBs). In this variation, outcome payers are not governments but international donors such as multilateral banks and foundations. Governments are rather involved as technical

¹¹ GO Lab. (7 May 2019). “Reflecting on the Transforming Rehabilitation experiment.” <https://golab.bsg.ox.ac.uk/community/blogs/reflecting-transforming-rehabilitation-experiment/> (accessed September 2022); Public Accounts Committee. (3 May 2019). “Transforming rehabilitation: progress review.” <https://publications.parliament.uk/pa/cm201719/cmselect/cmpubacc/1747/174702.htm> (accessed September 2022).

partners. A number of DIBs (about 23 as per August 2022) have been implemented in India, Africa and Latin America.

The first impact bond of this kind was developed in India for improving literacy and numeracy outcomes of children and enrolling girls in school. This project is known as Educate Girls DIB, from the name of the social provider. Figure 3 is another example of simplified diagram applied to Educate Girls DIB.

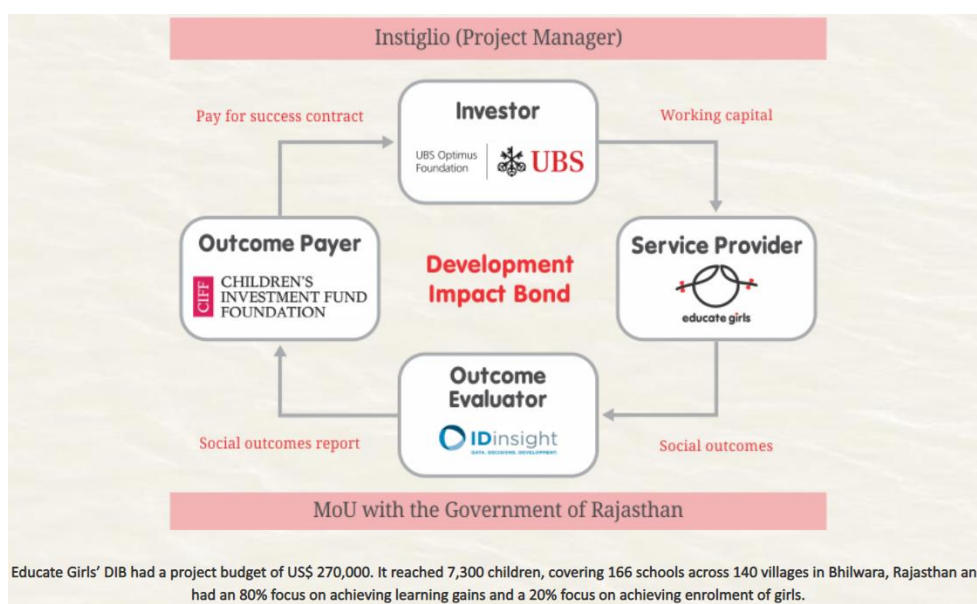


Figure 3. Educate Girls DIB. Source: Educate Girls.¹²

In this scheme, UBS Optimus Foundation provided working capital to the provider Educate Girls. Social outcomes were measured and certified by the evaluator IDinsight. The outcome payer was not a public entity but the Children’s Investment Fund Foundation, while the Government of Rajasthan was involved through a Memorandum of Understanding (“MoU” on figure 3). In addition, the project included an intermediary (Instiglio) called “Project Manager.” The project aimed at providing support to more than 7,000 children in 140 villages in the Rajasthan region over 3 years (2015-2018), for a total amount of USD 270,000. The first objective was to improve learning levels in comparison with children in other schools who did not receive Educate Girls’ support. The second objective was to enroll 662 marginalized girls in school. The DIB finally surpassed both target outcomes: learning outcomes grew 79% more

¹² Educate Girls. “Educate Girls’ Development Impact Bond (DIB).” <https://www.educategirls.ngo/dib.aspx> (accessed September 2022).

than the control group and 768 girls were successfully enrolled in school. UBS Optimus Foundation was repaid in full with a return above 10%.¹³

2.2. The “impact bond market”

This subsection gives a hint of the size of what is often referred to as the “impact bond (IB) market”, which counts SIBs and DIBs together. Whether IBs do or do not form a proper “market” is not the object of this subsection. What can be said is that IBs are not assets that can be traded; they are locally based with investors committed until the end of the contracts. This subsection is about the IB landscape in terms of number of projects and amounts invested.

¹³ The Brookings Institute. (18 July 2016). “Educate Girls development impact bond could be win-win for investors and students.” <https://www.brookings.edu/blog/education-plus-development/2016/07/18/educate-girls-development-impact-bond-could-be-win-win-for-investors-and-students/> (accessed September 2022).

Investing in the Ministry of Economic Affairs in Finland, MAZE (based in Portugal), MaRS Centre for Impact Investing (based in Canada), Impact Invest Lab (renamed “FAIR” in 2021, based in France) are some well-known examples.

However, by all accounts, IBs have remained a niche market. A minimum (because data is missing) of USD 725 million have been invested. Comparatively, the global impact investing market size is estimated to be USD 715 *billion* at the end of 2019.¹⁵ Social spending represents USD 11,717 billion in 2017 in the OECD only (USD 8,686 per capita).¹⁶ Moreover, the 250 registered IBs have reached a minimum of 1.7 million people while for instance, in 2018, 8.7% of the global population suffers extreme poverty at USD 1.90 per day (about 661 million people), according to the World Bank.¹⁷

2.3. Targeted policy areas

IBs have been applied in different policy areas, depending on policy priorities in each location. The most successful sector for SIBs is that of employment and training. According to the GO Lab dataset (figure 5), 28% of the projects (in terms of number of projects) have been developed in this policy area. In other words, 28% of IBs worldwide aim at supporting jobless individuals towards employment or training, for example young individuals, poor individuals, migrants, etc. Interventions in this policy sector particularly emphasize the behavioral principles mentioned in section 1.4: beneficiaries are given the means to take responsibility for their professional future and employment is counted as a positive outcome. Moreover, employment is an outcome that is easily measurable, which makes it an interesting sector for developing IBs.

IBs have also been used in the child and family welfare sector (17.2%), mostly to ensure family cohesion by preventing children from being placed in foster care. Again, the outcomes of such interventions are easily measurable: children finally do or do not stay in their families. Another advantage of these projects is that budgetary savings are easy to identify, for example in terms

¹⁵ The GIIN. (11 June 2020). “2020 Annual Impact Investor Survey.” <https://thegiin.org/research/publication/impinv-survey-2020> (accessed September 2022).

¹⁶ OECD Data. “Social spending.” <https://data.oecd.org/socialexp/social-spending.htm> (accessed September 2022).

¹⁷ The World Bank Data. “Poverty headcount ratio at \$1.90 a day (2011 PPP) (% of population).” <https://data.worldbank.org/indicator/SI.POV.DDAY> (accessed September 2022).

of “days of care averted” (see Neyland 2018; Riot 2020). A range of different interventions have been launched in the health sector (17.2%) to address diabetes, hypertension, cataract but also child mortality, late diagnosis of cancer and other diseases, etc.

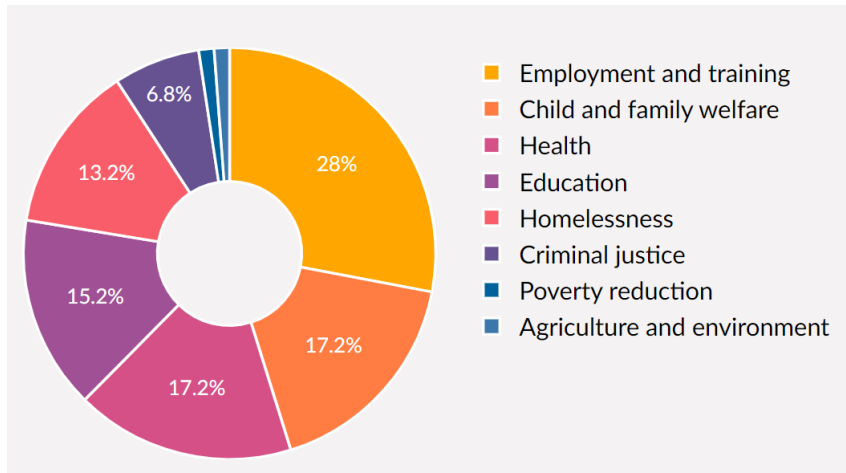


Figure 5. IB policy sectors. Source: Impact Bonds Dataset.¹⁸

Other targeted areas are education (15.2%), homelessness (13.2%) and criminal justice (6.8%) (to reduce reoffending rates among prisoners). More marginally, IBs address poverty (2 DIBs and 1 SIB), as for example the Village Enterprise DIB, which promoted entrepreneurship in Uganda and Kenya, and agriculture and environment (2 DIBs and 1 SIB), e.g., the Sustainable Cocoa and Coffee Production SIB in Peru.

3. The debated role of finance in social welfare

3.1. SIBs from a critical perspective

The academic literature on SIBs has mainly attempted to characterize their effects on social welfare. It has in particular questioned the role of finance in this area, whether to praise or reject it. I identify three different approaches to SIBs in the literature. The first one focuses on their practical uses and characteristics. Such works emphasize the benefits or limitations of SIBs. The two other approaches are part of what Fraser et al.’s literature review (2018) names the “cautionary narrative”, that is, a more skeptical view on the public and financial

¹⁸ Go Lab. “Impact Bond Dataset.” <https://golab.bsg.ox.ac.uk/knowledge-bank/indigo/impact-bond-dataset-v2/> (Accessed 26 July 2022)

developments reflected in SIBs, such as NPM and social entrepreneurship. The second group sees SIBs as the establishment of a political order that transforms social welfare. This phenomenon is often described in terms of neoliberalism. The third group focuses on the financial rationalities of SIBs and studies in particular the multifaceted phenomenon of financialization. This subsection presents these three approaches.

3.1.1. Practical benefits and limitations of SIBs

The first group of literature regards SIBs in terms of their practical benefits and limitations. It covers analyses of actual SIB features and effects as well as propositions for improving both. I introduce works that relate to (1) public management, (2) SIB market development and (3) stakeholder alignment.

First, a number of academic works focus on public management aspects. Some authors seek to understand and address the difficulties that policy makers face in SIB development. Arena et al. (2016) identify key concerns for public players, namely legal framework, commissioning procedures, public accounting and evaluation processes. To the authors, these concerns challenge SIB implementation. Likewise, other scholars acknowledge the difficult implementation of these particular contracts, because of the multiplicity of actors engaged, the capacity required, and their complex governance (Fraser, Tan, and Mays 2021; Hajer 2020; Heinrich and Kabourek 2019). Other works try to find solutions to implementation challenges, through models to assess SIB feasibility (Pastore and Corvo 2022) and properly structure SIBs (Mariz and Ferreira Savoia 2018).

This body of literature additionally explores the collaboration and accountability mechanisms of SIBs. Carter (2021) argues that SIBs implement a hybridized form of accountability between market and network dynamics, i.e., between logics based on costs and competition on the one hand, and principles of trust, relationships and flexibility on the other hand. Some scholars encourage a similar “network” form of accountability – in Carter’s terms – by emphasizing collaboration and promoting collaboration levers (Fox et al. 2022; Kosmynin and Jack 2022). Fox et al. (2022) recommend practices to support “co-creation” and “strength-based working” (a “focus on peoples’ goals and resources rather than their problems”). These practices include offering greater flexibility to providers, transferring risk to investors and ensuring long-

term, flexible funding. Kosmynin and Jack (2022) specify further the notion of collaboration in terms of “developing and activating bonding social capital.” They argue that investors play an important role of in bridging diverse social groups. In this view, collaborative features are levers for innovation (Fox et al. 2022; Le Pendeven 2019).

Second, some works analyze SIB market development in terms of whether and how SIBs may fulfil their promises. On the one hand, some argue that there is a lack of evidence regarding the enabling role of private finance and the effective production of innovation, improved social outcomes and cost savings (Edmiston and Nicholls 2018; Huckfield 2020; Tan et al. 2021). On the other hand, more enthusiastic works aim at identifying factors for successful SIB development and the effective generation of savings and improved outcomes (Carè and De Lisa 2019; Carè, Rania, and De Lisa 2020). Such factors include the establishment of policy in favor of social finance, the development of robust, replicable contractual schemes that reduce uncertainty for all parties (Carè and De Lisa 2019), but also clear project planning and management, commitment of all parties, and again, collaboration (Carè et al. 2020). Authors in this group of literature promote SIB development, arguing that SIBs are a relevant model for advancing sustainable finance, with reference to the SDGs (La Torre et al. 2019; Mariz and Ferreira Savoia 2018; Méndez-Suárez, Monfort, and Gallardo 2020). Some works indeed see SIBs as a relevant investment tool and aim to facilitate investor involvement thanks to valuation (Méndez-Suárez et al. 2020) and risk modelling methods (Rania et al. 2020).

Third, some scholars study alignment mechanisms between SIB actors, outlining the diverse interests that may conflict with each other (Giacomantonio 2017; Maier and Meyer 2017). Maier and Meyer (2017) insist on the importance for public agencies and social providers to avoid mission drift and maintain stewardship for beneficiaries or voters. The authors additionally suggest that taxpayers and beneficiaries should take part in negotiations. In this line of thought, a handful of works focus on how to strengthen the community development component of these sometimes contentious multi-actor arrangements. Community development professionals are viewed as an essential source of expertise to develop the best possible interventions for beneficiaries and their communities (Jackson 2013). Yet, some papers show that social workers are sometimes uncomfortable with the funding mechanism or struggle with outcome measurement, and may not be heard (George, Rogers, and Roberts 2020; Riot 2020). Although SIBs seem to have potential to create harmonious relationships,

their “ethical status”, in Morley’s terms (2019), remains at risk. The author studies SIB ethics from a consequentialist approach, considering evidence of informational asymmetries, power imbalances and the generation of harm. Morley points to problems such as unfair contracting, prioritization of profits over adequate care, denial of care and lack of informed consent.

3.1.2. SIBs as the establishment of a political order

The previous subsection has introduced a first group of literature that highlights practical benefits and limitations of SIBs and suggests ways to ensure a smooth and appropriate implementation of these schemes. This subsection turns to a second group of literature, which analyzes and questions the political project of SIBs. These works are critiques of the policy transformations that SIBs epitomize, namely the expansion of the neoliberal state and the encroachment of NPM principles into welfare policy. A subgroup of scholars focuses more specifically on the development of market discipline through performance metrics.

Authors in this group of literature argue that SIBs are a symptom of the neoliberal transformations of the state, putting forward notions such as the privatization and marketization of social policy, and the commodification of service users. Justifications for SIBs rely on narratives of austerity that give moral credit to these new policy approaches but could obscure the profound transformations at stake, namely the introduction of private and market values into domains of the welfare state (Dowling 2017; Joy and Shields 2018). Some authors question justifications that take root in a post-neoliberalist perspective, which state that social investment can address the “crisis of neoliberalism” that broke out after 2008 (Dowling and Harvie 2014; Harvie and Ogman 2019; Ogman 2020). To these authors, policies increasingly aim at harnessing the field of social life for profit, in response to four aspects of the crisis: “(1) the crisis of social reproduction; (2) the ‘fiscal crisis of the state’; (3) the crisis of capital accumulation; and (4) a crisis of legitimacy of neoliberalism and even of capitalism itself” (Harvie and Ogman 2019). Although social investment is supposed to offer an alternative to the failures of neoliberalism, the authors argue that in fact, the state is increasingly neoliberal in that it is retreating from social service delivery. While SIB projects ostensibly seek to tackle social problems thanks to private capital, they could instead entrench “a highly unequal social

order” (Harvie and Ogman 2019) based on “capitalist disciplinary logics” (Dowling and Harvie 2014).

The use of NPM frames in social policy seems particularly problematic. NPM prompts competition between nonprofits, disaggregation of public goals into measurable outcomes, financial incentives, and an overall emphasis on attracting private capital (Dayson, Fraser, and Lowe 2020; Jamieson et al. 2020; Warner 2013). In particular, some authors question the impact of SIBs on service quality and community welfare. They argue that nonprofits are narrowly framed as cheap and efficient providers instead of representative voices of service users (Joy and Shields 2013; McHugh et al. 2013), and that performance management serves the payment mechanism over the improvement of care interventions (Jamieson et al. 2020). Moreover, “SIBs commodify citizens and redefine service users as problems and potential revenue sources rather than conscious agents” (Sinclair, McHugh, and Roy 2021), as Cooper et al. (2016) also argue. The primary focus on cheap support and superficial quantitative outcomes could hinder service quality and equitable access (Ryan and Young 2018). Wirth (2020) takes another perspective, showing that SIBs, through performance-based measurement devices, intensify emotionalized and behaviorist elements of social work. According to the author, these transformations are precisely what enables investors to profit from social programs.

Furthermore, a subgroup of works focuses on the disciplinary force of outcome metrics. One important perspective in this corpus refers to a Foucauldian definition of neoliberalism in order to characterize the social order and disciplinary logics imposed by SIBs. To Cooper et al. (2016), SIBs are a neoliberal device in that they put the burden of social “problems” on individuals viewed as entrepreneurs of themselves (Foucault 2008). From a critical accounting perspective, accounting technologies such as performance metrics, cost and saving estimates, and return on investment play an instrumental role in the commodification or “securitization” of, in the case studied, the homeless. In this view, SIBs act as instruments for the “government of population”, directing the conduct of the homeless to the production of profits for investors. In Cooper et al.’s terms:

“[W]e witness the explicit aim of the programme to produce profits for one of the parties involved, the investor. The profits come from named

individuals – ‘failed entrepreneurs’ reconstituted as living cash-flows.”
(Cooper et al. 2016).

Berndt and Wirth (2018) partly rely on a Foucauldian perspective when pointing to the disciplinary force of the accounting devices used by the state to govern “at a distance.” The authors argue that discourses on SIBs maintain ambiguous representations between “state”, “market” and “philanthropy.” However, on the one hand, boundaries between these domains prove highly porous, and on the other hand, the state plays a greater role in social policy than these representations suppose (Berndt and Wirth 2018). Mitchell (2017) develops the discussion further, arguing that SIBs and other social finance instruments renew the neoliberal government of subjects by relying on diffuse networks of actors. Notions of measurement, evidence and value creation not only build SIB legitimacy, but they also drive state policymaking towards market-oriented solutions. According to Mitropoulos and Bryan (2015), in SIBs, outcome measurement but also the calculus of profitability become policy objectives of their own, driving indeed policy agendas towards commercial solutions. The authors distinguish this phenomenon from that of neoliberalism, stating that “[i]n the process, the state itself becomes the *enforcer* of – not a site of alternatives, let alone resistance to – those commercial agendas” (Mitropoulos and Bryan 2015) (italics added).

3.1.3. *SIBs as a financialization tool*

The previous subsection has presented works that question the political project of SIBs, mostly in terms of neoliberal policy transformations. Here, I focus on a third body of literature that discusses the financial rationalities of SIBs. The lens of “financialization” serves as analytical ground in two different ways. The first one understands financialization as loss of state control and threat for public policies, happening through the multiplication of connections between public and private funding and the mobilization of finance for welfare policy. The second one approaches financialization as the *process* of turning things into financial assets, and examines the process of financial valuation of social outcomes.

The first view on financial rationalities studies the deleterious effects of investor involvement in welfare policy, a domain that should remain in the hands of the state. The use of finance to intervene in society is seen as a threat to state stewardship and service quality (Dowling 2017;

see also Loxley and Hager 2019). To Dowling (2017), the state is used as “a vehicle for financial accumulation.” Harvie (2019) argues that SIBs extend the power of finance (and financialization) to the sphere of social reproduction, making commensurable the yet heterogeneous labors of social workers in Peterborough, London, and many other places. They do so by placing the focus on results and risks. This, in turn, introduces elements of competition and discipline into social relationships. A deeper analysis of the financialization of welfare prompted by impact investing (and SIBs) is provided by Golka (2019). In his book, the author examines the establishment of the impact investing field in the UK. Golka argues that finance has been progressively established *as a welfare solution* in its own right (see also Chiapello and Knoll 2020a). Financial actors managed to develop ties with non-financial actors and to transform welfare rules and practices “first and foremost to the material favor of financial intermediaries” (Golka 2019:5).

Some authors within this perspective express concerns about the effects of financialized metrics on the social objectives of SIBs. Dowling (2017) argues that the focus on cost savings and return on investment leads to the subordination of social purpose under the profit motivation of investors. To Tse and Warner (2020b), indeed, “[t]he risks of high transaction costs, overpayment to investors, inflexible implementation, and loss of focus on vulnerable clients are significant.” Some works argue that performance measurement primarily serves financial objectives (Jamieson et al. 2020) and could shift conceptions of public value (Tse and Warner 2020a). Indeed, financialized metrics could narrow the conversation to rigid quantified metrics and mask wider causes for social problems (Tse and Warner 2020a). They could also mask disparities in expertise, flexibility, rigor, and the overall “politics of implementation” (Russell 2021).

A few scholars discuss more directly the financial rationale of SIBs, arguing that SIBs are derivative-type contracts based on speculative practices (Lilley et al. 2019; Rowe and Stephenson 2016). In these schemes, the authors contend, the notion of risk is tailored to the requirements of financial valuation. Rowe and Stephenson (2016) observe the convergence of two conceptions of risks in health IBs, namely health risks and financial risks. This convergence, they argue, enables the financial valuation of population health and the control of public health. Lilley et al. (2019) conceptualize SIBs as a derivative whose value is independent from the actual state of the world – it rather depends on the conceptualization of the world

captured by mathematical valuation, in particular risk-return profiles. SIBs therefore appear unlikely to produce improvements in local service delivery.

A second approach to financialization considers the actual design of SIBs and the process of turning social problems into investment propositions. Works in this body of literature show that SIBs are in fact “anti-market devices” that limit the financial risk for investors and build on calculative asymmetries between investors and local authorities (Neyland 2018; Neyland, Ehrenstein, and Milyaeva 2019). As such, SIBs do not reflect the theoretical foundations that justify them and there is no guarantee that the inventions financed serve their target populations (Neyland 2018; Neyland et al. 2019). Furthermore, Williams (2020a, 2020b) finely describes the valuation work, and related disputes and reconfigurations of social work. In the author’s terms:

“[W]hat is most noteworthy about SIBs is not simply the transformation of social problems into investment propositions, but rather a distinct form and practice of valuation through which the work of nonprofits is reconfigured as a type of asset yielding savings to government and returns to investors.”
(Williams 2020a:288).

In particular, Williams argues that SIBs form a *public* asset designed to trigger savings for governments, which is likely to alter the relationship between the state and the social sector (Williams 2020a).

3.2. Feasibility challenges: the politics of SIBs reside in the practical implementation process

What are the effects of SIBs on social welfare? Should finance intervene in the provision of welfare and in which ways? With which objectives? As the literature review presented above suggests, the recent but growing body of literature on SIBs gives three types of answers to these questions. First, finance could play a valuable role in welfare but actual investments should be subject to scrutiny or made more effective, depending on one’s perspective. The second type of answer is that finance and the discipline of markets are unwelcome in the sphere of social welfare. Elements of competition, cost-efficiency, evidence production and behaviorism undermine the capacity of the state and nonprofits to ensure service quality and

equal access. The third type of answer consists in analyzing how notions of outcome targets, risks, return on investment, prices and value take shape and configure social problems and localized social work. This dissertation expands on the third approach but it also speaks to the discussions taking place in the two other groups. My positioning follows three arguments that I expose here. First, the three types of analyses taken together imply that SIBs must be studied as a both technical and political enterprise. Second, as the third group of literature puts forward, the politics of SIBs are crafted through their design and the feasibility challenges that practitioners face in the process. Third and therefore, SIBs should be studied as they take place in a local context.

First, I argue that SIBs must be studied as a both technical and political enterprise. SIBs have been described either as a technical labor (e.g., Arena et al. 2016; Carè and De Lisa 2019; Pastore and Corvo 2022) (see section 2.1.1) or as a whole political project (e.g., Cooper et al. 2016; Dowling 2017; Warner 2013) (see section 2.1.2). Works from the second group of literature presented in section 2.1.2 however demonstrate that political rationalities, often described in terms of neoliberalism, are entangled with socio-technical elements such as accounting devices, public commissioning processes, social work and discourses on social problems and relevant solutions. I follow this perspective, though without taking neoliberalism as an interpretive key. Neoliberalism, in the sense of the transformations of society that occurred over the last few decades, has taken various forms and the notion itself has been used in many ways. This is why some authors have argued that the term has lost its analytical force (Birch 2015; Venugopal 2015). This dissertation attempts to analyze the transformations that SIBs both reflect and entail without resorting to the notion of neoliberalism *a priori*.

Other works provide a useful analytical basis to grasp the intertwined technical and political aspects of SIB setup. Chiapello and Knoll (2020b) adopt a conventionalist approach, drawing from the work of Boltanski and Thévenot (2006) and Boltanski and Chiapello (2007), to analyze the conflicts and compromises that arise in welfare apparatuses such as SIBs. The authors define different principles and practices that either conflict or superpose in the government of welfare, called “welfare conventions” (namely, the philanthropic, communitarian, civic, market, full employment, entrepreneurial, financial, and behavioral conventions). These conventions, the authors explain, are “political rationalities” but also “governmental

technologies” (Rose and Miller 1992), demonstrating “the intertwined nature of the moral-political and technical-financial dimensions” in diverse attempts in the organization of welfare (Chiapello and Knoll 2020b). In other words:

“The way the social problem is defined and addressed is linked to the roles played by the actors and their respective statuses, and also to the ways in which financial circuits are built, which in turn are dependent on the kind of data and knowledge designed to create and stabilize the particular arrangement.” (Chiapello and Knoll 2020b)

As I expose in the next section, my main argument – theorized with the notion of “trial” – resonates with this approach. My theoretical lens also relates to a second analytical perspective based on the notion of micropolitics as developed by Foucault (1995) and Deleuze and Guattari (1987). Micropolitics is a form of politics that is disseminated across objects and practices instead of centralized by an institution or a personality. The notion also reflects the idea that a political order may arise spontaneously from a set of technologies. To Williams (2021), a form of micropolitics lies in “the *technicalities* of SIB design”:

“As it applies in a SIB context, the notion of micropolitics helps to capture the distinct form of politics inhering in the technicalities of SIB design, in the technical question of how to value SIBs and the consequences and tensions that flow from the choice of method.” (Williams 2021) (italics in original)

With the notion of “micropolitics of valuation”, Williams (2021) usefully conceptualizes the construction of valuation infrastructures as a place where sometimes conflicting valuation agendas are exposed.

Second, I contend that localized difficulties and tensions in SIB setup are constitutive of SIB politics. Recent works have developed this discussion by observing the malleability of the SIB concept (Andersen, Dilling-Hansen, and Hansen 2020; Carter 2020; Riot 2020), assessing variations across SIB setups (Hajer 2020; Williams 2020b) and looking at projects that fail to launch (Fraser et al. 2021; Heinrich and Kabourek 2019). Yet little is known about the local decision-making processes related to the initiation of SIBs (Fraser et al. 2021; Lowe et al. 2019; Williams 2020b). It is now useful to understand SIBs from the actual operations they require and the actual circumstances they both meet and transform, as Muniesa and I argue elsewhere (Pellizzari and Muniesa 2022). Lowe et al. (2019) demonstrate that the structure

and the effects of SIBs depend on the institutional work required to establish rules, norms and decisions. The authors identify congruencies and conflicts between a focus on the social intervention of the one hand and a focus on the SIB financial structure on the other hand. They conclude that the effectiveness of SIBs depends on their capacity to institute new sets of practices and thinking. In a similar vein, Williams (2020b) shows that the unique struggles faced in each context are constitutive of the “SIB economy” and at the same time the reason for its slow development. In this line of thought, my contention takes seriously the problem of SIB “feasibility” encountered by practitioners. As will be exposed in the next section, I take feasibility as a practical problem that guides and shapes SIB projects.

Third, I argue that SIBs should be studied as they take hold in a specific environment. SIB implementation does not follow any prototype (Arena et al. 2016) but can take various forms depending on the localized design process (Andersen et al. 2020; Carter 2020). Broom (2021) has made an insightful contribution by studying how neoliberal social policies such as SIBs move from one place to another. This scholar shows that the establishment of SIB policy requires *producing* locally a favorable context. The use of discourses embedded in transnational network politics and the mobilization of intermediaries, Broom argues, play a central role in SIB advocacy. In particular, in the case of Canada under study, positive SIB characterizations invoking experiences elsewhere, mutation of the SIB model to adapt it to local conditions, and fast SIB setup converged with transnational policy narratives of austerity and experimentalism (Broom 2021). This dissertation is similarly interested in the localized process of establishing SIB policy, including the translation of transnational discourses into local arrangements.

My positioning incorporates the three conclusions exposed here. First, it takes SIBs as a technical and political enterprise. The notion of *trial* will be introduced in the next section in order to grasp these entanglements. Second, the politics of SIBs reside in their design process and the feasibility struggles that practitioners go through. This dissertation explores the feasibility repertoire and the setup practices – which I call *tactics* – that cope with implementation challenges – or *trials of feasibility*. Third, understanding the effects of SIBs requires context-based analysis. This is why this dissertation examines SIB design in three different jurisdictions (Chile, Colombia and France), as will be explained in detail below.

4. Conceptual framework: the tactics of feasibility

This section exposes the conceptual framework of this dissertation. It first defines the problem of SIB feasibility. It then introduces the notion of *trial of feasibility*, before presenting that of *tactics of feasibility*. It concludes with a reflection on the type of politics that trials and tactics of feasibility represent.

4.1. Feasibility first

As suggested above, more than ten years after early attempts at implementing SIBs, research can move from a focus on the visions and tendencies that these practices represent to the actual operations that they require, and to the actual circumstances that they both meet and transform. The dissertation aims at contributing to this research agenda through a focus on the actual work of SIB practitioners for designing and implementing SIBs. The expression “SIB practitioners” refers to the actors who work in the intermediation chains that SIBs are made of and who collectively enact, shape and assess these public service innovations: investors, outcome payers, evaluators, social workers. Beneficiaries are not included in the notion of “practitioners” because they are not actively involved in shaping these projects (Maier and Meyer 2017). I am however interested in studying the specific position that SIBs give them (with labels such as “users”, “recipients”, “populations in need”, “vulnerable people”, and future “outcome” producers).

What are the *politics* of SIBs? In which ways do these new types of social services alter social policymaking and public management? As mentioned above, I argue that the politics of SIBs reside in their design process and the feasibility struggles that practitioners go through. Then, how is SIB setup organized? How is it debated and what drives design choices? This dissertation proposes to study the *pragmatics of feasibility*. The notion of “feasibility” is taken neither as an analytical concept nor as a normative aim. It is rather studied as a vernacular preoccupation found in the daily work of SIB practitioners. My argument is two-fold: on the one hand, the vernacular category of feasibility is relevant to account for SIB politics, and on the other hand, feasibility emerges, in the SIB milieu, as a prime criterion for gauging, judging and critiquing SIB implementation. What follows justifies these contentions.

4.1.1. *The analysis of “feasibility” inspired by the viewpoint of ethnomethodology*

Why focus on a vernacular category to analyze the politics of SIB implementation? I contend that there is no politics outside, beyond or around the ordinary practices of SIB implementation. I rely on principles put forward by ethnomethodology. First, phenomena are not separated from the localized practices and the population that staff them. The ethnomethodology program defended by Garfinkel (1996) posits that local practices do not symbolize anything transcendental to themselves: there is nothing to interpret beyond the unfolding of embodied events. Put differently, by contrast with the business of social sciences, Garfinkel argues, ethnomethodology does not seek a social order that is transcendental to the phenomena observed:

“[Ethnomethodology] is not in the business of interpreting signs. It is not an interpretive enterprise. Enacted local practices are not texts which symbolize ‘meanings’ or events. They are in detail identical with themselves, and not representative of something else.” (Garfinkel 1996)

Ethnomethodology “is not an interpretive enterprise.” There is no order to *deduce* from ordinary activities, but these activities *are* ordered in that actors produce recognizable, accountable actions:

“[T]here is order in the most ordinary activities of everyday life in their full concreteness, and that means in their ongoingly procedurally enacted coherence of substantive, ordered phenomenal details without loss of generality.” (Garfinkel 1996)

Ethnomethodology precisely studies the methods that people implement to produce a recognizable social order in ordinary practices such as talking, driving, queuing, or more specialized activities, for instance in professional domains (Rawls 2003:123). Likewise, I argue that practitioners collectively make sense of SIBs in the process of implementing them. There is no “loss of generality” in this process (Garfinkel 1996), meaning that no essential SIB feature transcends the actual labor of implementing SIBs locally. Indeed, I contend that the localized organization of roles and responsibilities, the definition of problems and solutions, and the technical workings of SIBs display and constitute the politics of these arrangements.

Second, since practitioners are accountable for their actions, their own repertoire of motives and practices is a relevant key for analyzing the situations in which they are involved. Ethnomethodology studies the shared practices and “accounts” that arise in the course of ordinary activities, as Rawls puts it in a book chapter dedicated to Harold Garfinkel:

“Garfinkel [...] insist[s] that social order is constituted not only retrospectively through the enactment of a shared vocabulary of motives (or accounts), but also prospectively through the enactment of detailed sets of shared practices. Ethnomethodology seeks to describe the concrete witnessable details of enacted practices as they unfold over their course, thus avoiding the circularity of documented accounts.” (Rawls 2003:127)

In this line of thought, I find that the feasibility category is recurrently used to produce accountability in the SIB implementation process, as I further explain below. This dissertation aims at studying this endeavor. Moreover, it examines what “feasibility” actually covers in a policy domain such as social welfare, but also what producing “feasible” arrangements entails.

Third and finally, during this PhD research, I have explored in depth the problem of feasibility in the presence of practitioners and as a practitioner myself. My approach may comply with the idea of “unique adequacy” promoted by Garfinkel:

“Ethnomethodologists generally use methods that require total immersion in the situation being studied. They hold the ideal that they learn to be competent practitioners of whatever social phenomena they are studying. This ideal is referred to by Garfinkel as ‘unique adequacy.’” (Rawls 2003:123)

Or, in Garfinkel’s terms, “[ethnomethodology expertise] require[s] that attention be paid to the uniquely adequate competence of the analyst/practitioner” with “indifference to the transcendental analyst.” As far as this dissertation is concerned, SIB feasibility is an area of *practice* with which I am indeed familiar. After more than four years of studying SIBs and assessing their feasibility through participant observation (cf. section 5.1), I have become a competent SIB practitioner myself.

4.1.2. A culture of feasibility

How to analyze feasibility? As I have mentioned previously, feasibility is a main concern for SIB practitioners, but also a main justification for their actions. This dissertation examines the

use and the effects of this vernacular vocabulary. By taking feasibility as part of SIB vernacular and not as an analytical category, I intend to characterize a particular culture, a tendency shared by practitioners to orient the SIB arrangement towards shapes that prove viable and exploitable. I contend that this approach offers a way out of overused analytical categories, as well as operative concepts.

Operative concepts should not be considered by anthropologists as essential categories nor as analytical tools, as Ortiz (2014) argues. The author demonstrates that concepts used in finance such as “investors”, “market efficiency”, and “crisis” act as frameworks that orient professional financial practice. In other words, these notions are within the perimeter of “financial imagination”, and their political and moral implications deserve to be part of the object of study (Ortiz 2014). In the area examined here, the notion of feasibility is also used by practitioners as a reference objective. In particular, practitioners conduct “feasibility studies” to design SIBs that “work” within a welfare policy apparatus, an impact investing environment, and concrete social support operations. In this context, taking feasibility as an explicative notion would be tantamount to arguing that SIBs must be deemed feasible before being implemented; of course, this dissertation does not aim to draw this tautological conclusion. Feasibility is instead regarded as a framework that prompts, I contend, a particular way of making sense of problems and of addressing them. I refer to the notion of “culture”, that, as Muniesa (2021) argues, may allow to research the politics of financial practice from outside the perimeter of financial imagination. Muniesa (2021) suggests to reconsider the politics of finance from a “cultural” point of view, i.e., by “questioning the political-economic vernaculars finance is made of”, including that of “value” (Muniesa 2017), “uncertainty” (Doganova 2018), and even “future” (Muniesa and Doganova 2020). Likewise, my research intends to understand recent evolutions in the financing of welfare from their “cultural” propositions around the notion of feasibility.

Then, what is the culture of feasibility about? The feasibility framework under study means that setup operations primarily focus on “making” and often “making do” with SIB projects and the contingencies of their design. Consequently, other possibilities such as opening discussions about relevant ways of addressing social issues, dropping projects, or changing more radically institutional welfare structures remain in the background, or completely out of scope. The “feasibility” repertoire is a criterion that guides setup in ways that are exposed in

the four chapters of this dissertation, in the domains of policymaking, legal contracting, impact measurement and financial valuation. To theorize this phenomenon, I argue that the practice of feasibility is constituted through an ongoing process made of *trials* – i.e., the idea that the success of an action depends on the transformations it faces in the process of becoming explicit – and *tactics* – i.e., making sense of situations in which schematization and ordering are difficult. The following subsection focuses on the notion of trials, and the next one dwells on the practical implementation of feasibility criteria through tactics.

4.2. Situated trials of feasibility

This dissertation shows that what practitioners deem feasible or not emerges from *trials of feasibility* faced in the course of SIB implementation. In this view, SIB implementation is a *situated process* through which SIBs are put to the test, questioned, changed and specified in order to become explicit in a given environment. Trials consist in the work of justification and specification of both technical and political aspects of SIB development. I do not claim that SIB implementation is completely independent from the political and economic traditions of the places where they develop, though I insist on the predominance of localized, unanticipated and path-dependent patterns. The first chapter of this dissertation discusses further the notion of trial of feasibility through the study of concrete implementation experiences.

The notion of trials that I define here is a theoretical term that differs greatly from the “trials” that are used for evaluation purposes, as for example clinical trials, randomized controlled trials, or pilot and feasibility trials. Clinical trials are research studies conducted in people for evaluating medical treatments. Randomized controlled trials are a method for measuring an intervention’s effect by random assignment of individuals to a treatment or a control group. They are the “gold standard” in clinical research, and they have been applied in development economics since the 2000s (Abdelghafour 2017). This method has also been used in SIB evaluations, mostly in the US (see Williams 2021). Pilot and feasibility trials are small-scale trials used for informing the design and planning of future larger scale trials. Here, I use the expression “trials of feasibility” to avoid confusion with the vocabulary of evaluation.

4.2.1. Theoretical framework

Trials involve the joint *specification* of technical and social elements. I argue that the calibration of SIB contracts and the distribution of roles between the entities involved – including stakeholders, public administrations, laws, calculating devices, political agendas – occur concomitantly. This process goes through trials in which presupposed SIB features, uses and stakeholders confront the actual conditions and actors involved in SIB setup. This definition of trials is inspired by actor-network theory (ANT), and more particularly the works of Akrich regarding the integration of a technology in a given environment (Akrich 1987, 1989, 1993). This literature supports the idea that SIBs and their institutional and political environment are co-produced. This means that SIB policies do not have any predefined shape or effect: they are specified *in the process* of their enactment. Muniesa and Linhardt (2011) develop a similar approach for the study of public management reforms. The actual budgetary changes produced by the law under study (the LOLF Act in France) were shaped, the authors argue, through pragmatic problems that arose during its implementation – “trials of explicitness” in their terms. “Implementation” consists in a set of such trials, which question *simultaneously* the meaning of the reform and the nature and the role of the state. In this view, the effective establishment of a reform, a technology or a claim is a potential *outcome* of trials (Callon 1984; Latour 1987). This dissertation thus looks at the constitution of the social and technical infrastructure that sustains SIB development, and that ultimately resists (leading to successful development) or breaks (leading to failure) in face of trials.

Moreover, my definition of trials refers to the practice of *justification* as theorized by Boltanski and Thévenot (2006) and then Boltanski and Chiapello (2007). In this perspective, trials are practical tests that actors face in situations in which a state of affairs has to be settled. This approach echoes the above developments about specification work by claiming that the nature of the beings present must be explicit before the actors can express their position. Thus, trials prompt the specification of the beings involved and “reveal what they are capable of and, more profoundly, what they are made of” (Boltanski and Chiapello 2007:31). Moreover, trials require gauging several frames, standards or general principles – “orders of worth” in Boltanski and Thévenot’s terms – to determine what is right and what is wrong. Although I do not follow the model of “orders of worth” developed by Boltanski and Thévenot (2006), I consider the ongoing production of justification during SIB implementation. I contend

that feasibility emerges, in the SIB milieu, as a prime criterion for gauging, judging and critiquing what is going on.

4.2.2. Implications of this pragmatist approach

This dissertation studies SIBs from a pragmatist standpoint focused on the ways in which practitioners deal with SIB implementation. My research does not aim at assessing whether SIBs are efficient, successful or indeed feasible, or whether they could be better designed. It rather aims at understanding how practitioners themselves make sense of policy interventions such as SIBs.

A main implication of this approach is that the political, economic and cultural traditions of the locations studied do not stand as analytical categories. Of course, SIB implementation is not completely independent from historical trajectories, but my point is that historical trajectories cannot account for the phenomenon of SIB development. As Hajer (2020) argues, the political-economic characteristics of countries may create a more or less “fertile ground” for the development of SIBs. The liberal governance regimes existing in the US and the UK may have installed “structural characteristics that conceptually appear more conducive to financialized privatization measures such as SIBs” (Hajer 2020). However, I contend that a model exclusively focused on political-economic parameters misses the dynamic relationship between SIBs and governance regimes. The model developed by Hajer does not take into account the changing nature of SIBs; neither does it consider the ongoing configuration of governance regimes in the implementation of policy devices such as SIBs. The case of France illustrates these shortcomings. The author argues that France, with stronger worker protections, higher wages, a more robust welfare state and a smaller financial sector, has had minimum engagement with SIBs. On the contrary, this dissertation indicates that SIBs, in their French version, have received strong political interest and growth in recent years. While Hajer focuses on macro indicators such as “welfare state size” and “privatization measures” associated with “neoliberalism”, I rather follow the paper’s concluding suggestion to “shed light on micro-level factors and institutional specificities that helped and hindered their progress and how SIBs tied into larger policy and stakeholder agendas” (Hajer 2020).

I do not take descriptions in terms of “welfare state”, “neoliberal tradition”, or else “developing country” as transcendent political and cultural traits; I rather pay attention to how these descriptions are mobilized, questioned, and to the role they play as justifications in the construction of SIB arrangements. As Muniesa and Linhardt (2011) and others have shown, the state too becomes explicit in the disputed process of policy or reform implementation.¹⁹ Similarly, I argue that the implementation of policy innovations such as SIBs defines, reworks and effectuates the agency of large entities such as the state, the market or the social sector (see chapter 1).

This subsection has argued that SIB development goes through situated trials of feasibility, in which SIB feasibility is disputed, justified and finally enacted. Then, how do practitioners go through these trials? I contend that the contours of feasibility are drawn through the contingent and improvised tribulations of practitioners, which I call “tactics of feasibility.”

4.3. Tactics of feasibility

This dissertation documents the work of those who design, fund, test and evaluate policy interventions such as SIBs. It describes this labor as ongoing and convoluted efforts made to deal with the contingencies of SIB design. I theorize these efforts in terms of *tactics of feasibility*. I use the notion of tactics developed by Michel de Certeau in *The Practice of Everyday Life* (1984).

4.3.1. Tactics beyond an “art of the weak”

Certeau is known for having contributed in a determinant manner to a pragmatist turn in the social sciences, principally through his theorization of the tensions that link the strategic and the tactical dimensions of social action.²⁰ In a French intellectual context heavily marked, in the 1970s, by structuralism and the sociology of domination, Certeau strove to defend an approach attentive to everyday practices and their inventiveness. The author focused on

¹⁹ Relevant works on this wide subject include that of Dominique Linhardt about collective trials of the state, in particular through political violence (Linhardt 2007, 2010, 2012; Linhardt and Moreau de Bellaing 2005), and Marie Alauzen about the reform agenda for the modernization of the French state undertaken between 2014 and 2017 (Alauzen 2019a, 2019b; Alauzen, Muniesa, and Violle 2021).

²⁰ The point I make here is formulated in similar terms in (Pellizzari and Muniesa 2022).

“tactics” as the “art” of diverting, coping with, inventing ways of acting within the established system of “strategies”, which rather represent a neatly delineated will, a managerial configuration of reality and an overhead position and a sense of power. Certeau finds the art of tactics in ordinary activities such as cooking, walking, reading, as the historian François Dosse (2007) expresses:

“The everyday has a privileged status for Certeau: it is where the cultural practices of the non-producers are deployed, which are worked by various techniques and practices of reappropriation. [...] Certeau's investigation of everyday practices thus aims at restoring these ways of ‘coping with’, these unassignable tactics that unfold their logic within the very strategies put in place by the producers to inhabit, cook, circulate, read...” (Dosse 2007) (my translation)

Tactics sneak into the cracks of strategic power, like circulation does within the grid of cities, reading within the coding of books, consuming within the system of products, and the diversion of objects to the advantage of workers within the organization of factories (“*la perruque*” in French). In Certeau’s words:

“[A tactic] must vigilantly make use of the cracks that particular conjunctions open in the surveillance of the proprietary powers. It poaches in them. It creates surprises in them. It can be where it is least expected. It is a guileful ruse. In short, a tactic is an art of the weak.” (Certeau 1984:37)

While Certeau’s notion of tactics is employed in order to interpret situations of resistance to domination, of subaltern practice and of creative misappropriation or reappropriation, I argue that its potentials are wider. In this dissertation, I attempt to give credit to the labor of SIB practitioners although the latter are more likely to be seen as the dominant, power-holders and potential oppressors of the vulnerable populations targeted by SIB interventions. Indeed, on the one hand, I argue that their practices deserve attention because they display great part of the politics of SIBs. On the other hand, I show that practices of feasibility do relate to the area of diversion, “coping with”, and practical compromising that make things bearable. The notion of tactics allows capturing the richness of the tacit, everyday practice of coping with myriad rules, orientations and imperatives, which Vollmer (2019) has insightfully investigated in the case of accounting practices. Vollmer shows that the everyday activity of “passing of accounts” significantly requires tacit coordination to create shared understanding and

overcome the gap between representations and concrete, explicit activities. This is the way in which I consider the notion of tactics: in order to make sense of situations in which diverse practitioners try to find the ways to get things done, make them “feasible” despite common-sense difficulties, strategic constraints, and practical contradictions.

4.3.2. *Coping with contingencies*

I argue that SIB practitioners show significant skills in tinkering with SIB design contingencies. Indeed, SIB design is implemented piece by piece instead of all at once – in fact, straightforward planning does not resist trials of feasibility. The notion of tactics is useful to describe practitioners’ tenacity in overcoming unforeseen design difficulties. I refer to tactics *of feasibility* as the tendency to consistently pursue SIB feasibility despite and throughout trials of feasibility. In Certeau’s view, tactics take place in a structured space, of which they do not command the coding. They are however an ability to seize opportunities to their own advantage, punctually and surreptitiously. In the author’s terms:

“The space of a tactic is the space of the other. Thus it must play on and with a terrain imposed on it and organized by the law of a foreign power. [...] It does not, therefore, have the options of planning general strategy and viewing the adversary as a whole within a district, visible, and objectifiable space. It operates in isolated actions, blow by blow. It takes advantage of ‘opportunities’ and depends on them [...].” (Certeau 1984:37)

In the case this dissertation examines, I do not consider that SIB practitioners confront “the other”, or what Certeau metaphorically calls “the adversary.” As I have suggested in the previous subsection, my use of the notion of tactics does not consider relationships between power-holders and ordinary people. When SIB practitioners implement tactics, they do not operate on the terrain of any identifiable higher power; however, they do take advantage of “opportunities” since they cannot oversee the whole implementation project. While they may confront the rule of the law or the rules of financial ratios in the process, as the next subsection discusses, what they “cope with” is not the expression of a superior organization power. They cope with a range of contingent issues, including political engagement and disengagement, data availability and unavailability, changing futures, and unpredictable behaviors of beneficiaries.

Tactics of feasibility indicate improvisation skills. I do not see these practices as “illegitimate accidents”, as Certeau argues about everyday life tactics (Certeau 1984:203), but as a core element of the modern practice of “implementation” – of projects, interventions, delimited policies, investments, etc. In conclusion of his essay, Certeau argues that the practice of everyday life is a legitimate but also necessary way of making “the empire of the evident in functionalist technocracy” livable (Certeau 1984:203). In saying so, the author dismantles the ideal of a rational, calculable and controllable world, and appreciates the presence of inventiveness at the heart of everyday activities. In Certeau’s words:

“Everyday practices, based on their relation to an occasion, that is, on casual time, are thus, scattered all along duration, in the situation of acts of thought. Permanent practices of thought. Thus to eliminate the unforeseen or expel it from calculation as an illegitimate accident and an obstacle to rationality is to interdict the possibility of a living and ‘mythical’ practice of the city.” (Certeau 1984:202–3)

The fact that SIBs are constructed through tactics does not make them less robust or serious; on the contrary, I argue in this dissertation that there is no other way of constructing robust, “feasible”, and collectively approved interventions than through tactics of feasibility. This leads to the crucial conclusion that ideals of rigor, evidence on results, efficiency, are in fact applied through improvisation and tinkering. This is particularly true for impact evaluation: from the definition of outcome targets to the measurement of actual results, impact evaluation is constructed through tactics of feasibility, as chapter 3 argues.

Furthermore, the use of tactics denotes a certain familiarity with the situations encountered, which can be seen, here, as a particular expertise in feasibility. This expertise is however tacit, what Certeau expresses in the following terms:

“This knowledge is not known. In practices, it has a status analogous to that granted fables and myths as the expression of kinds of knowledge that do not know themselves.” (Certeau 1984:71) (italics in original)

“This knowledge is not *known*” (italics in original), because ordinary people do not hold a kind of knowledge that is reproducible, standardized, or writeable, but rather a tacit and unanticipated know-how. Again, Certeau implies that this “lay” knowledge is disregarded or may be appropriated by others, which is not the case in my research. By contrast, I have observed a tendency or at least an ambition to document and standardize SIB setup processes

– most noticeably contracting and impact measurement processes – despite their decidedly unpredictable nature. However, since tactics do not follow established rules, they reflect a tacit form of knowledge that depends on the memory of experience. Certeau illuminates this claim as follows:

“The occasion is taken advantage of, not created. It is furnished by the conjuncture, that is, by external circumstances in which a sharp eye can see the new and favorable ensemble they will constitute, given one more detail. A supplementary stroke, and it will be ‘right.’ In order for there to be a practical ‘harmony,’ there is lacking only a little something, a scrap which becomes precious in these particular circumstances and which the invisible treasury of the memory will provide.” (Certeau 1984:86)

The art of tactics described by Certeau is not only that of *seeing* “opportunities” in external circumstances, but also that of *turning* circumstances into consistent – “harmonious” – practices. Likewise, I contend that *there is* coherence in the practice of feasibility; and this coherence stems from a tacit expertise that is constantly produced from within the SIB collectives. For example, chapter 3 provides an illustration of the production of expertise through SIB “feasibility studies.”

4.3.3. *Poaching with constraints*

Some trials of feasibility require dealing with technical and material obstacles. This dissertation shows that practitioners must sometimes invent ways to handle constraints imposed by (1) laws and regulations, (2) data infrastructures and the ideal of objectivity, and (3) financial rules. Chapters 2, 3 and 4 respectively deal with these aspects.

In Certeau’s words, the practice of everyday life consists in “poaching” on domains ruled by others (e.g., urban planning, radio programs, labor organization): “Everyday life invents itself by poaching in countless ways on the property of others” (Certeau 1984:xii). In other words, tactics are also diversions of established rules, but without being able of escaping them: diversion is thus a way of *coping with* constraints. In the work of developing SIBs, I identify two ways of coping with problematic parameters: one explicitly circumvents or avoids the problems identified, and the other strives to comply with rules in unique ways. In both cases, tactics of feasibility resemble “bricolage”, as Certeau puts it taking the example of reading:

“[The activity of reading] can be considered as a form of the bricolage Levi-Strauss analyzes as a feature of ‘the savage mind,’ that is, an arrangement made with ‘the materials at hand,’ a production ‘that has no relationship to a project,’ and which readjusts ‘the residues of previous construction and destruction’ [(La pensée sauvage, 1962)].” (Certeau 1984:174)

With reference to Levi-Strauss, Certeau theorizes the activity of reading as fleeting moments of appropriation that mix written words with thoughts, memories, imagination without resorting to a clear project. In this dissertation, I am interested in similar processes of arranging situations with “the materials at hands” in ways that “readjus[t] ‘the residues of previous construction and destruction.’” Indeed, I contend that SIB implementation copes with constraints by tinkering with “the material at hand” in sometimes unconventional ways. Chapter 2 is particularly telling in this respect: it analyzes the setup of unprecedented SIB contracts, which systematically clash with existing laws and public management rules.

This subsection has defined the notion of tactics of feasibility as (1) an ability to cope with design contingencies according to a tacit and dynamic production of expertise, and (2) inventive ways of going through – and sometimes diverting – established rules. This dissertation examines tactics of feasibility in the work of SIB practitioners who strive to launch workable SIB projects while facing multiple constraints – as diverse as rules and other requirements, ambitions, criticisms, unforeseen events, etc. As I have previously argued, the practice of feasibility – through tactics – is particularly visible in trials of feasibility that precisely question the feasibility of specific arrangements. Trials end either when the feasibility of an arrangement is admitted by the beings involved, or on the contrary when a specific design is dropped. The following subsection goes back to the question of “SIB politics.” What do trials and tactics of feasibility say about the nature of SIB politics? What and who are the objects of these politics? How are they configured in the process of SIB setup?

4.4. Power, micropolitics and tactics

This subsection discusses the implications of this theoretical framework for the analysis of SIB politics. It discusses the references made in the literature to a Foucauldian view on power and politics, and introduces the shift that a focus on tactics of feasibility suggests.

This dissertation focuses on the politics of intervention design, or put differently, on the process of making political technologies functional in a given environment. Foucault studies the politics of government in terms of “microphysics of power” (Foucault 1995) and “biopolitics” (Foucault 2008). According to Foucault, individual bodies and lives are the subjects of contemporary political action. Such political power is exercised through disciplinary procedures and technologies that organize the social space. Certeau provides insights on the differences between his analysis and that of Foucault in *The Practice of Everyday Life*. To Certeau, while Foucault focuses on disciplinary procedures that have been “privileged” by history, he misses the invisible yet “operational” techniques that populate in sometimes unexpected ways established technological networks:

“It remains to be asked how we should consider other, equally infinitesimal, procedures, which have not been ‘privileged’ by history but are nevertheless active in innumerable ways in the openings of established technological networks. This is particularly the case of procedures that do not enjoy the precondition, associated with all those studied by Foucault, of having their own place (un lieu propre) on which the panoptic machinery can operate. These techniques, which are also operational, but initially deprived of what gives the others their force, are the ‘tactics’ which I have suggested might furnish a formal index of the ordinary practices of consumption.” (Certeau 1984:49)

Certeau’s notion of tactics allows to grasp the role of little and dispersed procedures that have not acquired systematic and discursive power. This dissertation indeed examines discrete practices of feasibility that are rarely brought to light by practitioners’ discourses and academic analysis, and yet play great part in the effectuation of welfare interventions such as SIBs.

Several authors analyze SIBs as technologies that organize the conduct of population towards self-care, self-entrepreneurship, and the general idea of personal responsibility for one’s economic and social situation (Cooper et al. 2016; Mitchell 2017; Wirth 2020). SIBs do so through accounting technologies such as indicators, cost saving calculations and return on investment, which promote the search for evidence, efficiency and budget optimization in public management (Berndt and Wirth 2018; Cooper et al. 2016; Mitchell 2017). According to some scholars, the power of SIBs reflects that of finance. SIBs enshrine commercial values within the state and orient welfare policymaking towards the production of profits (Harvie

2019; Mitropoulos and Bryan 2015). I propose a different perspective. My approach touches on the concrete experience of implementing public management reforms and innovative financial instruments through (1) the analysis of how practitioners deal with SIB implementation, and (2) a focus on the pragmatic impulse to implement workable arrangements despite contingencies. Thus, this dissertation is not centered on how SIBs organize the conduct of population, but more broadly on how welfare interventions and all the entities involved in their design – including the designers – are changed, tried, tested and shaped.

The focus on tactics relates to the notion of “micropolitics”, as developed by Foucault (1995) and Deleuze and Guattari (1987). Williams (2021) uses this theoretical lens to show that SIB politics are disseminated among technical elements and reflected by disputes around the technical setup of SIBs. In his study of SIB evaluation methods in the US context, Williams (2021) observes that the choice of randomized control trials shapes the “value proposition” of SIBs and the distribution of risks and rewards to the advantage of governments. The author explains that the use of this evaluation method creates struggles and tensions which reflect different ways of valuing social outcomes and investments among the stakeholders (see also Williams 2020a). As I argue in chapter 3, the analysis of tactics certainly accounts for dynamics similar to what Williams terms micropolitics, but the focus on *tactics of feasibility* places more emphasis on the pragmatic impulse to recurrently cope with technical and regulatory conditions.

The notion of tactics involves particular politics in terms of scale and time. To Certeau (1984), tactics describe occasional and discrete practices that are not appropriated by those who perform them. Thus, by essence, these practices are not standardized and scaled up. The tactics of feasibility that this dissertation studies are equally elusive practices that depend on occasions. However, I contend that the multiplication of tactics of feasibility creates path-dependent patterns. In Paul David’s terms, “[a] *path-dependent* sequence of [...] changes is one of which important influences upon the eventual outcome can be exerted by temporally remote events, including happenings dominated by chance elements rather than systematic forces” (David 1985). SIB implementation follows similar dynamics, as I argue in chapter 2 in particular, in which accidental feasibility patterns may eventually form institutionalized models implemented at larger scale. In this respect, SIBs can be seen as “little welfare

devices”, a variation on the notion of “little development devices” proposed by Collier et al. (2018). Indeed, although SIBs are small-scale interventions addressing a minimalist form of life centered on individual social problems, their development is driven by an expansionist ambition aimed to radically solve social problems. SIBs, like little development devices, are designed “to produce immediate, measurable and testable outcomes, and to rely on individuals or communities as both agents of development and arbiters of value”, but this emphasis on “local” and immediate outcomes goes along with an ambition to reproduce and scale up these approaches (Collier et al. 2018). Therefore, this dissertation argues that the practice of feasibility is a situated enterprise that tries to implement a global prospect.

5. Empirical material

5.1. Research methodology

This dissertation focuses on three main empirical cases, one of which was constituted through a long period of participant observation.²¹ The three cases illustrate the setup and implementation of SIB projects for the first time in three different locations: Chile, Colombia and France. In France, I have been employed since 2018 in the main professional association dedicated to impact investing and SIBs: Impact Invest Lab (iiLab), rebranded as FAIR in 2021. I have continuously conducted participant observation since 2018 while contributing to the activities of the nonprofit association (cf. section 5.2). iiLab, and then FAIR, has been the main funder of this research, thanks to an industrial research contract subsidized by Agence de la Recherche et de la Technologie (ANRT).²²

The three research sites (Chile, Colombia and France) were selected for two main reasons: one was the practicality of data-collection opportunities, and the other was the relative variety of forms of SIBs and SIB development (cf. section 5.3). In France, a series of SIBs was developed from 2016 onwards: two in 2016, then six more in 2019 and two in 2020. One visible intention was to avoid particular practices attributed to the problematic “British SIB model”, namely

²¹ My research methodology is exposed in similar terms in (Pellizzari and Muniesa 2022).

²² Known as “CIFRE” contract in French. Grant agreement 2019/031.

public tendering via dedicated outcome funds and rate cards – i.e., fixed prices public authorities are ready to pay for standardized outcomes (Dear et al. 2016) – and intrusive performance management by financial intermediaries. Colombia, in contrast, was at an earlier stage of development, having only two standing SIBs at the time of this study. The design of the Colombian projects was particularly original in the SIB landscape. These SIBs were a variation on the DIB model, with government, in addition to international donors, providing outcome payments. Chile, in turn, offered an interesting point of comparison given the early stage of preparation and the comparatively more prominent technocratic structure. Research on each jurisdiction involved documenting the specific legal, political and managerial contexts and national policy traditions in which each project evolved.

I conducted ethnographic observations, qualitative interviews and archival research on each case. The research was split into two phases. First, I searched and selected SIB actors in four key urban centers: Paris, France; Bogotá and Cali, Colombia; and Santiago de Chile, Chile. Relevant actors included SIB stakeholders (outcome payers, investors, social operators, intermediaries), but also independent evaluators, technical advisors, and, in some cases, SIB opponents, participants, and observers. Second, I conducted qualitative research in these locations. Access to fieldwork sites was facilitated by my collaboration with iiLab, as an expert organization established in France and connected to the main global steering hub for impact investment, the Global Steering Group for Impact Investment (GSG). Finally, I analyzed the empirical material by coding iteratively the dataset from emergent issues. Chronologically, the study of early SIB development in France was completed first, in late 2019. I identified emergent concerns in interviews, written documents and in the daily work of SIB experts at iiLab. I then conducted fieldwork in Colombia and Chile in a row, in November and December 2019,²³ and analyzed the two cases together. To do so, I identified cross-cutting issues in the three cases and in the SIB literature, which allowed me to define more fine-grained coding parameters. After that, I continued to be involved in iiLab activities, though with less concern for accumulating written data. My implication in operational activities decreased, from almost

²³ I address special thanks to the staff from Fundación Corona and Deloitte who facilitated my access to fieldwork in Colombia. I am particularly thankful to Tomás Ariztía, director of NUMIES, for providing me with a workspace at Universidad Diego Portales, Santiago de Chile, and for giving me attention despite the hectic situation universities in Santiago were going through.

100% until mid-2019, to 80% the following year, then 50% and finally 20% from mid-2021 to mid-2022, when I drafted the dissertation.

I carried out 54 semi-structured interviews in total (see complete list in Appendix 1). I conducted them either in French or in Spanish. The interview grid was loosely structured and adapted to each category of actors. Interviews were systematically initiated with open-ended questions prompting interviewees to elaborate personal narratives on their SIB experience. Then each interviewee was asked to respond to specifically tailored questions on legal aspects, metrics, monitoring and evaluation, investment, and operations. All interviews but one were digitally recorded, and transcribed in the original language. They were then coded in order to highlight moments of contention – trials of feasibility – and practices coping with contingencies – tactics of feasibility. All interviews are confidential and any use thereof in this study is subject to anonymization.

Moreover, I conducted participant observation in three different settings: consultancy activities, field visits, and institutional meetings. Consultancy activities involved “feasibility studies” (“*études de faisabilité*” in French) carried out in France on behalf of iiLab. Such studies were elaborated for and with social operators, and often resulted in the production of SIB prototypes including outcomes indicators and a workable financial model. Further consultancy activities included sharing insights from the French experience with key industry participants in Chile. I also participated as an observer to a four-day process evaluation in Cali, Colombia.²⁴

I additionally collected and analyzed up to 100 documents of various types. These included feasibility studies, working documentation for SIB setup, monitoring and evaluation devices such as spreadsheets and online tools and data repositories, internal presentations, and documents related to the broader impact investment field. Where available, I had access to contracts (in Colombia and for some French projects) and financial conditions (for some French projects).

²⁴ I warmly thank the independent evaluator who organized this evaluation process for letting me follow them and for willingly sharing information with me.

5.2. Participant observation at iiLab

This PhD research was conducted between 2018 and 2022 through a collaboration between iiLab and the Centre de Sociologie de l'Innovation, Mines Paris. iiLab has been willing to develop this research as part of its SIB "experimentation" mission, which translates into principles of open research and reflexive work. I have been employed by iiLab through an industrial doctoral research contract that has been approved and subsidized by the French Agence pour la Recherche et la Technologie (ANRT). The doctoral project was mostly informed by a preliminary research that I conducted for my master thesis. I investigated the launch of SIBs in France thanks to an internship at iiLab and interviews with a range of actors, with valuable guidance from my supervisor Liliana Doganova, who later also co-supervised my PhD. iiLab was thus involved in the research project from the outset.

My position at iiLab and then FAIR has offered a unique vantage point for the study of SIB development. In 2018, iiLab was among the few organizations specialized in impact investing and SIBs. It played great part in organizing the impact investing field, since its co-founders led and facilitated the works of the National Advisory Board on impact investment (NAB) created in 2013 (see Comité français sur l'investissement à impact social 2014). My direct supervisor was among the firsts to study if and how SIBs could work in France (see Langendorff and Sebag 2015). iiLab was founded in 2016 to develop the impact investing agenda following the recommendations of the NAB, and more particularly to support the experimentation of SIBs in France.²⁵ iiLab has also been acting as the Secretariat of the French NAB, which has continued to meet regularly to share news and keep the impact investing agenda alive. When I first joined iiLab, we were only two employees and I was involved in most of the organization's activities. This gave me the opportunity to become familiar not only with SIBs, but also with impact investing dynamics nationally and globally. A third employee joined us in late 2018, and after 2021, the organization grew a lot bigger. iiLab merged with Finansol, the professional association for solidarity-based finance in France, and became FAIR (acronym for *Financer, Accompagner, Impacter, Rassembler*: Financing, Supporting, Impacting, Gathering),

²⁵ iiLab was co-founded by six major players in the nascent impact investing field: Crédit Coopératif (cooperative bank), Caisse des Dépôts et Consignations (public bank), Inco (impact asset manager), Finansol (professional association for solidarity based finance), Mouves (professional association of social entrepreneurs), Centre Français des Fonds et Fondations (professional association for funds and foundations).

defined as the collective of social impact finance actors. FAIR, which employs about 20 people, implements a more top-down management approach and segments its activities into business units. Within FAIR, although I have been exposed to a wider variety of topics related to the impact finance industry, my role has been more focused on SIBs and less on the governance of the field.

As regards SIBs, my role has consisted in producing material for publication (reports and articles)²⁶, presenting SIBs at training sessions and public events, tracking SIB development globally, and providing support to social operators in particular through feasibility studies. I conducted one full feasibility study, and two more that were suspended in the process by lack of engagement from potential outcome payers. Since late 2020, I have additionally taken part in consultancy activities for the Department for the Social and Solidarity Economy and Impact Investing (PESSII) within the French Treasury. iiLab and FAIR were contracted by the PESSII to support the development of new SIBs. In this dissertation, I use different types of data collected from these four years of participant observation: reports, presentations, feasibility studies, emails, diverse internal and external documents, and my own field notes. All the references to individuals and projects are anonymized.

In turn, my research has fueled my activities at iiLab and FAIR. For instance, I conducted a study on the SIB implementation process between 2016 and 2019, in which I reported the points of view of about 30 interviewees.²⁷ iiLab published an article about my case study in Colombia.²⁸ In addition, my research productions have been directly operationalized through my practical work. Most noticeably, I have had space to express my views and concerns through feasibility studies and support to the French administration. For example, I have been

²⁶ My publications include Pellizzari, M. (2019). *Retour d'expérience sur les contrats à impact social en France. Les acteurs engagés font le bilan après 3 ans d'expérimentation multi-facette* (p. 70). Impact Invest Lab. <https://www.finance-fair.org/wp-content/uploads/2021/08/RETOUR-EXPERIENCE-CIS.pdf>; Pellizzari, M. (2019). *Que révèle la crise du Covid-19 sur le paiement aux résultats ?* Impact Invest Lab. <https://www.finance-fair.org/sites/default/files/2022-05/FAIR-crise-covid-paiement-r%C3%A9sultats-2020.pdf>; Caillard, N. & Pellizzari, M. (2018). « *Hémisphère* » *Un fonds à impact social d'ampleur inédite en France*. Impact Invest Lab. <https://finance-fair.org/sites/default/files/2022-05/FAIR-FPR-Hemisphere.pdf>; Pellizzari, M. (2020). *iiLab's research on SIBs.CO: The social impact bonds program in Colombia* (p. 4). Impact Invest Lab. <https://www.finance-fair.org/sites/default/files/2022-05/FAIR-SIB-Colombia.pdf>.

²⁷ Pellizzari, M. (2019). *Retour d'expérience sur les contrats à impact social en France. Les acteurs engagés font le bilan après 3 ans d'expérimentation multi-facette* (p. 70). Impact Invest Lab. <https://www.finance-fair.org/wp-content/uploads/2021/08/RETOUR-EXPERIENCE-CIS.pdf>

²⁸ Pellizzari, M. (2020). *iiLab's research on SIBs.CO: The social impact bonds program in Colombia* (p. 4). Impact Invest Lab. <https://www.finance-fair.org/sites/default/files/2022-05/FAIR-SIB-Colombia.pdf>

particularly cautious about the effects of impact evaluation on the programs financed, and I have paid attention to and discussed investors' appreciation of risk during negotiations. I have taken opponents' views seriously and rejected the idea that they did not fully understand the issues. More generally, I have read SIB design as a process of translation (in the sense put forward by ANT (e.g., Callon 1984)) of stakeholders' problems into something that SIBs could (or could not) address.

From this experience, I cannot claim to hold a "neutral" position about the topic of SIB and impact investing development. However, I can tell that I am aware of the "ethnomethods" practitioners use to account for SIB setup practices (Garfinkel 1996) (cf. section 4.1). Indeed, I have become a practitioner myself and I have contributed to set up, shape, and assess these arrangements. I have made sense of SIB design in terms of feasibility too. Through my research and my own practice, I have progressively formed a judgement on SIBs. I maintained for some time a position that, as I realized, had been borrowed from French interviewees, until I had to open myself to different uses, challenges and critiques from other countries. Indeed, when I travelled to Colombia and Chile to focus on local SIB implementation, I realized that I was speaking from my perspective as a French practitioner working at iiLab, and I paid close attention to what was going on so I could understand other perspectives. Therefore, this dissertation provides a pragmatic account of a "culture of feasibility" (see section 4.1.2) from my position as an insider, sometimes observing but also sometimes actively involved in the object of study.

5.3. Three case studies: SIB implementation in Chile, Colombia and France

This dissertation builds on three case studies of SIB implementation in three different locations: Chile, Colombia and France. The research focuses on SIB implementation between 2014 and 2019, although I will provide some details on later developments in the dissertation. I organized a field visit to Colombia in November and December 2019, and to Chile in December 2019. At that time, the first SIB to be launched in Colombia was complete and the second SIB was running. In Chile, the government was leading the preparation of SIB launch: three SIBs were under study, two of which were in an advanced design phase. In France, the

government issued a call for SIB proposals in 2016, which led to the launch of 11 SIBs between 2016 and 2020.

I summarize the cases below.²⁹ The data is anonymized and the names of the individuals involved that I use in the dissertation are fictitious. However, throughout this dissertation, I mention the organizations involved and the positions of the main actors when I believe it brings a better understanding of the phenomena described. I do so when I analyze SIB development trajectories, and I do not when I focus on the tactics implemented in particular situations. Here, I bring attention to the local names given to SIBs: “*contratos de impacto social*” in Chile, “*bonos de impacto social*” in Colombia, and “*contrats à impact social*” in France, because practitioners often refer to these names to tell what SIB implementation means. However, in the rest of the dissertation, I will use “SIBs” as a unique label in order to avoid confusion. Cartographies of the main actors involved in SIB development are attached to this dissertation in Appendix 2.

5.3.1. Chile

The case of Chile is fundamentally marked by a governmental drive in the implementation of SIBs. Sebastián Piñera, a businessperson and conservative politician who had already served as president from 2010 to 2014, was elected again in 2017. He promised to commit 50 million USD (by all accounts, an unrealistically high figure) to payment-by-result policy schemes. SIBs, an instrument already introduced in Latin America (in Colombia and Argentina), were part of the plan. Both the Ministry of Social Development and the Ministry of Economy took a leading position in SIB development. In the latter was established a special division dedicated to SIBs. SIBs were renamed as “*contratos de impact social*” (social impact contracts) to emphasize partnership instead of finance.

The state was expected to play an active role in the process, for instance to prevent the development of bad practices (e.g., exclusion of populations with complex needs). SIBs made sense in regards to an imperative of public accountability. Accountability became an even more prominent narrative during the violent social movements that rose up in the country at the end of 2019. SIB development was framed as a technocratic procedure consisting of

²⁹ I use sections formulated by Fabian Muniesa and I in our co-authored paper (Pellizzari and Muniesa 2022).

rigorous and transparent “methodologies” for assessing feasibility (“*factibilidad*” in Spanish) and measuring social outcomes on specific programs meticulously selected, thanks to classification and quantification technologies, among a list of established social priorities. The procedure was meant to set a technical structure in which private actors, to be contracted through public tender, could freely succeed or fail in reaching social results, in a quite neoliberal fashion.

The IDB Lab, defined as the innovation laboratory of the Inter-American Development Bank Group, played an important role in SIB policymaking in the Latin American region. It funded a technical cooperation for developing SIBs in Chile, which was executed by a major Chilean foundation very active in the field of outcomes-based financing, Fundación San Carlos de Maipo. The cooperation provided government support, with funds to address legal and administrative constraints.

5.3.2. Colombia

In Colombia, SIB projects were embedded in emergent efforts to develop evidence-based approaches to public policy. The initiative to develop SIBs was led by private actors, namely the international consulting firm in data-driven policymaking Instiglio and three major Colombian foundations (Fundación Corona, Fundación Bolívar Davivienda, Fundación Mario Santo Domingo), and by the international donors IDB Lab and SECO (Swiss Secretariat for Economic Affairs). The partners shared the goal to implement an innovative outcomes-based financing scheme for the first time in Colombia, i.e., SIBs. The term “SIB” was literally translated into “*bonos de impacto social*”: the reference to the “bond” financial product was not as problematic as in Chile and in France; SIBs were explicitly presented as an opportunity – a potential asset – to organize an impact investment market.

The partners’ goal materialized in 2017 when the “SIBs.CO” program was launched. SIBs.CO was an IDB Lab project co-funded by IDB Lab and SECO and involving outcome funding from the Colombian government. Within SIBs.CO, two SIBs and a dedicated fund were implemented to foster inclusive employment for vulnerable people. A first SIB was launched with the national Department for Social Prosperity (*Departamento para la Prosperidad Social*). It was known to be the first SIB set up in a developing country with government funding. A second

SIB was then implemented at the local level with the municipality of Cali paying for outcomes. The SIBs.CO project then scaled up the SIB scheme by supporting the creation of an outcomes fund – basically, a pool of SIB outcome funding – managed by the Department for Social Prosperity.

SIBs were part of a narrative on “public innovation” implying that state policy would gain in sophistication through the production of evidence and accountability. Whereas in Chile the accountability principle justified a technocratic approach, in Colombia it legitimized capacity-building for the government in support of both data and impact investing. SIBs.CO propelled the shared ambition (mostly expressed by the foundations) to scale up SIBs into an impact investment market open to citizens. In the actors’ words, the first step to achieve this was to prove that SIBs are “viable” as an asset (“viable” in Spanish). This translated into rigorous financial management by the appointed financial intermediary, with a consultant working full time on the ground with the social operators.

5.3.3. *France*

The adoption of SIBs in France happened earlier than in Chile and Colombia. From 2014, French actors, mostly from the government and the nascent impact investment field, started to examine this “Anglo-Saxon” tool (an expression often used by informants) and how to adapt it to the French context. The so-called Anglo-Saxon trend – meaning relatively high return on investment, a narrative of budgetary efficiency, fixed prices for standardized social results – was criticized. The adaptation process, which, unlike in Chile, was quite informal, crystallized around the identification of a series of threats carried by SIBs such as high return on investment for investors and competition between social organizations.

In 2016, the Ministry of State for the Social and Solidarity Economy attached to the Ministry of Economy and Finance undertook SIB development without consulting other ministries and administrations. With the support of the Legal Affairs Department of the Treasury, the Ministry of State launched a call for proposals for “*contrats à impact social*” (social impact contracts), which aimed to be a French adaptation of SIBs that could prevent the transformation of social outcomes into financial assets. The call was focused on the broad “social innovation” area and open to organizations from the social economy and the social

enterprise fields. SIBs were thus framed as a funding solution for innovative programs to complement traditional grant funding from the so-called welfare state.

Eleven SIBs were set up between 2017 and 2020 as a result of the call. iiLab participated in creating French “*contrats à impact social*”, aimed to be compatible with a context deemed historically dependent on the welfare state tradition. iiLab’s members drafted and signed a code of ethics which stated principles for ethical SIB development, such as co-construction, and limited financial returns and risks. The code of ethics was signed by most SIB investors, which were all recognized as “social investors” (from the field of solidarity-based finance or impact investing). The 11 SIBs adopted a partnership approach that put the social providers at the center of the governance setup. The investment amounts were determined in advance in accordance with outcome payments and the investors were not involved in operational activities, contrary to the Colombian settings. Returns on investment were limited to a “reasonable” level, i.e., revolving around 5% (internal rate of return).

6. Outline of the dissertation

The first chapter discusses the implementation of social impact bonds in three different jurisdictions: that of Chile, Colombia and France. It analyzes the work that SIB setup has involved. First, the chapter outlines the diversity of SIB projects, against the claim that there is an ideal or standardized SIB “model.” Second, it shows that this diversity is to be understood in relation to unique struggles encountered in each context. Therefore, institutional and political traditions are not taken as analytical categories. I rather emphasize the contingent nature of setup efforts. To support this claim, the chapter builds on the notion of “trials of feasibility”: situated examinations of the technical and political features of would-be SIBs, articulated around the vernacular repertoire of “feasibility.” I show that these trials have resulted in particular settings in Chile, Colombia and France. In Chile, SIB implementation was a state-led, technocratic enterprise justified by a notion of public accountability, in the tense context of the 2019 popular uprising. The process – from the selection of policy areas to the financial design of SIB prototypes – relied on quantification and classification devices, which aimed to ensure transparency and robustness. In Colombia, the ambition was to make social

policy more effective thanks to evidence production and private investment. Colombian foundations played a leading role in SIB development. In France, SIB features – i.e., commissioning processes, social programs, return on investment – were adapted to preserve what was referred to as the welfare state.

The second chapter focuses on SIB contracting, and more specifically on the establishment of legal and institutional foundations for implementing outcome funding (from the outcome payer) and upfront investment (from investors). I argue that some SIB features conflict with current legal and regulatory inscriptions of what social policymaking ought to be. I identify three main clashes. First, SIBs change the temporality of public spending. They introduce multi-year budgeting but also *uncertain* budgeting into the planning of social policy, where public budget is normally approved and executed on a yearly basis. Indeed, SIBs require outcome payers to pledge a maximum amount of money over several years without the guarantee that it will be spent in the future. Second, SIBs move the focus of social policy away from the nature of programs and onto the production of impact. SIB financing is focused on outcomes rather than activities or input as in traditional grant making. Consequently, public accounting, which is normally based on the monitoring of real costs through invoicing, needs to integrate accounts of social results. Third, SIB financing includes the notion of risk and the delivery of a return on investment. Outcome payers must embrace the uncertainty of outcomes and of outcome payments; and outcome payments include a return for investors. These changes, I argue, place the state in the position of an investor, which invests over several years, focuses on the effects of her investment and manages risks. The chapter then questions the durability of tactical structuring over time and suggests that SIB development is a path-dependent process.

The third chapter analyzes the particular type of social “impact” that SIBs have at their core, one which is explicitly linked to the *payment* for specific outcomes. Through the study of two SIB feasibility studies, I bring to light structuring tactics of feasibility related to three domains, namely the definition and pricing of outcome indicators, the specification of evaluation methodology and the selection of target populations. I identify two main requirements for SIB feasibility: the production of “enough” cost savings for the public sector and the possibility to mitigate the financial risk (see also chapter 4). I show that practitioners’ concerns revolve mainly around data availability, in particular cost data, but also around the representation of

data within explicit and convincing discourses directed to both public funders and private investors. Furthermore, the chapter demonstrates that tactics of feasibility have a structuring effect on concrete social work, especially on the relationship between social workers and beneficiaries.

The fourth chapter examines how the notion “impact” has been integrated into financial accounting. It describes SIBs as an impact investment product that questions the traditional notion of financial viability based on the risk-return scale. Indeed, the financial return SIBs offer depends exclusively on social performance instead of the economic performance of investees. Whereas there are established models to calculate future returns and financial risks according to the present economic situation of an organization, there is no method to forecast social performance in the medium term. I argue that SIB practitioners have invented new ways of making sense of financial viability, but still within the persistent financial imaginaries of “return” and “risk”. In particular, the chapter describes practices that have emerged for the management of the particular “uncertainty” attached to social performance. SIB practitioners have dealt with new risks such as “social risk”, “partnership risk” and “valuation risk” to develop financial models that they deemed viable. The chapter also studies how SIB contracts were affected by the Covid-19 crisis, showing that partnerships prove particularly resilient thanks to actionable governance structures, but also that the original financial conditions (risk and return) are preferentially preserved.

Chapter 1 – Contrasting trends in social impact bond implementation: trials of feasibility in Chile, Colombia and France

Introduction

This chapter challenges the perspective prevalent in the literature that social impact bonds (SIBs) have similar characteristics and effects regardless of the sectors and locations in which they are implemented. It shows the specifics of localized SIB making by contrast to the idea that there is a replicable, standardized SIB model. All SIB projects share common principles, namely result-based financing by governments and upfront funding by investors, but this chapter demonstrates that their actual implementation follows unique patterns. It studies the tribulations of SIB practitioners involved in the setup of SIB projects in Chile, Colombia and France. Moreover, I contend that the actual shapes that SIB projects take can be explained by the particulars of empirical occasions and the nature of negotiations and justifications involved, without considering the economic and political traditions that characterize these different sites as analytical categories.

SIBs have been developed in many places around the world since they originated in 2010 in Peterborough, UK. According to the GO Lab Impact Bond Dataset, as per June 2022, 250 impact bonds (IBs) have been launched worldwide, about USD 725 million have been raised and about 2 million people have received support.³⁰ These figures are certainly negligible compared to the impact investment market size (estimated at USD 715 billion³¹), total public social spending (USD 8,686 per capita in the OECD in 2017, i.e., over USD 11.5 trillion³²) and

³⁰ GO Lab. June 2022 impact bond landscape. (7 June 2022). <https://golab.bsg.ox.ac.uk/community/news/june-2022-impact-bond-landscape/> (accessed September 2022)

³¹ The GIIN. (11 June 2020). 2020 Annual Impact Investor Survey. <https://thegiin.org/research/publication/impinv-survey-2020> (accessed September 2022)

³² OECD Data. Social spending. <https://data.oecd.org/socialexp/social-spending.htm> (accessed September 2022)

the number of people living in extreme poverty (8.6% of the global population in 2018³³). Still, the SIB “model” seems successful in triggering interest all around the world: it has been developed in 35 different countries in 12 years.

However, these 250 IBs cover a range of different settings. For example, some projects are social impact bonds (SIBs) with governments paying for outcomes (these projects are the focus of this dissertation). Others are development impact bonds (DIBs) with international donors financing outcomes. Some are implemented at the level of one or several municipalities, whereas some are national programs and others are regional programs. The sectors targeted vary from employment to end of life, and from education to ecology. The typology of stakeholders and the legal vehicles used are variable too. Moreover, the outcomes that are expected from the interventions and the measurement methods depend on many parameters such as policy objectives, data availability, evaluation budget, and concrete interventions. In addition to these characteristics, there are more subtle variables. For instance, public sector appetite for SIBs varies, as does investor appetite. SIBs are also subject to more or less fierce criticism on the projects and the countries concerned.

To account for the variability of SIBs, I analyze the geographic spread of SIBs as a phenomenon of localized invention instead of the mere replication of an already-available model. SIB implementation, in this view, does not consist in the realization of something that is already fully prefigured. It opens up an array of possibilities that may be technically, politically, institutionally and morally problematic and may require more or less intense negotiation. I argue that the process of implementing these specific arrangements requires specifying the roles and legitimacy of the different entities involved, their relations and their competencies.

To analyze this phenomenon, I elaborate on the notion of *trials* that I have introduced in the general introduction of this dissertation: situations in which presupposed SIB features confront the actual conditions and actors involved in SIB setup, and which require the specification of the entities involved. This notion draws inspiration from two different theoretical perspectives: actor-network theory (ANT) on the one hand, and the sociology of justification on the other hand. Building on the former, I envisage SIBs and their institutional

³³ The World Bank Data. Poverty: Poverty headcount ratio at \$1.90 a day (2011 PPP) (% of population). <https://data.worldbank.org/topic/poverty> (accessed September 2022)

and political environment as a co-production. Following the symmetry principle of ANT (Bloor 1976; Latour 1987), I contend that the success and failure of projects cannot be explained by the intrinsic virtues of the projects. It is necessary to look at the constitution and transformation of the socio-technical networks that ultimately resist (leading to successful implementation) or break (leading to failure) in face of trials. The latter theoretical perspective is useful to analyze the mundane exercise of justification and critique, when several actors need to reach common agreement. In this trend, Boltanski and Thévenot (2006) and Boltanski and Chiapello (2007) refer to “trials” as the practical tests that actors face in situations when a state of affairs has to be settled. The notion of trial, in both approaches, embraces the interplay of moral, political, institutional and technical elements in implementation processes.

I use the notion of trial in relation to the imperative of *feasibility* that SIB practitioners recurrently put forward. As discussed in the general introduction, I refer to *trials of feasibility* as the trials faced by SIB practitioners, in which feasibility emerges as a prime criterion for gauging, judging and critiquing what is going on. This theoretical framework characterizes SIB setup as a complex enterprise in which actors face unique challenges and struggles. This approach is also useful, I argue, to study the effects of SIBs. The literature on SIBs often presupposes that there is one “SIB model” with unvarying consequences. Whether they are expected to bring effectivity (Gustafsson-Wright 2018), innovation (Le Pendeven 2019; Social Impact Investment Taskforce 2014) or on the contrary, a detrimental market logic to public policy (Harvie 2019; Joy and Shields 2013; Mitropoulos and Bryan 2015), SIBs are often described as a well-defined product and an available tool. Departing from this assumption, I suggest that the study of trials of feasibility provides relevant accounts of the actual transformations that SIBs meet and prompt.

This chapter is divided into five sections. The first section shows that whether SIBs are promoted or criticized, they are generally envisaged as a standardized object with several essential characteristics. SIB proponents emphasize the benefits of impact measurement in public management, and the ability to improve policy outcomes and address social issues, whereas SIB critics consider that SIBs undermine social service quality. The second section lays the theoretical foundations for the analysis of SIB implementation. The notion of trials of feasibility questions the assumption that there is a standardized SIB model that bring promises

or threats: building on ANT and the sociology of justification, I explain that I approach SIBs as an object in the making whose characteristics emerge through situated trials of feasibility.

The three following sections then turn to the setup of concrete SIB projects in three different jurisdictions: Chile, Colombia and France. In these sections, I challenge general analyses of the “SIB model” by providing detailed descriptions of project implementation. I explore the different rationales behind SIB development, the main actors involved (also reminded in Appendix 2), and the shapes SIB policies took in the process of taking hold. I characterize the politics of local SIB arrangements by studying the trials of feasibility that arose in the process of specifying SIB features and relevance. In Chile, SIBs were promoted as a means to ensure public accountability. Along with this justification, their development followed a state-led technocratic process based on rigorous and transparent “methodologies” for assessing feasibility and measuring social outcomes. In Colombia, SIBs brought the double promise of, on the one hand, improving social policy efficiency and, on the other hand, establishing an impact investment market that could contribute to better social outcomes. International donors and Colombian foundations led their development, with a focus on building capacity within the government and creating a model that could be reproduced at large scale. In France, early initiatives were subject to criticism in terms of marketization and privatization of social services. French SIBs embraced this general concern. SIBs were confined to the “social innovation” domain – as defined by the law – and the return on investment was deliberately limited.

1. The “SIB model”: promises and threats

1.1. The SIB model as promoted by impact investing proponents

Descriptions of SIBs produced by impact investing proponents are telling illustrations of discourses on supposed SIB advantages. The works of the Global Steering Group for impact investing (GSG), the main global network dedicated to the promotion of impact investing³⁴,

³⁴ The Global Impact Investing Network (GIIN) is also a well-known global network working on developing impact investing. It is composed of impact investors mostly based in the UK and the US. Its focus is different from the

are particularly interesting in this respect. The GSG was constituted in 2015 from the “Social Impact Investment taskforce.” The Social Impact Investment taskforce was launched in 2013 under the UK’s presidency of the G8. The taskforce had the mission to foster the development of social finance among G8 members following pioneer initiatives developed in the UK such as the first SIB launched in Peterborough in 2010, but also Big Society Capital, a social finance institution created in 2012 to use dormant assets. In 2015, the taskforce was transformed into a lasting network of national advocating groups called National Advisory Boards (NABs), and became the GSG. As per August 2022, the GSG includes 35 country members and the European Union. In line with the works of the G8 taskforce, the GSG’s reports and events have encouraged the creation of social and environmental impact through investment and business decisions. Among impact investing tools, the GSG promotes SIBs as a new public procurement procedure based on outcomes, opening an avenue for impact investors to contribute through up-front investment.



Figure 6. Impact bonds. Source: GSG and Education Outcomes Fund (GSG and Education Outcomes Fund 2021:28).

I show that the GSG promotes a standardized version of the “SIB model” that does not take into account the situated nature of SIB projects. Common representations of SIBs includes the diagram shown in figure 6. The diagram represents a contract that binds four stakeholders: outcome funder, investor, service provider and evaluator. Four arrows schematize links between the stakeholders, two of which are of a financial nature. Investors first finance service providers, and after the evaluator intervenes for measuring outcomes, the outcome funder pays investors accordingly. This diagram is necessarily a simplification of reality. Indeed, as we

GSG’s. It provides technical analysis of the sector and harmonized practical frameworks. As for the GSG, its role is the promotion of impact investing in its country members, including policy advocacy.

will see in the second section of this chapter, actual SIB projects are multifold. For instance, there is not one contract but a multiplicity of them; evaluators are hired outside the main contract to ensure their independence from interested parties; financial flows generally follow a different route; and there is often an intermediary or a special purpose vehicle involved.

In what follows, I focus on three general benefits attributed to SIBs that I have identified in GSG discourses. First, impact measurement seems fundamentally desirable for governments and citizens around the world. Second, the involvement of financial actors in welfare services brings better results to governments and citizens. Third, SIBs could relieve a large section of the population affected by pressing “social issues” of a specific kind (i.e., generalized and costly). I study GSG reports, including the Social Impact Investment taskforce report titled “*Impact Investment: The invisible heart of markets. Harnessing the power of entrepreneurship, innovation and capital for public good.*”³⁵ The report presents impact investing as a way to change productive and financial markets “for good”, and includes a set of recommendations to foster impact investment development. Additionally, I use field notes from my participation to the 2019 GSG Summit. The Summit was held in November 2019 at the luxurious Sheraton Hotel in Buenos Aires, Argentina. Attendees were impact-motivated investors, policy makers and other impact practitioners, who were all wearing suits and speaking perfect English. The conference included plenary and small-group sessions revolving around impact investment, and a number of networking breaks in which one could relate with familiar faces or meet new impact investment practitioners. SIBs were the focus of two small-group sessions.

1.1.1. *Impact measurement and management*

In the sessions of the GSG Summit dedicated to SIBs, the speakers were SIB practitioners – mostly decision-makers such as CEOs, directors, partners or officials – involved in SIB projects. The discussions suggested that SIBs bring major improvements in social service provision. The measurement of impact was put forward as one of them. As one speaker said:

³⁵ Social Impact Investment Taskforce. (2014). *Impact Investment: The invisible heart of markets. Harnessing the power of entrepreneurship, innovation and capital for public good.* <https://impactinvestingaustralia.com/wp-content/uploads/Social-Impact-Investment-Taskforce-Report-FINAL.pdf>

Speaker 1 (Head of the Japan NAB): “SIBs work very well I think. There are challenges but they bring good impact measurement and management.” (field notes, p. 20; 19/11/2019)

This speaker praised not only measurement but also impact management, which implies the possibility to adapt policy and interventions from data. By doing so, SIBs change the way governments make policy, as one speaker said with enthusiasm:

Speaker 2 (Executive Director at Fundación Corona, Colombia): “The government was spending billions in employment without measurement. More than scale, [the SIB] is an opportunity to measure, and change the way the government is doing policy.” (field notes, p. 17; 19/11/2019)

This speaker implied that the “billions” that the government has been spending in labor policy are not necessarily well used, since their actual impact is unknown. He emphasized the need for more evidence-based policy-making. Likewise, in the words of another speaker, impact measurement is a matter of public accountability:

Speaker 3 (Academic Director of the GO Lab, UK): “SIBs imply a shift from compliance to accountability: a cultural shift.” (field notes, p. 17; 19/11/2019)

This speaker highlighted the need for a “cultural shift” in policy-making in order to provide impact accountability. In this view, SIBs install impact measurement and management beyond the life of projects, as speaker 1 also implied. Another speaker clearly expressed this idea:

Speaker 4 (Founder and CEO at Social Finance Israel): “Impact management stays after the projects. It is part of sustainability.” (field notes, p. 21; 19/11/2019)

Moreover, some speakers encouraged the standardization of measures on the one hand, and projects on the other hand, as if SIBs could be transposed from one place to another without efforts:

*Speaker 5 (Managing Partner at Global Impact Partners, Singapore): “We aim to have a global approach to **standardize metrics** and have different pricing across countries in Asia. The idea is to strengthen local capacities.” (field notes, p. 21; 19/11/2019) (emphasis added)*

*Speaker 6 (Chief Programs Officer at the Education Outcomes Fund, UK): “**There was a need for a more efficient methodology** to address the*

*education gap [in Africa]. Reality is more complex than just giving text books. We do a blend of SIB and DIB. Governments lead outcomes definition [...]. We are excited about replicability. It's a complicated design, there are challenges but **we think our projects are replicable.**" (field notes, p. 20; 19/11/2019) (emphasis added)*

These speakers also expressed a will to “strengthen local capacity” and bring a “more efficient methodology” through SIBs to address local needs.

1.1.2. *Improved policy outcomes*

The SIB model is expected to improve policy outcomes, almost independently from the level of government involvement. In the course of 2020, the GSG and the Education Outcomes Fund³⁶ set up a working group on result-based financing. The group was composed of voluntary GSG members who gathered several times in the course of 2020. I, as a representative of the French National Advisory Board for Impact Investment (NAB), was part of it. We had meetings in which specific projects (SIBs or likely) and their outcomes were presented and collectively discussed. The working group produced a report titled “*Tying funding to results. A primer in results-based finance to support a just Covid recovery and foster impact-driven economies*”, which was, for the most part, drafted by the GSG and the Education Outcome Fund. The report promotes an “issues-centered” approach to social policy financing, which would yield a number of benefits such as “effectiveness”, “cost-savings”, “virtuous partnerships”, “constant improvements of programs” (GSG and Education Outcomes Fund 2021:5). The report argues that the adoption of result-based financing mechanisms is still hindered by barriers to overcome, including lack of willingness of governments, institutional inertia, lack of data and perception of over-complexity.

The report introduces the “SIB model” thanks to the definition below and the diagram shown in figure 1.

“Outcome funders commit to make payments based on the achievement of pre-determined results. Impact Investors provide upfront financing to service providers, accepting the financial risk. Payments to the investor are

³⁶ The Education Outcomes Fund platform that provides a technical infrastructure and assistance for developing outcome-based financing for education in poor countries. More information on the website: <https://www.educationoutcomesfund.org/copy-of-backup-our-approach-old> (accessed September 2022).

*determined by the results achieved by service providers. The opportunity for a return on investment, and the risk of losing it, **incentivises investors to help their service providers to achieve results.***” (GSG and Education Outcomes Fund 2021:28) (emphasis added)

The definition puts the spotlight on results: IBs should be used in order to “achieve results.” It also assigns roles and appetites to stakeholders. The role of investors seem particularly relevant compared to that of governments. While outcome funders pay for results, investors, because they bear a financial risk, are expected to help service providers achieve results.

1.1.3. A unique response to identified social issues

Moreover, the SIB model, as the narrative goes, serves specific policy purposes. The report highlights some “social issues” that can be tackled by result-based financing mechanisms, namely education, labor market development and health:

“There are specific social issues, including education, labour market development, and health, where RBF [result-based financing] has been proven to work. These are all areas that have been especially hard-hit by the current crisis, and we believe that RBF tools have a valuable role to play in improving outcomes for the recovery and beyond.” (GSG and Education Outcomes Fund 2021:5)

In these three sectors, the report promotes the use of result-based financing mechanisms in order to produce measurable outcomes, contrary to current policy programs that does not provide any information on their actual impact. Impact measurement is presented as a key strength of SIBs, as exposed above. In addition, the report highlights the fact that these issues are costly and consequently, there is an opportunity to make public spending more efficient.

The report then displays figures and graphs to analyze the three sectors. These graphs show school enrollment rates and numbers of out-of-school children in high, middle and low-income countries. Result-based financing could improve these rates and improve learning outcomes, the report says, in particular in low-income countries. Result-based financing is also promoted to tackle issues such as unemployment, informal employment, and gender discrepancies in the labor market. The health sector is also a target area of result-based financing tools. This sector is analyzed with diversified indicators. The report shows the

probability of dying from any of the four main non-communicable diseases (cardiovascular disease, cancer, diabetes, and chronic respiratory disease) in the OECD, Latin America, Asia and Africa. It displays the amount of payments made by individuals, and treatment delays. In addition, it mentions mental health issues in terms of “sizable societal costs” that have been exacerbated by the Covid-19 pandemic. The report argues that government and multilateral agencies should focus more on prevention and early diagnoses, and that result-based financing can help realize this shift.

1.2. The other side of the SIB model: threats put forward in academic works

By contrast with the promises put forward by the GSG, a different view can be found in the literature. I focus on critical literature on SIBs that display a “cautionary narrative” (Fraser et al. 2018). This scholarship emphasize the negative effects of entangling finance and social policy. It discusses similar characteristics of SIBs as those promoted by the GSG community (i.e., impact measurement, policy tool, response to social issues) in critical terms. Nevertheless, these studies, I argue, also shape the assumption that SIBs are a well-defined and available policy tool.

From a critical accounting perspective, accounting technologies such as performance metrics, cost and saving estimates, and return on investment play an instrumental role in the commodification of service users. According to Cooper et al. (2016), SIBs act as neoliberal instruments for the “government of population”, directing the conduct of the homeless to the production of profits for investors. Mitchell (2017) develops the discussion further, arguing that SIBs and other social finance instruments renew the neoliberal government of subjects by relying on diffuse networks of actors. Notions of measurement, evidence and value creation not only build SIB legitimacy, but they also drive state policymaking towards market-oriented solutions. According to Mitropoulos and Bryan (2015), in SIBs, outcome measurement but also the calculus of profitability become policy objectives of their own, driving indeed policy agendas towards commercial solutions.

Whereas GSG narratives expect an improvement of social results through the application of a risk-based financial logic, some scholars in sociology find that “the co-imbrication between

the state and the financial sector” is problematic (Dowling and Harvie 2014). They argue that SIBs reinforce the neoliberal state by further reducing spending on public services while encouraging the development of social investment models. In their view, SIBs lead to a further retreat of the “neoliberal state [...] from the sphere of social reproduction” (Dowling 2017). Besides, as “the state is used as a vehicle for financial capital accumulation” (Dowling and Harvie 2014), SIBs do not serve social policy since they “commodify citizens and redefine service users as problems and potential revenue sources rather than conscious agents” (Sinclair et al. 2021).

The idea that result-based financing could efficiently tackle global (almost universal) “social issues” has also been criticized from different angles. First, potential beneficiaries and taxpayers are never part of the conversation (Maier and Meyer 2017). They are not asked about their needs and opinions. In this view, the impersonal and global data exposed in the GSG report and the solutions proposed may not reflect the actual needs of the targeted people. Second, some authors criticize the fact that SIBs individualize “social issues” and social outcomes, obscuring structural causes for poverty and precariousness. To Cooper et al. (2016), “[t]he SIB is thoroughly neoliberal in that it is constructed upon an assumption that there is no such thing as a social problem, only individuals who fail.” The authors criticize the political order instilled through SIBs, which places the burden of social problems on individuals’ behaviors. This rationality seems indeed prominent in employment and social inclusion programs, in which participants are expected to reveal their dormant potential by finding and sustaining a job. Third, the emotional register used by the GSG to emphasize the responsibility of privileged individuals (i.e., investors) to address “social issues” in fact sets the stage for allowing financial accumulation in the social policy sector. Wirth (2020) studies how economic logics are entangled with emotions and compassion in SIBs. To him, the compassionate engagement of support workers and recipients “[does] not only ensure ongoing engagement but also [spur] a sense of reciprocity and mutuality which [can] be instrumentalized to achieve outcome targets” (Wirth 2020).

These contrasting views, whether they identify promises or threats, consider that SIBs have essential features and characteristic consequences for local service delivery. However, I contend that general analyses of SIBs fail to reflect the actual involvement of the state in SIB operations and financing, and the actual benefits for financial actors. For instance, the case of

SIB development in France presented in section 5 provides a clear illustration of alternatives to both the retreat of the state and unlimited financial accumulation. The actors involved in SIB implementation identified these assumptions as threats and found processes to counter them. The cases of Chile and Colombia question the assumption that impact measurement ensures policy improvement, since this depends on the engagement of the state and on the actual data that is available, collected, and communicated. It is thus essential to study how these policy interventions concretely unfold on the ground.

1.3. A recent focus in the literature on implementation struggles

Although there is a growing body of literature on SIBs, little has been said about the work of building the infrastructure for their development (Lowe et al. 2019; Williams 2020b). As Williams (2020b) shows, the actors in charge of this enterprise encounter unique struggles in the process of implementing SIBs. The author finds that SIB market development goes through challenges that are indicative of a fundamental difficulty, despite being context-dependent. He argues that SIBs deal with an inherent tension between the logics and the repertoire of finance on the one hand and the local realities of service provision on the other:

*“SIBs are ultimately the product of **an urban financial elite** who are far removed in both physical and social space from the problems they are attempting to solve and who employ tools, logics, and **assumptions based on risk, scale, and standardization that are not easily translated into the local spaces and contexts of urban social problems.**” (Williams 2020b) (emphasis added)*

Like Williams, I argue that the characteristics and assumptions of SIBs emerge through localized implementation challenges. However, unlike him, I do not consider that SIBs circulate in different places with an inherent financial logic. To him, SIBs pertain to the “world” of finance and carry assumptions that are anchored in the logics of financial valuation (“risk, scale, and standardization”) (see also Williams, 2020a) that confront local contingencies. However, I contend here that SIB implementation raises *trials* in which financial logics and local expectations are reconfigured altogether but are not necessarily two distinct and conflicting worlds. Indeed, some aspects emphasized by global financial narratives (e.g., those of the GSG), including risk/return, standardization and scale, do make sense in some local

contexts (see chapter 4). And sometimes, such financial logics are not even taken into account. SIB implementation, I argue, is not about translating financial logics into local contexts, but about specifying the technical and political features that make sense in a given context, as the next section exposes in detail.

2. Beyond the standardized “SIB model”: the lens of trials of feasibility

Here, I elaborate on the notion of “trials of feasibility.” The term “trial” draws from two different inspirations: actor-network theory (ANT) on the one hand, and the sociology of justification on the other hand. My argument is two-fold. First, SIB implementation is a situated process through which SIBs and the entities involved are put to the test, questioned, changed and specified. Second, feasibility emerges as a prime criterion for gauging, judging and critiquing what is going on. In this chapter, I aim to examine trials of feasibility that arise during SIB design to demonstrate that SIBs do not display standardized features. They rather assume particular shapes and consequences depending on the circumstances of their implementation.

2.1. Actor-network theory

Akrich’s examination of the problem transferring a technology from one place to another (Akrich 1989, 1993) provides useful analytical keys for the understanding of SIB setup as a co-production of SIBs and their institutional and political environment. The author analyzes the problems raised by the displacement of objects from one place to another. For example, she describes the transfer of a machine for harvesting cottonwood from Sweden to Nicaragua, which was not as smooth as expected. The introduction of the machine in Nicaragua required the interest of haciendas, which were used to burning cottonwood and were not keen, at first, to use human resources to harvest it. It also required managing of new constraints like irregularities in the fields (Akrich 1989).

The introduction of a new technology thus requires a *situated* reconfiguration of, at the same time, the technical device *and* its environment (i.e., actors and their competencies, and the objects that are acted on). This process goes through *trials*, in Akrich's terms, which "can be interpreted as a confrontation between the environment inscribed in the device and the environment de-scribed by its displacement" (Akrich, 1993; my translation). This means that the "environment" is not a given fact; it is molded at the same time as the device is. Akrich shows that technologies contain presuppositions about users' and environment's characteristics and behaviors, to which she refers as "scripts" (Akrich 1987). A trial occurs when the script inscribed in the technology is tested in use.

My definition of trials follows this line of thought: trials involve the joint specification of technical and social elements. The calibration of SIBs, on the one hand, and the definition of the roles, qualities and competencies of the entities involved, on the other hand, occur concomitantly. This approach has been used in accounting studies (e.g., Arnaboldi and Azzone 2010; Briers and Chua 2001; Muniesa and Linhardt 2011; Pipan and Czarniawska 2010). These works argue that the introduction of new technologies and practices goes through a collective process of translation involving a network of human and non-human beings, as theorized by Callon and Latour (Callon 1984; Latour 1987): the entities involved are progressively changed as they interact with each other for the implementation of new technologies and practices. Arnaboldi and Azzone (2010) build on this framework to study the implementation of a Performance Measurement System in Italian universities. They outline the significance of controversies for designing but also maintaining interest in the system. They also identify divergences between universities' approaches in the process of implementation, showing that translation is inevitably a situated process, as Pipan and Czarniawska (2010) also argue about the implementation of management accounting in the Italian Ministry of Finance, in the Municipality of Genua and in the Province of Perugia. Likewise, Briers and Chua (2001) study accounting change in organizations as the result of the actions of "a heterogeneous actor-network of local and global actors and actants."

This approach reconsiders the notion of implementation: the very nature of a project is made explicit, in multiple and contested forms, as it faces practical tests of implementation (Muniesa and Linhardt 2011). Thus, SIB policy interventions do not have any predefined shape or effect: they are specified *in the process* of their enactment. Muniesa and Linhardt (2011)

develop this approach for the study of public management reforms. The actual budgetary changes produced by the law under study (the LOLF Act in France) were shaped, the authors argue, through pragmatic problems that arose during its implementation – “trials of explicitness” in their terms. “Implementation” consists in a set of such trials, which question *simultaneously* the meaning of the reform and the nature and the role of the state.

In this view, the effective establishment of a technology in a new environment is a potential *outcome* of trials. In other words, success and failure cannot be explained by the intrinsic virtues of a project only – or the intrinsic veracity or falsity of a claim (Bloor 1976; Latour 1987). As Law puts it about scientific knowledge:

*“[S]uccess is a practical matter: the issue is, does the paradigm work or not? In this way of thinking **the absolute truth of a theory is irrelevant**. Indeed, there is no independent way of knowing it. This led to a methodological dictum, the so-called “principle of symmetry”: **true and false knowledge, it was said, need to be explained in the same terms** (Bloor 1976).” (Law 2009:143) (emphasis added)*

The success of a claim is a “practical matter” and not a cultural self-evidence. This symmetry principle can be expanded to the study of paradigms and paradigmatic practices, as Shapin and Schaffer (1985) have done for the experimental culture in science. Arguing that the study of successful paradigms requires a form of ignorance of the culture of the present, the authors aimed to “play the stranger” (Shapin and Schaffer 1985:5) in order to explain the establishment of experimentalism as the *result* of fierce controversy between different alternatives (i.e., the philosophy of *Leviathan* defended by Hobbes vs. experimental practices):

*“A genuine stranger is simply **ignorant**. We wish to adopt a calculated and an informed suspension of our taken-for-granted perceptions of experimental practice and its products. By playing the stranger we hope to **move away from self-evidence**. [...] If we pretend to be a stranger to experimental culture, we can seek to appropriate one great advantage the stranger has over the member in explaining the beliefs and practices of a specific culture: the stranger is in a position to know that **there are alternatives to those beliefs and practices**.” (Shapin and Schaffer 1985:5) (emphasis added)*

Building on this theoretical approach, I intend to move away from “self-evidence” about what SIBs are and are not. My point here is not that SIBs are established cultural paradigms as

experimentalism, vaccination or relativity theory are. It is rather that SIBs should be studied as something in the process of being established, without predefined shape: I apply a methodological approach that moves away from naturalizing descriptions of what SIBs are. To do so, I look at the constitution and transformation of the social and technical infrastructures that sustain SIB development, and that *ultimately* resist (leading to success) or break (leading to failure) in face of trials. “[S]uccess and failure is a fragile construction that turns on the strength of diverse ties tying together many heterogeneous elements”, as Briers and Chua (2001) put it with reference to Latour (1987).

Moreover, this approach allows to grasp what I call the *politics* of SIBs. According to Akrich (1993), technologies mediate the way people access reality in that they transform aspirations, behaviors – including of material elements – and reshape knowledge (e.g., about cottonwood and land). Akrich argues that this phenomenon produces fundamentally political effects in that it essentializes specific distributions of roles (e.g., of the machine, the haciendas and cottonwood) and judgements on what is good and what is wrong (Akrich 1993). This is also true, I contend, for the establishment of SIBs.

2.2. The sociology of justification

Through the notion of trials of feasibility, I argue that feasibility emerges, in the SIB milieu, as a prime criterion for gauging, judging and critiquing what is going on. The concept of “trial” put forward by Boltanski and Thévenot (2006) and by Boltanski and Chiapello (2007) is relevant for describing the work of justification that SIB practitioners perform. The authors have developed a theoretical framework for the analysis of situations in which actors must justify their action or criticism in a collective environment. They call “trials” the practical tests that actors face in situations where a state of affairs has to be settled. Of relevance here is the fact that trials require specifying the beings at stake in order to have an explicit setting for the expression of a judgment:

*“[A] judgement includes more than the argumentative aspects of communication. It is also the moment of truth in which the actors, in order to advance their own positions, **have to qualify the beings present, have to make their nature explicit** and move from argumentative coherence to the test of facts.” (Boltanski and Thévenot 2006:351–52) (emphasis added)*

Likewise, to Boltanski and Chiapello (2007), trials are social arrangements that organize the testing of people and “reveal what they are capable of and, more profoundly, what they are made of” (Boltanski and Chiapello 2007:31). But trials are also “trials of strength” that produce a hierarchy of strength and eventually organize the allocation of social goods. The link between trials and social order has also been worked out by Bourguignon and Chiapello (2005) in their analysis of the implementation of performance evaluation systems in organizations. The authors study trials that question the fairness of accounting instruments (in terms of controllability, validity and objectivity), and consider the role of criticism in the dynamic formation of a legitimate social order. This perspective, as well as that of ANT, is useful to understand trials as situations that organize the attribution of roles and responsibilities, and the selection of what matters and what does not.

Moreover, in the theory developed by Boltanski and Thévenot (2006) and Boltanski and Chiapello (2007), trials require gauging several frames, standards or general principles – “orders of worth” in their words – to determine what is right and what is wrong. Orders of worth are defined as political orders and models of justice that are attached to a distinct “worlds” (Boltanski and Thévenot 2006). Boltanski and Thévenot identify six worlds, each with their own set of values and associated forms of criticism. For instance, while the civic world attaches primordial importance to collective beings and defends equality and democracy, the market world is driven by the desires of individuals and principles of competition and self-motivation. Chiapello and Knoll (2020b) use and extend the analytical repertoire of orders of worth to study SIBs. They analyze the versatility of SIBs in terms of eight different conventions about ways to organize welfare (“welfare conventions”) that coexist and sometimes compete. In their words, “[welfare conventions] embody a definition of the social problem, which comes with particular causes and solutions. They determine an important and responsible actor to solve the problem, and design financial circuits accordingly” (Chiapello and Knoll 2020b). In my view, Chiapello and Knoll’s paper provides an insightful account of “the turbulent and dynamic processes of creating new “welfare apparatuses” ([Rose and Miller 1992], 193) such as SIBs” (Chiapello and Knoll 2020b). However, I do not stick to the established list of welfare convention the authors propose, to be able to account for the dynamic production of justification, i.e., the potential reframing – and the emergence – of reference conventions along the way. Although actors may mobilize pre-existing justification resources – “worlds”,

“orders of worth”, “conventions” – in moments of dispute, they also invent new ones, as new issues emerge from trials and the entities involved (SIBs, states, etc.) are reconfigured.

3. SIBs in Chile: a technocratic intervention in the name of public accountability

Here, I use the theoretical lens of trials of feasibility to study the concrete setup of SIB projects in Chile. The section provides a situated analysis of SIB implementation, focused on the labor of practitioners and the trials of feasibility they encounter. It uses interviews realized in Chile and a report from the Multilateral Investment Fund of the Inter-American Development Bank (IDB-MIF) that promotes SIBs in the Chilean context.³⁷ I show that, during the process of implementation, SIB features are specified, and simultaneously, principles for good policymaking and the role of the state in this endeavor are discussed.

As I analyze below, the actors involved in SIB development implemented a technicized approach in which transparency and scientific robustness were prime policymaking drivers. The state took a supervising role in SIB implementation to identify SIB projects thanks to assessment tools deemed to rely on objective and transparent criteria. A private IB was first set up without the government. This initiative did not question the necessity of state supervision in SIBs, but rather aimed at offering a proof of concept to the government. Trials of feasibility faced by SIB practitioners entailed the specification of SIB characteristics along with the specification of “good” social policymaking in terms of “public accountability.” I show that the notion of public accountability emerged as a technical – and not political – objective in the process of implementing SIBs that prove “feasible” (through “pre-feasibility” and “feasibility” assessments). The supervising role of the state in public-private partnerships such as SIBs and the technicized notion of public accountability certainly reflect a neoliberal mode of government, as I suggest in the first subsection. However, analyzed through the lens of trials of feasibility that this dissertation has adopted, I then show that the notions of public

³⁷ Gatica, S., Carrasco, G., & Mobarec, R. (2015). *Bonos de Impacto Social. El contexto en Chile* (p. 100). Fondo Multilateral de Inversiones.

accountability and technocratic rule appear as shaped by the implementation process rather than predetermined by Chile's neoliberal history.

3.1. The role of the state and the neoliberal history of Chile

In 2014, Instiglio, a consulting firm promoting data-based policymaking, began working in several countries of the Latin American region after its debuts in Colombia. Chile was among its targets. In parallel, Social Finance UK, the leading organization in the field of outcomes-based financing in the UK, advocated SIBs in Chile and organized a dedicated seminar to galvanize local actors. These international actors, with the support of the Inter-American Development Bank (IDB), prompted the implementation of SIBs in the country. Unlike in Colombia where the government did not engage in the first place (cf. section 4), the government of Chile took the lead of SIB policymaking from the onset. The leading role of the state became an important justification for SIBs and a condition for their successful implementation in the country. This subsection studies practitioners' questionings about the role of the government. It reflects on the political economy of Chile, known for its neoliberal heritage.

In 2015, the IDB-MIF (later rebranded as IDB Lab) published a study about SIB feasibility in Chile.³⁸ The report identifies distinctive features that Chilean SIBs should incorporate, several years before implementation actually began. The main author is an Adjunct Professor in Innovation at the Catholic University of Chile. The study mentions the support of various organizations, including the above-mentioned firms Social Finance and Instiglio. The report introduces the following problematic:

“What are the challenges and opportunities in the Chilean context for the development of the market of social impact bonds, and why?” (Gatica, Carrasco, and Mobarec 2015:15)

The report aims to identify “challenges and opportunities” for SIB development in the country. It begins with a presentation of SIBs on the one hand and of the general Chilean context on

³⁸ Gatica, S., Carrasco, G., & Mobarec, R. (2015). *Bonos de Impacto Social. El contexto en Chile* (p. 100). Fondo Multilateral de Inversiones.

the other hand. It then analyzes “emerging trends” in public-private partnerships that relate to SIBs. In light of this context, the report announces a reflection about “the role that the state should play” (p. 16). It draws attention to the existence of a “unitary State with a strongly centralist character” (p. 20) and a “marked legalist tradition” that might hinder innovation (p. 21). It also outlines the current important role of the private sector in infrastructure, but also in health and education, through public-private partnerships such as the concession model.

The IDB-MIF report insists on government engagement in public-private partnerships such as SIBs, but it also emphasize scientific rigor in evaluation and pricing as part of sound policymaking. The report identifies “opportunities” for SIB development in policy areas where there are (1) a social need and a specific target population, (2) capable social providers, (3) significant public savings, (4) measurable outcomes. Based on these four criteria, it proposes to concentrate on four policy areas: citizen security, child abuse, youth employment, and homelessness. For each SIB project proposed, the report displays cost-benefit analysis and a methodology for rigorous evaluation with counterfactual analysis (i.e., a comparison between social outcomes for SIB participants and for recipients of existing social services). Among the “challenges” towards effective SIB implementation, the report insists again on the need for government involvement. The following excerpt highlights the necessity of aligning SIB design with policy priorities, which requires “interest, political will, and commitment” from government entities:

*“Challenges: As mentioned above, the main pending challenge is to strengthen this analysis with the priorities and needs of the government, which will allow fine-tuning the design of this SIB and facilitate its implementation. For this, **it will be essential to count on the interest, political will and commitment** of the potential sponsoring Ministries.”*
(Gatica et al. 2015:100) (emphasis added)

The promotion of government involvement in public-private partnerships in Chile is certainly to be understood in light of recent political history. I do not aim to summarize the political history of Chile, but rather to mention key milestones that are useful to understand the institutional landscape in which SIBs were developed. Recent history in Chile was marked by two interrelated events, namely Augusto Pinochet’s authoritarian regime and the integration of the Chicago economic thought in policymaking (Fourcade-Gourinchas and Babb 2002; Gárate Chateau 2013). Neoliberal economics were developed in a particularly strict manner

under Pinochet's military dictatorship (1973-1990) and Chile came to be known as a "Laboratory of neoliberalism" (Montecinos 2010; Valdés 1995). The transition from interventionist policies under Salvador Allende to liberal reforms under Augusto Pinochet was driven by an ideological framework based on economic reasoning and free-market ideals. This ideology was part of the economic views developed by American economist Milton Friedman, whose ideas were included in the University of Chicago curriculum from the 1970s. The Chicago School trained the economic elite that implemented this ideology in Latin America after accessing top positions in political institutions (the "Chicago Boys") (Valdés 1995). The Chicago program consisted in renewing the economics curriculum and promoting free markets and free trade in Chile and the broader Latin American region. It sponsored reforms to decrease national spending through strict austerity and cuts in government expenditures, to end inflation and promote economic growth. It promoted the privatization of public companies, and established free markets as a political principle.

Neoliberal thought consisted in dismantling the state; this happened in Chile not through external pressure, but from inside state institutions (Valdés 1995). Pinochet's military dictatorship fully endorsed the University of Chicago program. The transformation of the Chilean political economy through privatization, liberalization, cuts in social spending, was a state-led enterprise, in which the Chicago-trained economics profession increasingly coincided with the political power (Montecinos 2010). In Valdés' terms, "[s]tate emasculation in the economic and social arenas was conducted by its own institutions, backed by those who ran them" (Valdés 1995:4). This was facilitated by the concentration of power in the hands of Pinochet: "the Pinochet regime was able to delegate tremendous responsibility to the Chicago Boys, who could carry out their programs with little political resistance" (Fourcade-Gourinchas and Babb 2002). Cost-benefit analysis and project evaluation were promoted as methodologies to rationalize public spending and played a major role in the restructuring of the public sector (Montecinos 2010).

After Pinochet's rule ended in 1990, the neoliberal legacy was maintained and even reinforced despite rising criticism against market reforms. Institutions had been deeply changed during the dictatorship. Pinochet's successors did not radically renew Chilean politics, and sought macroeconomic stability and balancing social spending. According to Montecinos, "[m]oderation and compromise bridged the previously gaping ideological divide that for

decades pitted market advocates against state partisans” (Montecinos 2010:162). The Chicago Boys continued to influence Chilean politics by occupying positions in the government (including as advisors), the legislative branch, but also political parties and international organizations (Montecinos 2010).

The role of the Chilean state as described by the IDB-MIF report can be viewed in light of Chile’s neoliberal legacy. Government involvement is meant to foster the implementation of a renewed social policy approach based on public-private partnership. Public accountability, as the report implies, comes from economic expertise, namely cost-benefit analysis and policy evaluation. However, as I expose next, it is through trials of feasibility that the role of the state and the notion of public accountability are specified.

3.2. “We had to do it alone”: government involvement

This subsection examines a trial of feasibility that led to a particular, fully “private” IB in Chile, without the state paying for outcomes. This IB is particularly relevant to show how localized challenges regarding the feasibility of a specific scheme leads to reconsider the role and responsibilities of the entities involved. In this case, the decision to launch a private IB was the result of contingent issues that made, according to the actors, government involvement impossible. However, this IB did not question the necessity of government involvement but was turned into a proof of concept that could inform future developments.

Fundación San Carlos de Maipo led the development of this IB. Fundación San Carlos de Maipo is a major Chilean foundation for children and youth. The 20-year-old foundation implements interventions for beneficiaries between 0 and 17 years old to avoid child vulnerability and prevent what is referred to as “problematic conduct”, including delinquency. The director of development explained to me why SIBs attracted the interest of the foundation. First, the foundation believes in impact evaluation and implements assessments across its projects. Second, the foundation aims to adapt promising foreign initiatives to the Chilean context, and SIBs were part of this endeavor.³⁹

³⁹ Source: Interview with Director of development, Fundación San Carlos de Maipo; 3/12/2019.

In 2017, the foundation's governance committee decided to pilot SIBs in Chile. In order to build capacity within the foundation, the director of development undertook a trip to England to learn about SIBs.⁴⁰ His focal point in the UK was Social Finance, the leader in outcome-based financing in the UK. The director volunteered at Social Finance for learning purposes. Although he stayed for a short period of time (three months only), he could strengthen the relationship between Social Finance and Fundación San Carlos de Maipo. The organizations set up a partnership for a "pre-feasibility study", i.e., the identification of "programs that would comply with the minimum requirements to set up a SIB", in the words of the director at Fundación San Carlos de Maipo. The pre-feasibility study consisted in identifying and selecting programs to be financed through SIBs, before studying SIB feasibility in depth (through feasibility studies). The foundation and Social Finance undertook the pre-feasibility study, with, at first, the ambition to involve the government.

The pre-feasibility study started in December 2017. The SIB coordinator at Fundación San Carlos de Maipo explained that the approach was quite original since it focused on identifying existing programs instead of targeting social issues.⁴¹ In fact, the main goal of the foundation was to experiment SIBs as a new type of financing mechanism rather than a vector for social innovation. This approach was expected to reduce design times as much as possible. The pre-feasibility assessment consisted in evaluating five programs against standardized priority criteria given by Social Finance, including measurability of results and scalability. Two programs were selected to go through a deeper analysis: the feasibility study. One program was eventually selected as a result of the feasibility contest. The SIB coordinator outlined the virtues of this program:

"Finally we ended with one that we found had the greater level of evidence, its results were associated to a positive, measurable impact on the long run, and the service provider showed interest and good management."⁴² (SIB coordinator, Fundación San Carlos de Maipo; 3/12/2019)

The selection process led by Social Finance and Fundación San Carlos de Maipo targeted existing programs with identified results, scientific evidence, and strong management

⁴⁰ Source: Interview with Director of development, Fundación San Carlos de Maipo; 3/12/2019.

⁴¹ Source: Interview with SIB coordinator, Fundación San Carlos de Maipo; 3/12/2019.

⁴² Interviews with Chilean and Colombian actors were conducted in Spanish and interviews with French actors were conducted in French. Translations are mine.

structure. The winner was *Primero Lee*, a program aimed at enhancing the ability to read and write of young children aged 5 years old and above. It had been evaluated before and proved to trigger good outcomes. Moreover, the social provider, Fundación Crecer con Todos, had more than 10 years of experience in the field and, importantly, was interested in implementing a SIB.

Although Fundación San Carlos de Maipo and Social Finance initially planned to set up a SIB with the government, a trial of feasibility negated the feasibility of government involvement. The government did not show interest about SIBs until Piñera became President in 2018. According to an informant from the Ministry of Social Development, Michelle Bachelet's socialist government (2014-2018) undertook a series of reforms and cut back on the Ministry of Economy's budget, which affected SIB development. Moreover, many public officials criticized SIBs for allowing investors to profit from social problems and vulnerable people. This criticism takes place in a context in which market-based solutions implemented from Pinochet's regime are denounced for their disastrous social consequences. Despite the international momentum mentioned in the previous subsection, none of the four SIB projects presented in the IDB-MIF report moved forward.

When Piñera was elected President in 2017, the new government was still subject to the previous government's budget plan. No commitment could be made for SIBs until 2018. However, in 2018, CORFO (*Corporación de Fomento de la Producción*) was put in charge of SIB development nationally. CORFO is a public agency that works directly with the private sector. It was created in 1939 to advance industrialization through the creation of large companies and through investments in specific sectors such as manufacturing, mining, agriculture (Montecinos 2010). CORFO is now the state innovation agency, promoting innovation and entrepreneurship in the private sector. As a consequence of the centralization of SIB policymaking within CORFO, nascent SIB initiatives in other ministries and agencies were paused. In the terms of the director of development at Fundación San Carlos de Maipo:

“We had interest from two areas of government, and at the end of that year, CORFO's project was launched. So no area of government would get interested in developing something that another area was taking as its own.”
(Director of development, Fundación San Carlos de Maipo; 3/12/2019)

Fundación San Carlos de Maipo, with the support of Social Finance, came up with an unprecedented impact bond scheme in which public authorities neither act as outcome payers – as they do in proper SIBs – nor as technical partners – as they usually do in DIBs. In this private model, investors as well as outcomes payers are foundations. The director of development gave the following justification:

*“At that moment we defined we’d do it between private actors, on the one hand because of [CORFO’s project], and on the other hand because in fact, this is a so complex project that involving the government in the implementing committee would have made it infinitely complicated. **If we wanted to launch something quickly to develop experience that then would be useful to the government, we had to do it alone.**” (Director of development, Fundación San Carlos de Maipo; 3/12/2019) (emphasis added)*

Involving CORFO in the SIB would have been overly complicated, the director added. For this reason, government involvement was not deemed feasible: “we *had to do it alone*”, the director affirmed. The emphasis was put on quick design instead of government involvement. The director justified this decision by putting forward the necessity to inform future SIB implementation, although the project was independent from the government. The SIB project aimed to provide a proof of concept with or without the government participating. The director of development at Fundación San Carlos de Maipo justified the private IB in terms of adaptation to local constraints:

“[C]learly it must be very context-dependent, each country must respond in a different way to the challenges raised by this particular arrangement between actors.” (Director of development, Fundación San Carlos de Maipo; 3/12/2019)

The decision to launch a private IB was the result of contingent issues that made, according to the actors, government involvement impossible.

In this private IB, Fundación San Carlos de Maipo was outcome payer along with Fundación Mustakis, a partner foundation that is also focused on educational programs. Four investors joined the project. The SIB coordinator at Fundación San Carlos de Maipo affirmed that a trust relationship with the partners was established.⁴³ Fundación San Carlos de Maipo could freely lead the design work along with Social Finance and the social provider. The coordinator

⁴³ Source: Interview with SIB coordinator, Fundación San Carlos de Maipo; 3/12/2019.

highlighted the fact that the foundation had room to try, make mistakes, and try again, with the support of the partners. The metrics were defined smoothly. The prices for the outcomes were fixed without cost-benefit analysis nor assessment of savings, whereas the government would have required rigorous methodologies. The private IB was, in fact, a “light version” of SIB. A government official acknowledged that the private model was advantageous in terms of time saving, simplification, but also demonstration:

*“I believe that if we [government] had joined, they would still be trying to develop the matter, **they would not be advancing it** as they are now. It also gives them certain **flexibility** in changing the metrics, in some other things, things that are more complex in the government. Here there is at least the Comptroller’s office, which controls everything [the government implements]. If you want to move away a little bit from the initial [terms of a] contract, it is complex. [...] We are still very interested in this ongoing contract of theirs, because **it also validates the mechanism.**” (Policymaker, Ministry of Social Development; 25/11/2019) (emphasis added)*

The government official recognized the flexibility of the private model compared with public accounting rules and control routines. Although the project was entirely managed by private actors, the private IB did not question the important role of the state in future SIBs; on the contrary, it reinforced it. The trial of feasibility instead questioned complexity and delays in delivering a proof of concept. Although the private IB was a particular version of SIB without crucial components such as government involvement and cost-benefit analysis, it played important technical (as demonstration) and political (as promotion) roles in building capacity within the government.

3.3. “The state cannot forget about the problem”: state supervision

In parallel to the private initiative, the government began developing a process for launching SIBs. This subsection focuses on the problem of state supervision in SIB development as exhibited in a trial of feasibility. The election of Sebastián Piñera created a momentum for SIBs. Piñera is a conservative businessperson who was candidate from the right-wing coalition *Chile Vamos* in 2017. Piñera’s 4-year plan (2018-2022) included a 50-million-dollar fund for payment by results. By all accounts, it was a too high figure and an unrealistic promise, a public

official commented with a hint of irony.⁴⁴ Although it seemed impossible to invest as much as 50 million dollars in SIBs in four years, Piñera's plan gave a new impetus to SIB development. The presidential promise aroused new interest among various professionals at Instiglio, Social Finance, the IDB, Fundación San Carlos de Maipo, but also within the government in the Ministry of Social Development and the Ministry of Economy.

Three governmental entities were at the heart of SIB policymaking. First, CORFO was put in charge of the budget. Second, a special division was created at the Division of Innovation in the Ministry of Economy for coordinating SIB development. The Division of Innovation is where novelties fall into, as a public official explained. It is a space for the experimentation of new ideas before they potentially scale up and move to other divisions and ministries. The SIB mechanism could not be attributed to any defined division: it fell into the Division of Innovation, where a SIB coordinator was appointed. The SIB coordinator defined himself as a project manager who makes sure that SIB development is moving forward.⁴⁵ Third, the Ministry of Social Development was involved through the Division for public-private cooperation, a department attached to the Sub-Secretary for Social Evaluation (*División de Cooperación Público-Privada, Sub-Secretaría de Evaluación Social* – “MDS Division” hereafter). The MDS Division focuses on designing, implementing and evaluating cooperation mechanisms between the state and actors such as the civil society, academia and the private sector. It is within the Sub-Secretary for Social Evaluation, the entity responsible for evaluating social policies in Chile.

During my fieldwork, the head of MDS Division was particularly vocal on the issue of state engagement. Whereas in other countries the state takes a passive stance and keeps an external position all along SIB implementation, he affirmed, the Chilean state should be fully engaged in supervising the process. In the official's terms:

*“[In SIBs,] there is so much pressure on the ecosystem to obtain the results that it is necessary to have a supervision and a support that can ensure that the results are good for all. [...] We do think that **the state cannot forget about the problem** during implementation. It has to take an active role, not so much to define the implementation and how this is going to happen, but*

⁴⁴ Source: Interview with Policymaker, Ministry of Economy; 28/11/2019.

⁴⁵ Source: Interview with Policymaker, Ministry of Economy; 28/11/2019.

rather to guarantee that there aren't bad practices.” (Policymaker, Ministry of Social Development; 25/11/2019) (emphasis added)

This informant from the MDS Division reckoned that the state should steer SIB design, instead of only waiting for the results – what the GSG definition seemed to propose (see section 1). In his view, the SIB mechanism puts so much pressure on the stakeholders to achieve the results that it could lead to “bad practices.” Such practices include “cherry picking”, i.e., the selection of the participants most likely to achieve the results, and the exclusion of people with more complex needs. The MDS Division official argued for state supervision in SIB implementation in order to guarantee the social good. To him, the MDS Division should play this role. He added:

“Our role is to define methodologies that would be as robust as possible so the state doesn't forget [about SIB implementation], but at the same time doesn't influence the results, because this depends on the performance⁴⁶ of the implementers.” (Policymaker, Ministry of Social Development; 25/11/2019)

The discourse of the MDS Division official exemplifies what I call the joint specification of SIBs and state engagement in trials of feasibility. On the one hand, state engagement is specified: good policymaking should rely on technical, “robust” “methodologies”, and on the organization of a space to test the performance of social providers. On the other hand, SIBs should provide the right incentives – thanks to these methodologies – but allow for bad social “performance” as the case may be.

3.4. “The citizens are asking for more evidence”: technicized public accountability in SIB development

This subsection argues that the notion of public accountability, which is an important justification for SIBs in Chile, is shaped through the development of such “robust methodologies” to assess SIB feasibility and measure outcomes.

SIB development within the government relied on diverse assessment tools, first, for identifying policy areas, and second, for selecting specific programs. First, the government

⁴⁶ In English in the original quote.

identified relevant social policy areas for SIBs. The MDS Division took a central role in this endeavor. The identification process relied on *Compromiso País*, a national program led by the Ministry of Social Development. *Compromiso País* aimed to foster collaboration between ministries and between public and private actors to address the needs of vulnerable populations. Eighteen priority groups of population (inner ring on figure 7) were first identified and classified in the *Vulnerability Map (Mapa de la Vulnerabilidad)* as a result of technical analysis and consultations within the public sector. *Compromiso País* put together 10 ministers (outer ring on figure 7), but also “the private sector, the academia, and the civil society” in 16 “working tables” (*mesas de trabajo*).⁴⁷ The groups worked on defining social problems and solutions, with the Sub-Secretary for Social Evaluation supervising the identification of indicators and objectives.

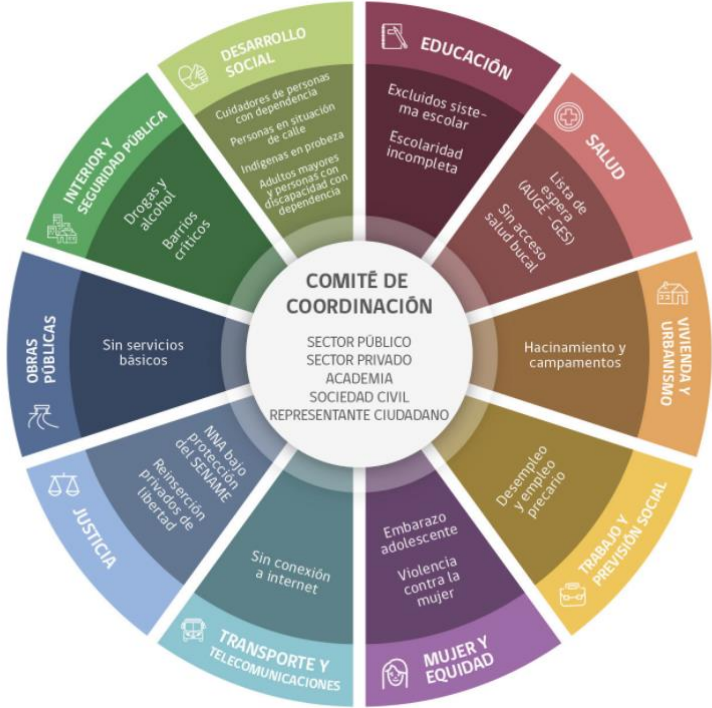


Figure 7. Diagram of the constitution of *Compromiso País*: coordination committee at the center, vulnerable populations on the inner ring, and the Ministers involved on the outer ring. Source: *Compromiso País*.⁴⁸

Compromiso País laid the groundwork for SIB development. Unlike in France and in Colombia where SIBs contrasted with mainstream social policymaking, in Chile, SIBs were integrated to

⁴⁷ Source: *Compromiso País*. “*Compromiso País*.” <http://www.compromisopais.cl/compromisopais.html> (accessed September 2022)

⁴⁸ *Compromiso País*. “*Compromiso País*.” <http://www.compromisopais.cl/compromisopais.html> (accessed September 2022)

existing policymaking devices. Indeed, as the following sections discuss, in France, SIBs were introduced as a complementary financing means for social innovation distinct from mainstream grant making. In Colombia, SIBs aimed at improving policymaking methods thanks to impact-based commissioning. In Chile, *Compromiso País* was an established framework that facilitated SIB development, as the SIB coordinator at the Ministry of Economy expressed:

“Our framework⁴⁹, our issues to be addressed are those of Compromiso País because this way you can have political communication, you also have a governmental validation, it is easier to pass legal instances, to be told ‘ah ok this is aligned with the government strategy’, etc.” (Policymaker, Ministry of Economy; 28/11/2019)

Compromiso País brought not only legitimacy to SIB development, but also a concrete validation of the policy areas targeted from political and legal standpoints.

Second, a specific assessment tool was created to select specific programs. To do so, the Ministry of Economy launched a call for SIB projects within the government. Six proposals in line with *Compromiso País* were scrutinized by the MDS Division. Assessment criteria were defined internally. The head of MDS Division outlined the importance of relying on internal expertise:

“At the beginning [some partners] were kind of invested with the idea that [at Social Finance they] are more expert [he smiles] – that they are, the “Holy Grail” of social impact bonds.* But they are just another actor, they don't have all the answers either. [...] One of the things we started to figure out is: What are the dimensions or what aspects are very necessary, that one always has to be considering in the different phases of SIB implementation to ensure a successful implementation? Even if all the implementations in all countries are different, there are issues that are similar. For example: stakeholders*, social value*, evidence*.” (Policymaker, Ministry of Social Development; 25/11/2019) (words marked with * are in English in the original)*

This informant was skeptical about Social Finance’s expertise. He explained that the MDS Division staff realized its own benchmark to identify key aspects of SIB development. The tool used to assess the SIB proposals was based on the following criteria:

⁴⁹ In English in the original.

1. Social need, including social problem, gap that needs to be addressed, target population
2. Results, including existing evidence, similar interventions, metrics, evaluation systems, payment schemes
3. Socio-economic value, assessed by cost-benefit analysis
4. Stakeholders, including political will⁵⁰

The pre-feasibility assessment classified the proposals thanks to a score. Three projects were selected. They respectively tackled youth delinquency, homelessness, and autonomy of young people going out of the child welfare system. The three projects then moved to the stage of the “feasibility study”, which consisted in deepening the analysis along the same four dimensions.

I analyze the pre-feasibility process as a trial of feasibility that specified the nature of public accountability in Chile. The policymaking approach adopted by the government focused on technical methodologies and hardly engaged in political debates. Indeed, the head of MDS Division insisted on presenting the analytical framework as a technical (as opposed to political) assessment.⁵¹ He added that “political will” was the “least technical” criterion, though just a sub-criterion of one of the four dimensions.” To him, “technical” criteria ensured accountability, whereas “political” criteria could be partial. Nonetheless, he admitted that the scoring system was more informative than decisive in the decision-making process. The score certainly organized the discussions, he explained, but was not the only decision criteria.

Moreover, none of my informants mentioned the violent social revolt that was going on. In late 2019, a rise in Santiago Metro’s fare engendered severe riots in the city. The protest spread to all regions of Chile to denounce inequality in the country, cost of living, and privatization, in particular of pensions. SENAME (National Service for Minors, *Servicio Nacional de Menores*), the institution that was leading the SIB project on youth delinquency, was a target of the protests. It was criticized for imposing violent treatment on young people. The head of MDS Division explained to me that SENAME takes care of two groups of population with very distinct needs, namely vulnerable children in need of protection and young offenders. The two groups get mixed in residences where they can easily fall from one

⁵⁰ Source: interview with Policymaker, Ministry of Social Development; 25/11/2019.

⁵¹ Source: interview with Policymaker, Ministry of Social Development; 25/11/2019.

category into the other. SENAME was reformed in 2019 in order to divide the two sections, and the SIB project appeared as a timely opportunity to further enhance SENAME's social services.⁵²

In this context, the demands for political change from the Chilean citizens contrasted with the discourses of SIB proponents, who conveyed a technical view on public accountability. My informant from the MDS Division did not mention the protests although public denunciations of SENAME were even visible on the walls of Santiago (one example on figure 8). Chilean citizens protested day and night: from their houses, hitting cooking pots ("*cacerolas*"), and in the streets, where they set fires every night, and violent clashes with the police caused casualties every day. The entire city of Santiago was covered by graffiti (figure 8). The atmosphere was incredibly tense. The only link I observed that the actors made between SIBs and the protests was at 2019 GSG Summit workshop on SIBs in Latin America⁵³, as one speaker from Fundación San Carlos de Maipo encouraged SIB development as a way to address citizen discontent. This intervention contrasted sharply with the social situation, but also with the critique of SIBs in terms of privatization and financialization made by scholars and by Bachelet's government, as mentioned previously. The speaker stated that "the social agenda has started to ask for public accountability." "Citizens are asking for more evidence" on social policy outcomes, the speaker said, and SIBs are an opportunity to finally "align demand from the government and demand from citizens." "Public accountability", in terms of providing "evidence" for social outcomes, was put forward as a prime justification for SIBs, and the reference to political decision criteria was avoided.

⁵² Source: interview with Policymaker, Ministry of Social Development; 25/11/2019.

⁵³ Source: Red Pago por Resultado (PxR) workshop, November 20, 2019 at Beccar Varela, Buenos Aires, Argentina.



Figure 8. National Library, Santiago de Chile, November 2019. On the right, zoom on “No more SENAME” graffiti. Credits: author.

To conclude, trials of feasibility in Chile mobilize existing repertoires of justification in terms of public-private partnerships and state supervision, which take roots in the neoliberal mode of government established since the 1970s in the country. But the contours of “good” policymaking and the objectives of SIBs were specified in the course of implementation with new justifications, as practitioners tried to make SIBs feasible. The private IB was launch to avoid delays in SIB design, and to create knowledge about SIBs through a proof of concept. “Methodologies” to select policy areas and SIB programs embodied the need for, at the same time, political consensus and transparency about the feasibility assessment. State supervision made sense in relation to an objective of public accountability centered on the production of evidence about social policy performance, repressing any “political” justification. This shows that the contours of SIB “feasibility” also take shape during SIB implementation. In Chile, the notion related the design timescale, the production of evidence, a focus on technical decision criteria and the absence of political influence.

4. SIBs in Colombia: promises of state sophistication and impact investment market development

This section examines the co-production of SIBs and the context of its development in Colombia based on interviews with key actors and two documents: the covenant on the launch

of the SIB program, and a report about the outcomes of public employment programs including one SIB.⁵⁴ As I discuss here, SIB development was aimed at improving public contracting methods but also at fostering the development of an impact investment market. On the one hand, the use of evidence in public contracting brought a promise of sophistication of the Colombian state. On the other hand, the development of SIBs was driven by the ambition to establish an asset class to support the impact investment market. SIBs needed to prove “successful”, in the actors’ terms, so that they could develop at a large scale and fulfill this two-fold goal. The ambition to make SIBs scalable led to specific arrangements such as competitive bidding processes to hire social operators and intensive monitoring of operational activities by the asset manager. Foundations and development organizations, rather than public authorities, led SIB development and ingrained result-based financing, impact measurement, and impact investment policy within the state. In this section, I first focus on the emergence of SIB policy and the important role that foundations and development organizations have played. I then examine two trials of feasibility, respectively about government engagement and the scalability of the SIB model.

4.1. The role of foundations and development actors in the emergence of SIB policy

While in Chile, the background of SIB development was deemed dependent on the historical role of the state in economic and social policy, in Colombia, it is the context of economic development and the influential role of a network of financial actors that stand out. Unlike in Chile, where the government played a central role in SIB development, in Colombia, government engagement in the setup of SIBs has been limited. The development of SIB policy interventions was driven by local foundations and development actors. The establishment of Instiglio in Colombia in 2012 was an important trigger for the advancement of SIBs in the country. Instiglio is a consulting firm specialized in result-based financing and evidence-based policy in low and middle-income countries.⁵⁵ It was founded by three entrepreneurs with a

⁵⁴ Inter-American Development Bank. (2016). *Donors Memorandum for the Pay-For-Success Financing for Innovations in Urban Workforce Development (CO-T1434)*; SIBs.CO. (n.d.). *Mapeo de tipos de resultados de empleabilidad y empleo inclusivo en el país. Bonos de impacto social.* (p. 104). SIBs.CO.

⁵⁵ Source: Instiglio. “Home.” <https://www.instiglio.org/> (accessed September 2022)

PhD from Harvard. Their objective was to make development programs more effective and impactful through data monitoring and result-based financing. They began advocating SIBs in the country. The co-founders like to tell that they became pioneers of SIBs because no one knew how to implement them, so no one could tell that they had no experience!⁵⁶

The young startup allied with Fundación Corona, a major foundation in Colombia, which was also interested in SIB development. Fundación Corona is the foundation of a family business group specialized in construction materials and ceramics. It has dedicated to social development in the country for 59 years.⁵⁷ It defines itself as a charity, a “learning organization”, and a policy advocate.⁵⁸ The foundation follows two strategic lines: on the one hand, “education towards employment”, which means inclusion of vulnerable population from school to employment, and on the other hand, “education for citizen participation”, including advocacy for more inclusive policymaking.⁵⁹ Besides, Fundación Corona, as any foundation, has a financial activity because it invests its endowments on the market. The foundation was interested in developing SIBs in the area of employment; SIBs resonated with what the foundation calls its “drivers”, such as “collective impact”, “innovative finance” or “data-driven solutions.”⁶⁰

As the Executive Director of the foundation explained to me, Instiglio and Fundación Corona created “Alliance for employment” (*Alianza para el empleo*) with other partners, namely the Colombian foundation Fundación Mario Santo Domingo and an employment company. The alliance aimed at piloting SIBs in the employment policy area. “Alliance for employment” received support from JP Morgan foundation, which funded a feasibility assessment conducted by Instiglio. The alliance significantly advanced SIB setup, but eventually failed to engage the government. According to my informant, in 2015, the government was facing budget constraints and decided to focus on other programs that were better aligned with policy priorities.⁶¹ Although this first attempt was not successful, it paved the way for future SIB development. The alliance kept growing, and partnered with Fundación Bolívar

⁵⁶ Source: interview with Technical advisor, Instiglio; 21/10/2019.

⁵⁷ As of 2022.

⁵⁸ Source: interview with Intermediary and investor, Fundación Corona; 21/10/2019.

⁵⁹ Source: interview with Intermediary and investor, Fundación Corona; 21/10/2019.

⁶⁰ Source: Fundación Corona. “Como lo hacemos.” <https://www.fundacioncorona.org/es/como-lo-hacemos> (accessed September 2022)

⁶¹ Source: interview with Intermediary and investor, Fundación Corona; 21/10/2019.

Davivienda, the foundation of the second biggest bank of Colombia. The partners also secured the support of two international development organizations, namely the Inter-American Development Bank (IDB) and the Swiss State Secretariat for Economic Affairs (SECO). A facility for SIB development within the Multilateral Investment Fund of the IDB (IDB-MIF, later rebranded as IDB Lab) provided a preparation grant to design a SIB implementation project in Colombia.

In late 2016, the project was set into motion. The IDB launched the “Pay-for-Success Financing for Innovations in Urban Workforce Development” commonly called “SIBs.CO”, with resources from the IDB-MIF and SECO amounting to US\$ 8.6 million. The Donors Memorandum describes the project and the key features of the projected SIBs. The project comprises three components:⁶²

Component 1: Payment for employment outcomes of vulnerable populations, financed by SECO through the IDB and the “Colombian government” (half-half). The project aimed at issuing at least three pay-for-success contracts (i.e., SIBs) over 5 years (2016-2021).

Component 2: Development of the SIB market, i.e., ecosystem building and strengthening of key actors, financed by the IDB-MIF and SECO

Component 3: Knowledge exchange within the Latin-American region, financed by the ADB-MIF and SECO.

The Memorandum does not state much about the nature of the programs to be launched through component 1.⁶³

“Services that could be provided include, but will not be limited to, professional trainings, job placement services, targeted wage subsidies, and non-cognitive skills development.” (p. 5)

⁶² Source: Inter-American Development Bank. (2016). *Donors Memorandum for the Pay-For-Success Financing for Innovations in Urban Workforce Development (CO-T1434)*.

⁶³ The SIB interventions followed the “Inclusive Employment Model” developed by Fundación Corona, which emphasizes intermediation in order to work on both supply and demand. According to project documents, the model comprises 11 steps: 1. Targeting, convening and enrolment; 2. Profiling and characterization; 3. Socio-occupational orientation and life plan; 4. Pre and Post-training evaluation; 5. Training in specific skills and socio-emotional abilities; 6. Retention strategies; 7. Psycho-social support; 8. Professional intermediation; 9. Effective job entry; 10. Post-entry support; 11. Measurement, monitoring and evaluation of the project.

The Memorandum instead focuses on “employment outcomes”, i.e., “improving the employability of unemployed vulnerable populations and victims of conflict living in urban areas” (p. 4). Two outcome payers are identified: SECO, and the “Colombian government.” SECO would fund half of outcome payments and the Colombian government the other half. The Memorandum mentions interest from the Department for Social Prosperity (*Departamento para la Prosperidad Social*), though no public outcome payer was firmly engaged yet. Furthermore, three private investors were identified: Fundación Corona, Fundación Mario Santo Domingo and Fundación Bolívar Davivienda.⁶⁴ Fundación Corona took two important roles besides being an investor. First, it was designated as the executing agency, i.e., the entity that runs the project and executes budget for components 2 and 3. Second, the foundation was “intermediary” in the first SIB, that is, the signatory of the contracts with, respectively, the outcome payers, the service providers and the financial manager.

SIB implementation in Colombia was thus driven by foundations such as Fundación Corona and JP Morgan foundation, and by development actors such as Instiglio, the IDB, and SECO. By relegating state engagement to the background, SIBs seem to perpetuate the development model implemented from the 1990s in Colombia, based on free markets and low levels of state intervention. As Flórez Enciso puts it in a chapter dedicated to the study of economics and economists in Colombia:

“In [the free market model] perspective [in Colombia], the market is seen as the only true model; state intervention in production, investment or the financing of social spending is perceived as dysfunctional.” (Flórez Enciso 2010:214)

Indeed, in the SIB narrative, government social spending is perceived as dysfunctional. SIBs are intended to address this issue by introducing a new type of public procurement that delegates the implementation of social services to social operators and financial markets, while the government focuses on outcomes only. The SIB.CO program was in fact embedded in emergent efforts to modernize policymaking through evidence-based policy, in a context characterized by a fragile governmental apparatus still affected by the consequences of

⁶⁴ Source: Inter-American Development Bank. (2016). *Donors Memorandum for the Pay-For-Success Financing for Innovations in Urban Workforce Development (CO-T1434)*.

internal armed conflicts and drug trafficking (Rubaii and Sanabria-Pulido 2020). In this vein, SIB implementation took the form of a collective, privately led endeavor in which foundations and development organizations, rather than public authorities, define and shape the “public good” in terms of result-based financing, impact and market efficiency.

4.2. “Public innovation for a modern country”: government engagement

This subsection analyzes a trial of feasibility related to government engagement in SIBs. The involvement of the government in SIBs was not challenged as it was in Chile, but the level of government engagement was discussed. I argue that SIB implementation, and in particular the problem of low government engagement in the process, entailed the specification of SIBs in terms of “innovation” and state “sophistication”, as well as the qualification of public management as “risk-adverse” and somehow old-fashioned. In order to secure greater government engagement and effectively modernize public management, I show that SIBs.CO focused on evidence production about SIB outcomes and costs.

The Executive Director of Fundación Corona affirmed that the SIBs.CO project aimed to launch SIBs, with the government paying for outcomes, and not Development Impact Bonds (DIBs), with only donors paying for outcomes.⁶⁵ Indeed, SIBs.CO aimed at transforming public management, although government engagement had been limited since the “Alliance for Employment” pilot project. SIBs.CO project Memorandum promotes SIBs as a “powerful tool” for “driving scarce resources toward the most high-performing programs and providers” and “resolving complex social problems for Latin American countries.”⁶⁶ As the manager of Instiglio’s Bogota office put it, SIB development responds to a need for “sophistication” in public service delivery. To him, government engagement was hindered because of normative and budget limitations that make “the public sector [...] very risk-adverse”:

“Generally the public sector is very risk-adverse. There are a number of obstacles or normative frameworks that don’t allow a public official to innovate and use resources for something that wasn’t done before [...]. SIBs

⁶⁵ Source: interview with Intermediary and investor, Fundación Corona; 21/10/2019.

⁶⁶ Source: Inter-American Development Bank. (2016). Donors Memorandum for the Pay-For-Success Financing for Innovations in Urban Workforce Development (CO-T1434).

*were a way we found to innovate in public management. [...] Once it is clear that they [public officials] are not bearing any risk, that if the results are not achieved they don't have to pay – what's more, it is a scheme that allows them to innovate along with the providers – SIBs become something important. [...] Fundación Corona, with its expertise in labor-related issues, also joined in this idea of **how to make the delivery of services more sophisticated.**" (Technical advisor, Instiglio; 21/10/2019) (emphasis added)*

The notion of “innovation” resonates with the “public innovation” category promoted in the National Development Plan of President Duque for 2018-2022.⁶⁷ SIBs figure in this Plan as part of public innovation tools, as a result of advocacy work from the SIBs.CO team.⁶⁸ The Plan mentions SIBs in the section titled “Pact for science, technology and innovation: a system to build the knowledge of future Colombia”, sub-section “Public innovation for a modern country”:

“Exploring and promoting payment-by-result mechanisms like social impact bonds and outcomes funds.” (p. 630; my translation)

The search for “results” and “evidence” is posed as a guiding principle for achieving “public innovation” and a “modern country”:

“The national Government will lead a public innovation policy based on adaptive, open and evidence-based experimentation.” (p. 584; my translation)

The Department for Social Prosperity was finally involved as an outcome payer (along with the Swiss donor SECO) in the first SIB of the SIBs.CO project. The SIB, “*Empleando Futuro*”, was launched in 2017 in the cities of Bogotá, Cali and Pereira for the employment of vulnerable populations. Outcome payments amounted US\$ 1 million over 2 years.⁶⁹ After this first SIB was completed, the narrative of evidence production was reinforced in order to increase government interest. A report titled “Mapping of types of results of employment and inclusive employment in the country. Social impact bonds”, which was financed by the SIBs.CO project and drafted by Instiglio, supported the narrative of evidence.⁷⁰ It studied the results of the SIB

⁶⁷ Source: Plan Nacional de Desarrollo 2018-2022: Pacto por Colombia, pacto por la equidad. Departamento Nacional de Planeación.

⁶⁸ Source: Interview with Intermediaries, Fundación Corona; 22/10/2019.

⁶⁹ For an overview of the SIBs.CO project, see (Pellizzari 2020).

⁷⁰ SIBs.CO. (n.d.). *Mapeo de tipos de resultados de empleabilidad y empleo inclusivo en el país. Bonos de impacto social.* (p. 104). SIBs.CO.

Empleando Futuro. By displaying graphic comparisons of the costs and outcomes of the SIB with those of existing employment programs (see figures 4 and 5), the report aimed at demonstrating with numbers that SIBs can indeed enhance employment policies in Colombia. It therefore aimed at “motivating more governments and professionals in the sector to drive improvements in public policy through the use of SIBs”, as the introduction of the report mentions:

“[D]eveloping evidence and sharing learnings on the contextual and technical elements that materialize the SIB value proposition becomes fundamental to exploit the potential of these mechanisms [...]. In this way, it is hoped that professionals in the public sector, and in the development field in general, will strengthen their understanding of the subject, thus motivating more governments and professionals in the sector to drive improvements in public policy through the use of SIBs with a high quality technical design.” (SIBs.CO n.d.:14) (my translation; emphasis added)

For the sake of evidence production, the report compares the costs and outcomes of SIBs with that of programs that are however very different – e.g., extended to the national territory, running over several years, with substantial public funding, not targeted at vulnerable populations. For instance, it considers the national employment agency as a comparable program. Moreover, the report displays a range of data although it warns that accurate information about most of the programs studied are lacking. Figure 9 displays a comparison of the total public investment in different employment programs including the SIB *Empleando Futuro* (in third position on the graph). The SIB has a cost of COP 2,740 over two years (2017-2018), and the program with the highest cost totals COP 937,610 over 4 years (2014-2017). Not only the graph compares very different types of data, but the difference in costs also distorts the scale of the graph (visually, there not much difference between COP 2,375 and COP 16,448). On the left, the report concludes that the government has spent COP 1.3 billion overall in the last years on employability programs.

SIBs.CO



¿CUÁNTO HA INVERTIDO EL GOBIERNO IMPLEMENTANDO PROGRAMAS DEDICADOS A PROMOVER EL EMPLEO DE LOS COLOMBIANOS?

¿QUIÉNES SON LAS PRINCIPALES ENTIDADES QUE FINANCIAN LOS PROGRAMAS?



En los últimos años, el gobierno nacional ha financiado programas de empleabilidad por cerca de **\$1,3 billones de pesos** y ha atendido más de **600 000 personas**. Sin embargo, es difícil estimar cuántas personas han sido beneficiadas de manera exclusiva ya que una persona puede ser atendida por más de un programa¹.

La inversión per cápita puede variar entre menos de **\$100 000** por participante a **más de \$6 000 000** dependiendo del programa.

La inversión de los últimos dos años para los programas de empleabilidad seleccionados asciende a **\$1,3 billones de pesos** y ha logrado atender más de **600 000 colombianos**, lo que equivale a una inversión promedio per cápita de más de **\$2 000 000**. Sin embargo, teniendo en cuenta la dificultad de los programas en consolidar los registros administrativos es difícil estimar qué porcentaje de personas ha sido atendido por uno o más programas de empleabilidad.

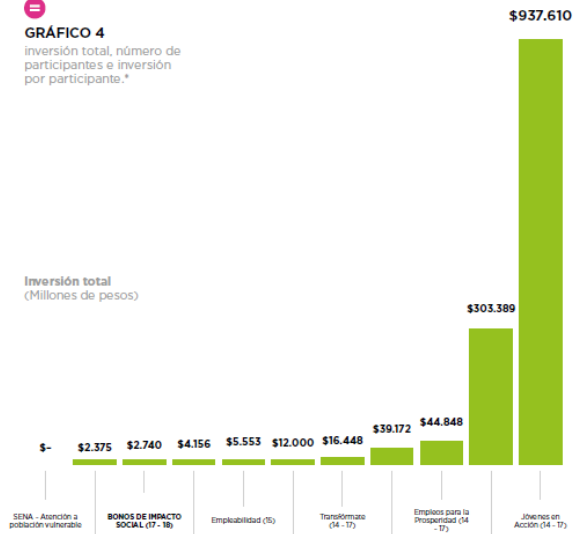
A pesar de que todos los programas buscan mejorar las condiciones de empleabilidad de su población objetivo, las actividades e indicadores de éxito en cada uno de ellos varía y, en consecuencia, cuantificar los costos per cápita de las intervenciones no es una tarea sencilla.

¹ Información recolectada para la inversión realizada por los once programas entre las vigencias 2015 a 2017.

1 2 3 4 5



GRÁFICO 4
inversión total, número de participantes e inversión por participante.*



* En paréntesis los años evaluados para cada programa con base en la información reportada por las entidades.

** Se desconoce el presupuesto destinado al programa del SENA dedicado a atención a población vulnerable.

*** Se desconoce el número de personas atendidas a través de la ruta básica de empleo con enfoque de cierre de brechas.

Figure 9. Comparison of total public investment in different employment programs including the SIB “Empleando Futuro” (in third position on the graph). Source: Mapping report (pp. 20-21).

The report additionally uses data to exhibit SIBs as the best way to measure and improve employment outcomes. It concludes with an assessment of existing employment programs against five criteria that are precisely benefits commonly attributed to SIBs, namely: 1. financial innovation; 2. flexibility in implementation; 3. focus on outcomes; 4. learning agenda; 5. monitoring and evaluation – each category being assessed on a 5-point scale. Figure 10 shows the assessment grid, in which only two programs reach 5/5 on one of the criteria. This assessment serves the promotion of SIBs over other types of public programs.

Chapter 1 – Contrasting trends in social impact bond implementation: trials of feasibility in Chile, Colombia and France



TABLA 4

Principales programas de políticas activas del mercado laboral en Colombia

PROGRAMA/ INICIATIVA	1 FINAN	2 FLEX	3 EBR	4 GC	5 SAE	OBSERVACIONES
Transformate	2	1	2	2	2	Los recursos se transfieren a las instituciones de formación para cubrir la matrícula, sin embargo el pago no está sujeto a resultados. No se evidencian cambios o mejoras en su implementación a lo largo del tiempo, una estrategia clara de gestión del conocimiento o de seguimiento y evaluación.
Educándonos para la Paz	2	3	3	2	2	Los recursos se transfieren a las instituciones de formación para cubrir la matrícula, sin embargo el pago no está sujeto a resultados. El programa se ajusta para brindar programas de formación en áreas de mayor empleabilidad y la estructura operativa está alineada a los resultados. No se evidencia una estrategia clara de gestión del conocimiento o de seguimiento y evaluación.
Jóvenes en Acción	3	2	3	4	5	Las transferencias condicionadas a los estudiantes cuentan con esquemas que incentivan un buen desempeño de los estudiantes. La implementación del programa es estándar para todos los territorios y se rige bajo la normatividad del programa que no establece la posibilidad de innovaciones o cambios. El programa ha incluido ajustes en cada una de sus versiones de Manual Operativo y cuenta con evaluación de impacto.
Ruta básica de empleo con enfoque de cierre de brechas	2	2	3	3	4	El sistema está determinado por los recursos FOSFEC asignados a las Cajas de Compensación Familiar - CCF que no necesariamente se asignan dependiendo de su efectividad en la colocación. El Servicio Público de Empleo es el responsable del seguimiento y monitoreo de la ruta a través de la red de operadores.
Ruta de atención especializada para víctimas del conflicto armado	4	4	4	3	4	El pago a los operadores se encuentra asociado a la colocación de las víctimas del conflicto armado. Los recursos destinados a la ruta son flexibles y se adaptan a las necesidades de la población. El programa se ha reformulado con base en los aprendizajes en su implementación.

PROGRAMA/ INICIATIVA	1 FINAN	2 FLEX	3 EBR	4 GC	5 SAE	OBSERVACIONES
Agencia Pública de Empleo SENA	2	2	2	1	3	El presupuesto asignado a la entidad no depende de sus resultados en colocación. Así mismo, no se evidencia que la ejecución se ajuste para garantizar el cumplimiento de sus objetivos. No se cuenta con un manual operativo que permita identificar las características del programa y sus aprendizajes. Así mismo, no es claro como se miden los indicadores. El programa cuenta con una herramienta en línea que permite conocer el avance de sus metas en tiempo real. Sin embargo, no se cuenta con evaluación de proceso o de resultados.
SENA - Atención a población vulnerable						No se cuenta con información detallada que permita evaluar el programa bajo los criterios mencionados.
Empleo para la Prosperidad	1	3	1	3	3	Los convenios suscritos con los operadores manejan un sistema de pago tradicional que no está condicionado a resultados. No hay claridad de las metas por vigencia. Si bien la información del programa menciona esquemas de seguimiento, monitoreo y evaluación, la información disponible no permite evaluar sus resultados.
Empleabilidad	4	4	4	3	4	El programa incluye pago por resultados. Las Empresas sin Ánimo de Lucro (ESAL) parte del programa formulan y desarrollan el programa de acuerdo con las necesidades de la población.
40 Mil Primeros Empleos	5	2	4	3	3	El programa tiene esquemas de pago diferenciados a sus operadores dependiendo de los resultados. No se cuenta con documentos que documenten la experiencia y sus aprendizajes.

Figure 10. Assessment of employment programs against five SIB principles. Source: Mapping report (pp. 66-67)

To conclude, the SIBs.CO project brings promises of public management improvement in terms of “public innovation” and “evidence-based policy”, two notions that are promoted by private actors as well as the government. In the SIBs.CO actors’ views, limited government engagement in early SIB initiatives increased the need for evidence production about SIB outcomes and costs. To maintain and strengthen government interest in SIBs, and thus ensure SIB feasibility, SIBs.CO produced a narrative of the benefits of SIBs over existing employment programs based on quantitative and qualitative assessments. The Mapping report funded by SIBs.CO⁷¹ displays comparisons of SIB costs and outcomes with those of other employment programs, despite stark differences in the nature of the programs considered and missing data. Finally, after the first SIB was implemented with the Department for Social Prosperity, public sector engagement was sustained: a second SIB of US\$ 1.2 million, “Cali progresa con el empleo”, was launched in 2019 in Cali, with the Municipality of Cali paying for employment outcomes.

⁷¹ SIBs.CO. (n.d.). *Maapeo de tipos de resultados de empleabilidad y empleo inclusivo en el país. Bonos de impacto social.* (p. 104). SIBs.CO.

4.3. “We looked at a bigger picture such as the development of a market”: SIB scalability

SIB implementation was driven by an explicit ambition to develop a larger “market” of SIBs. In this context, SIB feasibility depended on the possibility to scale up SIBs, first, as a public commissioning method, and second, as an impact investment asset.

On the one hand, SIBs.CO promoted the establishment of result-based financing as a commissioning method. To the Director of Fundación Corona, who was quoted in a report that documented the SIBs.CO setup process, SIBs are interesting to the foundation because they influence public contracting and can improve the “efficiency of state investment”:

“I insist on the fact that everything that the Foundation does is a public good, and the SIB is a great example, because it influences the very public sector: contracting methods and, through contracting, the efficiency of state investment.”⁷² (my translation)

SIBs’ promises go beyond the SIBs.CO project boundaries. SIBs are expected to foster lasting changes in “the very public sector” (“*lo más público de lo público*” in the original quote in Spanish): public contracting methods. The possibility to indeed influence public contracting depended on the possibility to achieve scale. SIBs.CO stakeholders were motivated by the perspective to scale up the model as a government tool. SIBs.CO funded the establishment of an “outcome fund” instead of a third SIB. An outcome fund is a pool of public funding dedicated to SIBs. The outcome fund was established in 2020 within the Department for Social Prosperity to finance several SIBs. A dedicated team was appointed at the Department for Social Prosperity, which SIBs.CO stakeholders saw as a guarantee of SIB sustainability and growth.⁷³ Moreover, the SIBs.CO project supported “market building” (through component 2), i.e., capacity-building in private and public sectors in order to “ensure the development of

⁷² Source kept anonymous: the report is undisclosed. I warmly thank my informants from Fundación Corona for letting me access this rich source of information. The report was commissioned by SIBs.CO in order to document doubts, disputes and solutions encountered during the setup process. It was not published because, according to my informants, its content generated discord between the involved parties.

⁷³ Sources: Interview with Intermediary and investor, Fundación Corona; 21/10/2019; Sánchez, A. M. (21 July 2020). Gobierno pone en marcha el fondo de pago por resultados para incentivar el empleo. *La República*. <https://www.larepublica.co/economia/gobierno-pone-en-marcha-el-fondo-de-pago-por-resultados-para-incentivar-el-empleo-3033968> (accessed September 2022).

an expanded high-quality pipeline of pay-for-success contracts.”⁷⁴ SIBs.CO aimed at expanding the number of capacitated actors in order to scale up SIBs.

On the other hand, SIBs were intended to become a scalable investment product. SIB development resonated with emerging attempts to boost “impact investment” (*inversión de impacto*) in Colombia, i.e., investments made with the intention to produce social impact alongside financial returns. The role of the financial intermediary Corporación Inversor was deemed essential to structure a SIB asset. Corporación Inversor is a non-profit asset manager specialized in impact investment. It was created by 14 entities, including several foundations and the National Stock Exchange (where Corporación Inversor’s headquarters are), in order to pilot and organize impact investing in the country, as the SIB coordinator at Corporación Inversor expressed:

*“[B]eyond investing in an impact investment vehicle, **[our investors] are trying to promote the impact investment ecosystem in Colombia.** Today we are structuring a second fund for which we are looking for investors, many of which will probably be foundations, but we would like to have more pension funds, we would like to have more banks, we would like to have entities that do not only belong to the social sector, **to continue promoting the idea that impact investment is not charity** [...], that any actor interested in financial return and impact return should be able to invest in such vehicles.” (Intermediary and asset manager, Corporación Inversor; 25/10/2019) (emphasis added)*

Following a first impact investing fund of USD 8 million, Corporación Inversor was about to launch a second fund that would be three times bigger.⁷⁵ These funds aimed to prove that impact investment is viable even for mainstream investors. SIBs were an opportunity to add a new “business line” to Corporación Inversor’s activities, as one of the organization’s founders put it.⁷⁶ Corporación Inversor was involved in SIBs as a financial intermediary in charge of managing the funds invested by the investors.

In this view, SIBs were an essential means for advancing impact investing. To the Director of Fundación Bolívar Davivienda, SIBs should be scaled up and could be traded on capital markets

⁷⁴ Inter-American Development Bank. (2016). *Donors Memorandum for the Pay-For-Success Financing for Innovations in Urban Workforce Development (CO-T1434)*.

⁷⁵ Source: interview with Intermediary and asset manager, Corporación Inversor; 25/10/2019.

⁷⁶ Source: interview with Investor, Fundación Bolívar Davivienda; 1/11/2019.

in the future. They could be sold to clients of the bank Bolívar Davivienda who, my informant claimed, are increasingly interested in impact investing:

*“We saw in this process an opportunity to not only create a bond in which philanthropic investors or corporate foundations look for support [from more investors] to generate this, but we looked at a bigger picture such as **the development of a market of this type of investment to allow citizens to invest.**” (Investor, Fundación Bolívar Davivienda; 1/11/2019) (emphasis added)*

The problem of SIB scalability prompted pragmatic design choices aimed to ensure SIB “success”, as the Director of Fundación Bolívar Davivienda put it. In particular, the work of Corporación Inversor was essential to construct a successful asset:

*“We were always very focused on how we could structure a successful model, and that is why we brought in [Corporación] Inversor. [Corporación] Inversor is the manager of the bond, which was a success. [...] Because when someone who knows how to manage money and manage resources does it, they have the habit of **looking for a higher internal rate of return. And this supports the economic impact of the bond, which was also very important to prove.**” (Investor, Fundación Bolívar Davivienda; 1/11/2019) (emphasis added)*

To this informant, the expertise of Corporación Inversor in asset management was necessary to actively seek for a high return on investment and thus, to prove that SIBs are financially viable. The role of Corporación Inversor amounted to financial optimization in order to provide the best possible profitability to investors. Two of the foundations that invested in SIBs were particularly attached to SIB profitability since they invested from their endowments. Foundation endowments are usually invested in mainstream investment markets in order to produce substantial financial returns, whereas through SIBs, the foundations were making a riskier *impact* investment with a primary focus on social outcomes. SIBs were seen as an opportunity to make foundation endowments, besides donations, impactful. However, this approach implied that SIB investment should be profitable, since foundations are willing to earn money when investing endowments. In order to monitor but also to foster SIB profitability, Corporación Inversor provided overall “support” to social operators and

participated actively in their activities and decisions.⁷⁷ The intermediary was responsible for overseeing social operators' costs and activities. From the onset, Corporación Inversor firmly negotiated costs reduction to produce satisfactory forecasts.⁷⁸ During the implementation of the second SIB in the city of Cali, Corporación Inversor appointed a consultant in Cali to support but also control social operators' practices on a daily basis.

Whereas in France the creation of a SIB financial market was seen as a threat (cf. section 5), in Colombia it was a promising perspective. One informant affirmed that criticisms about policy financialization were absent in Colombia. Concerns were more about public spending efficiency and less about the profits directed to investors:

“Really what is important is that the objective, the policy, is achieved, and that cost-efficiency is achieved. [...] In reality I, as a citizen, was more worried about if the money was invested well than if the return on investment for the service provider was this or that.” (Technical advisor, Instiglio; 21/10/2019)

Moreover, more investment could create more impact, as an investor argued:

“Our impact is 600 jobs, but, well, this month 280,000 jobs were created here in Colombia and we are talking about not even 1 per thousand. [...] If 1% of the government budget were to become payment for results bonds you would have a bunch of money.” (Investor, Fundación Bolívar Davivienda; 1/11/2019)

In conclusion, in Colombia, SIB implementation prompted the specification of public management in terms of “risk-adverse”, non-modern, which innovation, cost efficiency, and evidence creation aimed to address. SIB feasibility was expressed in terms of scalability in order to fulfill the two-fold objective of modernizing public management and building an impact investment market. The study of trials of feasibility demonstrates the co-production of contextual elements such as public management qualities, policy objectives, impact investing methods and purposes, and of concrete SIB setup. SIB development was led by financial and development actors. By seeking government engagement, these actors ingrained result-based financing within the state, in particular through the launch of an outcome fund managed by the Department for Social Prosperity, but also impact investing policy, since SIBs were seen as an asset class. To replicate the model at a larger scale, SIB practitioners sought the “success”

⁷⁷ Source: interview with Intermediary and asset manager, Corporación Inversor; 25/10/2019.

⁷⁸ Source: interview with Social operator; 29/10/2019.

of the first SIBs implemented. The notion of “success” was forged through trials of feasibility: it entailed enough data production, government engagement, low costs and better results, and financial profitability.

5. SIBs in France: an anti-market approach to preserve the welfare state

This section examines SIB development in France, where, contrary to the Chilean and Colombian cases, market ideals were rejected in order to preserve the so-called welfare state. It uses interviews conducted in France and several other sources (reports, official documents, press articles, radio program) that either prepared or criticized SIB implementation. As I aim to explain here, French practitioners transformed SIBs, a tool criticized for their “Anglo-Saxon” characteristics, into a French SIB model aimed to be compatible with the welfare state tradition. Through trials of feasibility, practitioners specified SIB features in order to counter three main threats they identified, namely (1) competition between public and private funding; (2) allowing financial actors to earn high returns from social services targeted at vulnerable people; and (3) creating a competition for funding between SSE organizations. I show that concrete design choices emerged from these trials. In this section, I study the context of SIB development as the convergence between social policy and impact investment. I then elaborate on each of the three trials of feasibility that addressed the threats mentioned above.

5.1. SIBs at the confluence of social policy and impact investment

In France, SIB development began earlier than in Chile and Colombia. The first SIB project launched in 2010 in Peterborough, UK, raised the interest of actors from the field of impact finance (investors specialized in the financing of social organizations) but also from the government and the social sector. This subsection shows that SIBs developed in France at the confluence of social policy and impact investment.

The French social sector has a long history. Since the 1980s, the term “social and solidarity economy” (SSE) has referred to specific legal forms, solidarity-based financing streams and public policies. The SSE sector was first institutionalized under the Minister of Planning and Land Management Michel Rocard (1981-1983). The creation of a Delegation for the Social Economy in 1981 gave the first legal definition of this distinct, “non-capitalist” and “non-profitable” economy.⁷⁹ The SSE originally covered three types of non-profit organizations: cooperatives, mutual insurances and associations.⁸⁰ In 2014, under socialist President François Hollande, the SSE field was further formalized in the “SSE law” or “Hamon law” (“*loi ESS*” or “*loi Hamon*”) in reference to the Delegate Minister for the Social and Solidarity Economy, Benoît Hamon. The 2014 law broke with previous definitions of the SSE by qualifying SSE as composed of “enterprises” that bring social innovation and overcome the public-private divide (Hély 2017). In the 2014 law, enterprises pertaining to SSE are defined according to three pillars: (1) the existence of an objective that is different from the sharing of benefits; (2) a democratic governance; and (3) responsible management principles. The SSE legal status includes cooperatives, mutual insurances, associations, foundations, but also for-profit companies that comply with the aforementioned criteria.⁸¹

From 2013, impact investing became an important topic in SSE policy. The department of the Delegate Minister for the SSE began studying impact investment and SIBs, which were developing in the UK.⁸² In parallel, a “Social Impact Investment Taskforce” was created within the G8. The taskforce was chaired by Sir Ronald Cohen, an eminent businessman based in the UK, known to be a pioneer in venture capital and impact investment. France took part in this international taskforce and formed a national advisory board (NAB) (*Comité consultatif*) whose mission was to examine and advance impact investment in the country. The French

⁷⁹ Sources: Minot, J.-F. (28 November 2013). “Michel Rocard a rêvé de l'économie sociale et solidaire”. La Nouvelle République.fr. <https://www.lanouvellerepublique.fr/chateauroux/michel-rocard-a-reve-de-l-economie-sociale-et-solidaire> (accessed September 2022) and Duverger, T. (7 July 2016). “Michel Rocard ‘est le père de la reconnaissance de l'économie sociale’”. Le Monde. https://www.lemonde.fr/idees/article/2016/07/07/michel-rocard-est-le-pere-de-la-reconnaissance-de-l-economie-sociale_4965651_3232.html (accessed September 2022).

⁸⁰ “Association” refers to a legal status defined by the Law of 1 July 1901. It designates an association of people that pursues a purpose other than to share profits. This status is widespread in the SSE sector. The text of the law is available from <https://www.legifrance.gouv.fr/loda/id/JORFTEXT000000497458/> (accessed September 2022).

⁸¹ Loi n° 2014-856 du 31 juillet 2014 relative à l'économie sociale et solidaire. <https://www.legifrance.gouv.fr/loda/id/JORFTEXT000029313296/> (accessed September 2022).

⁸² Source: interview with Policymaker, Ministry of State for the SSE; 24/02/2018.

NAB was led by the Vice-President of a major cooperative bank and historic financier of the SEE. Its members came from diverse backgrounds – banks, venture capital, social entrepreneurship, independent expertise, but also administrations, academia, and international organizations.⁸³ The works of the Social Impact Investment taskforce emphasized the important role of the public sector in promoting impact investment, through market regulation and public financing (Calderini, Chiodo, and Michelucci 2018). The French government was particularly committed to stimulating impact investing: Benoît Hamon, the Delegate Minister for the SSE, wrote a mission statement to the French NAB.⁸⁴ This letter added legitimacy and stir to the NAB assignment.

In September 2014, the NAB submitted a report to Carole Delga, the head of the new Ministry of State for Commerce, Crafts, Consumption and the SSE established in 2014.⁸⁵ The report provided an assessment of the impact investment sector and included 22 recommendations for its development. One of the recommendations targeted SIBs:

“Experimenting ‘Social Impact Bonds’ while adapting them to the national context” (Comité français sur l’investissement à impact social 2014:32) (my translation)

The NAB report introduced SIBs as a “clever” instrument to be “experimented” in the French context (Comité français sur l’investissement à impact social 2014:32). It put forward a rhetoric of policy experimentation in a context in which some “factors can potentially hinder the development of SIBs” as they have been developed in the UK. The report highlighted “the possible reluctance of public actors to serve a significant remuneration [to investors]” and proposed to experiment different types of SIBs that allow for more or less profits to investors (Comité français sur l’investissement à impact social 2014:32).

Therefore, SIBs were introduced in France as a model to be adapted to a context in which, according to the actors, the SSE sector is not overly profitable and is mainly funded by the state, which is often referred to as the “welfare state.” SIB development seems to be part of the new managerial trends that have altered the French statist tradition by promoting

⁸³ Source: Comité français sur l’investissement à impact social. (2014). *Comment et pourquoi favoriser des investissements à impact social? Innover financièrement pour innover socialement* (p. 150).

⁸⁴ In Appendix 1 of the report: Comité français sur l’investissement à impact social. (2014). *Comment et pourquoi favoriser des investissements à impact social? Innover financièrement pour innover socialement* (p. 150).

⁸⁵ Source: Press release available from <http://proxy-pubminefi.diffusion.finances.gouv.fr/pub/document/18/18037.pdf> (accessed September 2022)

performance-based, bureaucratic, and more collective (public-private) forms of public action (Bezes 2020; Lascoumes and Le Galès 2007). As the following subsections further discuss, justifications for SIB development reflect a will to reform the welfare state deemed too costly and inefficient (Rosanvallon 2015), and at the same time, a need to preserve the ethics associated with the welfare state and the SSE sector. In this chapter, however, I argue that SIB development is not determined by national political and economic traditions. Instead, conditions for SIB feasibility are specified over the implementation process – throughout trials of feasibility. As I demonstrate below, French SIBs aimed to avoid three threats: (1) competition between public and private funding; (2) the possibility that financial actors earn high returns from social services targeted at vulnerable people; and (3) the creation of competition for funding between SSE organizations. Each threat entailed adaptations in order to align SIBs and principles of the welfare state that emerged over trials of feasibility.

5.2. “We have never sought to replicate the Anglo-Saxon model”: the role of the state in social welfare

SIB development in France was focused on finding an alternative to the UK SIB model, which was criticized by some SSE representatives but also by public actors and financial actors. I analyze the process of framing the use of SIBs in the SSE financing landscape as a trial of feasibility through which government officials specified conjointly the characteristics of SIBs and of French social policy. This subsection discusses how French practitioners dealt with the threat of creating competition between public and private funding. To the actors, SIBs, as a way to channel private funding to social organizations, could replace and thus reduce public grant funding. On the contrary, the need to preserve the role of the state as the main funder of social welfare was reaffirmed.

Immediately after the NAB report was published, an association of SSE actors called the Collective of Citizen Associations (CAC) strongly criticized the reference made to SIBs. The CAC aims at defending a certain conception of the social sector that puts forward the important role of associations in the enactment of a “solidary, sustainable and participative society”,

beyond the sole economic dimension of the so-called SSE.⁸⁶ The CAC has been a vocal critic of SIBs since 2014. To the CAC, SIBs are an “ultraliberal attack” on the French social sector, in which social and solidarity services are transferred to “the market” for the benefit of financial institutions.⁸⁷ The CAC’s analysis challenges the founding principles of impact investment by focusing on a speech given by Sir Ronald Cohen that figures in annex of the NAB report.⁸⁸ In this speech, Sir Ronald Cohen claims that:

“[W]elfare states designed for the 20th century are throwing up their arms in face of the struggle against the new century’s social challenges. They realise that they are not best placed to innovate in bringing solutions to social issues.” (Sir Ronald Cohen cited in Boual 2014:3)

The author of the CAC’s analysis identifies two “erroneous assumptions” in Cohen’s discourse: on the one hand, the fatalist idea that welfare states have failed to address social issues and on the other hand, the promotion of finance as an adequate response. The author of the critique however sees Sir Ronald Cohen’s statement as a “religious and fatalist millenarian theory, as if the failures to address social issues were not due to human decisions” (Boual 2014:3) (my translation). Sir Ronald Cohen also invites foundations and financial institutions to tackle social issues. To the CAC, this statement implies that the employees who invest their money in saving funds “would finance their own misery under the guidance and for the benefit of the financial oligarchy” (Boual 2014:3). Finally, the author rephrases the narrative of impact investment in terms of substituting the welfare state by profitable market-based solutions:

“This is about replacing the welfare state social protection provided by public services and associations, which are deemed too costly, by a market system made for generating profits. [...] As always, good feelings are put forward to justify and overcome reticence and opposition against this marketization of

⁸⁶ Source: CAC. “Historique du Collectif”. http://www.associations-citoyennes.net/?page_id=2704 (accessed September 2022).

⁸⁷ Boual, J.-C. (2014). *Les investissements à impact social. Notes de lecture et résumé du rapport remis le 25 septembre à Carole Delga, secrétaire d’État à l’économie sociale* (p. 7). Collectif des Associations Citoyennes. <http://www.associations-citoyennes.net/wp-content/uploads/2014/11/Les-investissements-%C3%A0-impact-social-r%C3%A9sum%C3%A9-et-analyse-10-11-14.pdf> (accessed September 2022)

⁸⁸ Annex 2: “Discours de Sir Ronald Cohen ‘Révolution dans la philanthropie : l’investissement impactant’, 23 janvier 2014” (p. 138) in Comité français sur l’investissement à impact social. (2014). *Comment et pourquoi favoriser des investissements à impact social? Innover financièrement pour innover socialement* (p. 150). Original speech in English available from https://www.cass.city.ac.uk/_data/assets/pdf_file/0003/209775/LM-CLP_Sir-Ronald-Cohen-Jan-14.pdf (accessed September 2022)

new sectors that had, for most of them, escaped it and rested on solidarity.”
(Boual 2014:7)

In this view, the financing of welfare should not be submitted to the “marketization of new sectors.” The marketization and financialization of the welfare state, as some scholars argue too, undermine the ethics of social welfare (Dowling 2017; Dowling and Harvie 2014; Joy and Shields 2013; Sinclair et al. 2021).

The French government was not against SIBs as the CAC was, but it was certainly cautious. Carole Delga, the head of the Ministry of State for the SSE, decided not to launch SIBs. She rather avoided to take a stance on this controversial matter, as she was running for regional elections and was about to leave the government. SIBs were launched under her successor from late 2014, Martine Pinville. Pinville included SIBs in the policy objective to find complementary financing sources for SSE projects. A former official from the Ministry of State for the SSE explained that SSE financing was facing two problems: on the one hand, public budget is scarce, and, on the other hand, grants always go to the same well-experienced organizations. Consequently, many projects do not have access to public grants and struggle to develop, and this is particularly the case for social innovation projects.⁸⁹ SIBs could address the lack of funding for social innovation but needed to be reframed.

The government challenged the so-called “Anglo-Saxon model” because it could substitute public funding by private funding. To address this threat, SIBs were defined as an additional source of public funding for social welfare besides public grants. SIB practitioners justified this choice by a strong statist sentiment that required preserving the welfare state. My informant from the Ministry of State for the SSE explained to me that the scope of SIBs was delimited with regards to the actual position of the French state as the main funder of social services:

“We have never sought to replicate the Anglo-Saxon model, because [...] [contrary to the UK] we are in a state where there is a very strong presence of public services. The objective has always been to find complementary funding means, not to create competition between the public and the private sector [...]. This was absolutely not our mission, and it was absolutely not Martine [Pinville]'s ambition.” (Policymaker, Ministry of State for the SSE; 24/02/2018)

⁸⁹ Source: interview with Policymaker, Ministry of State for the SSE; 24/02/2018.

SIBs were dedicated to social innovation as defined by the 2014 SSE law: projects that address social needs which are currently not or not adequately addressed, or that develop innovative support.⁹⁰ Martine Pinville, the Minister of State for the SSE, opposed “social innovation” to the risk of “securitization of social bonds”: “Let us not worry, we will never implement the securitization of social bonds in France. It is an experimentation phase and it is as much social innovation as financial innovation.”⁹¹

SIBs were confined to the “social innovation” space in order to preserve the role of the state as the main funder of social welfare, and complement existing grant funding. This decision enabled the implementation of feasible SIBs. According to my informant from the SSE policy department, the focus on social innovation granted legitimacy to SIBs, shifting away from the financial roots of the Anglo-Saxon scheme:

“We realized that social innovation was really, indeed, the right space for this kind of setup, since there is creation, risk-taking, and a lack of funding [trou dans la raquette]. So, **it was legitimate to test something** that was however disruptive with respect to the ideological environment of the [SSE] sector [...]. **This is what allowed us to have [SIBs] accepted** by many people who were philosophically opposed to a scheme that was designed by people who [mainly] know about financial markets.” (*Policymaker, Ministry of State for the SSE; 24/02/2018*) (*emphasis added*)

This quote connects to the second threat that came up during SIB implementation in France: the fact that investors could make too much profit from vulnerable people. The next subsection expands on this point.

5.3. “It’s no bad thing to set reasonable rates of return”: a trial of feasibility regarding possible levels of risk and return

The report published by the French NAB in 2014 mentions two obstacles posed by what is described as the French context: on one side, French regulation on investment in the SSE

⁹⁰ Source: Article 15 of loi n° 2014-856 du 31 juillet 2014 relative à l'économie sociale et solidaire. <https://www.legifrance.gouv.fr/loda/id/JORFTEXT000029313296/> (accessed September 2022).

⁹¹ Cited in Alix, C. (November 23 2016). “Finance : des « obligations » dans l'action sociale.” *Libération.fr*. http://www.liberation.fr/futurs/2016/11/23/finance-des-obligations-dans-l-action-sociale_1530477 (accessed September 2022). My translation.

sector is not compatible with substantial risk taking, and on the other side, public actors can be reluctant to reward risk taking in this area (Comité français sur l'investissement à impact social 2014). These warnings relate to a trial of feasibility that challenged the adequacy but also the concrete applicability of high levels of risk and return in social interventions such as SIBs.

The “Anglo-Saxon” SIB model – an expression used by the actors to criticize UK SIBs – developed in the early 2010s in the UK and the US grants returns on investment up to 15% to investors⁹², which French practitioners considered too high. SIB implementation in France prompted collective negotiations about the conditions under which SIB profits could be compatible with the ethics and rules of the SSE sector. For instance, in 2015, a major French radio broadcast a short program titled “Do associations need to be profitable?”⁹³ The program questioned the relevance of testing SIBs in France. According to the speakers, SIBs could bring new resources to associations in a context in which the welfare state is retreating from public services and there is a significant lack of public funding. However, SIBs were described as a threat to the “associative world” for they install the notion of profitability in the SSE, which should precisely remain – and *is* by law – outside the imperative of profitability. Likewise, a number of press articles highlighted a mismatch between welfare and finance: market principles may undermine social services and perpetuate wealth inequality (see Hemmerich and Méténier 2019, 2020; La Brique 2016; Mediapart 2020; Pequenezza 2019; Rosenmann 2014; Roy, McHugh, and Sinclair 2018).

These concerns were prevalent in the media and in SIB milieus. To address them, SIBs were once again adapted to limit the benefits of financial actors. I identify four important modifications: (1) name change; (2) promotion of a partnership approach; (3) dominance of the state over investors; and (4) cap on returns on investment. First, the name of SIBs was changed in order to avoid the reference to “bonds” as financial products. The Ministry of State for the SSE coined the term “*contrats à impact social*” (social impact contracts) to emphasize

⁹² Around 2018, a new model called “social outcomes contracts” emerged in the UK and the US. It refers to direct public contracting with providers based on outcomes. In outcomes contracts, social providers need flexible capital (less rewarded and less risky), whereas SIBs often incorporate complex financial arrangements and higher returns. Source: interview with Investor, Bridges Fund Management; 18/09/2019.

⁹³ Francis, J.-C. (20 May 2015). Les associations doivent-elles être rentables ? In *France Culture. Du Grain à Moudre*. <https://www.franceculture.fr/emissions/du-grain-moudre/les-associations-doivent-elles-etre-rentables> (accessed September 2022).

partnership over finance. Second, a “co-construction” approach, which put forward notions of dialogue and symmetrical power positions, was applied. Whereas in other countries SIBs often involve intermediaries that maintain bilateral relations with the stakeholders, French contracts are designed, signed and managed by all the stakeholders.

Third, the state took an active role in SIB design in order to undermine investors’ bargaining power. According to an official from the administrative department for the SSE called PESSII⁹⁴, which led the actual implementation of SIBs, state involvement guarantees quality support to the beneficiaries. The state would not allow for SIB implementation if policy quality was jeopardized:

*“[T]here must be safeguards, and the safeguards are the state. SIBs give a tremendous, dominant, bargaining power to investors! [But] if the state says ‘we don’t do SIBs’, if state policy says ‘we don’t do SIBs’, then we don’t do SIBs! The state does not need these SIBs. **Overall, we promote them, we are interested, [...] but we have a deal-breaker;** if the guys don’t reassure us about the conditions of children support in the program, there will be nothing.” (Public administration official, PESSII; 31/01/2018) (emphasis added)*

In this view, the state is not retreating from the sphere of welfare services, as some critics argue. On the contrary, in the French version of SIBs, the state is expected to be the main arbiter in SIB policymaking.

Fourth, rates of return on investment were capped. SIB stakeholders decided to limit returns on investment to about 5.5% (internal rate of return). SIB investors were aligned with this position. Most of SIB investors signed iiLab’s⁹⁵ code of ethics, which explicitly states that risks and returns should be limited, and that, in addition, SIB investors should be “social investors.” The person in charge of SIBs at BNP Paribas spoke in favor of “reasonable rates of return”, which are both “acceptable” and compatible with existing rules:

*“In France, it is not an ‘all or nothing’ logic [...] [in which] we can lose everything with a real probability, and if we earn, we earn a lot. This is how the risk-return logic often works. In France, **we are not ready to accept this***

⁹⁴ Pôle de l'économie sociale et solidaire et de l'investissement à impact – PESSII, service du Financement de l'économie (SFE), Direction Générale du Trésor (Ministry of Economy and Finance)

⁹⁵ In July 2021, iiLab rebranded as FAIR as a result of a merger with Finansol, the association of French solidarity-based finance practitioners. See FAIR’s website: <https://www.finance-fair.org/> (accessed September 2022).

kind of bet, because it is public money, because there are rules in the social sector, etc. And it's no bad thing, I mean, to have reasonable rates of return.” (Intermediary and investor, BNP Paribas; 26/01/2018) (emphasis added)

In addition, my informant from BNP Paribas explained that SIB investors are not driven by financial returns but by social impact, otherwise they would never engage in these time-consuming and low-return projects. SIB investors comprise the public bank Caisse des Dépôts et Consignations – Banque des Territoires, BNP Paribas (from the corporate social responsibility (CSR) department and with the bank's own funds), solidarity funds⁹⁶, impact asset management firms and foundations.

As a result of these discussions about possible levels of risks and returns, French SIBs were disconnected from the imaginaries of Anglo-Saxon investment practices, including investor-led negotiations and high returns on investment. BNP Paribas and other investors supported these limitations along with the government.

5.4. “Are we not marketizing social services?”: public commissioning methods

The trials of feasibility that SIBs raised in France also related to public commissioning methods: how to contract SIBs from a government perspective? SIBs in the UK have been contracted through public procurement, a procedure which is called “*marché public*” in French and refers to contracting methods for the execution of public services by economic operators. In France, public procurement was not an option for SIB contracting, because SIBs aimed to foster social innovation instead of executing – and to some actors, retreating from – social services. Public procurement was also problematic because it is a competitive process, and because French SIBs were designed to avoid a “market logic”, as expressed by the former official at the Ministry of State for the SSE:

“The real [SIB] setup, if you consider the UK and the US, is through public procurement. It is economical, because when you have investors who take

⁹⁶ In France, a solidarity fund or “fonds 90/10” is a type of saving funds in which 5 to 10% of assets must be invested in SSE enterprises. Most of these funds collect employee savings. By law, companies that offer an employee savings scheme must include at least one solidarity fund in the collective investment options.

*the risk and who are rewarded if they're right, in fact they will reinvest the return that they get. It is normal to pay people who succeed, that's how it works. [...] After all, **what was important for us was to avoid this market logic**, i.e., whether or not to pay a high financial reward. We opted for a [different] legal regime [...].” (Policymaker, Ministry of State for the SSE; 24/02/2018) (emphasis added)*

Whereas in the UK, and other countries such as Colombia, SIBs were promoted as a cost-effective and accountable procurement method, in France, the government contemplated other commissioning options: awarding public grants through a call for proposals, or launching one chosen SIB pilot (chapter 2 expands on this issue). My informant from the Ministry of State for the SSE was in favor of the former option, against another government counsellor who pushed for the latter option.⁹⁷ Besides, the *Haut Conseil à la Vie Associative*, the advisory body for legislative work related to the association sector, was consulted. The Council recommended a single experimentation with an in-depth evaluation instead of a call for proposals, so that SIBs could be properly tested before being developed at a larger scale.⁹⁸

However, the Ministry of State's team decided to launch a call for proposals. On the one hand, the project that was identified for the experimentation was controversial. The project aimed at preventing over-indebtedness by establishing a national database of loans (“*fichier positif*”). It was originally included in 2014 Hamon law on consumption (and previously, in 2011 Lagarde law for the regulation of credit) but the Constitutional Council rejected it – i.e., the project was judged against constitutional principles. On the other hand, the Ministry of State for the SSE was in favor of developing several SIBs in a row. A call for proposals was considered as a way to elicit several innovative initiatives through an uncompetitive process.

The call for SIB proposals was launched in March 2016. It was directed to SSE projects in all policy areas. The framework mentions the following requirements:

*“- The **innovative character** of the project and, in particular, the fact that it does not jeopardize the activities of public interest organizations, public or private, which have already demonstrated their effectiveness in the field of prevention*

⁹⁷ Source: interview with Policymaker, Ministry of State for the SSE; 24/02/2018.

⁹⁸ Source: HCVA. (2 March 2016). Avis du HCVA relatif à l'appel à projets de « social impact bonds ». https://www.associations.gouv.fr/IMG/pdf/Avis_du_HCVA_relatif_a_l_appel_a_projets_SIB_02-03-2016.pdf (accessed September 2022).

- The **social nature** of the program
- The ability of the social impact contract to **complement existing funding**, without undermining the competitive market or under conditions that do not alter trade to an extent contrary to the common interest
- The relevance of the **methods for evaluating** the effects and success of the program, and in particular their scientific nature
- The **sustainability** of the program”⁹⁹

However, despite the efforts made to “avoid a market logic”, the release of the call for proposals triggered criticism. To the Collective of Citizen Associations (CAC) that criticized SIBs earlier, the call was a dissimulated procurement process that equally created competition for funding between SSE organizations. Just after the call was launched, the CAC published a critique of SIBs, calling them “French-style SIBs” (“SIBs à la française”).¹⁰⁰ The authors note “an apparent moderation to try to break the link with Anglo-Saxon SIBs by addressing the issue of complementarity with public resources”, however revealing a political stance against welfare quality and towards a “Third Way” between the state and the market.

The government took criticisms into consideration. A member of PESSII, the administrative department that was in charge of reviewing SIB proposals, shared the following reflections:

*“If I am working at Bercy [offices of the Treasury], it is not just to be at Bercy. I have convictions, values [...]. [I] said to myself, aren't we really doing something stupid? **Are we not in the process of destroying social action? Are we not approving the retreat of the state, of local authorities, and marketizing social services?** That worried me; that bothered me a little. **To me, those [criticisms] were actually very useful.** I think they would be very happy to hear that, all these critics, that all this has been useful!” (Public administration official, PESSII; 31/01/2018) (emphasis added)*

This informant questioned SIBs in the same terms as those put forward by critics (“destroying social action”, “retreat of the state”, “marketizing social services”), with reference to his own

⁹⁹ Source: French Government. (16 March 2016). *Appel à projets de « contrats à impact social ». Nouvelles solutions de financement pour des actions innovantes de prévention*. My translation; emphasis added.

¹⁰⁰ Source: Collectif des Associations Citoyennes. (April 2016). *Quand le social finance les banques et les multinationales. Les Contrats à impact social, des Social Impact Bonds à la française*. <http://www.associations-citoyennes.net/wp-content/uploads/2016/05/CAC-LivretSIB-mai2016.pdf> (accessed September 2022).

“convictions” and “values.” He welcomed the criticisms that arose in the process, which he considered resources for designing SIBs.

In conclusion, in France, SIB feasibility depended on the possibility to create a French version of SIBs that could be compatible with the local context. The organization and the values of the SSE sector were specified during SIB implementation. In particular, the important role of the state as the main funder of the SSE and the divide between social welfare and profits were reaffirmed. By contrast to descriptions of the so-called “Anglo-Saxon” SIB model, French SIBs integrated distinctive characteristics that enmeshed technical and political justifications. First, French SIBs were attached to a specific legal framework (that of “social innovation” – this will be further discussed in chapter 2) to justify the fact that they were complementing (instead of overlapping) existing grant funding. Second, practitioners sought to avoid creating an investment product by (1) creating tailored contracts based on a partnership approach, (2) involving actively the state, and (3) capping the rates of return on investment. Third, SIBs were launched through a call for proposals published in 2016 by the Ministry of State for the SSE, which intended to leverage social innovation projects outside of competitive procurement processes.

Conclusion

This chapter has argued that the political, technical and moral content of SIBs is enacted in the course of their implementation. This implies that, first, naturalizing perceptions about what SIBs consist of fail to account for the actual transformations SIBs meet and entail. There is no standardized SIB model but a variety of SIB projects, contracts and practitioners. Moreover, the actual effects of SIBs on social welfare, which are often considered in terms of general promises or threats in the academic literature, instead vary depending on the specifics of SIB implementation. Second, SIB implementation is not determined by cultural principles nor by national political and economic traditions. SIB features are specified over the implementation process as well as the social and political environment in which SIBs take place.

This novel policy instrument is qualified and enacted through the implementation challenges SIB practitioners encounter. These embrace technical matters, political views and moral principles. In this chapter, the mundane work of SIB qualification and design justification has been theorized through the lens of the notion of *trials of feasibility*: situations of collective uncertainty that require specifying the roles and competencies of all the beings present, and in which the notion of “feasibility” is put forward as a prime justification for SIB design choices. SIB practitioners go through trials of feasibility, which are decisive in the formation of SIB policy.

This chapter has shed light on localized SIB implementation in three different jurisdictions: Chile, Colombia and France. Trials of feasibility throughout the setup process show how SIBs become meaningful as social policy. In Chile, SIBs were promoted as a new form of public-private partnership for social policy. Principles of scientific robustness and transparency in policymaking emerged as main drivers of SIB development. The government supervised SIB implementation to avoid “bad practices”, and used classification tools deemed to rely on objective and transparent criteria to assess the feasibility of SIB projects. SIB development in Chile involved the qualification of the common good in terms of public accountability, promoting economic expertise and transparency.

In Colombia, SIBs were seen as a way to establish result-based financing in social policy, but also as a potential asset class to widen the impact investment market in the country. SIB design put forward the ambition to scale up the scheme, on the one hand, in order to make public policy more evidence-based and public services more “sophisticated”, and on the other hand, to offer impact investment opportunities to investors and citizens. SIB development was guided to a large extent by financial organizations and development actors, which focused on making SIBs “successful” – i.e., cost-effective, outcome-driven, replicable, profitable. A development project called “SIBs.CO” funded the development of two SIBs and an outcome fund, involving funds from development actors and the Colombian government.

In France, SIBs involved some threats to the financing of welfare in the welfare state tradition. In response to the threat of a retreat of the state from the financing of welfare, French SIBs were confined to the social innovation policy area in order to complement – instead of substitute for – existing funding. Moreover, the state took a leading role in SIB design in order to limit the bargaining power of investors and ensure policy quality. SIB rates of return were

capped to protect the SSE sector from a “market logic”, which was considered incompatible with the ethics and the rules of the sector. The chosen commissioning process (a call for proposals) intended to avoid competition between social operators.

Justifications for SIB design recurrently put forward the imperative of *feasibility*, of making things operational and actionable. Practitioners act as “makers” who often tinker with the means at hand to ensure the feasibility of a specific arrangement: they use what I call *tactics of feasibility*. The following chapters examine such tactics in three areas: legal structuring, impact measurement and financial valuation. The next chapter focuses on the design of workable legal frameworks to support SIB implementation.

Chapter 2 – Turning social policy into investment: tactics for structuring “feasible” social impact bond contracts

Introduction

Social impact bonds (SIBs) are financial and legal arrangements involving several stakeholders. On one side, investors, with their initial investment, provide operators with operational budget. On the other side, outcome payers (i.e., public authorities) deliver payments upon social results, thanks to which investors receive their money back. As this chapter illustrates, the respective roles of stakeholders and their relationships are ruled by specific, non-standard sets of contracts. These contractual arrangements introduce a fundamental change in the way public services are delivered: public financing is provided according to certified social results instead of being provided upfront for the implementation of programs. This change is connected to another phenomenon, namely the development of impact investment in the realm of social services. Indeed, SIB projects are at the same time a financial product and a performance-based social intervention. Thus, the “impact” that SIBs aim to produce is at the same time an investment opportunity and a policy objective (this entanglement is the object of further scrutiny in chapter 3 and chapter 4). The two-sided nature of SIBs requires structuring them as both an investment product *and* a public contract. Then, what does it change for a public contract to be investment-compatible? To what extent do SIBs challenge the traditional delivery of public services? This chapter examines the difficulties that this combination creates at legal and regulatory levels.

It is crucial to keep in mind that there is no ready-made contractual framework for SIBs. SIB development goes through collective investigations about what this financing scheme should be used for (see chapter 1) and how it can concretely take hold in a specific legal environment (as we will see in this chapter). Although most scholars and practitioners acknowledge SIB complexity, only a handful of works have studied actual difficulties faced during the design

phase. This chapter contributes to fostering a better understanding of the actual work of developing SIBs. More specifically, it focuses on the legal structuring of SIBs, which has barely been discussed in SIB literature. Yet, many empirical accounts show that great part of SIB complexity comes from legal structuring. Indeed, SIB feasibility studies often include assessments on legal feasibility, which typically emphasize more challenges than facilitating conditions.¹⁰¹ SIB pilots are sometimes dropped because of structuring complexities. For instance, in their study of the “Preschool Pay-For-Success¹⁰² Feasibility Pilot” program initiated by the US Department of Education, Heinrich & Kabourek (2019) analyze the features of the SIB pilots proposed by grant applicants and the status of the applications. The authors show that only a few projects advanced toward formal SIB arrangements, with many failing to launch due to capacity constraints, difficult financial modelling, and other complexities in negotiating contracts. They mention “the inherent complexities of the contract arrangements and negotiations that need to account for a host of contingencies” as part of the reasons why SIB projects are not “taking off.” Furthermore, from a study of 22 SIBs implemented in eight countries¹⁰³, Arena et al. (2016) identify “hurdles and constraints” faced by public administrators regarding operators’ eligibility – as ruled by the law, operators’ selection criteria – as dictated by public procurement rules, and multi-year budgeting instead of annual budgeting.

Contrary to Arena et al., I do not seek to characterize, explain, and remedy a supposedly “low penetration” of SIBs. However, Arena et al.’s paper has a crucial implication that I aim to develop here: some SIB features indeed clash with current legal and regulatory inscriptions of what social policy-making ought to be. The legislative framework, procurement processes and budgetary and accounting rules are key areas of concerns for SIB practitioners – whether the

¹⁰¹ For example, the Spanish National Advisory Board for Impact Investment (SpainNAB) has made a remarkable analysis on SIB legal feasibility in Spain, highlighting the importance of unlocking funding for feasibility studies (see also the related discussion I and colleagues have had at SpainNAB 2020 conference: https://www.youtube.com/watch?v=rrO11Blo_I4 (accessed September 2022)): Blanco, L., Ruiz de Munain, J. L., Lusarreta, J., & Canta, J. (2021). *Informe final del Taskforce de Contratos de Impacto Social. Recomendaciones para impulsar los SIB en España: Propuesta de cambios regulatorios, creación de un Espacio Piloto de Co-creación y de un Fondo de Pago por Resultados* (p. 53). SpainNAB, GSG, Fundación COTEC. https://spainnab.org/images/pdfs_conocimiento/Recomendaciones%20para%20impulsar%20SIB_SpainNAB.pdf. See also in the context of Colombia: Paya, M., Octaviana, K., Sharma, P., Niersbach, L., Olivares, E., & Harish, K. (2017). *Introducing Social Impact Bonds in Colombia*. Columbia University - School for International and Public Affairs, Fundación Corona.

¹⁰² “Pay-For-Success” is the name often given to SIBs in the US.

¹⁰³ Namely the UK, the US, Australia, Canada, Israel, Belgium, the Netherlands and Germany.

latter are public officials or investors. I identify three main clashes. First, SIBs change the temporality of public spending. They introduce multi-year budgeting but also *uncertain* budgeting into the planning of social spending, whereas public budget is normally approved and executed on a yearly basis. Indeed, SIBs require outcome payers to pledge a maximum amount of money over several years, without the guarantee that it will be spent in the future. Second, SIBs move the focus of social policy away from the nature of the programs financed and onto the production of impact. SIB financing is focused on outcomes rather than activities as traditional grants are (Carter et al. 2018). Consequently, public accounting, which is normally based on the monitoring of real costs through invoicing, needs to integrate accounts of social results. Third, SIB financing includes the notion of risk and the delivery of a return on investment. Outcome payers must embrace the uncertainty of outcomes and outcome payments. Besides, outcome payments include a return for investors.

These changes, I argue, place the state in the position of an investor, which invests over several years, focuses on the effects of her investment and manages her risk. This issue has been discussed elsewhere from the perspective of SIB valuation processes. According to Williams, “[i]n mandating this valuation work, and building contracts around the resulting ‘outcomes,’ it is government that is ultimately taking on the role of ‘investor’ extracting a type of public rent from the nonprofit sector” (Williams 2020a:307). Governments indeed finance SIBs according to the budgetary savings and the benefits that they get from the achievement of “outcomes.” Here, I contend that the legal structuring – instead of the valuation – of SIBs reflects the position of the state as an investor, and I discuss valuation processes in chapter 3.

This chapter takes accounting practices, budget and contracts as objects to study the evolution of the responsibilities of the actors involved in SIBs, in particular the state. It follows the theoretical line of this dissertation by adopting a pragmatist perspective to study the ways in which the nature and the roles of the entities involved in SIB development are specified in trials of feasibility. In the same vein, Muniesa and Linhardt (2011) study the implementation of public management reforms in the 2000s in France that altered budgetary rules, accounting methods and reporting requirements. The authors characterize reform implementation as a process through which the nature of the reform as well as the agency of the state are made explicit simultaneously. They have identified “trials” (“trials of explicitness” in their terms) that questioned but also specified what good public management ought to be. Eyraud’s (2013,

2015) studies of accounting changes after the same public management reforms have similarly emphasized how accounting reforms “[build] a new form of responsibility and [produce] a redistribution of powers within the state and public entities” and “thus [illuminate] the current and ongoing transformations of the [state]” (Eyraud 2015). This way, here, I analyze SIBs as legal and accounting instruments which, according to the definition of public action instruments given by Lascoumes and Le Gallès (2005), “enact a concrete conception of the political/society relationship and [support] a conception of regulation.”

To do so, I examine clashes between SIBs and established laws and rules that emerge in *trials of feasibility* over SIB legal structuring. These trials typically involve the specification of stakeholders’ relationships, legal frameworks, administrative and accounting procedures, through moments in which practitioners deal with several options that offer different levels of clarity, novelty, and legality. Several dilemmas arise during SIB structuring, for example: Should an umbrella organization (typically, a commercial enterprise – or special purpose vehicle, or a fund) be set up even if it is costly? Should investors make a loan or an equity investment? How long would it take to get an authorization for multi-year planning in the public budget? Is it better to go through public procurement or a less regulated commissioning method? Is the public outcome payer allowed to pay for *outcomes* or should outcomes be tied to *implementation costs*? I contend that answers to these practical questionings, on the one hand, are guided by concerns focused on the feasibility of specific arrangements, and on the other hand, put forward particular views on relevant sources and channels for social financing.

The actual structuring of SIBs requires tinkering with the possibilities offered by a given legal environment. Over this process, practitioners question and sometimes revisit established regulations and legal frameworks. As I intend to demonstrate, SIB practitioners implement *tactics of feasibility* in the form of new, creative, and sometimes disrupting structuring choices that are in between legal exceptionalism and legality. Indeed, on one side, SIBs are often presented as exceptional settings due to their small-scale, innovative and temporary character. Their experimental status thus legitimizes the creation of an exceptional regulatory space allowing innovation to emerge, as Laurent et al. (2021) likewise argue about tech business experimentation in Singapore. But simultaneously, legality is a recurrent justification for SIBs, which goes hand in hand with that of feasibility: the effective launch of a SIB is often taken as a proof of its legality, regardless of disagreements and difficulties. Consequently, I

argue that the notion of legality is not a fixed and objective status that laws and rules define once and for all (see Laurent et al. 2021). In SIBs, legality is a concept that is constantly reworked instead of being immutable: legality is constituted *in the making*. To support this claim, this chapter additionally examines the evolution of SIB legal structuring over time. This way, it addresses the following question: how long can tactical setups last? The chapter outlines the tendency of SIBs to evolve towards greater simplicity, institutionalization, but also, indeed, legality.

This chapter examines four trials of feasibility in Chile, Colombia and France that are related to the problems identified above: (1) temporality, (2) impact, and (3) return and (4) risk. Although these clashes are present in the three cases, I opted for outlining only one or two situated trials for each problem in order to examine each of these situations in depth. This chapter sheds light on tactical moves that SIB practitioners resort to. It demonstrates that SIB structuring results in unprecedented arrangements that tinker with existing laws and rules. I identify two types of tactics differing in the way they *cope with* problematic institutional parameters: some tactics avoid problematic parameters, while other tactics meticulously adjust SIB structuring in order to fit into existing legal and regulatory frameworks.

The situations examined in this chapter are the following:

- (1) The first problem is that of multi-year financing versus the annuality rule for public budget execution. The first section focuses on a trial situated in Colombia, where the annuality rule is particularly strict according to the local actors. It analyzes the payment structure elaborated in Colombia as a creative disposition that avoids the problem of annuality. This payment structure was considered as a temporary setting, and indeed, it disappeared when SIBs were institutionalized within the government.
- (2) The second section deals with the problem of paying *for outcomes* instead of paying for inputs. It examines two different sets of tactics implemented to allow for payment by results (the expression “payment for outcomes” is used interchangeably), shifting away from traditional grant making, which is rather focused on the financing of activities or inputs (Carter et al. 2018). Public accounting is normally based on the monitoring of costs through invoicing, whereas in SIBs, what triggers payments is social results verified by an independent evaluator. As a matter of fact, public accounting

rules and accountants are not prepared to deal with result-based financing and the new kind of documents used to justify and validate payments. Through the analysis of two trials of feasibility that took place in Chile and Colombia, the section presents two different ways of coping with public accounting difficulties: one is to avoid the problem and the other one consists in adjusting reporting practices to abide by accounting requirements.

- (3) The third section studies the problem of introducing a remuneration in the financing of welfare. It analyzes tactical structuring to allow for the payment of a bonus to investors in case of over-performance. In France, this work resulted in an unconventional and controversial – yet operational – assemblage of two legal frameworks: on the one hand, that of the national subsidy, and on the other hand, the European framework of services of general economic interest, which allows for “reasonable” remuneration to be considered.
- (4) Finally, the fourth section analyzes the formalization of risk transfer from the state to investors. Indeed, one of the SIB promises is to alleviate both the state from the risk of service failure and operators from any financial risk (e.g., Gustafsson-Wright, Gardiner, and Putcha 2015). The establishment of the financing vehicle (i.e., bonds) in France provides a rich illustration of the difficult conciliation of social services and financial investment, and thus, of the state and private investors. A legal limitation in France, namely the banking monopoly for credit activity, has led to a very original setup based on bond issuance. In theory, this setup is legal. However, in practice, its implementation has proven very challenging, which reveals its exceptional character for both social-purpose organizations and public administration.

The first four sections analyze these four situations, and a last section examines the institutionalization of SIBs.

1. The problem of multi-year financing versus the rule of annual budget execution

1.1. How SIBs disrupt public budgeting

This section addresses the difficulties that multi-year financing poses from a public budgeting and contracting perspective. A SIB requires outcome payers to pledge an amount of money at the launch of the project that will be spent over several years. This contradicts usual budget planning: public budget is normally voted and executed on a yearly basis. Moreover, SIB outcome payments are uncertain. The outcome payer must reserve a maximum amount of outcome payments, but depending on effective outcomes, this envelope may not be entirely spent. The SIB rationale is that outcome payers save money if outcome objectives are not reached. However, public budgeting rules make unpredictable spending and savings on budget rather undesirable situations. Usually, if budget is not executed in due time, it may be cut the following year: non-execution is seen as a failure in planning or in management. Alternatively, it is possible to ask for an authorization to carry budget forward, at the expense of solid justification. This section analyzes how SIBs develop despite adverse public budgeting rules.

Empirically, this section focuses on SIB structuring in Colombia. Two SIBs were developed to tackle unemployment among vulnerable people with IDB Lab (the Inter-American Development Bank Lab) and SECO (the Swiss State Secretariat for Economic Affairs) co-paying for employment outcomes with, respectively, the national Department for Social Prosperity and the Municipality of Cali. The empirical material collected offers a clear illustration of how SIBs actually cope with the budget annuality rule. SIB proponents assume that public outcome payers only pay for effective outcomes along project implementation and enthusiastically save money if the targets are not hit. However, public budget management is organized around the strict principle of annual budget execution, and consequently, SIBs are an alien financing mechanism. The apparent contradiction between SIBs and public budgeting rules was the source of a main trial of feasibility in Colombia. SIB structuring did not consist in changing legal rules: it involved compositional work. Practitioners came up with an original setup that abides by the annuality principle and still allows for two-year financing: in the two first SIBs, the government pays over the first year and the international donors pays over the second year. In this structure, the outcome-based approach is aligned with the usual budgetary requirements. From 2021, the third and following SIBs go through a fund installed at the Department for Social Prosperity, called “outcomes fund” in SIB jargon, dedicated to recovery policy after Covid-19.

After unpacking of the notion of “mentality change” used by SIB practitioners to describe the structuring process, I will turn to the tactical operations implemented for allowing multi-year financing.

1.2. Unpacking the problem of “mentality change”

To SIB practitioners in Colombia, SIB structuring requires fostering an ethos of innovation within the government. Although some informants acknowledge budgetary issues and legal constraints, they mostly focus on a problem of backward “mentality”: their accounts deplore public officials’ an anti-innovation mindset. Whereas this notion provides valuable insights into the political stakes of SIBs (what is the object of chapter 1), I argue that it should not obscure the concrete feasibility challenges that largely account for SIB structuring.

According to some informants, political commitment is required in order to successfully implement SIBs. As a report that analyzes the SIBs.CO setup process mentions, the person in charge of SIB implementation at the Department for Social Prosperity stated:

*“The government as a client has to understand that if the budget is not executed, it constitutes a saving that goes to the National Treasury and then is reinvested. It is fundamental that the Treasury Department and the National Planning Department **value this and promote this vehicle as they did with public-private partnerships** for infrastructure at the time. **It is time to innovate** in social policy areas.”¹⁰⁴ (my translation) (emphasis added)*

This account focuses on notions of political will and “understanding.” The person quoted led the negotiations on public budgetary arrangements. She phrased the problem of structuring as a matter of recognizing the “value” of SIBs. According to this informant from the Department for Social Prosperity, this value mainly lies in the capacity to generate savings and reinvest the budget that is not executed, which is what constitutes a new paradigm for public budgeting. She argued that SIBs should be politically promoted, in the same way the government did for public-private partnerships (PPPs) (*Alianzas Público-Privadas*) for infrastructure. In Colombia, PPPs for infrastructure construction and maintenance gained

¹⁰⁴ Source kept anonymous: the report, which was introduced in chapter 1, is undisclosed. The report was commissioned by SIBs.CO in order to document doubts, disputes and solutions encountered during the setup process. It was not published because, according to my informants, its content generated discord between the involved parties.

traction in the 1990s, mainly for roads, railroads and dams (Callejas Hincapie and Chen Yu 2020; Carballo-Cruz 2017). In these schemes, the private sector brings funding and expertise for public infrastructure management while the public sector sets policy objectives – which should be commercially attractive to private partners. PPPs have been extended to education, with for instance “charter schools”, yet not without controversy. Indeed, while Preciado Awad & Garcia Lopez (2020) highlight difficulties in administering and sustaining such partnerships in the higher education, Termes et al.’s (2015) assessment of the charter school program in Bogotá identify negative impacts on school autonomy, teachers’ working conditions, student selection and academic results. Regardless of this controversial background, the report on SIBs.CO setup places SIBs straight into the PPP category:

“The SIB is an innovative project, between many factors, because it is a PPP to address social issues.”¹⁰⁵

SIB practitioners promote PPPs, unlike in France where actors are reluctant to compare SIBs with these public-private schemes.¹⁰⁶ In chapter 1, I discuss in length the fact that in Colombia, SIBs are expected to scale up as an asset for the impact investment market. In this view, PPPs are a practical means to create a new financial market on the grounds that on the one hand, PPPs bring additional resources to the financing of public projects, and on the other hand, they ensure cost efficiency. Deffontaines (2018) has previously discussed this two-fold argument in the context of PPP development, highlighting in addition the role of microeconomics theory in promoting “higher efficiency based upon incentive mechanisms controlled by financiers” (Deffontaines 2018:54). This narrative is apparent in Colombia, where private sector “efficiency” is moreover associated with ideals of innovation and evidence (cf. chapter 1). For instance, the section “Pact for Science, Technology and Innovation” of President Duque’s National Development Plan 2018-2022 (which includes SIB development) displays the objective of strengthening collaboration with the private sector in the following terms: “facilitating interactions with the private sector to answer to public challenges through

¹⁰⁵ Anonymous source.

¹⁰⁶ A 2018 report from the European Court of Auditors fiercely criticizes PPPs. It raised skepticism about these mechanisms in France: European Court of Auditors. (September 2018). *Special report: Public Private Partnerships in the EU: Widespread shortcomings and limited benefits.* <https://www.eca.europa.eu/en/Pages/DocItem.aspx?did=45153> (accessed September 2022)

innovative approaches” (p. 129).¹⁰⁷ In fact, outcomes funding for the first SIB came from a budget line of the Department for Social Prosperity for public-private partnerships, as the person in charge of SIBs explained. The very existence of this line shows that policymaking on poverty reduction was already connected to the private sector.

However, a problem of “mentality” seems to hinder innovation. The report on SIBs.CO setup states:

“Although changing the mentality about the form of contracting and the legal structure was a task that all the entities associated to the SIB faced, for DPS [the Department for Social Prosperity] it entailed a greater effort.”¹⁰⁸

The excerpt characterizes setup efforts in terms of mentality change about public contracting. The mentality gap was deemed greater for the Department for Social Prosperity than for other stakeholders. An informant from the consulting firm Instiglio confirmed in the following terms:

*“In general, **the public sector is very risk-averse**. There are a number of obstacles, or regulatory frameworks that do not allow a public official to innovate and use resources for what has not been done before. Because then the lawyers will say that no, this is not possible, or the Comptroller [contraloría] will say that it is not possible, or the Ministry of Finance will say that the budget cannot be spent in this way. So the **SIB was a way we found to innovate in public management**.” (Technical advisor, Instiglio; 21/10/2019) (emphasis added)*

The public sector is described as “risk-averse”, an expression used to characterize individual preference for low-risk activities or investment. Normative limitations seem to be imposed for no reason – by lawyers, contraloría or the Treasury who stubbornly state: “this is not possible.” These accounts emphasize psychological and cognitive levers of innovation, and barely expand on the socio-material side of it. However, I aim to demonstrate here that the analysis of the materiality of structuring challenges is crucial to understand the penetration of SIBs in specific jurisdictions.

I argue that SIB structuring is made of socio-material arrangements that cope with existing rules. To do so, I build on qualitative data focused on SIB structuring (that go beyond the brief

¹⁰⁷ *Plan Nacional de Desarrollo 2018-2022: Pacto por Colombia, pacto por la equidad. Retos, estrategias y metas. (Resumen)*. Departamento Nacional de Planeación.

¹⁰⁸ Anonymous source.

mentions of “the form of contracting and the legal structure” and a “number of obstacles” displayed above). The following subsections supplement the notion of “mentality” by examining the material and procedural elements that SIB development encompasses.

1.3. Tactics for integrating the annuality rule into SIB structuring

1.3.1. *Turning social programs into investments: failed attempts at creating an outcomes fund*

Structuring tactics began with failed attempts at creating a dedicated vehicle for public investment in SIBs. Indeed, when SIBs.CO was launched, the stakeholders contemplated the creation of an “outcomes fund” to overcome annuality, that is, a trust fund in which the government can pledge at once a budget to be executed over several years. An outcomes fund, as the executive director at Fundación Corona attested, was the best option, i.e., option best aligned with multi-year financing requirements and a sustainable PPP model.¹⁰⁹

However, because the outcome payers in SIBs 1 and 2 – respectively the Department for Social Prosperity and the Municipality of Cali – considered it to be too difficult, this setting was not implemented. What may have justified this decision is the difficulties faced when the annuality rule had to be overcome. As an official from the Municipality of Cali explained:

*“Regarding the financial vehicle, there are several mechanisms through which you can overcome one of the principles of governmental public contracting which is annuality. **The law tells you that you must execute everything between January 1st and December 31st, but you have some options in which you can transfer that validity.** The first one is ‘future validity period’ [vigencias futuras].” (Public outcome payer, Municipality of Cali; 12/11/2019) (emphasis added)*

To do so, one option is to request an authorization called “*vigencias futuras*” (in substance, “future validity period”), as the official said. However, this procedure engages various levels of administration in a long decision-making process. *Vigencias futuras* are usually used for multi-billion-dollar public investments in infrastructure such as highways. By contrast, social

¹⁰⁹ Source: interview with Intermediary and investor, Fundación Corona; 21/10/2019.

programs never require *vigencias futuras*. It is not clear if such programs are even eligible, according to the official. Besides, the budget of the SIB was considered quite ridiculous as compared to the burdensome procedure:

*“Vigencias futuras is a mechanism that must be approved by the Municipal Council in which the mayor, the municipality, will use resources from this and future budget periods for a good or service. But since we had to go through the Municipal Council, it was **decided that a 2 thousand million [Colombian pesos] project was not a procedure that justified that need**, so it was not used. And the regulations that support vigencias futuras are not very clear about the subject of employability, so there were several reasons why it was not used.” (Public outcome payer, Municipality of Cali; 12/11/2019) (emphasis added)*

An important point here is that the justification work presented by the official invalidated the feasibility of *vigencias futuras*. In sum, the official mentioned two interrelated reasons for considering the procedure unjustified: (1) the complexity of the procedure, (2) and the small-scale, social nature of the SIB project. *Vigencias futuras* were originally dedicated to significant multi-year investments made by the state, for instance in infrastructure. According to some actors, SIB should be considered as investments following the model of PPPs, though SIB features are not adequate – SIBs are too small, too social, and too new.

A second option for avoiding the annuality principle was then considered:

*“The second option is to **use the resources and transfer them to the cooperating entity, and let the cooperating entity be the one to execute them**. [...] The international cooperation agreements allow for transferring the resources to the international entity [if it] meets certain requirements [...]: not having an annual budget period, having statutes which allow it, etc. And they have to implement [the program] themselves. But when we presented this option to the IDB [Lab], **it was not possible to [them, since] they are not the implementers**; implementation goes through Corporación Inversor, because they act as our operating agency. So, no, the SIB does not work like that.” (Public outcome payer, Municipality of Cali; 12/11/2019) (emphasis added)*

This option implied that the IDB Lab executes the budget and the activities, yet “the SIB does not work like that.” Again, the feasibility of budget execution by the cooperator IDB Lab was not validated because this configuration did not respect the established distribution of roles:

the outcome payer (IDB Lab) is not supposed to execute (or even to influence) the activities; this is rather the role of the intermediary (namely, Corporación Inversor in the SIB under study).

This case study has demonstrated that SIB design is primarily guided by justifications about the availability and feasibility of options rather than by representations of the best, ideal SIB model. Design choices have even been disconnected from the ideal SIB model: although creating an outcomes fund was identified as the best possible design, this option was discarded. This shows that the primary objective of the SIBs.CO project was to effectively set up SIBs – in any form. In this view, an outcomes fund was not a viable and worthwhile alternative. To be fair to SIB practitioners, the implementation of ideal, publicly operated outcomes-based models has become a priority in a second phase, what will be discussed in section 1.5.

1.3.2. Coping with the annuity rule: the sequencing of outcome payments

The final solution for overcoming annuity emerged as a result of ingenious tinkering. An informant from the intermediary and investor Fundación Corona cautiously mentioned the tactics implemented:

*“The only way, in the first two SIBs, was not to solve the problem but **to skip the problem** thanks to the IDB. And I tell you this with confidence obviously, “off the record” [laughter]... [...] The legal framework we used was the IDB framework in the first two bonds. **The government pays, as it normally does once a year, and the rest is paid by the other [IDB Lab].**” (Intermediary and investor, Fundación Corona; 21/10/2019) (emphasis added)*

The informant spoke as if he was confiding an uncomfortable truth. He even specified that the information should stay “off the record.” However, I am not renegeing on my commitments to research ethics since the payment structure has been revealed in public conferences since then. In fact, the payment structure of SIBs 1 and 2 was sequenced: the public outcome payers (respectively the Department for Social Prosperity in SIB 1, and the Municipality of Cali in SIB 2) pay their part of the budget in the first year of implementation, and the international donors

pay the other half in the second year. This way, public budgeting abides by the annuality rule, and still, outcome payments can take place over two years.

The sequencing of outcome payments is a form of tactical structuring that copes with the existing regulation through meticulous adjustments. In addition, this example provides evidence that trials and tactics substantially shape SIBs. In this case, the two first SIB contracts were necessarily limited to two years. Moreover, the employment programs had to produce significant results at the end of the first year in order to trigger enough outcome payments from the government. In turn, the pricing and results projections had to take this constraint into account.

The two following sections explore the tactics implemented in response to two unforeseen events: delays in budget execution on the one hand, and additional budget on the other hand.

1.3.3. Turning planning failures into normal planning: a little “reserva”

The stakeholders experienced delays in starting the implementation of SIBs 1 and 2, and evaluation and invoicing proved more difficult than expected. Besides, both SIBs went through a change in government, which added delays. Therefore, in both cases the government could not execute the full budget within the first year. Public officials contemplated the possibility to pass the unexecuted budget on the second year. The executive director of Fundación Corona formulated the issue in the following terms:

*“In fact, the form in which the [first] SIB was structured was, in 2017, [the Department for Social Prosperity] pays and in 2018 the IDB pays. [...] It was structured this way. What was the reality? The reality was that we initiated with payments from the government and in December 2017 **they said, ‘listen I did not manage to execute everything, I will make a little reserve [reserva] for the three following months.’** This is possible by law. We were at a 70% in execution. And they say ‘we will make a little reserve, because the project is going well, we had delays in starting, we had delays in verifying...’ The whole verification process was complex, especially eligibility more than results, although [verifying] the results was also [a difficult process]... [...] They [i.e., the Department for Social Prosperity] said, ‘ok, let’s*

move forward, we are doing well, IDB you pay later.” (Intermediary and investor, Fundación Corona; 21/10/2019) (emphasis added)

To avoid losing the unexecuted budget, and because SIB implementation “was going well”, the Department for Social Prosperity decided to carry forward 2017 commitments into the following fiscal year. This is possible through the creation of a “*reserva*” (a reserve), that is, a pool of money reserved from the unexecuted yearly budget to be executed in the following year. The constitution of a *reserva* was another tactical operation implemented to deal with implementation delays. This operation cannot be planned; it is an exceptional disposition used to fix unintended delays in budget execution. It is legally possible; yet it is seen by the controlling entity as a planning failure. An official from the Municipality of Cali and the consultant from Corporación Inversor who is based in Cali energetically complemented each other’s discourses to express the difficulties:

“Official @ Municipality of Cali: *The first thing that the controlling entities start to verify are these reservas. **They examine if there was a problem, if [the service] was poorly contracted, if we knew from the beginning that we were not going to be able to execute it, if it was poorly planned, if it was improperly executed. They look at all the possible errors just because there is a reserva. [...] It is something exceptional. You can’t do something that you know is going to require reservas; you shouldn’t do it. Now that the need to make a reserva has arisen, they are going to look into why this happened.***

Consultant @ Corporación Inversor: *That is why you have to justify it very well, and have all the support and traceability of what has been done, what the operators have been doing, everything.*

Official @ Municipality of Cali: *And there is a different contract model, which is **payment for outcomes...***

Consultant @ Corporación Inversor: *...Not payment for activities. Because if it were for activities, it would simply require to commit [the remaining budget] in an invoice. You leave the money committed as of December 31, and that’s it. **But since here [payments] depend on the results we cannot do this.*** (Public outcome payer, Municipality of Cali and intermediary, Corporación Inversor; 12/11/2019)

These informants explained that a *reserva* must be supported by convincing and well-documented justifications. Although the controlling entities associate this scheme with management faults, the informants from Cali suggest that the SIB perfectly justifies the use of

a *reserve*: activities are going well, but the outcomes take some time to appear. The intermediary from Corporación Inversor even affirmed that the *reserva* could have been avoided if payments were made for activities and thus, based on invoices. In traditional contracts, in order to “execute” the budget at the last moment, it is possible to record invoices before the term of the year, even if the effective payments are made during the following year. This trick is not feasible in the case of SIBs because payments are not made from invoices but from effective, demonstrated outcomes (I will expand on invoicing intricacies in the following section). Thus, the outcome-based nature of the contract appears more problematic to the actors than the delays in execution.

1.3.4. *More funding, same annuality rule: contract amendment*

In SIB 1, this was not all, the executive director of Fundación Corona continued. In troubled moments of government change in early 2018, the government decided to keep supporting SIBs. Good news: they had additional funds they wanted to bring in.

*“Then they [i.e., the Department for Social Prosperity] added something even more complex. [...] Between January and March, the government had some changes, that is to say, we were almost passing to the new government, the government had other programs and **they said listen, I like this program. And the government said let's make an addition to the contract** [ostrosí]. Let's add resources to the bond to see if we can improve the results. They said ok, let's add 300 thousand dollars between the two of them [i.e., IDB and the Department for Social Prosperity]. That's why they finally got a bond of 1 million dollars. So the government continued paying in 2018 and the IDB also paid in 2018.” (Intermediary and investor, Fundación Corona; 21/10/2019)*

In the initial planning, the government paid in the 2017 budget period and could not pay in 2018. Finally, not only did it end up paying through an exceptional *reserva*, but it also pledged additional money from the 2018 budget. This addition was normal budget planning. However, what needed to be adapted was the SIB contract. The additional funds from the Department for Social Prosperity entailed another tactical move in the form of an amendment – in Spanish,

“*ostrosí*”. This *ostrosí* consists in an extension of the contract with increased outcomes funding and increased outcome targets.¹¹⁰

To conclude, this subsection has been dedicated to the analysis of setup tactics to make multi-year financing possible. These tactics, as I have shown, escape legal constraints precisely by coping with them. In Colombia, in order to avoid the principle of annual budget execution, SIB structuring actually abided by it. Outcome payments were split into two parts so that the government paid in the first year of implementation, that is, over an annual budget period, and the international donors paid in the second year. This way, the annuality rule has shaped more than it has limited SIB development. SIBs 1 and 2 were indeed designed so that they fit within two years and outcome payments amount to half of the total budget at the end of the first year. In addition, this payment structure was adjusted to accommodate two other contingencies. First, SIB stakeholders experienced delays in budget execution, which led to a *reserva*, i.e., a transfer of the unexecuted yearly budget over the following year. Whereas a *reserva* is considered a bad practice in budget planning, the outcome-based nature of SIBs made it legitimate. Second, in SIB 1, the public outcome payer brought in additional funds. This was normal budget planning but required an amendment of the SIB convention. The sequencing of payments, the *reserva* and the amendment are meticulous adjustment that conform to the annuality rule and still overcome the budget annuality limitation.

1.4. Exceptional structuring for the sake of development

SIBs 1 and 2 primarily pursued the goal of launching SIB projects with the government (the precise identity of outcome payers was identified later, as discussed in chapter 1). Their development was propelled by private and international actors and, I argue, was imbued with a developmentalist perspective. The subsection attempts at characterizing the politics of development that unfolded during SIB structuring. It discusses more specifically the link between the exceptional character of SIBs within existing regulation and development goals.

¹¹⁰ Source: OTROSÍ No. 1 AL CONVENIO DE COOPERACIÓN TECNICA No. 282/DE 201 CELEBRADO ENTRE EL DEPARTAMENTO ADMINISTRATIVO PARA LA PROSPERIDAD SOCIAL - PROSPERIDAD SOCIAL, EL BANCO INTERAMERICANO DE DESARROLLO Y LA FUNDACIÓN CORONA. (June 25, 2018).

The SIBs.CO program was launched by the IDB Lab, with additional funds from SECO. It was aligned with the IDB Country Strategy for Colombia on four aspects, as listed in the Donors Memorandum: “(i) improving the quality of expenditure and public investment management capacity; (ii) reducing poverty and informality in the economy; (iii) promoting quality education and labor training programs that generate higher level skills and competencies; and (iv) increasing productivity and innovation” (p. 6-7).¹¹¹ The first objective clearly seeks capacity-building in the public sector, which is commonplace in development policies. In fact, the support of development institutions leveraged the participation of the government. An official from the Municipality of Cali emphasized this point:

*“We were able to take part in this initiative basically because public contracting is within the framework of Colombian law, but if the cooperating entity – which must be an international entity that meets certain requirements: no annual budget period, statutes that allow this type of contracting... [...] – provides 50% and the municipality or the government entity provides the other 50%, **it allows us to contract over a longer period of time.** So, that was one of the main motivations. Because normally when you use direct contracting, which is allowed by law, your cooperator gives you up to 30% of the budget. In this case, **if they give 50%, it offers you that flexibility.**” (Public outcome payer, Municipality of Cali; 12/11/2019) (emphasis added)*

International cooperation gives flexibility for contracting over two years, as extensively discussed above. Indeed, since the IDB Lab and SECO co-finance the SIB contracts up to half of the total outcomes funding, public contracting rules – such as annuality – can be overcome. Another contribution of the development institutions was to finance additional activities of “market development” (through the “component 2” of the program, understood as ecosystem development through capacity building) and “knowledge creation” (through “component 3”). In sum, from a governmental perspective, thanks to IDB Lab and SECO, impact is doubled and SIBs are structured, assessed and developed for free.

I argue that the international donors assumed, and by doing so, obscured, policy objectives linked to SIBs. The Executive Director of Fundación Corona confirmed that strong allies such as the IDB Lab helped sustain the SIBs.CO program throughout changes in governments.

¹¹¹ Inter-American Development Bank. (2016). *Donors Memorandum for the Pay-For-Success Financing for Innovations in Urban Workforce Development (CO-T1434)*.

During the first SIB of the series, which was co-financed by the Department for Social Prosperity, the national government changed. Then, again, municipal elections took place during the second SIB co-financed by the Municipality of Cali. Therefore, SIBs have been twice at risk of being dropped, if not for the IDB Lab’s (and others’) strong persuasive power. The Director of Fundación Mario Santo Domingo, one SIB investor, pointed out the role of SECO and IDB Lab in legitimizing the projects:

*“Public entities are very reluctant to structure this kind of projects because they are legally and administratively bound. **But if you count with IDB-MIF [i.e., IDB Lab] and SECO in an innovation project, it is no longer perceived as [the Department for Social Prosperity] is privileging some private actors.** It is necessary that the structure of the State allows developing this kind of models, that it starts paying for the results of social projects. At some point, no resource from SECO or the IDB will be required, because big national groups will be interested in investing.”¹¹²*

The quote covers several aspects of the relationship between on one side the IDB Lab and SECO, and on the other side the public sector. First, the development institutions help overpass legal and administrative constraints faced by the public sector. Second, they assume the responsibility of project design (i.e., “privileging some private actors”) behind an innovation rationale and cast-off risks to the reputation of the Department for Social Prosperity. Third, the IDB Lab and SECO eventually pass on the full responsibility to the state, when SIBs are institutionalized, and development support is no longer “required.”

1.5. Creating more and better SIBs: institutionalization through an outcomes fund

Colombian SIBs have finally evolved towards what the actors deemed more “viable”: an outcomes fund. The third and following SIBs finally go through an outcomes fund that is installed at the Department for Social Prosperity, which was not “feasible” for SIBs 1 and 2. This means that the Department for Social Prosperity eventually managed to get *vigencias futuras* approved despite the small-scale, social nature of SIBs and the complex approval process presented in section 1.3.1. Priorities shifted over SIB implementation: while SIBs 1 and

¹¹² Anonymous source.

2 were focused on making SIB projects work within time constraints, the outcomes fund aimed to durably install outcomes-based financing within the government. Through the fund, the government can produce more SIBs and properly (and legally) invest in social outcomes over several years.

Indeed, the SIBs.CO development project aimed at installing institutional capacity within the government and succeeded in doing so. The Executive Director of Fundación Corona expressed satisfaction about the creation of the national outcomes fund instead of a third SIB. Moreover, the Department for Social Prosperity committed to finance the managing team for almost 1 million dollars in addition to outcomes funding¹¹³, and this amount increased following the Covid-19 pandemic. The addition of public funds seems to attest the transmission of SIB policy to the government.

Yet, I have contended that SIB policy was already there, since SIBs.CO progressively established SIB policy within the government. In fact, the IDB Lab and SECO indeed shouldered SIBs.CO. In SIBs 1 and 2, the government played an important role in the definition of the target population and the employment objectives but did not take a political stance in the first place (see chapter 1). The project arguably took the budgetary and political relevance of SIBs for granted, but their implementation revealed several clashes with legal and regulatory inscriptions of good policy planning.

2. The problem of payment for outcomes versus public accounting rules

As the previous section has focused on the problem of the temporality of SIB investment, this section moves on to the exploration of the problem of payment for outcomes instead of activities. Here I insist on the local and unique character of tactical structuring by exploring two sets of tactics implemented in Chile and in Colombia in response to this problem.

¹¹³ Source: interview with intermediary and investor, Fundación Corona; 23/10/2019.

2.1. The problem of payment for outcomes from a public accounting perspective

From a public accounting perspective, the prime characteristic of SIBs is payment for *outcomes* instead of payment for *activities* or *real costs*. In some countries like in the UK, SIBs have even evolved towards a simpler form of contracting called “outcomes contracts.”¹¹⁴ What makes such contracts simpler is the absence of relationship between the contracting public authority and private investors. An outcomes contract is a bilateral convention between a public authority and an operator (whether an intermediary, a social provider or a consortium of intermediaries, providers, and investors). It consists of a public procurement process based on outcomes in which the outcome payer offers prices for a range of outcomes instead of a range of activities. Payments are thus disconnected from operational costs to the point that the outcome payer may completely disregard implementation costs. The applicants independently manage their costs and methods of financing while committing to achieve certain outcomes. Investors in outcomes contracts are said to provide “flexible capital” according to a partner with the Social Outcomes Contracts team at the asset management firm Bridges Fund Management.¹¹⁵

Accounting structures and reporting procedures differ greatly between payment for outcomes and payment for activities. When payments are made for activities, justification of costs through invoices is required. Instead, payment for outcomes requires certified social outcomes: accounting procedures must be invented. Moreover, pricing outcomes is challenging since social outcomes do not have straightforward monetary equivalents. Practitioners, nevertheless, rationalize pricing by developing models of budgetary savings or cost-benefit analysis, which is the focus of chapter 3.

Effectively, payment for outcomes is new and complex to implement. For instance, in Portugal, proper outcome payment is prohibited by law and, consequently, payments are based on

¹¹⁴ This was an important topic at the 2019 Social outcomes Conference organized by the GO Lab in Oxford, UK. This paragraph is also informed by an interview with a partner with the Social Outcomes Contracts team at Bridges Fund Management hold on 18/09/2018. Bridges is a main asset manager with a fund dedicated to outcomes contracts in the UK.

¹¹⁵ Source: interview with investor, Bridges Fund Management; 18/09/2018.

effective costs.¹¹⁶ In France, outcome payments are equivalent to operational costs. The next subsections study two other cases, that of payment for outcome implementation in Chile and Colombia.

2.2. Avoiding the problem: who is capacitated for paying for outcomes?

In Chile, public accounting rules make payment for outcomes impossible for the government. I analyze here how the final design avoided the problem by identifying the public entity that was more suitable to pay for outcomes.

2.2.1. Selection of CORFO as the most capacitated outcome payer

This section elaborates on a trial of feasibility related to the identification of a public outcome payer in Chile. At the time of my fieldwork,¹¹⁷ SIB development was still incipient in Chile. SIBs gained momentum in 2018, when Piñera, President of Chile from 2018 to 2022, promoted them in his 4-year plan. The setup labor was largely led by two ministries: the Ministry of Economy through its Division of Innovation, and the Ministry of Social Development through the Division for public-private cooperation, Sub-Secretary for Social Evaluation. The public corporation CORFO, as I explain below, oversaw the budget. Besides, the multi-lateral organization IDB Lab was an important player since it has supported SIB development through funding and technical assistance.

Payment for outcomes seemed to be a major obstacle for government engagement as an outcome payer. Result-based financing is contrary to public accounting rules. The law does not ban payment by results as such, but accounting rules do not integrate the possibility to make payments upon effective social results instead of real costs. SIBs change the notion of compliance in accounting routines. The SIB coordinator at the Division of Innovation, Ministry of Economy, indicated some issues surrounding payment by results:

¹¹⁶ This was discussed at the 2019 Social Outcomes Conference organized by the GO Lab hold in Oxford, UK.

¹¹⁷ Fieldwork in Colombia and Chile was conducted between November and December 2019.

“[W]e have [little] capacity for payment by results. [...] [I]t is not very common in Chile to pay for management or results. This is perhaps more linked to road industries, those who build highways, but never to social issues, so we have to see what is going to happen.” (Policymaker, Ministry of Economy; 28/11/2019)

This idea resonates with the mention of PPPs for infrastructure made in Colombia about the problem of multi-year financing (cf. section 1.3.1): SIB financing resembles financing methods for big infrastructure. Put differently, payment by results, like multi-year financing, is in use in the field of *investment* in (profitable) infrastructure or services. SIBs thus require a form of *public investment* in the social sector, which is new to this type of reasoning, as the quote above indicates.

Instead of trying to fit into the public accounting framework, as Colombian actors did (cf. section 2.3), the Chilean government instead sidestepped the issue. The SIB coordinator explained the process as follows:

*“They [i.e., implementers from the government] looked at **which actor can play this role [outcome payer] within the SIBs**. They turned to the Ministry of Economy, Innovation Division, because [...] it is where they always test new programs, new projects. But then the Ministry of Economy realized that it could not do this on its own. We cannot pay directly to intermediaries, we cannot raise private capital; this is why [...] **we searched for partners.**” (Policymaker, Ministry of Economy; 28/11/2019)*

SIB development was guided by a pragmatic focus on the identification of a *feasible* outcome payment scheme. The SIB coordinator’s statement clarifies how the issue of outcome payment was formulated: SIB practitioners looked for a capacitated public payer instead of questioning accounting rules. The Division of Innovation at the Ministry of Economy was a fine candidate due to its mandate, but procurement rules constrain SIB financing: “we cannot pay directly intermediaries, we cannot leverage private capital”, as the SIB coordinator regretted. He added that the accounting rules imposed to ministries are particularly strict, and thus more restrictive regarding payment for outcomes. The Ministry for Social Development faces similar limitations.

The Corporation for Production Development (*Corporación de Fomento de la Producción*, CORFO) was finally identified as a “default” option¹¹⁸, as the SIB coordinator summarized:

*“We involved CORFO by default because **[they] are the only ones who can do this.** [They] are capacitated to make this type of payment by results. And the Ministry for Social Development [is] also [involved] because [it is] the organization that understands the social problems. In [the Ministry of] Economy, we have knowledge, we have human capital, but we lack organizational capacity.” (Policymaker, Ministry of Economy; 28/11/2019)*

CORFO was involved after an identification process focused on administrative “capacity” rather than political planning. Indeed, CORFO have more “organizational capacity” than the Ministry of Economy. A report from RAND Europe defines organizational capacity as the “ability to perform work’ or the enabling factors that allow an organization to perform its functions and achieve its goals” (Cox et al. 2018:7). This makes sense in the case I am studying: CORFO can indeed more easily target human and budgetary resources to innovative public-private partnerships such as SIBs. Indeed, CORFO is a powerful public agency dedicated to private sector development. It was created under the Popular Front government in 1939 in the aftermath of the Chillán earthquake in order to boost the industrial sector in Chile.¹¹⁹ It fostered the creation of large enterprises in the sectors of power, steel and oil and investments in other sectors such as manufacturing, mining, agriculture (Montecinos 2010). As Montecinos (1988, 2010) argues, CORFO pioneered economic research, national accounting and development planning. Currently, the corporation acts towards the promotion of innovation and entrepreneurship in the private sector. Therefore, CORFO benefits from specific procurement rules that are more flexible:

*“[At CORFO they have] a lot more flexibility. **They can launch procurement procedures to private actors; this is why we chose CORFO.**” (Policymaker, Ministry of Economy; 28/11/2019) (emphasis added)*

An informant from the IDB Lab added that CORFO is indeed capacitated for payment by result:

*“That is why CORFO is the payer. Because CORFO, being the development corporation that implements public policies for innovation and entrepreneurship in Chile, **already has mechanisms in place to pay for***

¹¹⁸ As per September 2020, CORFO abandoned the project was replaced by another potential outcome payer.

¹¹⁹ Source: CORFO’s website: <https://www.corfo.cl/sites/cpp/movil/quienessomos> (accessed September 2022)

certain things based on results. So there was no need to make any modification in their process so that they could adopt this mechanism.” (International outcome payer & technical advisor, IDB Lab; 26/11/2019) (emphasis added)

In conclusion, the justification for selecting CORFO as outcome payer is twofold. First, CORFO’s procurement procedures allow the corporation to deal with private organizations in more flexible ways, by launching tendering processes, paying intermediaries and leveraging private capital. Second, the public corporation can already process payment by result.

In the same vein as I concluded in section 1, SIB development in Chile consists primarily in setting up a SIB in any form, even if the actors consider that it is not yet a proper SIB with ministries paying for outcomes. Put differently, SIB structuring involves tactics of feasibility that cope with the legal infrastructure in place. These tactics are indeed driven by pragmatic concerns about feasibility. In the case developed in this subsection, justification for structuring choices is formulated in terms of administrative “capacity.”

2.2.2. Navigating a complex of SIB requirements and accounting rules

Once CORFO was identified, the SIB projects still had to be approved by the controlling authority (*contraloría*):

“We don’t know: this will go to the Comptroller's Office in December [2019] and they will say whether we can pay for results or not.” (Policymaker, Ministry of Economy; 28/11/2019)

There was no certainty about the possibility to implement payment by results although SIB design was already underway.

The government tactically dealt with a complex web of SIB requirements and accounting rules, which resulted in a payment model that allowed simultaneously payment by result and cost accountability. In the terms of the SIB coordinator:

“I’ll tell you another problem: generally [in SIBs worldwide] [...], if my maximum payment is, I don’t know, 1000 euros, and I have estimated at government level a cost of 800 euros for the program, [then] if they

*effectively spend [only] 400 in the program, it doesn't matter, right? **But here in Chile we are still a little bit tied up with the issue of expense reporting.** Here, Contraloría, which is the maximum regulating entity, and also CORFO's lawyers, do demand to render the costs of the program. For example if the program really costs 500 euros we are going to pay $500 * 1.23$ [to include the return on investment]. If the program costs 600 euros, we are going to pay $600 * 1.23$, with a limit of 1100. Because the issue that **if we actually pay them extra money without justification, it means that we are giving money that would not be necessary.** These are complexities that we have dealt with on the way.” (Policymaker, Ministry of Economy; 28/11/2019)*

The payment model appears quite complex and obscure, though it is likely to work within the established regulatory environment. For example, the total outcome payments must not exceed 1.23 times the operational costs, including a 23% maximum profitability, within the limits of a fixed maximum amount (1100€ in the example cited), which most likely corresponds to savings estimates.

2.2.3. Creating more and better SIBs: allowing ministries to pay for outcomes

Once SIBs proved feasible in some way, SIB practitioners tend to formulate more straightforward, institutionalized versions of SIBs. In Chile, however convenient and viable CORFO's participation may be, SIB practitioners put forward the ambition to capacitate ministries for payment by result. CORFO was not intended to be the only or the most relevant public outcome payer. A specialist from IDB Lab explained:

*“The idea is to learn a lot, and in parallel, with the resources we are making available, to understand very well how the institutional framework works in other ministries so that later, **hopefully, the ministries themselves will have the capacity to generate their own initiative based on results.** And to do so we have to understand how they can move from paying for activities to paying for results.” (International outcome payer & technical advisor, IDB Lab; 26/11/2019) (emphasis added)*

In conclusion, this section has shown once again that justifications for SIB design choices mainly focus on feasibility principles. In Chile, public accounting rules do not allow for payment by result, except for the public corporation CORFO. A tactical move led to the identification of

CORFO as a suitable outcome payer for reasons of administrative capacity, despite the fact that the Ministry of Economy or the Ministry of Social Development would have been more adequate in terms of their political mandate. SIB practitioners thus *avoided* the problem of integrating payment for outcomes into public accounting. In addition, I have suggested that, as long as feasibility conditions are met, the fact that CORFO takes the role of outcome payer is not debated.

2.3. Embracing the problem through meticulous adjustments: handling the accounting overload

This subsection examines tactical operations implemented in Colombia. Although the regulatory environment in Colombia resembles that of Chile, a different approach was adopted, according to local contingencies. Contrary to the case of Chile, SIB practitioners did not avoid the problem of accounting compliance requirements like in Chile, but tried to conciliate outcomes financing and public accounting requirements through meticulous adjustments.

Empirically, this subsection focuses on the second SIB, implemented in the City of Cali between 2019 and 2020. In this SIB, the Municipality of Cali pays for outcomes along with the international donors, namely IDB Lab and SECO. The intermediary and financial manager Corporación Inversor appointed a consultant to work full time in Cali with the Municipality’s staff and the four operators that provide support for the employment of vulnerable populations. The operators are composed of three foundations and one social business that I call Fundación 1, Fundación 2, Fundación 3 and Business 4.

2.3.1. Accounting paperwork

As explained above, whereas “activities” are a straightforward accounting object that refers to expenses and invoices, “outcomes” are not an established category within government bureaucracy. Outcomes-based contracts are unprecedented procedures from a legal perspective, as an informant from Corporación Inversor attested:

*“[I]t is something very innovative and we definitely realized that **in legal and regulatory terms [...], the mechanisms do not necessarily exist to make these outcome-based contracts a reality.**” (Intermediary and asset manager, Corporación Inversor; 25/10/2019) (emphasis added)*

In fact, payment for outcomes added complexities to accounting and reporting processes. Outcomes were tied to activities in order to ensure that the operators follow the framework of Inclusive Work model.¹²⁰ Therefore, not only the results but also all the activities must be reported. Moreover, reporting must be impeccable in terms of document quality and schedule in order to get authorizations for outcome payments on time. Intermediaries, outcome payers and social operators were particularly concerned and under pressure in this regard. Indeed, SIB intermediaries (Fundación Corona in SIB 1, and Corporación Inversor in SIB 2) are hold responsible for contract implementation by the different stakeholders. Public outcome payers risk being sanctioned by the controlling entities. Social operators¹²¹ are responsible for producing outcomes and most reporting documents.

I analyze here my field notes from November 12, 2019, which provide a detailed description of the excessive amount of accounting paperwork that the stakeholders had to deal with (figure 11). I took these notes after Irina,¹²² the Cali-based consultant from Corporación Inversor, gave me a lift from the offices of Fundación 1 to Cali City Hall. There, I conducted an interview with two officials, with Irina managing paperwork on a side and participating punctually to the conversation. Irina and I had a chat while we were in the car. She explained to me that “invoicing” (*facturación*) was a burdensome and meticulous labor.

12/11/2019

10:45 am

Irina drove me to the City Hall. She is an independent consultant contracted by Corporación Inversor. She used to work for the Department for Social Prosperity but she barely knew the SIB 1 project before. Now she is a full-time freelancer in Cali working in the private sector. She knows well the processes and needs of the public sector. [...]

¹²⁰ The 11 steps are listed as follows in project documents: 1. Targeting, convening and enrolment; 2. Profiling and characterization; 3. Socio-occupational orientation and life plan; 4. Pre and Post-training evaluation; 5. Training in specific skills and socio-emotional abilities; 6. Retention strategies; 7. Psycho-social support; 8. Professional intermediation; 9. Effective job entry; 10. Post-entry support; 11. Measurement, monitoring and evaluation of the project.

¹²¹ Social operators are kept anonymous for confidentiality reasons.

¹²² The name has been changed.

In the car, she explained to me that they were going to release orders of payment [*facturación*] for the first time and that reporting was cumbersome. For invoicing ‘job entry’, she has to print:

- Documents [related to each program stage,] from the identification of participants to effective job entry: eligibility, pre-selection, enrollment, graduation, job contract, ID, validation of eligibility by the steering committee...

- The SIB convention x3...

Invoicing is not based on real costs. However, she said, “We tried to link invoicing to activities.”

To meet the requirements of the controlling entities, documents have to be printed or sometimes originals – no proofreader, no smudging.

In SIB 1, invoices were submitted through emails. At the time of printing and archiving them, the Department for Social Prosperity realized that the original documents did not have a signature; they were smudged... Fundación Corona, as the intermediary, is still managing this issue now. They have to find beneficiaries one year after the program terminated, and the operators have already been paid and are not keen to devote much time to reporting.

Irina said that quality reporting is of utmost importance, so that the municipality is reassured as well. [...] According to Irina, they see a risk of legal liability and reputation; it is necessary to invoice rigorously, also to avoid creating problems for the intermediary – who would be liable in case of failure. The intermediary can be put under pressure.

In SIB 2, reporting is handled on the fly. Irina would need support for that: someone to be in charge or to share the burden with her.

Figure 11. Author's field notes taken on 12/11/2019 in Cali, Colombia.

2.3.2. *The process of invoicing social outcomes*

Invoicing (*facturación* in Spanish) refers to the submission of payment orders from the intermediary to the outcome payers. In order to obtain a payment authorization from the controlling authority, the intermediary reports not only outcomes, but also the *activities* that produce outcomes, as Irina indicates.

“Invoicing is not based on real costs. However, she said, ‘We tried to link invoicing to activities.’”¹²³

To account for employment outcomes, the intermediary documents no less than “eligibility, pre-selection, enrollment, graduation, job contract, ID, validation of eligibility by the steering committee...”, but also attaches the SIB convention in three copies. The multiplication of reporting documents is problematic for the operators, who spend a significant amount of time

¹²³ Source: field notes taken on 12/11/2019 in Cali, Colombia.

on collecting data and documents, filling out spreadsheets and reporting on a weekly basis to the financial manager.¹²⁴ Not only producing these documents is a time-consuming activity for different stakeholders, but producing *valid* documents is even more challenging. As Irina said:

“To meet the requirements of the controlling entities, documents have to be printed or sometimes originals – no proofreader, no smudging.”¹²⁵

All the documents must be printed or, when possible, originals. The controlling authority does not accept smudged documents or corrections made by hand. Irina explained that the intermediary in SIB 1 (Fundación Corona) did not expect such issues. The team collected electronic documents from emails, and when preparing them for effective *facturación*, it appeared that many were unsuitable for submission:

“In SIB 1, invoices were submitted through emails. At the time of printing and archiving them, the Department for Social Prosperity realized that the original documents did not have a signature; they were smudged... Fundación Corona, as the intermediary, is still managing this issue now. They have to find beneficiaries one year after the program terminated, and the operators have already been paid and are not keen to devote much time to reporting.”¹²⁶

When these problems appeared, it was already late because neither the operators nor the participants were easily available for providing information one year after the program ended. The intermediary, Fundación Corona, had to address reporting flaws through an extra load of reporting work, by tracking participants and calling back operators several months after SIB 1’s operations terminated. This issue shows that outcome production is attached to financial, human and material resources available *within project timeframe* for tracking and extracting data from the beneficiaries. Here, a problem – a trial – in the reporting process brought to light the socio-technical infrastructure of “impact”, and therefore, challenged the evidence of impact creation. Outcomes were re-embedded into the contingencies of project management.¹²⁷

¹²⁴ Source: interview with Social operator; 29/10/2019.

¹²⁵ Source: field notes taken on 12/11/2019 in Cali, Colombia.

¹²⁶ Source: field notes taken on 12/11/2019 in Cali, Colombia.

¹²⁷ Although SIBs aim to generalize the outcomes of social interventions beyond the specific context of SIB projects, this trial sheds light on the fragmented nature of these policy interventions, which are dependent on

These setbacks served as a lesson for SIB 2: Irina affirmed that she prepared reporting documents as soon as possible:

“In SIB 2, reporting is handled on the fly. Irina would need support for that: someone to be in charge or to share the burden with her.”¹²⁸

2.3.3. Justification for extra accounting paperwork

Irina stressed the importance of quality reporting, in part because she had previously worked at the Department for Social Prosperity. She is consequently aware of “the processes and [...] the needs of the public sector”:

“Irina said that quality reporting is of utmost importance, so that the municipality is reassured as well. [...] According to Irina, they see a risk of legal liability and reputation; it is necessary to invoice rigorously, also to avoid creating problems for the intermediary – who would be liable in case of failure. The intermediary can be put under pressure.”¹²⁹

The reputation and legal liability of the Municipality are at stake, as well as those of the intermediary – i.e., Irina herself.

To conclude, public financing based on reported outcomes is not straightforward. In fact, payment for outcomes was made possible thanks to collective reporting efforts coordinated by Irina, the Cali-based consultant at Corporación Inversor. Diverse tactics were implemented for providing “valid” documents to the controlling authority, for tracking participants and monitoring operators’ activities. This created overwhelming accounting paperwork, considering the small size of the SIB program. Indeed, the intermediary spent considerable time managing reporting, with operators performing burdensome data collection. This approach was justified by the necessity of quality reporting for the sake of stakeholder liability. Although the SIB narrative affirms that the shift to payment for outcomes is fundamentally desirable (cf. chapter 1), the question of whether and how it can be suitable from a public accounting perspective has not been subject to open debate.

the project form and the ability to confine social problems and solutions to a target population (Abdelghafour 2020; Li 2016).

¹²⁸ Source: field notes taken on 12/11/2019 in Cali, Colombia.

¹²⁹ Source: field notes taken on 12/11/2019 in Cali, Colombia.

This section has highlighted two different structuring approaches in response to similar situated challenges related to the problem of implementing payment of outcomes in an accounting environment that does not include this possibility. In Chile, the problem was avoided since the government identified the public agency that could overcome public accounting limitations: CORFO was identified as outcome payer from its administrative qualities rather than its political mandate. In Colombia, practitioners performed meticulous adjustments to comply with accounting requirements. These approaches responded to localized and contingent pragmatic constraints that both reflected and prompted different characterizations of SIB feasibility. Next section addresses the issue of paying a return on investment to investors to reward risk-taking.

3. The problem of investors’ return on investment versus the regulation of social services

In France, the question of whether and how the state can pay a bonus to investors was a concern for government officials. At first sight, social funding legislation prohibits investor remuneration. SIBs structuring finally articulated two distinct legal frameworks to justify investor remuneration, although the compatibility of these frameworks is debated. The first framework is that of public grants, and the second is that of Services of General Economic Interest as defined by European Union (EU) legislation.

3.1. The problem of remuneration under the national grant framework¹³⁰

3.1.1. A choice to be made between public procurement and call for proposals

Before launching the 2016 call for proposals, the Administrative Department for Social and Solidarity Economy and Impact Investing (PESSII) explored possible SIB commissioning

¹³⁰ The empirical story of this subsection is a summary of what the section on France in chapter 1 exposes.

methods. These included most noticeably a choice to make between public procurement and call for proposals.¹³¹ These options correspond to different legal vehicles and regulations, and serve different purposes. On the one hand, public procurement is used for financing *public services*. On the other hand, calls for proposals are used to award public *grants* (or subsidies, *subventions* in French) for *activities of general interest*.¹³²

The second option was preferred. Informants indicated that the decision to circulate a call for proposals was mainly made in order to avoid the risk of “marketization” of social services associated with public procurement, in which the state delegates social services and creates competition for funding between organizations from the social and solidarity economy (SSE) (this is discussed in length in chapter 1). Procurement procedures used in the “Anglo-Saxon model” (an expression often used by informants) such as rate cards (standardized social outcomes that a public commissioner purchases at a fixed price) were criticized by French practitioners in these terms. On the contrary, a call for proposals was supposed to prevent competition between applicants – at least not in a commercial sense, since proposals are not selected based on the proposed budget. Indeed, grant funding is defined as “optional contributions of any kind, *valued in the allocation act*”¹³³ (emphasis added): the amount of grant funding is not defined in advance. Moreover, calls for proposals are subject to more flexible regulation than public procurement, which makes them easier to implement.

3.1.2. *How the grant framework influences SIB structuring*

The call for SIB proposals was launched in 2016. Its legal framing significantly influenced the eligibility conditions for applicants. The definition of grants stipulates the following:

¹³¹ Another option was piloting a chosen SIB project. The problem with this option was not the financing vehicle (public service vs. grant) but the nature of the experimentation (favoring one project vs. launching several projects). Chapter 1 discusses this in length.

¹³² Source: Definition of grants in Article 59, SSE law 2014-856: https://www.legifrance.gouv.fr/jorf/article_jo/JORFARTI000029313567 (accessed September 2022).

¹³³ Source: Article 59, SSE law 2014-856. https://www.legifrance.gouv.fr/jorf/article_jo/JORFARTI000029313567 (accessed September 2022).

*“These actions, projects or activities [financed through grants] are initiated, defined and implemented by the **beneficiary private law organizations**.”¹³⁴
(emphasis added)*

Consequently, applicants were limited to “private law” actors – excluding actors of public law such as local authorities. Moreover, these actors should “initiate, define and implement”¹³⁵ the program funded. Grant funding thus has to go to “implementers”, i.e., social operators. Therefore, investors, which are not implementers, are not eligible: direct payment from the state to investors is impossible.

Furthermore, the call aimed at raising proposals in any social policy area in the field of “social innovation” as defined by the 2014 SSE law: projects that address social needs that are not or not adequately addressed, or through innovative approaches.¹³⁶ Therefore, only social innovation operators were eligible, that is to say SSE organizations. This excluded most commercial companies, as well as mixed consortia involving investors – a limitation that, for instance, Arena et al. (2016) find problematic.

This legal framework (i.e., a call for proposals in the area of social innovation) meets feasibility requirements in that it offers flexibility and, importantly, it respects the ethics and rules of the SSE sector. Although presenting the problem as an alternative between a public procurement process and a call for proposals certainly requires political debate, pragmatic feasibility justifications prevailed. Consequently, (1) outcome payments are made to social operators and not to investors. Therefore, the return on investment is extra money to be paid to investors that can only go through the social operator. (2) More problematically, French law prohibits any kind of “remuneration” in grant funding. In the terms of 2014 SSE law: “These contributions *may not constitute remuneration* for individualized services that meet the needs of the authorities or organizations that grant them” (emphasis added). To allow for the payment of return on investment, the French government referred to a second legal framework: that of Services of General Economic Interest.

¹³⁴ Source: Article 59, SSE law 2014-856. https://www.legifrance.gouv.fr/jorf/article_jo/JORFARTI000029313567 (accessed September 2022).

¹³⁵ Source: Article 59, SSE law 2014-856. https://www.legifrance.gouv.fr/jorf/article_jo/JORFARTI000029313567 (accessed September 2022).

¹³⁶ Source: Definition of social innovation in Article 15, SSE law 2014-856: https://www.legifrance.gouv.fr/jorf/article_jo/JORFARTI000029313553 (accessed September 2022)

3.2. “Reasonable” remuneration under the European framework of services of general interest

3.2.1. SGEI framework: possibility for a “reasonable profit”

The identification of so-called Services of General Economic Interest (SGEIs) in EU legislation allows for “reasonable” profit to be considered, as the government official in charge of SIB development explained:

*“[It] was important for us to avoid this market logic, i.e., whether or not to pay a high financial reward. We opted for the legal regime of ‘services of general economic interest.’ Roughly speaking, you try a public service that is executed by a private stakeholder, and in return for this public service, [the private stakeholder] has the right to earn a remuneration. But not any remuneration, **we talk about reasonable profit**. It is what would have earned an economic actor by doing it by itself.” (Policymaker, Ministry of State for the SSE; 24/02/2018) (emphasis added)*

SGEIs are defined as “economic activities that public authorities identify as being of particular importance to citizens and that would not be supplied (or would be supplied under different conditions) if there were no public intervention.”¹³⁷ They are used for example for transport networks, postal services, and social services. In this legal regime, when services are provided by a private actor, the latter receives a compensation to cover the costs incurred that may include “a reasonable profit.”

3.2.2. Tensions between SGEI and grant

Still, the reference to the SGEI regime was problematic. Grants and SGEI vehicles aim at financing, respectively, activities of general interest and public services. The two frameworks have opposed views on the notion of remuneration. Whereas SGEI operators can earn a remuneration for they are assigned with the operation of a public service, grants are

¹³⁷ European Commission. (2011). *A Quality Framework for Services of General Interest in Europe*. https://ec.europa.eu/archives/commission_2010-2014/president/news/speeches-statements/pdf/20111220_1_en.pdf (accessed September 2022)

“facultative contributions” to activities of general interest. An expert on EU regulation (who is also a fierce critic of SIBs) was troubled by the joint reference to the two vehicles:

“Either they [government officials] understood nothing, or they led you [interviewer] astray. Something cannot be at once a subsidy and a service of general interest! [...] [SGEI regulation applies] when, and only when there is a mission of public service. [...] But with SIBs it’s not always about public service. When you call associations to apply for subsidies, well, yes, there is general interest involved, [...] but there is no real public service mandate since it’s just an association presenting a project.” (Critic, CAC; 17/04/2018)

Although this informant agreed with the afore mentioned public official regarding the threat a “market logic”, he could not agree with the use of the SGEI framework. The expert affirmed that activities of “general interest” and “mission of public service” are two distinct, incompatible logics. Indeed, whereas the grant framework allows social organizations to finance their own projects without “public service mandate” involved, the SGEI framework applies to public services operated by a private actor.

In conclusion, this section has illustrated how feasibility becomes a priority over disputes when SIB structuring needs to be clarified and made actionable. In France, the quest for the feasibility of SIB structuring required tinkering with the possibility of devising something akin to a “reasonable” return on investment. The SIB setup copes with the limitations of the national grant framework through the use of the SGEI framework. Resorting to a handy vehicle such as EU regulation on SGEIs represents a tactical move that fulfils the imperative of feasibility, and it does so despite the tensions it contains. Quite tellingly, the reaction of the expert on EU regulation suggests that although the SIB setup may comply with the letter of the law, it does not necessarily comply with its spirit. More profoundly, this suggests that legality is not an established principle; it is subject to contingencies, interpretations, and justifications.

Moreover, it is worth noting that this legal framing significantly shapes SIBs. The 2016 call for proposals targeted activities representative of “market failure”, which do not produce commercial profits and indeed need public intervention (to comply with the SGEI framework), and besides, do not compete with public services (to comply with the grant framework). In addition, the social innovation category both reflects and shapes the exceptional nature of public policies financed through SIBs. SIBs aimed to complement existing funding and indeed,

they were reserved to social innovation *projects* – instead of organizations – as defined by law developed by SSE organizations, which are outside the scope of other public and private financing sources. Moreover, the social innovation framework requires the identification of a clear operational *risk* (of not achieving social results) in order to justify the payment of a “reasonable” remuneration, according to the SGEI framework.¹³⁸

4. The problem of formalizing risk transfer from the state to investors

This section focuses on the problem of formalizing risk transfer from the state to private investors. French SIB structuring stands out in the SIB landscape. First, as I have explained above, the financial flows go through the social operator. Second, upfront financing is provided through a bond, as I aim to discuss here. Ironically, although French SIBs were renamed “social impact contracts” to avoid the financial connotation of the term “bonds”, they are among the few SIBs that are effectively structured through bonds.

4.1. Tactical structuring: “we didn’t find any other mechanism than bonds”

SIB practitioners had to find a way to formalize financial investment in a context in which outcome payments are made through public grants. They did so when developing the first French SIB: the Adie SIB. This project was designed to develop a microcredit offer for entrepreneurs in remote rural areas thanks to distance support and home visits.¹³⁹ In other countries, SIBs often include a dedicated financial structure such as a trust fund (like in Colombia) or a special purpose vehicle (SPV – typically, a commercial enterprise), in which investors invest. In France, creating an SPV was not deemed viable. As an intermediary

¹³⁸ A similar legal framing was adopted for the three following calls for proposals (*appels à manifestation d’intérêt*) that were launched between 2020 and 2021. iiLab was contracted by the PESSII to support the SIB structuring process. To first step consisted in reviewing proposals and selecting eligible SIB projects. “Innovation”, “risk” and “existence of market failure” were indeed used as explicit eligibility criteria.

¹³⁹ The stakeholders of the Adie SIB were supported by the law firm Hogan Lovells.

explained, resorting to a SPV is first, too expensive, and second, not possible in a context in which financial flows go through social operators:

“1. [SPVs are] are super expensive. [...] SIBs in France are small; it wouldn’t make sense to have a 500,000€ SIB with an SPV. It’s like swatting a fly with a jackhammer or a sledgehammer! [...] 2. [...] It is the social operator who plays the role of intermediary for financial flows, so that it is more flexible, so that it can be assimilated to a subsidy from the State, and so that impact investors can also invest directly, because [otherwise] there is a need of being accredited, etc. It’s not the same to invest in an SPV as in a social actor.” (Intermediary and investor; 16/05/2018)

According to the financial director of the social operator Adie, the simplest way to set up this SIB would have been for the investors to make a loan to Adie, and then for the outcome payer to subsidize the investors back depending on effective results. However, as explained in section 3.1, the state cannot directly subsidize SIB investors. On the other hand, it was not possible to use loans for the upfront financing of activities, because of the banking monopoly. The banking monopoly is a legal rule in France that limits credit activity to banking institutions only. It aims at protecting money lenders and controlling a systemic financial risk (Haut Comité Juridique de Place financière de Paris 2016). Because of the banking monopoly, SIB investors are not all allowed to lend money, since besides banks, they include diverse organizations such as foundations, mutual insurances, and corporate impact funds. Adie’s financial director explained the problem of banking monopoly in the following terms:

*“**The biggest obstacle is the banking monopoly.** [...] If we had only [the bank] BNP Paribas as an investor, things would have been simpler: we could have signed a grant agreement with the state – which we did – and then simply assigned it to BNP; and the state’s claim on Adie would have become a claim on BNP by this simple assignment. The problem is that this transfer is an act that only banks can make, though among the investors, we had associations such as ‘A2RG la mondiale’, a foundation... which cannot do this. **Obviously, we cannot admit that SIB [investors] are limited to banks,** it must be open to all. Today, in any case, we haven’t found any other mechanism [than bonds].” (Social operator, Adie; 11/01/2018) (emphasis added)*

To the informant, SIBs should not be financed by banks only. Thus, making a loan was not an option. Another debt vehicle was used to formalize upfront financing from investors to

operators: bonds. Concretely, the social operator issues a bond (i.e., demand for cash) that investors purchase (i.e., cash supply). The bonds used in SIBs cannot be exchanged on the market. In addition, these bonds are “without recourse”, meaning that investors can waive the bond under certain conditions, here, if the project does not achieve the pre-agreed objectives. Put differently, if the social operator does not receive grant funding from the outcome payer, the bond is not reimbursed.

The bond vehicle appeared as the only financing mechanism available, in the words of Adie’s financial director. Bonds are common debt vehicles that big companies and public authorities use to borrow hundreds of millions of euros on the markets, but they are unusual vehicles in the social sector. For non-profit associations and foundations, issuing a bond is indeed unusual and complex, as the next subsection shows.

4.2. “Borderline” legality: intricacies of associative bonds

4.2.1. *Difficulties for bond issuers and subscribers*

Although bond issuance seemed legally possible on paper, in practice it was challenging. One SIB operator recounted the bond issuance process, outlining three main steps and related administrative and legal difficulties:

*“You have to register with the clerk's office; **you have to apply for registration with the trade and companies register [1]**. This is not trivial for an association; there is a fiscal risk involved. [We have been confronted with] rather obtuse people who do not want to understand that associations can be registered in the business register without doing business! [...] **Then you have to change the association statutes [2]**; you have to make sure that there is a supervisory board that validates the bond monitoring structure once a year. The prefecture of Paris then takes about 6 months to send a receipt. [...] **An extraordinary general meeting must be held to validate the bond issue [3]** [...]. For us it is not a problem since we control our governance, but for other structures it is very complex to convene [the members at] a general meeting. **At the end, it was complicated in terms of cash flow...** We signed on August 6 with a knife to our throat, to get the money.” (Social operator; 28/06/2019) (emphasis added)*

As this informant explained, in order to issue a bond, [1] nonprofits must first register with the Trade and Companies Register (*Registre du Commerce et des Sociétés*). However, the Register administration staff rejected SIB operators’ requests. Regarding this issue, another operator likewise explained:

“We considered using loans, which posed other constraints... I mean, we considered a vast range of options, and finally it came down to bond issues. [We had never issued bonds before]. We had to register with the trade and companies register, and the [staff] refused to register all the associations that applied for a SIB, saying that they did not aim to register associations. [...] They had never done it. So we wasted a lot of time – though less than other [social operator], because some of them were refused 6 times in a row.” (Social operator; 09/07/2019)

Although the bond vehicle was imposed as the only feasible option, as this informant implied, it did not seem legally possible in the first place. Indeed, the Trade and Companies Register administration affirmed that it is forbidden to register nonprofits that do not perform commercial activities. Some operators were also reluctant to register, for the same reason. Finally, the Register administration became more flexible and SIB operators could be registered.

[2] The bond issuer must then set up an adequate governance for the bond. To do so, the statutes of association must be amended. [3] This requires convening the members to an extraordinary general meeting, and only a quorum of members can approve bond issuance (usually 50% of the members). For big associations that count hundreds of members, this can be a challenge. The Prefecture must then certify the new statutes, which takes several months to be effective. This difficult and lengthy process creates delays and puts financial pressure on operators, what the social operator cited above compared to “a knife to [her] throat.”¹⁴⁰

Adie’s financial director outlined the fact that Adie luckily has significant “administrative capacity” as compared to other operators. The organization has valuable experience in issuing associative securities (*titres associatifs*), which have similarities with bonds. Therefore, Adie was already registered with the Trade and Companies Register. In addition, the organization

¹⁴⁰ Source: Social operator; 28/06/2019.

did not face difficulties to organize an extraordinary general meeting since it could be held at the same time as the annual ordinary general meeting.¹⁴¹

Furthermore, investing in these peculiar bonds without recourse is challenging for social investors, as the president of an impact investment fund explained:

“Usually we intervene in the form of an equity loan or equity investment, and in the context of SIBs we cannot use these tools. This required our legal teams to have many discussions with the social operator, the other investors and the lawyers.” (Investor; 04/06/2019)

Issuing bonds without recourse was the only solution available theoretically, but in fact, it was an unprecedented model for operators, investors, and the public administration. The process of bond issuance required clarifying, and even negotiating what is legally and administratively possible and what is not. This trial has made it explicit that SSE organizations are not supposed to use financial tools such as bonds, which are associated with financialized funding channels. SIBs have challenged these boundaries and introduced the possibility of issuing associative bonds, which are unlisted and untradeable bonds and nevertheless follow the contractual models of conventional bonds.

4.2.2. *Legal tensions surrounding investors’ bonus*

Once implemented, this SIB investment model remained problematic regarding the law. Bonds are regulated financial vehicles: bond profitability is capped by law. Yet, SIB return on investment is above this cap. As an operator expressed, in SIB contracts, a premium on the risk is added to the normal remuneration of the bond:

“The premium is on the risk whereas normally there is no risk on bonds; it’s really the ‘cost of money.’ The premium is not linked to the bond contract; it is linked to the framework convention.” (Social operator; 28/06/2019)

This premium seems “borderline” regarding bond regulation, according to an asset manager. In addition, this informant saw another problem of legal coherence in the possibility to split

¹⁴¹ Source: Social operator, Adie; 11/01/2018.

the bonus between investors and the operators, regarding the flagship 1901 law on associations. In his own words:

*“We are not asking ourselves the right questions about the respect of article 1 of the law of 1901 and about the cap on associative bonds. Indeed, **if the premium is paid through the association, the fact that it is paid to the investors formally constitutes a case of profit sharing, which is prohibited by this article [1].** As for the cap on the rate of the associative bond: the fact that **the premium is not taken into account when comparing the rate of the bond with the legal cap can be seen as borderline [2].**” (Asset manager, Ecofi Investissements; 17/07/2019) (emphasis added)*

Besides the problem posed by the premium [2], the fact that the social operator first receives grant money and then pay investors can be seen as a case of profit sharing, which is not the aim of an association according to the Article 1 of the 1901 law [1]. In addition, in some SIBs, operators are awarded a bonus too, which the asset manager criticized too [3]:

“Moreover, when an association benefits from public financing for a social policy, it will not, in general, have a performance premium. And here, under the pretext that there is a SIB, there can be a bonus – in cases in which part of the bonus goes to the association [3]. I think that's an issue.” (Asset manager, Ecofi Investissements; 17/07/2019)

This criticism resonates with that expressed by the EU regulation expert about the articulation of SGEI and the grant framework (see section 3.2.2) in that although the SIB setup is operable as such, it still seems to contradict some legal principles limiting profitability in the social sector. But despite the contradictions embedded in this structuring, the latter does, as a matter of fact, meet feasibility requirements. As emphasized by the informant from Adie, the stakeholders “did not find any other [workable] mechanics.” For this reason, even the investor cited above, although he firmly denounced legal incoherence, got involved in a SIB.

This section has discussed the introduction of risk and return in welfare financing. These notions are new to the area of social welfare policy and sometimes explicitly precluded by law. In France, although the law on grant funding prohibits remuneration, SIB contracts do refer to the national grant funding framework in association with the EU SGEI framework, which allows for a “reasonable” remuneration to investors. On the other hand, particular bonds without recourse were chosen as investment vehicles. Although bonds seemed to be the only way to

formalize SIB investment, the actual process of implementing bond financing was challenging for social operators as well as investors, to the point that the legality of the setup was questioned. SIB practitioners implemented tactics of feasibility to find a tractable SIB setup. They did so by adjusting the interpretation of existing laws so that SIB structuring appears legal, despite criticisms on this respect. In other words, these tactics of feasibility cope with the legal environment through meticulous adjustments.

5. Path-dependent institutionalization of SIBs

After the first wave of SIB contracts were launched in France, the government spurred the development of SIBs on a larger scale. Certain aspects of the tactical structuring implemented in the first SIBs were questioned, while other were reinforced through a phenomenon of path dependency, as I argue here. Although the tendency to SIB institutionalization is present in the three cases studied, I focus on France since I have closely followed the evolution of French SIBs from 2016 to 2022 thanks to my position at iLab and then FAIR.

5.1. Simplifying contracting to scale up SIBs

In France, some nonprofit associations have criticized the fact that they do not have the capacity to use SIBs. To Adie’s financial director, SIB structuring is indeed technically complex and requires significant human resources:

“When speaking to other associations, I’ve heard remarks from associations that feel excluded from this type of scheme, because it requires too big a gamble in terms of human investment. And [given] the complexity, associations are not necessarily sufficiently skilled.” (Social operator; 11/01/2018)

Indeed, some nonprofits cannot afford spending one to two-year in SIB structuring without dedicated funding and support and besides, without the guarantee that the contract will effectively be signed in the end. Even for operators that are experienced in bond issuance, legal and financial structuring remains challenging, as an intermediary involved in SIB structuring affirmed:

“We observed a culture gap between the legal advisors of one of our operator clients who was used to doing Anglo-Saxon bond issues and the legal advisors of French banks, due to the fact that standard contract clauses were very different from what [the banks] were asking for. [...] There are many little things that are usual in bond contracts but make no sense in an SIB.” (Intermediary; 03/09/2019)

This informant outlines a cultural gap between Anglo-Saxon standard bond contracts and French ones, but also between the social operator’s lawyers and the banks’ lawyers. While the latter referred to standard frameworks used for billion-euro bond issuances, their expectations seemed disproportionate for million-euro SIB projects. To these SIB stakeholders, SIB contracting processes should be simplified in order to make SIBs less costly, quicker to structure, but also accessible to a wider range of social operators: in sum, to facilitate the development of SIBs at large scale. Whereas the intermediary cited above reckoned that SIBs can be significantly simplified because they are small contracts, another intermediary – from a bank – reminded the importance of “professionalism” in counterpoint to simplicity:

*“We went through operational obstacles, related to processes or contracts. We were told that this was not a standard contract at all! The challenge for us was to find **the right balance between simplicity and professionalism so that the product would have a chance to change scale and become more and more mainstream**. It is fine to adapt and integrate specificities because we are in the social area, of course! But producing cheap, approximate contracts, no! We must challenge the preconceived idea that the social action sector is less rigorous or professional!” (Intermediary and investor; 3/10/2019) (emphasis added)*

The latter intermediary is indeed guided by contracting standards promoted by banks. She claimed that professionalism is needed first, to prove that the SSE sector is professional and thus investment-ready and second, to scale up the SIB product in the future.

5.2. The institutionalization of tactics of feasibility

The government also ambitioned to scale up SIBs, and to do so, it alternated calls for SIB proposals and national taskforces to take stock of SIB development. This process involved the

institutionalization of SIB processes, which either reviewed or reinforced tactical choices made during the setup of the first wave of SIBs between 2016 and 2019.

5.2.1. Plans for rather avoiding legal complexities: changing the law

The structuring of Adie SIB took more than one year, including negotiations and contracting. The objective to scale up the SIB model in the future was put forward, for instance by Adie’s financial director who suggested that the law could be modified:

“The law should allow for more flexibility. On an exceptional basis (because there won’t even be 3-4 contracts like that per year), it could allow for assignments of receivables [cession de créance] or authorize a direct subsidy? Perhaps there is a legal framework that needs to be changed. Really, if we have to keep the same complexity as we’ve had, it’s time-consuming. It’s too long.” (Social operator, Adie; 11/01/2018)

To this informant, the exceptional nature of SIBs – again, small in size and in number of projects – could justify exceptional legal dispositions to facilitate the implementation of the payment scheme. This way, legal complexities could be avoided instead of having to cope with them as it has been done in the first contracts. However, the institutionalization of SIBs did not go in this direction.

5.2.2. Phase 1 of institutionalization: the Lavenir working group

Since the first call for proposals launched in 2016, the SIB model has evolved towards greater standardization and institutionalization. This evolution was led by the government and happened in two phases. The first phase began in 2019. The High Commissioner for Social and Solidarity Economy and Social Innovation, attached to the Ministry of Ecological and Solidarity Transition, was in charge of SIB policy. The High Commissioner appointed a taskforce to reflect on the “simplification and streamlining of SIBs”, after eight contracts had been launched between 2016 and 2019. The taskforce was chaired by the president of Adie, the social operator involved in the first SIB to be launched in France. The taskforce was composed of practitioners involved or interested in SIBs, including myself as a representative of iiLab.

The group produced a report known as the “Lavenir report”, which emphasizes several recommendations. One of them is to launch an outcomes fund, that is, a pool of public money dedicated to SIBs. “[O]utcomes funds have been a catalyst for the development of SIBs in countries that have implemented them”, as the report argued. The taskforce additionally recommended appointing a “center of services” and a “center of competences” to respectively administrate this fund and ensure sustainable SIB development.¹⁴² The implementation of an outcomes fund aimed to address the difficulties for engaging public outcome payers that were experienced after the 2016 call for proposals. The call was not backed by public funding, and convincing outcome payers to engage proved challenging. For instance, one SIB operator recounted that their application to the call was selected but the corresponding budget was not available:

“We applied to the call for projects; we were told ‘you are selected’: great! But we were told on the other hand, ‘you have only 750,000€ out of the 5 million requested.’ [...] What is lacking is public budget.” (Social operator; 28/06/2019)

The Lavenir report had repercussions on SIB development. In 2020, one public agency and two ministries committed resources for launching SIBs in the respective policy areas of circular economy, equal economic opportunities and inclusive employment. These commitments did not constitute a proper outcomes fund since each outcome payer was to administrate a separate call for interest (a procedure slightly different from a call for proposal, yet very similar in practice), but as recommended in the report, dedicated funds were earmarked to each call – 10 million euros for each. In addition, the government launched a procurement procedure for establishing a “center of competences” aimed at supporting SIB contracting and SIB development overall. When the government changed in summer 2020, the procedure was dropped, but iiLab was still directly contracted by the PESSII to support SIB structuring from SIB project identification to contract signature.

Moreover, the Lavenir taskforce produced a crucial structural lock in by providing a contract template. Indeed the working group recognized the need to facilitate legal structuring by

¹⁴² Source: Groupe de travail présidé par Frédéric Lavenir. (2019). *Pour un développement du contrat à impact social au service des politiques publiques* (p. 54). Haut-Commissariat à l’Economie sociale et solidaire et à l’Innovation sociale. <https://www.tresor.economie.gouv.fr/Institutionnel/Niveau3/Pages/aea2b118-0d4e-4fd0-8f4e-8c73a1028e01/files/3bc5dab2-6d4d-48f4-bc70-332b20eb0d4e>

standardizing the framework convention, i.e., the convention that binds all the stakeholders and mentions the detailed outcome targets. The contract template was made publicly available and was put in use for the structuring SIB projects selected under the 2020 and 2021 calls for proposals. It was based on the grant / SGEI framework on one side, and bond issuance on the other side¹⁴³, and thus perpetuated this tactical setup despite the difficulties discussed in section 4. Building on the notion of path dependence put forward by Paul David (1985), I argue that this standardized SIB model emerged from a path-dependent sequence of decisions driven by “historical accidents” and occasions instead of clear planning. To one intermediary, the trials and tribulations that the “pioneers” of SIBs have faced served as examples in order to simplify SIB setup, and should not be repeated:

“On the legal side, thanks to the work undertaken this summer by Frédéric Lavenir’s working group, there has been a great deal of simplification work. There are standard contracts. [Thanks to] all the questions we asked ourselves about each of the contracts, we know what is possible, desirable, non-negotiable, and we can go faster. But it’s true that the first ones have had a rough go of it, that’s the role of the pioneers, and of innovation.” (Intermediary and investor; 3/10/2019)

I contend that the design choices made along the way were influenced by contingent views on feasibility and were locked in during the institutionalization process. SIB contractual lock in can be explained by the capacity created among SIB practitioners – and perhaps more importantly intermediaries – to handle established SIB contracts, but also, essentially, by the feasibility of this arrangement.

5.2.3. Phase 2 of institutionalization: SIB “massification”

The second phase of SIB institutionalization began in 2021. After the 2020 government change, SIB policy was moved to the Ministry of State for the Social, Inclusive and Responsible Economy attached to the Minister of the Economy, Finance and the Recovery. After a period of uncertainty about the future of SIBs, the newly appointed Minister of State, Olivia Grégoire, decided to keep fostering SIB development. In 2021, the Minister of State assigned a new

¹⁴³ Source: Groupe de travail présidé par Frédéric Lavenir. (2019). *Pour un développement du contrat à impact social au service des politiques publiques. Appendice: Contrat-type* (p. 123). Haut-Commissariat à l’Economie sociale et solidaire et à l’Innovation sociale. <https://www.tresor.economie.gouv.fr/Institutionnel/Niveau3/Pages/aea2b118-0d4e-4fd0-8f4e-8c73a1028e01/files/1298547b-03c9-4401-b94c-c8b994888de2>

taskforce to work on “SIB massification”: beyond the standardization and simplification of SIBs, she aimed to multiply SIBs and SIB investment at a much larger scale. This second taskforce was chaired by a high-ranking official and politician, Thomas Cazenave. It involved SIB practitioners but also new actors such as JP Morgan and Tikehau, two mainstream investors that manifested an interest in SIB investment. I was not personally involved in this taskforce, yet colleagues from iiLab (newly rebranded as FAIR) were consulted. I have also participated in several meetings with the PESSII to discuss potential revisions to the SIB model. These conversations outlined two main questions. First, what should be the role of public authorities in the definition of outcome indicators? Second, how rigorous should impact evaluation be?

In these meetings, we all agreed that evaluation should serve a clearer policy objective. Public authorities could take a leading role in defining result indicators and prices based on policy priorities and actualized cost data. To do so, the possibility that the government procures for outcomes, like in the UK, was discussed. My opinion on this matter pointed out two implications: first, the social innovation framing does not fit in with outcomes-based procurement, which calls for political debate and legal work. Second, there is a risk that social operators have to “twist their model” (*tordre leur modèle*, an expression often used in this context) to bid for funding, whereas the social innovation framework allows social operators to submit their own project initiatives. Two French intermediaries expressed different views on the changes to expect in this area:

*Intermediary 1: “I would be in favor of supporting the State in SIB structuring [instead of the operators]. **[There could be] public procurement on chosen topics**; this would ensure that the money is already earmarked for initiatives and limit the time spent on this phase. And it ensures the interest of the beneficiaries and the state.” (Intermediary; 03/09/2019) (emphasis added)*

Intermediary 2: “This is really my personal opinion but I’m a little worried that this [i.e., the approach based on outcomes fund and public procurement] may turn into a public ‘market’ of impact [...]. [Let’s take] for example employment: one organization has an 80% employment rate, and another has a 50% employment rate. [Is the former] really the best? [...] When it is about impact, we can’t think as we do [on financial performance], because the organization that has only a 50% rate of employment may only have beneficiaries who have been on the street for 15 years, who are completely dissocialized, whereas the one that has an 80% rate may target cases which are a little less complex, [e.g.,] beneficiaries who have been

*unemployed for two years, who are not on the street either. **You cannot compare.** [...] [The danger is that] we lose all the subtlety of impact.” (Intermediary and investor; 3/10/2019) (emphasis added)*

The study of institutionalization avenues and in particular of public procurement continues to raise concern in the terms exposed in chapter 1: a threat of marketizing social outcomes. Whereas the former intermediary expects more political and budgetary engagement from public procurement procedures, the latter is worried about the commensuration effects of procuring for outcomes.

The Cazenave report, published in 2022, put forward another option that is inspired by the Finnish SIB model. For the government, it consists in first, identifying programs to be financed through SIBs (probably through a call for interest) and only in a second phase, defining outcome metrics.¹⁴⁴ This approach leads to reconsider selection criteria for SIB projects, and to emphasize innovation and policy objectives over evaluation and financial models. It alleviates social operators from SIB structuring requirements. Consequently, it reviews the role of intermediaries, advisors, and investors before and during negotiations. As long as SIB projects are selected based on the proposed evaluation and financial model, operators need the (costly and time-consuming) support of intermediaries to develop specific evaluation and financial skills, but in the new model proposed, intermediaries would likely support the government.

Furthermore, the Cazenave report recommended to facilitate SIB investment by using assignments of receivables (*cession de créance*), an investment model that was not deemed feasible in the Adie SIB but was implemented later in another SIB contract. When bonds are to be preferred, regulatory changes were proposed in order to qualify bonds as quasi-equity and not as debt, to have a lower impact on operators’ balance sheet. The report additionally recommended using more mainstream investment tools such as bonds in which the capital is not at risk and only the return is variable, in order to attract more and more diverse investors – a proposal that might be explained by the presence of mainstream investors such as JP Morgan in the working group.

¹⁴⁴ Source: Groupe de travail présidé par Thomas Cazenave. (2022). *Propositions pour le développement des contrats à impact en France* (p. 53). <https://www.economie.gouv.fr/files/Propositions%20pour%20le%20d%C3%A9veloppement%20des%20contrats%20%C3%A0%20impact%20vdef.pdf?v=1646295613>

The consequences of the report are not yet visible, though it is clear that SIB development objectives are not presented in the same terms now as in early SIB initiatives. The social innovation framing as well as the original idea that public procurement should be avoided became problematic when the government decided to develop SIBs at a much larger scale, as the term “massification” suggests. The massification ambition possibly requires revising tactical structuring in order to implement standard commissioning procedures (public procurement) and investment methods (e.g., bonds), in which tactics of feasibility may not be predominant, though tactics for tacit coordination might still be essential, as Vollmer (2019) argues in the case of the ordinary passing of accounts in organizations.

Conclusion

SIB implementation requires significant legal work in order to define an adequate contractual framework in a given jurisdiction. Legal structuring proved challenging since SIB features clash in several ways with existing legislation and regulation on public financing. First, SIBs introduce multi-year financing whereas public budgets are voted and executed on a yearly basis. Second, payment for outcomes is not permitted by accounting rules, which normally require the justification of real costs – instead of effective effects as in SIBs – to authorize payments. Interestingly, in the cases analyzed in this chapter, practitioners mentioned the fact that multi-year financing and payment for outcomes are possible in exceptional *investment* schemes such as public-private partnerships for infrastructure development. SIBs contrast with these situations because (1) they are small contracts that seem not worth cumbersome administrative procedures to request exceptional financing conditions; (2) they pertain to the social welfare area, which is entirely new to these settings.

In SIBs, the state is therefore in the position of an investor that finances projects over several years and focuses on the effects of the activities financed instead of the activities themselves. This is problematic from a budgeting and accounting perspective, but also because SIBs touch on the financing of *welfare*. Trials of feasibility related to the introduction of notions of risk and return in welfare financing are particularly telling on this respect. Although profits in the social sector – by contrast with the business sector – are subject to regulation in France, SIBs

allow for a – reasonable, yet above the legal cap of SSE bonds – premium to be paid to SIB investors and sometimes social operators in case of good performance. Moreover, materializing the funding channels between investors and governments and between investors and operators, which formalize the principle of risk transfer from the state to investors, is a challenging task for all the stakeholders.

Essentially, trials of feasibility in France revealed that, according to the law, (1) social activities should not produce sizeable profits; (2) social investors such as foundations and impact investment funds are not supposed to lend money; (3) SSE organizations are not expected to use debt instruments such as bonds, which are rather associated with commercial projects that involve significant amounts of money. SIBs contradict these principles, and install new financing circuits that enable investors to invest in unprofitable social programs, as I have extensively described in this chapter. In this respect, I have elaborated on Chiapello’s (2015, 2017, 2020) claim that SIB contracts instrument the financialization of the social sector, but also of social policy.

This chapter has shown that SIB setups typically meet feasibility requirements by coping with legal and regulatory frameworks in inventive ways. SIB practitioners implement tactics of feasibility within the grid of existing regulations and progressively install SIBs as legal – therefore feasible – yet exceptional projects. Some tactics circumvent and avoid problematic parameters, such as the choice of CORFO as a capacitated outcome payer in Chile. Other tactics try to fit into existing legal and regulatory frameworks through meticulous adjustments, for instance the sequencing of outcome payments in Colombia in order to comply with the annuality rule, or the articulation of the grant framework and the SGEI framework in France. In these arrangements, feasibility stands as a justification and the relevance of SIB setups from a legal perspective is barely questioned – at least not in public arenas. Although SIB setups are not necessarily seen as a sustainable and appropriate, they are designed so that they work “within the system” of established laws and rules. In Michel de Certeau’s words:

“They remained other within the system which they assimilated and which assimilated them externally. They diverted it without leaving it.” (Certeau 1984:32)

In Certeau’s work, this statement is applied to the study of responses of indigenous Indian cultures to Spanish colonization, which has nothing whatsoever in common with SIB design

practices. However, this quotation gives a definition of tactics that, I argue, resonates with my study of SIB structuring in three ways. First, structuring practices stay *within the system* of existing regulation. Second, SIB payment structures embrace – or *assimilates* – existing rules so that SIB structuring is implemented legally. Third, SIB practitioners develop a form of resistance to, or rather a *diversion* of existing inscriptions of what social policy ought to be, while and *by* coping with them. This way, trials and tactics of feasibility constantly put forward the problem of what is legal and what is not, and the case of SIB implementation shows that this problem has no straightforward answer: the notion of legality is subject to interpretation but also to the specifics of project implementation circumstances.

This chapter finally questioned the sustainability of tactical structuring. As a matter of fact, SIB development includes two phases: first the launch of workable SIB projects, and second, the institutionalization of SIBs to scale up the scheme, through which SIB setup processes tend to be simplified and standardized. In this second phase, many aspects of tactical structuring are maintained despite their exceptional character, which can be explained by the path-dependent nature of SIB design.

Chapter 3 – Impact in the making: tactics for defining outcome metrics and producing effective outcomes

Introduction

Social impact bonds (SIBs) put forward the notion of “impact.” The financing mechanism relies on the achievement of predefined social performance indicators. Only if the targets are achieved outcome payers pay and thus reimburse upfront financiers, i.e., investors. Although the notion of impact has been progressively established as the silver bullet for global sustainable development, little is known about how “impact” takes shape in specific projects, in particular in SIBs. In this chapter, I do not intend to assess whether impact metrics effectively capture social performance. I rather analyze how outcome indicators are negotiated, the assumptions metrics are made of, and the concrete effects that they have on the production of social outcomes. This chapter examines what impact metrics take and do not take into account, and thus, what counts in impact evaluation. It additionally looks at how, over SIB implementation, objects of impact are defined and shaped so that social outcomes can be captured by the metrics defined. In other words, this chapter aims to characterize the *politics* of impact creation by analyzing tactics of feasibility in the definition of outcome metrics and the production of outcomes accordingly.

The chapter attempts to question the depoliticized “impact narrative” ostensibly promoted by international organizations and to discuss instead what I introduce as the politics of impact creation. In recent years, the notion of “impact” has not only been used to designate the effects of private investment on people and the planet, but it has also increasingly been associated with social policy and development policy objectives. For example, a few years after the sustainable development goals (SDGs) were adopted by the United Nations in

2015¹⁴⁵, the United Nation Development Programme (UNDP) launched “SDG Impact.” This initiative aims to accelerate the achievement of the SDGs by fostering private capital investment. In this view, the “SDG gap”, i.e., the presumed gap in financing to achieve the SDGs by 2030, calls for multiplying “SDG-enabling investment opportunities”¹⁴⁶: according to this narrative, it is by turning the SDG gap into investment opportunities that beneficial impact will be produced. Here, *impact*, as the outcome of *investment*, serves as a synonym for *sustainable development*.

Other international organizations such as the OECD have embraced the impact narrative. For example, the OECD report titled “Innovation for Development Impact” precisely frames sustainable development in terms of impact. It argues that innovation is required to meet the SDGs by 2030 (OECD 2020). Another example is the “Impact Standards for Financing Sustainable Development” that the OECD and the UNDP have launched in order to “help public and private investors build stronger systems to understand and critically evaluate their impact – both positive and negative on people and planet.”¹⁴⁷ As “financing sustainable development” is increasingly treated in terms of investment, impact has been established as a prime policy objective.

The now established impact investment field has played an active role in spreading the impact narrative into policymaking. The Global Steering Group for Impact Investment (GSG), a major international network dedicated to the development of impact investment¹⁴⁸, has been emphatically arguing for a renewal of capitalism in terms of impact. The GSG is chaired by Sir Ronald Cohen, a very influent personality in the impact investment realm. Sir Ronald Cohen’s “philosophy”, which can be found on his personal website, contains mottos that are well known among impact investors such as the “impact revolution”¹⁴⁹, also a main theme of the

¹⁴⁵ The 17 sustainable development goals are displayed and monitored on the dedicated website: <https://sdgs.un.org/goals> (accessed September 2022).

¹⁴⁶ Source: SDG Impact. <https://sdgimpact.undp.org/#management> (accessed September 2022).

¹⁴⁷ Source: OECD. “OECD Social Impact Investment Initiative.” <https://www.oecd.org/dac/financing-sustainable-development/development-finance-topics/social-impact-investment-initiative.htm> (accessed September 2022).

¹⁴⁸ The Global Impact Investing Network (GIIN - <https://thegiin.org/>) is likely a better-known network of actors in the field of impact investing. However, I have observed through my research that the GSG has both a broader geographic reach and a more explicit advocacy role, which is why I use it as a reference here.

¹⁴⁹ Source: Sir Ronald Cohen. <https://sirronaldcohen.org/> (accessed September 2022).

2021 GSG Summit.¹⁵⁰ The impact revolution implies that the entire economy, beyond investment and policymaking, should be driven by impact *and* profit instead of profit alone (GSG 2020) to make way for impact-driven economies. The role government should play in this transformation is contained in the adoption of “result-based financing”, a method of commissioning that bases financing on impact performance. A report coordinated by the GSG and the Education Outcomes Fund¹⁵¹ indeed states that result-based financing is a main (if not the only and the best) means for government to advance impact-driven economies:

“As market participants, the increasing adoption of results-based financing (RBF) solutions (especially where more appropriate and effective than traditional input-based spending) is probably the single greatest evolutionary step that governments need to take to foster impact-driven economies.” (GSG and Education Outcomes Fund 2021:5)

SIBs are then presented as one tool to apply result-based financing in policymaking. From what I have observed in GSG conferences, meetings and publications, the impact narrative is never contested and it is often promoted by policymakers themselves. For instance, the above-mentioned report lists contributors coming from the Centre of Expertise for Impact Investing within the Finnish government, the Ministry of Education in the City of Buenos Aires, Argentina and the Department for the Social and Solidarity Economy and Impact Investment within the French Treasury, among other specialists coming from the private sector and the academia. Impact has thus become a widespread policy objective and SIBs a means to make it happen.

If the impact narrative has successfully circulated worldwide, it is certainly due to its universalist ambition: impact is presented as the most evident way to save the world from the very fate that the SDGs aim to avoid. The impact narrative does not seem to reflect any particular interest but a sincere dedication to the common good. Yet, what I have mentioned above suggests that the impact narrative is one policy formulation that takes roots in impact investment practices. In the examples given in this introduction, “impact” is always at the

¹⁵⁰ See for example highlights of day 1 in this illustration: <https://custom.cvent.com/D65F079609324901AB1A35EAE7D90CAF/files/ed326e37f6c74523b1d39d70fafb26aa.jpg> (accessed September 2022).

¹⁵¹ The Education Outcomes Fund is a platform that fosters the implementation of Development Impact Bonds for “better learning and employment outcomes.” It intends to replicate this “partnership model” in countries from the Global South. Source: <https://www.educationoutcomesfund.org/> (accessed September 2022).

same time a measurable outcome, an investment opportunity, and a moral stance towards social justice. Thus, the impact narrative does promote a particular way of solving social problems by resorting to financial investment without advertising itself as such. In Linhardt and Muniesa's (2011) words, the search for impact is a "quasi-political" project. Indeed, the authors have coined the term "quasi-politics" to analyze such situations in which supposedly non-political economic logics finally serve as politics.

I address the politics of impact creation by focusing on valuation processes, understood as the methods and tools employed to define social outcomes and to value monetary benefits for the state. The term "valuation" refers to a *process* of attribution of worth (Muniesa 2011). It is distinguished from "evaluation", which involves a judgement on value compared to a reference – however in practice the two processes are often difficult to separate (Chiapello 2015). I focus more specifically on valuation processes underlying the notion of impact, which Barman (2015, 2016) has previously accounted for in her studies of the impact investment field. Barman argues that impact investing relies on a specific valuation infrastructure composed of new calculative tools for investors to assess the social and environmental value of firms. To this author, the valuation infrastructure has played a central role in this developing market by shaping social and environmental value as distinct from financial value (Barman 2015). Through this approach, Barman convincingly shows that "impact" is indeed a multi-faceted object that comprises multiple "regimes of value" (Boltanski and Thévenot 2006): different notions of "worth" and different ways of assessing them co-exist.

Likewise, I argue that valuation processes deserve attention because they reveal the different regimes of value that co-exist in SIBs. As Chiapello and Knoll (2020b) also argue, "moral-political" and "technical-financial" dimensions are intertwined in the different welfare conventions that co-exist and conflict in SIBs. Moreover, I contend that valuation processes has performative effects (MacKenzie and Millo 2003), that is to say, metrics prescribe and even provoke what they aim to describe. On the case of impact investment, Barman shows that the valuation infrastructure governs decisions to favor one investment over another in very concrete ways. In her own words: "it structures investors' evaluation of some investments as 'good' choices, thus shaping these actors' decision to direct dollars to some companies rather than others, with consequences for why some social and environmental challenges get recognized as 'worthy' while others get overlooked" (Barman 2015). In SIBs,

metrics determine the social results and the behaviors that are “worthy”, leading to performative effects on operational activities, as section 3 aims to demonstrate.

To study the politics of impact creation in valuation processes, I analyze the difficulties and tensions that SIB practitioners experience when defining SIB evaluation modalities. Williams (2021) refers to the notion of “micropolitics of valuation” as the form of politics found at the daily work of practitioners who try to design and value SIBs, who consider sometimes conflicting options, and who deal with the consequences of the methods chosen. I am adopting here a similar approach, but besides, I am interested in the pragmatic impulse to make SIB arrangements feasible despite practical and logical difficulties. I argue that the notion of tactics of feasibility usefully combines these aspects.

This chapter thus addresses the following questions: how does the impact narrative play out in specific SIB projects? How is impact defined, negotiated and measured? It turns away from the depoliticized impact narrative embraced by the UNDP, the OECD, the GSG and others to the highly politicized production of evidence on the ground. It shows the efforts required to build SIB “value.” From the perspective of trials of feasibility, the establishment of metrics requires available data, ex-ante and ex-post meaningfulness, and the tactful definition of thresholds and benchmarks. Defining, preparing, agreeing upon, and following up on these indicators require intense, difficult negotiation between stakeholders. This chapter aims to study, in turn, the effects of valuation processes in shaping *objects of impact* and making impact happen. What does valuation processes make “count”? To what extent do impact evaluations perform the underlying valuations?

Empirically, this chapter draws on two “feasibility studies.” Feasibility studies are early designs of SIB projects. They include the identification of stakeholders, target population, costs and benefits, impact metrics, and sometimes, possible legal frameworks. They are usually conducted by third party consultants in collaboration with one or several stakeholders. Such studies are interesting for the analysis of valuation processes because first, they constitute the first and often hesitant attempts to negotiate what is impact and what are the objects of impact. Second, the way they problematize “social issues” has lasting effects as it is often reflected in the final design of SIBs. In addition, this chapter analyzes a case of SIB implementation in order to understand how valuation processes alter the everyday work of social workers.

The first section exposes why the lens of tactics of feasibility is a relevant analytical framework for studying impact measurement in SIBs and it situates this approach in relation to the scholarship on SIBs. The second section identifies tactics used for designing SIB evaluation frameworks and analyzes how these tactics shape the notion of impact. The third section turns to the implementation of a SIB program to capture the effects of impact metrics in the effective production of social outcomes.

1. Tactics of feasibility in impact measurement

The recently constituted literature on SIBs has been prolific on the possible effects of impact measurement on public policy. I identify two main groups of literature. The first one denounces the introduction of market discipline in social policy, a space that should remain outside of the market. I argue in the first subsection that the focus on a discipline deemed confined to a “market” logic obscures the actual authority of negotiated valuation methods. The second subsection discusses the second group, which analyzes the effects of impact metrics on the conduct of policy. In the third subsection, I propose to follow this second approach while focusing on the central notion of this dissertation, that of tactics of feasibility.

1.1. Critical studies on the introduction of market discipline in social policy

The first group of SIB literature highlights that public-private partnerships, performance indicators and the calculus of profitability are pervading the making of social policy within the state. These works argue that this “market discipline” has negative impacts on the welfare apparatus. In some way, SIBs back the wrong horse. They ostensibly seek to tackle so-called “social problems” relying on markets instead of recognizing markets as a source of these problems (Warner 2020). Indeed, they never focus interventions on private market actors which fail to provide, for instance, adequate employment conditions or care services (Tse and Warner 2020a). To Warner (2020), SIBs should aim at changing the behaviors of private actors instead of targeting “poor marginal clients and their providers.” They should apply their

market discipline to property developers, bankers and employers to drive the provision of affordable housing, decent wages and balanced work schedule.

These works are critical about the transformations that market discipline brings to state social policy. They argue that SIBs may undermine the capacity of the state to assess and reform public services for the benefit of service users. The risks of narrowing the conversation to financialized metrics (Tse and Warner 2020a, 2020b) and ceding control of policy to private investors (Warner 2013) are seen as significant. To Tse and Warner (2020a), the scope of SIBs is too narrow: they only focus on outcomes at micro- and meso-levels where savings come from. They consider neither broader macro-level outcomes nor sources of social problems such as market failure to provide adequate support, as mentioned above. Impact metrics are described as poor reflections of complex social outcomes (Sinclair et al. 2021). The fact that they are rigidly tied to cost savings estimate and financial returns may hinder the implementation of flexible and comprehensive interventions (Tse and Warner 2020b). Sinclair et al. (2021) argue that the penetration of financial criteria into welfare systems dehumanizes social policy and social relationships. SIBs commodify citizens by framing of service users as “social problems” and vectors of financial revenue rather than conscious agents. By putting the pursuit of profits on policy agendas, SIBs may durably inscribe “the framework of venture capital and the stamp of profitability” into policy objectives (Mitropoulos and Bryan 2015). In Dowling’s words, “the state is used as a vehicle for financial capital accumulation” (Dowling 2017).

Important questions remain unaddressed by this literature: how are “social problems” framed and populations targeted? How are cost savings calculated and what role do they play in impact valuations? Which “outcomes” count and which do not? How do investment objectives influence the nature of “impact”? These questions draw attention to the fact that the value of a thing is not contained in its own condition but is produced in its relationship to other devices (e.g., indicators, costs calculations, but also people’s judgements) that assign value: valuation is a relational process that actively forms value (Muniesa 2011). Although the first group of literature recognizes the role of valuation devices such as impact indicators in shaping social policy, it overlooks the processual nature of valuation.

1.2. From biopolitics of accounting technologies to micropolitics of valuation

The second main group of literature is interested in the effects of impact metrics on policy and adopts a Foucauldian analytical lens. It takes a closer look at valuation processes to analyze their authority on the populations involved, in particular the beneficiaries. Some works, that I discuss below, argue that the accounting technologies used in impact measurement govern life itself: they exercise a biopolitical power (Foucault 2008). These works are useful to study the “discipline” imposed by impact measurement not as an exogenous effect coming from the market, as discussed above, but as an endogenous ability to discipline people’s actions. However, I contend here that the politics of measurement vary from one place from another depending on the *trials* that practitioners face and the sometimes improvised *tactics* that they implement. I suggest that the notion of “micropolitics of valuation” proposed by Williams (2021) is an interesting alternative to the overwhelming notion of “power” that fails to account for localized difficulties and tensions in the definition of SIB evaluation frameworks. I will then link this approach to the lens of tactics of feasibility that I adopt in this chapter.

The Foucauldian perspective differs from that of the first group identified in the previous section on two major points: the nature of the authority and the objects on which the authority acts. The first group of studies analyzes how the focus on a specific form of impact (marketized, financialized, based on cost savings estimates, yielding financial returns...) may undermine, divert and even profoundly reshape welfare policy within the state. “Market discipline” seems to materialize in SIB metrics. The second group of literature, which is the focus of this section, examines forms of *government* exercised by the indicators, numbers and expertise assumed by SIB practitioners over the target populations. Metrics themselves, instead of the market, discipline their subjects. Such government technologies “act upon action” in the words of Rose (1999:4), meaning that:

“To govern humans is not to crush their capacity to act, but to acknowledge it and to utilize it for one’s own objectives.” (Rose 1999:4)

This is how Cooper et al. see SIBs: the authors argue that the SIB model transforms the participants in order to generate future cash flows for investors (Cooper et al. 2016). They use the lens of neoliberalism as Michel Foucault defined it: in sum, a governmentality with

competition as its core principle, in which state policy is devoted to organizing competition between companies but also between individuals who are seen as entrepreneurs of themselves responsible for making their own “human capital” productive (Foucault 2008). Notably, Cooper et al. contend that SIBs turn the beneficiaries (homeless people in the case studied) into “failed entrepreneurs” for investors to capitalize on their supposedly improvable yet risky behaviors. Accounting technologies, in the form of budgets, value for money calculations and indicators are instrumental not only in the technical implementation of SIBs, but also in rethinking the role of the most vulnerable in society, turning them into contractual sources of potential rewards for investors. According to the authors, the emphasis put on reducing rough sleeping marginalizes homeless people. Performance metrics are individualized; they place a moral imperative on finding stable accommodation, becoming productive through employment, and taking care of one’s health.

Katharyne Mitchell proposes a similar analysis of impact measurement in the broader impact investment field. She argue that measurement technologies nudge “target populations” into optimizing cost-benefit analyses through self-care and prudential self-management (Mitchell 2017). This phenomenon is performed by metrics and an assumed scientific and neutral expertise that act at a distance on target populations under the control of private actors such as nonprofits, financiers and philanthropists. To Mitchell, the state has devolved the management of social welfare to professional alliances and is being nudged into market-based solutions. However, a few authors challenge this representation of the state as weak and absent. To Berndt and Wirth (2018), the state seems to retreat from the sphere of social policy but on the contrary, it governs at a distance relying on New Public Management methods such as auditing, benchmarking and standardization. These technologies do indeed ingrain logics of entrepreneurship and impact investment into welfare policy, but they do so without weakening the capacity of the state to steer policy: the authors argue that these transformations are endorsed by policymakers.

In fact, these academic debates show that the power relations at play in impact measurement are not clear. Analyzing the politics of impact measurement, I argue, entails to take a closer look at the particular valuation processes instead of reasoning “in general.” This chapter aims to show that power relations are especially visible in pragmatic trials in which the distribution of roles and responsibility are questioned. Eve Chiapello and Lisa Knoll convincingly bring to

light the “versatility and heterogeneity” of SIBs through the study of disputes between “orders of worth”, in reference to Boltanski and Thévenot (2006). They draw attention to the different welfare conventions that co-exist and conflict in different SIB projects, resulting in specific compromises and different SIB models:

“The actors involved are too diverse, and they struggle in their attempts to enforce their own rationality. They have to engage in compromises and the resulting actual SIBs are quite heterogeneous.” (Chiapello and Knoll 2020b)

For instance, the authors argue that the Essex County Council SIB, aiming at preventing children from going into foster care thanks to individual therapy, combines a *behavioral* framing of the social problem and an *entrepreneurial* model of social service provision. This model, however, does not allow much flexibility since it is ruled by a rigid contract that favors large financial returns (*financial* welfare convention) while preventing competition between providers and financial risk (*anti-market* model) (Chiapello and Knoll 2020b; Neyland 2018). Other SIBs incorporate the civic convention promoting the rule of law and equal rights. Chiapello and Knoll suggest that, in the Utah SIB and the South Carolina SIB studied by Tse and Warner (2020b), conflicts between civic and financial conventions resulted respectively in a legal compromise and a civic-philanthropic compromise.

Clashes between different rationalities are especially visible in the construction of SIB evaluation frameworks. In this line of thought, James Williams (2021) refers to the notion of *micropolitics*, borrowed from Foucault (1995) and Deleuze and Guattari (1987), to describe the form of power and politics that operates at the level of *valuation processes*. In his study of SIB evaluation methods in the US context, he observes that the choice of randomized control trials shapes the “value proposition” of SIBs, strengthening the case for governments in the distribution of risks and rewards. Randomized control trials are experimental evaluation methods inherited from medicine in which a “treatment group” of people is compared with a “control group.” The former receives the “treatment” under test, or rather the social service in the case of SIBs, whereas the latter does not. It is then by comparing the results within the two groups that the specific effect of the treatment (or social service) can be isolated from exogenous parameters. In Williams’ terms:

“As it applies in a SIB context, the notion of micropolitics helps to capture the distinct form of politics inhering in the technicalities of SIB design, in the

technical question of how to value SIBs and the consequences and tensions that flow from the choice of method. By virtue of their epistemic attributes and features as a valuation technology (e.g., randomization, significance testing), RCTs [randomized controlled trials] impose constraints, trade-offs, and unintended consequences that impact the distribution of risks and rewards boosting the value proposition for governments while weakening the case for investors.” (Williams 2021) (italics in original)

The author explains that the use of this evaluation method creates struggles and tensions, which reflect different ways of valuing social outcomes and investments among the stakeholders (see also Williams 2020a). Randomized controlled trials are supposed to bring rigor to evaluation, but they introduce risks linked to the implementation of the method itself (linked to data collection and statistical significance). By extending the timeline of SIB projects, this evaluation method also increases implementation costs and erodes profitability for investors (Williams 2021).¹⁵²

This chapter extends Williams’ insightful study of micropolitics of valuation to methods other than randomized controlled trials. The notion of micropolitics usefully conceptualizes valuation processes as a place where sometimes conflicting valuation agendas are exposed. It resonates with the notions of trials and tactics of feasibility that I preferentially use in the rest of the chapter.

1.3. Tactics of feasibility in impact measurement

The few works that describe the construction of SIB evaluation frameworks (and absolutely all the practitioners that I have heard from on this topic¹⁵³) note that practitioners face many “small” difficulties and tinker with what they have on hand to address them. Agreeing on

¹⁵² Nassima Abdelghafour (2020) analyzes the use of randomized controlled trials in development economics in terms of “micropolitics of poverty.” She argues that RCTs confine the problem of poverty to epistemic and political portions of the world called “fragments”, which also contain poverty action. Abdelghafour’s approach resonates with that of Williams in that both authors focus on the politics involved in the design of “little” technical devices aimed to address social problems (see also Abdelghafour 2017). Abdelghafour additionally proposes a thoughtful analysis of the relation between localized knowledge creation and global poverty action.

¹⁵³ Which the 2021 Social Outcomes Conference, for example, illustrates: see sessions “Adventures in awarding the outcomes contracts”, “Measuring impact: trade-offs and accountability”, “Shifting narratives and logics for the use of social impact bonds” from day 2: <https://golab.bsg.ox.ac.uk/community/news/day-2-soc21/> (accessed September 2022). See also Pellizzari, M. (2019). *Retour d’expérience sur les contrats à impact social en France. Les acteurs engagés font le bilan après 3 ans d’expérimentation multi-facette* (p. 70). Impact Invest Lab. <https://www.finance-fair.org/wp-content/uploads/2021/08/RETOUR-EXPERIENCE-CIS.pdf>.

desirable future social outcomes and associated payments is certainly not a straightforward exercise. It requires the uneasy alignment of various stakeholders that present diverse welfare conventions (Chiapello and Knoll 2020b), diverging interests (Carè and De Lisa 2019; Giacomantonio 2017; Maier and Meyer 2017), cultural differences (Dixon 2021), asymmetric accounting capacities (Neyland 2018) and indeed, different ways of valuing social outcomes (Williams 2020a). As explained in the previous section, Williams has focused on controversies and tensions surrounding valuation processes and subsequent compromises (Williams 2020a, 2020b, 2021). He interprets practical struggles as a collision between the standardizing logics of finance and the contingencies of urban social problems (Williams 2020b). I have challenged this interpretation in chapter 1, suggesting that what is at play is a reconfiguration of tools and discourses used in finance and social work rather than a collision between two distinct worlds.

This chapter takes seriously the challenges and compromises encountered during the setup of SIB evaluation frameworks. Instead of referring to micropolitics, it applies the central notion of this dissertation to impact measurement: it analyzes the politics that are performed through and result from *tactics of feasibility*. The analysis of tactics certainly accounts for dynamics similar to what Williams have termed micropolitics, but it places more emphasis on the pragmatic impulse to recurrently cope with technical and regulatory conditions. My aim is to show how “feasibility” concerns unfold over setup challenges linked to three types of activities: definition and pricing of outcome indicators, specification of evaluation methodology and selection of target population. Furthermore, the chapter aims to demonstrate that tactics of feasibility have a structuring effect on the concrete implementation of SIB programs.

The following sections turn to the practical definition of “impact” in SIBs. Section 2 analyzes the structuring role of feasibility studies in SIB valuation. Section 3 examines the realization of impact *in situ* and the performativity of models and theories of change.

2. The quest for “feasibility”: how feasibility studies shape impact

2.1. Feasibility studies as valuation processes

2.1.1. *Brief definition of feasibility studies*

A feasibility study is an early stage assessment generally conducted with the aim to validate or invalidate a specific SIB project. SIB feasibility studies have been conducted and sometimes published in several countries. Although there is some variation on their content, these studies share common elements. A feasibility study defines core features of potential SIBs, namely target population, metrics, outcomes payments, and sometimes return on investment and possible legal structure. Measurability of results, the level of estimated savings for the public sector, financial profitability and available legal vehicles are parameters used for validating feasibility. These studies are sometimes commissioned by the public sector as is for example the case in Chile, in the US¹⁵⁴ or in Spain.¹⁵⁵ In other places like in France, they are commissioned by social operators wanting to finance a project through a SIB. In any case, feasibility studies are usually conducted by private consultants that are experts either on the targeted policy area or on SIBs.

2.1.2. *Example of feasibility studies à la iiLab*

My employing company Impact Invest Lab (iiLab, rebranded as “FAIR” since 2021) has developed a feasibility study activity since its creation in 2016. This section describes in detail what feasibility studies are, based on the example of iiLab methods, which may differ slightly from other methods. Part of the empirical material I expose in the next sections comes from my own experience in conducting feasibility studies *à la* iiLab. I was employed by iiLab in 2018, first as an intern and then as a research officer to carry out my PhD investigation. I joined the only employee that had been working at iiLab since 2016: my manager Sandrine.¹⁵⁶ Sandrine had become a recognized expert on the topic. I learned how to become one myself as she introduced me to all the activities related to SIBs, including feasibility studies.

¹⁵⁴ See Heinrich, C. J., & Kabourek, S. E. (2019). Pay-for-Success Development in the United States: Feasible or Failing to Launch? *Public Administration Review*, 79(6), 867–879. <https://doi.org/10.1111/puar.13099>

¹⁵⁵ See “Spain: EIB and Municipality of Madrid promote the city’s first social impact bond, putting Madrid at the forefront of social policy.” (June 29 2020). *European Investment Bank*. <https://www.eib.org/en/press/all/2020-209-eib-and-municipality-of-madrid-promote-the-city-s-first-social-impact-bond-putting-madrid-at-the-forefront-of-social-policy>

¹⁵⁶ Her name has been changed for anonymization purpose.

Since 2016, iiLab has offered support services to promising SIB projects on demand: it has helped social organizations as well as local authorities decide on the “feasibility” of SIBs. Here, I present how iiLab understands and determines SIB “feasibility.” First and foremost, iiLab analyzes feasibility based on a crucial principle: “the state should always win”, as Sandrine puts it. The state should “win” in an economic sense, i.e., outcome payments should be inferior to budgetary savings. Put differently, the state should pay less than it earns. Therefore, feasibility depends on project costs, including operational costs and SIB structuring costs, compared to savings. The main feasibility criterion that Sandrine and I use is indeed that *savings exceed costs* to ensure that outcome payments can cover project costs without the state losing money.

Feasibility studies combine a specific expertise on SIBs – that of iiLab – and an applied expertise in the targeted policy area – that of the social organization asking for support. The starting point is a social program that fulfils the basic requirements for SIB financing. Social operators have to fill out a 2-page “pre-feasibility” questionnaire that is then submitted to a “commitment committee” composed of representatives of iiLab governance and responsible for approving the allocation of human resources to feasibility studies. The main criteria considered are social innovation (and therefore, the risk on social outcomes), significant public savings, measurability of results on the medium term (3 to 5 years) and identifiable population.

Then, in my experience, the studies conducted at iiLab consist in three main steps. The first step consists in assessing the targeted “social problem” and the public savings (*coûts évités*), i.e., the public expenditure that would be avoided if the problem was addressed. The study defines a delimited “population” which faces the specific “social problem” that the social program aims to tackle (e.g., homelessness, youth unemployment, food insecurity...). It presents as much information as possible (mostly quantified information from various sources, e.g., public statistics) on the size of this population, the specific needs that are not addressed by existing services and the public expenditure associated to this social problem (e.g., public aid, emergency shelter, existing social support). This first part of feasibility studies is conducted in collaboration with the partner organization. If the partner is a social organization looking for an outcome payer, this analysis is typically used to convince public authorities to engage in the SIB project. The second step in feasibility studies is the definition

of outcome metrics. Metrics must at the same time translate significant improvements in the situation of the target population and ensure cost savings. The third step is the elaboration of a financial model. Such model displays outcome payments as a function of outcomes and savings. It also represents financing needs and the potential rate of return for investors.

2.1.3. *The politics of outcome pricing*

Here, I contend that the use of data for quantifying social problems and calculating cost savings in feasibility studies deserves close attention for it is constitutive of SIB value. In fact, feasibility studies do not merely *identify* populations. I argue here that they rather contribute to *constitute* social problems and posit that these are actionable. On the one hand, target populations become identifiable as homogeneous categories of population: individuals are made commensurable (Espeland and Stevens 1998) and are aggregated into equivalence classes through numerical descriptions (Desrosières 2016). This operation erases individuality and gives shape to a “population” that have a “problem” in common. To some scholars, the focus on social outcomes suggests that adequate support can improve the situation of a problematic population at the level of the self, obscuring possible external, systematic causes for poverty and precariousness (Cooper et al. 2016; Wirth 2020). This perspective derives from behavioral economics, as Wirth (2020) discusses: support is provided in order to “nudge” behaviors into the “right” direction. However, operations of commensuration trigger problematizations of incommensurability (Mennicken 2013) as actual SIB participants reveal unpredictable behaviors, as will be discussed in section 3.

On the other hand, feasibility studies frame such social problems so that SIBs appear as an adequate solution to address them. By shifting the focus from inputs to outcomes, the narrative goes, SIBs tackle entrenched social problems that existing services and limited public resources fail to address. Therefore, SIBs are presented as a way to alleviate the budgetary burden of social problems that are also *costly*. Outcomes indicators are associated with economic parameters, namely costs and prices, and financial parameters of risk and return. The diagram in figure 12 situates the interrelated notions of prices, risk and return within the relationships between outcome payers, investors and outcome indicators. Outcome payers (state and donors) pay according to prices attributed to expected outcomes according to costs

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savings calculations. Investors, who provide upfront funding, assess their risk based on the level of outcome targets and expect a return according to outcome prices. This chapter focuses on the constitution of prices, and chapter 4 examines risk and return in depth.

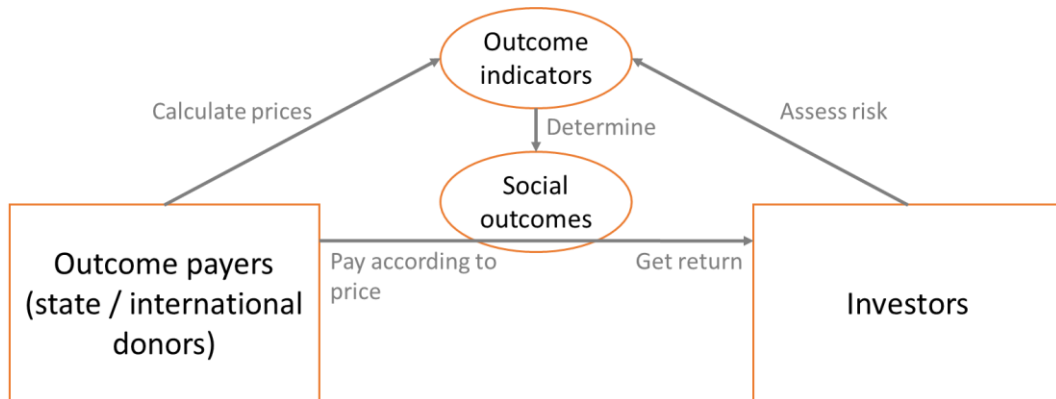


Figure 12. Process for attributing prices, risk and return in SIBs depending on outcome indicators. Source: author.

To understand the constitution of costs and prices, I focus on savings estimates. I argue that the latter play the role of “valorimeters” as they translate social outcomes into monetary amounts (Çalışkan and Callon 2010). Valorimeters are devices that turn values into figures, in particular monetary amounts. Çalışkan and Callon (2010) study valorimeters used for *pricing* in the context of marketization, and more generally in economization processes. The authors stress the importance of studying the design, the implementation and the use of predominant valorimeters, which impose and fix their own valuation (Çalışkan and Callon 2010). I propose to analyze the calculations underlying savings estimates. Following the broad definition proposed by Callon and Muniesa (2005), calculations “detach” certain entities in order to take them into account, for example individualized outcomes and standardized costs. They then associate these entities together in a certain way to finally produce an autonomous result that can circulate. In this view, valuation devices – the authors focus on markets as valuation devices – have a political dimension in that they select one way to account for value, e.g., by fixing prices, and thus, to qualify and classify the objects valued.

Outcome pricing also deserves attention because it is used for investors to make profit. Investors decide to invest based on the levels of risk, return and impact, as Chiapello (2015) argues about impact investing. According to Chiapello, impact evaluation is part of the phenomenon of “financialization of valuation” which is spreading into non-financial domains such as social, artistic and environmental activities. She sees impact metrics as financialized

indicators in addition to risk and return rather than efforts to assess policies or to provide accountability: in this view, impact indicators are designed to support investment decisions. As a consequence, Chiapello argues that impact measurement is a way for investors to discipline social activities and to make them investable. The increasing use of impact measurement by social organizations helps attract private capital to social activities. The author suggests that the focus on financialized impact (e.g., through impact measurement, or the Social Return on Investment) also orients the conduct of public policy towards instruments such as SIBs:

“What so far appears to be no more than a way of organising a market likely to attract private funds into social organisations, also legitimises more radical propositions regarding ways of conducting social policies and spending public money, such as the Social Impact Bonds (SIB) systems.”
(Chiapello 2015) (italics in original)

Figure 12 similarly illustrates the fact that SIB outcome indicators are the cornerstone of both public and private investment. Outcome metrics guide at the same time policy implementation and investment decisions. Likewise, the calculation of outcome prices guides public spending as well as risk/return assessments.

The following subsections analyze the politics of valorimeters in practice. Empirically, sections 2.2 and 2.3 draw from two feasibility studies. What is salient in these studies is the very concern about finding and representing cost data and the moral principles involved. One study seeks to unlock funding for an existing program that need to increase its capacity. It aims at supporting homeless young people from a French city access to rights, including to residence, education, training, employment and healthcare. The program is called the “youth service platform”: it offers a unique contact point for the young people and coordinates all the procedures. The Platform provides temporary accommodation and individualized support by a social worker up to 6 months. The operator, a French foundation, commissioned iiLab to realize a SIB feasibility study (*étude de faisabilité* in French) in 2019. I was in charge of it. One of the main demands of the operator, that I will call “**Fondation N.**”, was cost savings analysis in order to convince local authorities to engage in the project. The second feasibility study was commissioned by the Chilean government through public tendering. It aimed at assessing the feasibility (“*factibilidad*” in Spanish) of a SIB on a specific policy area: youth incarceration and reoffending. The study was conducted by a foundation specialized in policy for citizen security

and justice. It includes an in-depth economic analysis labeled “cost benefit analysis.” Contrary to Fondation N. SIB feasibility study, the latter study is publicly available from the website of the Ministry of Economy.¹⁵⁷

2.2. Cost savings estimates at the crossroads of economic and moral values

2.2.1. Estimating savings for convincing public authorities to pay

Here, I focus on economic calculations displayed in feasibility studies, more precisely cost savings estimates. In fact, feasibility studies make the case for SIB profitability from the perspective of public authorities. Their narratives are addressed to potential outcome payers to convince them to engage in a SIB. For instance, the study that I realized with Fondation N. targeted public authorities at different local levels. According to the contract signed by Fondation N. and iiLab in June 2019, the study aimed at:

*“[...] identifying all the elements needed to **build a case** and to carry out an initial **prospective analysis of costs savings** to support the Foundation in its efforts to **raise awareness among public authorities** and in order to ensure the presence of a public third party that is favorable to the project and ready to engage in the feasibility study (“Outcome Payer”) (Step 1). Building a case includes the justification of the social need and the project, the analysis of the local context, the [SIB] mechanism and the advantages of SIB financing [...].”¹⁵⁸ (emphasis added)*

The first step was to “raise awareness” among public authorities in order to identify a potential outcome payer. To do so, the study had to provide public savings estimates, a rationale for the program based on the justification of social need (and not the other way around), local context analysis and justification for SIB financing. Fondation N. was particularly interested in the savings part because they expected public authorities to be receptive to this argument.

¹⁵⁷ Fundación Paz Ciudadana. (2019). *Estudio de factibilidad y diseño de un contrato de impacto social en reincidencia delictiva juvenil* (p. 273). <https://www.economia.gob.cl/2019/08/06/estudio-de-factibilidad-y-diseno-de-un-contrato-de-impacto-social-en-reincidencia-delictiva-juvenil.htm> (accessed September 2022)

¹⁵⁸ Source: *Convention de prestation de service en date du 03/06/2019 entre Impact Invest Lab et [Fondation N.]*

Savings estimates indeed prove to be a useful argument to leverage public funding for SIBs, as a stakeholder from a Chilean foundation confirmed:

*“We commissioned the fiscal expenditure observatory to carry out three studies of the economic cost generated by three social problems for the government, because we believe that the easiest way [is] to reach the government and tell them ‘you know what, this problem costs you X amount per year and we have the possibility of providing a solution for X multiplied by 0.9 or 0.8, [i.e.,] where there is a discount, where the government can save an amount’... In fact, **the easiest way for the government to approve something is by converting everything into money**, [showing that] they will only pay if it works out.” (Investor; 06/12/2019)*

The informant aimed to convince the Government of Chile to engage in SIBs, in which the foundation would act as intermediary. To do so, he explained that the most straightforward argument was to “convert everything into money” and to propose a “solution” to “discount” existing costs.

Savings estimates seem crucial to legitimate SIB financing. In Sandrine’s words, “the state should always win”: it should pay less than it benefits from SIBs (cf. section 2.1). Even if savings estimates are approximate, as I discuss in the next sub-section, they are necessary to build SIB models. They stand as an economic justification for the state to engage in a complex and costly financing instrument such as SIBs, and they justify the fact that the state pays more to reward investors. But cost calculation also alters the conduct of social policies by *valuing* cost reduction and the cost-effectiveness of social outcomes.

2.2.2. Ethics of problem solving

We have seen that SIBs aim to do good by solving social problems defined as costly. Here, I study how social problems are presented so that they also appear significant for the society. I propose to analyze how cost savings emphasize benefits for the society.

For Fondation N.’s feasibility study, Sandrine told me to find figures on social issues and associated costs. She insisted: “If you find one striking figure on the social issue, you’ve finished the feasibility study.” I took the following notes concerning her advices:

*“The first step of the study is to become familiar with the sector: to **find figures** and become familiar with them. [...] The goal is to justify [...] the program [...]. For example, I have a cost of NEETs [i.e., young people not in employment, education nor training] from the Fondation AlphaOmega’s factsheets. A young NEET is assumed to get all the aids to which he or she qualifies for; all the sources of costs are aggregated. However, in our case (and in the real world, in fact), the young people supported sometimes did not access entitlements before entering the support program. We can therefore think that **costs will increase** on this aspect – i.e., state aids. For Sandrine, **this is a preliminary figure** that we can dig into, or [just take it as such and] complete with a figure on housing.” (field notes, p. 27)*

I had to find costs associated with the target population of the Platform in order to “justify the program”, in Sandrine’s words. Sandrine, our partners from Fondation N. and I decided to categorize the target population as NEETs, that is, a policy category for young people “not in employment, education nor training.” I will discuss this choice in section 2.3. I did find a study that accounted for a “cost of NEETs”, though it was not entirely satisfying regarding the Fondation N.’s program. The study considered that NEETs receive state aid but Fondation N.’ beneficiaries often do not. Therefore, the Platform would not decrease the cost of NEETs, but instead would likely increase social spending by providing access to entitlements. Despite this contradiction, Sandrine found acceptable to keep this figure on the grounds that it is an available figure that could work as a “striking figure” about the social problem. In the end, however, I made my own calculation of the cost of NEETs from another study that presented detailed costs of unemployment.¹⁵⁹ I found that youth unemployment costs about 16 000€ per person and per year including public expenditure and potential fiscal gains from employment.

Cost calculations incorporate theories of change that arguably establish the legitimacy of SIBs: SIBs are expected to help people get out of problematic situations. To reveal these theories of change, I analyze the cost of NEETs as a valorimeter. On the one hand, this cost attributes an economic weight to off-track youth according to the amount of state aids. Consequently, entitlements such as social security, housing and unemployment allowances, and emergency shelters are turned into unwanted public costs. On the other hand, what the calculation of a cost of NEETs values (in the sense of promoting) is the integration of young people into the

¹⁵⁹ ATD Quart Monde. (2015). *Étude macro-économique sur le coût de la privation durable d’emploi.*

labor market. On the contrary, it devalues (in the sense of criticizing) any circumstance that would result in young people being NEET. This formulation of problems guides policymaking towards cost-effective measures directed to the integration of off-track young people into the job market. No alternative formulation is considered.

The effect of cost calculations on policymaking is particularly striking in the Chilean SIB on youth delinquency, in which socioeconomic value clearly determines the adequacy of a policy, as a public official from the Ministry of Social Development explained:

*“The current [recidivism rate] is around 54%. [...] More than half of those who are incarcerated reoffend within two years. And here [with the SIB] we expect a reduction of recidivism by 10%. That's low. If we look at the history of other SIBs in other parts of the world, [they expect recidivism reduction by] 8-10-12%; **it's low, but what it costs society a person in a delinquent trajectory is a lot.** The social cost is very high. That was calculated in feasibility by an external entity, a consulting firm. They calculated those numbers and **we were able to assess that a socio-economic value is created.** [...] Because these are delinquent trajectories that with this program you supposedly cut. A person who reoffends now [...] will be reoffending all his life.” (Policymaker; 25/11/2019)*

A 10% reduction in the recidivism rate is a low target, this informant says, while the current rate is 54%. But in fact, it is not a small reduction; it is significant if we take as reference the “socioeconomic value” created. According to the SIB feasibility study, a 10% reduction indeed creates “enough” socioeconomic value, which makes it a relevant policy objective.

The socioeconomic value of a reduction in recidivism can be analyzed as a valorimeter too. First, the calculation is based on two significant assumptions: the target population would systematically persist in reoffending and the SIB program could stop recurrent offences. Second, according to the study, relevant sources of costs are: the fiscal cost of detention, court proceedings and enforcement; costs for the victims; costs of the loss of productivity of the young offenders.¹⁶⁰ The calculation includes not only costs for the state (similarly to the cost of NEETs), namely fiscal costs, but also a “social cost” or cost “for the society.” In particular, the cost-benefit analysis takes into account tangible costs for the victims, e.g., healthcare and

¹⁶⁰ Source: Fundación Paz Ciudadana. (2019). *Estudio de factibilidad y diseño de un contrato de impacto social en reincidencia delictiva juvenil* (p. 273). <https://www.economia.gob.cl/2019/08/06/estudio-de-factibilidad-y-diseno-de-un-contrato-de-impacto-social-en-reincidencia-delictiva-juvenil.htm> (accessed September 2022)

income loss. It also calculates a loss in “productivity” in terms of “minimum wage.” In fact, the socioeconomic value legitimizes policy goals regardless of the many assumptions it rests on and the fact that these assumptions are disconnected from the cases that will effectively arise during the SIB program.

2.2.3. Pricing tactics

Here, I investigate the role of cost calculations in the pricing of outcomes. Once outcome payers are identified and engaged in SIBs, the payment model needs to be specified. Outcome payers pay according to prices attributed to individual or collective outcomes, e.g., for each person getting a job contract or for a 10% reduction of recidivism in a specific group. How are outcomes turned into payment amounts? What are the models and justifications used to calibrate outcome payments? I show that savings estimates are a main justification for outcome pricing.

SIB outcome indicators are intended to be sources of cost savings. We remember the principle stated by Sandrine: the state should always win, meaning that the state should pay less than it earns. Following this rationale, outcome pricing should be directly linked to the amount of state savings. As an evaluator from France explained, when the savings appear clearly to the stakeholders, the payment model is easier to define:

*“The advantage [of this SIB] is [that it] was clearly based on avoided costs. [...] The performance, payment-trigger indicators, flowed naturally, I mean, there weren’t billions of questions to ask ourselves. What is expensive is placing children [away from their family]. It is a program that prevents child placement: if you avoid child placement, well, it works! **It is the logic of the SIB, which is based on a logic of avoided costs** [...]. It was less complex than other SIBs in which we were more attracted by an idea, an interesting intervention, but without this logic, [...] thus [provoking] endless negotiations on the nature of the indicators and [...] the level of performance to be attached to the indicators. [...] In fact, **[this economic logic] brings clarity**. We can be against it, and indeed cost savings estimates [...] are just estimates, but **they do put money with money.**” (Evaluator; 16/04/2019) (emphasis added)*

This informant mentioned a French SIB that she appreciated because it clearly relies on cost savings. The SIB aims at avoiding foster care for children through education support provided to families in a dedicated shelter. Cost savings, the evaluator explained, were directly attributable to the impact of the SIB, i.e., avoiding foster care. Savings are interesting in that, by matching “money with money”, they are good proxies to fix outcome objectives and outcome prices.

Thus, savings estimates are the silver bullet for the definition of SIB targets. And even when savings do not appear as clearly as in the French SIB mentioned above, SIB stakeholders still resort to tactics to turn social outcomes into monetary amounts. For example, an official from Chile explained the pricing process for the SIB tackling recidivism among young people:

*“How did we end up with these payments? **First of all we established the costs.** We did so based on an intervention model: how much does a user with this intervention actually cost? How much does it cost in terms of education if we give this young person a bus ticket every day? [...] We got together with other sub-secretariats that make evidence-based interventions that were similar to what we wanted to do. They told us ‘look, for 300 people you are going to spend \$1M more or less.’ We had a range of costs that we validated with the technical counterpart. **Having these costs, we found how much return could be paid, and there we had the maximum payment associated.**” (Policymaker; 28/11/2019) (emphasis added)*

Pricing relied on the notion of costs instead of proper savings: SIB practitioners identified current public expenditures for similar interventions likely to produce similar outcomes. These costs estimates determined the maximum amount that the state can pay. Again, the principle stating “the state should always win” applies, in the sense that the state should not pay more than what it would have paid for a comparable public service.

In fact, although pricing should focus on outcomes regardless of costs, as the official affirmed, public financiers were still legally bound to account for costs:

“At the beginning we defined the profitability [i.e., the maximum return on investment] ourselves, but after a period of comments we decided not to. Then profitability was set at 23% but only for those who over-perform. [...] Generally [in SIBs worldwide] [...], if my maximum payment is, I don't know, 1000 euros, and I have estimated at government level a cost of 800 euros for the program, [then] if they spend [only] 400 in the program, it doesn't

*matter, right? But **here in Chile we are still a little bit tied up with the issue of expense reporting.** Here, Contraloría, which is the maximum regulating entity, and also CORFO's lawyers, do demand to render the costs of the program. For **example if the program really costs 500 euros we are going to pay 500 * 1.23 [to include the return on investment].** If the program costs 600 euros, we are going to pay 600 * 1.23, **with a limit of 1100.**" (Policymaker; 28/11/2019) (emphasis added)*

Investors set the maximum return to 23% – the official did not explain the rationale for this – , and outcome payments were defined as [costs * 1.23]. This unconventional (according to the official from the Chilean government) way of pricing outcomes complied with both SIB pricing practices (i.e., matching money with money) and public accounting requirements.

We will now see how feasibility studies manage to give reality and consistency (Didier 2009) to the social problems they emphasize.

2.3. Providing reality and consistency to social problems

2.3.1. Giving consistency to the "NEET problem"

The very existence of a cost for a population such as NEETs is questionable: why focus on costs and not on causes for unemployment and school dropouts? What does it say about the people categorized as NEETs? How does it frame desirable policies to help them? The definition of this cost raises additional questions: what is taken into account, what is excluded? Who assumes this cost? These questions do not appear in feasibility studies. Instead, the NEET category is naturalized. I analyze here in which ways.

The categorization of the target population of the Platform as "NEET" has triggered interrogations. The population effectively supported by the Platform tended to resist categorization, as I wrote in my field notes:

"According to the operators, it depends... Sometimes the young people are unemployed, homeless; sometimes they have a job but it is necessary to stabilize them at some point in their life. Sandrine adds: it is a choice to be made, either to support only NEETs with some conditions or to risk supporting less precarious people... It is not that way, the head of the

platform explained, for example there can be a young person who is in education and who ends up in over-indebtedness and who needs to be stabilized. [I think that at iiLab] we try to put these people into boxes. [...] But in practice, the question does not arise, of course; the young people who come to the platform necessarily need it. There is no selection at the entrance.” (field notes, p. 20)

The beneficiaries of the Platform are not necessarily NEETs, the head of the Platform explained. Social workers help address a wide range of difficulties, including over-indebtedness and irregular legal status, for instance, which the notion of NEET does not deal with. The excerpt from my field notes underlines a paradox. On the one hand, “the young people who come to the platform necessarily need it”; “there is no selection at the entrance.” In fact, the only requirement of the current financiers of the Platform was to cater to the 18-25 age group, which falls outside of existing public services. Yet on the other hand, “[at iiLab] we try to put these people into boxes” because indeed, precise categorization and selection criteria are required for a SIB. SIB feasibility studies require referring to social issues and costs, which in this case led to consider the NEET population category.

Thus, feasibility studies do not merely identify existing social problems; they contribute to constitute them. They do so using figures and specific discourses. Figures *give consistency* to social issues, in the sense that these aggregates (populations, costs, unemployment, homelessness, etc.) actually *come to existence* by means of quantification methods (Desrosières 2016; Didier 2009). Generally, feasibility studies use average data taken from national statistics or specific studies. They then *produce* a causality between this data and SIB projects by means of graphic and textual representation or “storytelling”, as Sandrine puts it.

“I have both a mathematics and business profile, which is quite useful in SIBs, to be able to talk to both investors and people who are interested in storytelling about the project.” (Technical advisor; Impact Invest Lab; 22/01/2018)

When I asked Sandrine about her education during our first interview, she emphasized two assets for building SIB expertise: mathematical calculation and storytelling. Feasibility studies are clearly a combination of these skills. They first require data search and calculations. But figures are not self-sufficient: they need to be included in graphic and textual representations, as the next subsection discusses.

2.3.2. Discursive strategies and graphic representations

The feasibility study for Fondation N. used different media to establish a causality between the Platform and the disappearance of the NEET “problem” and its costs. One was a 4-page article arguing for SIB financing (figure 13). This document aimed to convince potential outcome payers to engage in the project. The rhetorical strategy is to present the rationale backwards: instead of deducing social problems from the Platform’s activities as I actually did in my study, social problems are objectified so the Platform appears as a relevant solution. Indeed, the document first displays figures about the social issues of NEETs and homelessness. I split the issues into three sections: (1) NEET category; (2) housing challenges for poor young people in the targeted city; and (3) gap in public support services for young people between 18 and 25. The article then presents potential interventions to solve these issues and alleviate associated costs. It finally concludes that the Platform is a relevant answer to the issues presented in the first place and that SIB financing is appropriate.



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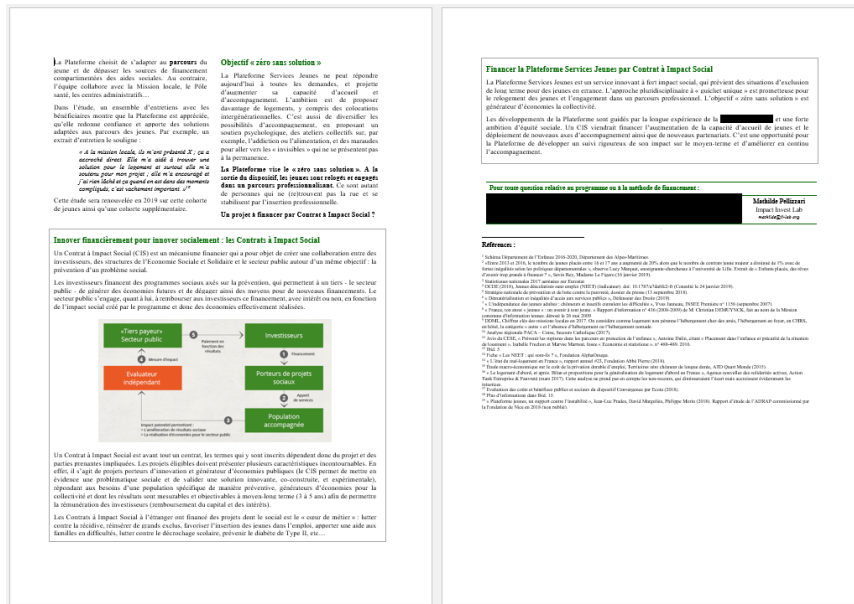


Figure 13. 4-page deliverable for Fondation N. (anonymized). Page 1: presentation of social issues; page 2: presentation of solutions and cost savings; page 3: opportunity for SIB financing; page 4: call for interest, contacts and references. Source: iiLab.

Another main deliverable was a PowerPoint presentation to be presented in meetings with potential outcomes payers from the public sector. I adopted a similar rhetorical strategy as for the 4-page article: the presentation introduces first the social issues and potential cost savings, then Fondation N. and the Platform as a relevant program to address the social issues and generate savings, and finally, the opportunity for SIB financing. All this had to be explicit to the audience. Concerning cost savings, I calculated a cost of NEETs from a wider macroeconomic analysis on the costs of unemployed people. I not only calculated the cost of NEETs, but I also *displayed* this analysis in the form of a table so that potential outcomes payer could identify their potential gains. The table includes cost categories, amounts, and importantly, public payers (figure 14).

Poste	Coût / pers. / an (€)	Payeurs
Echec scolaire	43,08	Etat
Mission locale	26,75	Métropole
Santé	639,02	Assurance maladie
Délinquance	1 673,79	Etat, collectivités et établissements
Hébergement social	115,08	Etat

RSA	1 788,79	Départements
Pôle Emploi	1 380,35	Etat, UNEDIC
Coûts évités	5 666,86	
Emploi	5 630,87	Etat, sécurité sociale
Manque à gagner	5 630,87	

Figure 14. Table on the costs of unemployment among young people. Source: iiLab (author, from ATD Quart Monde).

The content of the PowerPoint presentation had to be presented in the right order. Most comments from Sandrine on the first working version I produced aimed to change the order of the slides and therefore, to adjust the argumentative strategy. Savings estimates had to be part of the social issues and not of the effects of the Platform as I thought. In other words, savings are disentangled from the actual intervention and attached to the description of generalized social problems. Likewise, potential impact should be related to the intervention and not to SIB financing. In other words, evidence is attached to the program and disentangled from the technicalities of SIBs. SIBs appears in the end as an adequate financing means.

SIB feasibility depends in part on the ability to display and communicate information in an explicit manner. Feasibility studies aim to exhibit evidence of SIB feasibility to an audience – here, I have focused on potential outcome payers. Feasibility studies can be seen as demonstrations (Rosental 2019), which involve tangible objects such as Word and PowerPoint documents, tables and diagrams, but also practices including meetings and specific speeches. My conclusions resonate with that of Doganova and Eyquem-Renault about business models:

*“Like demonstrations, business models aim at **providing evidence for the feasibility of an innovative project** and at **gaining the interest of third parties** by mobilising the repertoires of both **proof and persuasion**, and the logic and rhetoric elements that they include.” (Doganova and Eyquem-Renault 2009) (emphasis added)*

Feasibility studies actively shape the objects represented – i.e., a social program to be financed through SIBs and its potential impact – but also the target audience and its roles – i.e., public authorities as outcome payers. The discursive strategies and graphic representations used in the documents exposed here not only pre-form live presentations, but they also determine the nature and beneficiaries of SIB impact. Again, the analysis of business models resonates

with that of SIBs in that “[i]n the process of making the demonstration, [the business model] enlists the actors that make the new venture’s worth possible” (Doganova and Eyquem-Renault 2009).

2.4. Trials of practical feasibility

2.4.1. Trade-offs in rigor

The proposals contained in feasibility studies often confront trials of practical feasibility. Factors such as the existence of the target population, legal restrictions to personal data collection or group comparison, and the resources available for the evaluation appear as a counterpoint to scientific rigor.

When Chilean Government officials reviewed the feasibility study on youth recidivism, the problem of feasibility became a prime concern. To them, the number of beneficiaries targeted in the study was too high compared to the number of beneficiaries “in real life”, as the SIB division official explained, adding:

“[The consultant] proposed metrics that could be verified easily, but which required counterfactuals. He set an ‘n’ [i.e. total target population] that was excessively large. Well, just in order to make the results more robust. [...] It was super complicated to achieve the ‘n’ they wanted, which was about 600 [...]. Finally we asked ourselves: what kinds of input taken from the consultant’s proposal can we use in order to improve the design in real life? Because the proposal was very nice to read, very academic and all. But, gosh, it could never work in real life!” (Policymaker; 28/11/2019)

The study proposed an evaluation design based on a randomized controlled trial, which required a total population (split into treatment group and control group) large enough to trigger statistically significant results. However, the target population was considered too large compared with the current number of young people incarcerated. Although our informant was convinced by the epistemic virtues of randomized controlled trials, this evaluation method was not considered as a viable option and the number of beneficiaries was limited. Practical constraints led to trade-offs in rigor (Williams 2021).

In France, one SIB program similarly ambited to measure social outcomes through a randomized controlled trial. The program, launched as a SIB since 2021, aims to offer an alternative to prison to homeless people with severe mental disorders called in immediate referral procedure (i.e., appearance before the court within three days of detention) for certain offences. This alternative promotes the recovery of people experiencing mental illness through intensive individualized support in the community. The main objective of the program was to reduce the incarceration rate among 100 beneficiaries through housing and social support. This program was in fact an experimental project that aimed to provide a scientific assessment of the social and economic outcomes of this community-based alternative to prison. Although the level of rigor required for the evaluation and the costs involved seemed out of proportion to the scale of the program, targeting only 100 people, these efforts were justified by an ambition to demonstrate efficiency and develop the intervention at a large scale in the future.¹⁶¹

Finally, the randomized controlled trial could not be implemented for two reasons. On the one hand, the target population was uncertain due to the nature of immediate referral procedures: beneficiaries cannot be identified in advance. The program proposes an intervention before immediate appearance in order to propose an alternative to prison to the judge. There is then only a window of a few hours between the decision to go to immediate appearance and the judgment. This leaves a short time to identify eligible beneficiaries and integrate them into the experiment. A proper randomized controlled trial could thus not be implemented. However, on the other hand, group comparison was restrained by the legal principle of equality before the courts. Since randomized controlled trials are used to understand if a treatment is better than the status quo, group comparison was considered against the principle of equal treatment before the courts. The control group, which does not benefit from the alternative to prison, could be disadvantaged.

Consequently, a different evaluation protocol was developed in response to the call for SIB proposals launched in March 2016 (which I introduced in detail in chapter 1). It was a quasi-experimental study in which the control group and the treatment group were constituted in two different cities. This protocol was legally acceptable. The city that would host the

¹⁶¹ Source of the information displayed about this SIB program: interview with social operator; 19/07/2018.

innovative scheme was Marseille. In order to choose the control city, it was necessary to find fairly detailed records of immediate court appearances in order to match the characteristics of the treatment group and the control group. The first control city identified was Bobigny, in the Île-de-France region. The municipality refused for political reasons, as the program coordinator explained.¹⁶² Créteil, also in the Île-de-France region, was then identified. However, the populations from Marseille and Créteil proved to be incomparable on a range of variables, in particular the level of wealth. A third city was identified, that of Aix-en-Provence, in the Provence-Alpes-Côte d'Azur region, about 30 km from Marseille. The populations of Marseille and Aix-en-Provence were comparable, but the municipality of Aix-en-Provence also decided not to participate.

Again, a new evaluation protocol was developed so that the program could take place in Marseille only. The protocol followed a “Zelen design.” In the conventional randomized controlled trial design, people consent is required before the population is randomly split into treatment group and control group. In the designed proposed by Marvin Zelen in 1979 (figure 15), people are randomized to either the treatment or control group before giving informed consent (Homer 2002). To avoid selection bias, data must be collected from all eligible individuals, whether they give consent or not.

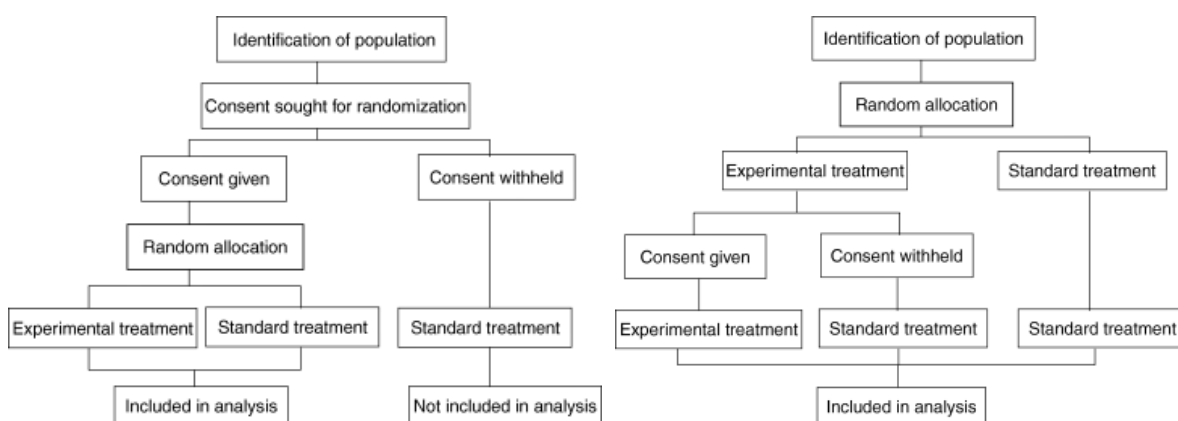


Figure 15. Left: conventional randomization design; right: single consent Zelen design. Source: (Homer 2002)

To conclude, designing evaluation methods that prove feasible “in real life” requires trade-offs between scientific, legal, but also political factors, as the discussion about the choice of

¹⁶² Source: interview with social operator; 19/07/2018.

the control city for the French SIB has shown. In this program, Zelen design was chosen as a result of tactics that managed to comply with the principle of equality before the courts. This design still provides an acceptable level of rigor although some scholars have pointed problems such as loss in statistical power due to rejected consent, and unethical randomization and data collection in the absence of consent (Homer 2002).

2.4.2. *Feasibility as data*

This subsection is dedicated to one recurrent type of trial of feasibility related to data availability. It shows how such trials orient SIB metrics design towards minimum uncertainty.

The main objective of the Chilean SIB was to reduce the reoffending rate among young offenders compared to historical reoffending rates for this population, as discussed in the previous subsection. During my fieldwork, one public official presented to me a range of additional indicators on education and work outcomes defined in the feasibility phase, whereas SIB “best practices” recommend using only a few simple payment metrics (Gustafsson-Wright et al. 2015; Sebag and Keramane 2020). The official gave a practical reason for using multiple metrics instead of a couple of them:

“[We wanted to measure] reoffending rates at 6 and 12-months intervals. But we were dependent on the capacity of other agencies to provide us with this information, and they process statistics on reoffending at 12 and 24 months intervals. But you can’t make your investor wait for two years to get the metrics for the payments! Then we look at how [to] diversify all this so as to be able to include intermediate, shorter-term payments. This is why we also pay for issues of labor reintegration, issues of schooling and training, and issues of job sustainability.” (Policymaker; 28/11/2019) (emphasis added)

Data availability is indeed key to the definition of metrics. The reoffending rate was not available every 6 months, but only after 12 and 24 months, meaning that the SIB investors would have to wait up to two years to receive payments. This was considered too risky with regards to investment standards. To attract investors, the risk was opportunistically – tactically – mitigated through metric diversification and intermediary payments. The informant cited above did also justify this diversification in the terms of a holistic view of “integration into society”, including not only reoffending, but also education and work.

The SIB division official explained in further details how the targets were defined. In the absence of quantified baselines on education and work outcomes for the target population, the stakeholders decided to avoid setting an objective of number of beneficiaries and to attribute payments to individual outcomes:

“If we support 150 people overall, we are not going to have 150 people in educational or labor issues. We considered that all the minors start studying, and all the adults start working. We set maximum ranges, that is, we can pay for up to 90 people for example in employment and up to 50 in education. The problem we have here is that we only have a baseline on the issue of recidivism: we know the number of people who reoffend in the absence of this program, but we do not know the number of people who go to education and who go to work without our program. We don't have this counterfactual. We chose to think “per person” in that case [...]. For example, if we had counterfactual data, we would pay you for 20 people who are going in education because we know that without the program there are 20 people. But here, as we do not have that data, in the end it is going to be a payment per person no more.” (Policymaker; 28/11/2019)

The definition of ambitious yet achievable, innovative yet realist targets is a difficult exercise based on case-by-case negotiations, as my own experience as a feasibility expert in France confirms. There is no standardized procedure to agree on target metrics, and the availability of adequate baseline data is a recurrent concern in this respect. However, the evidence presented here suggests that data is primarily required for calibrating payments rather than for documenting improvements in service provision, in line with what Jamieson et al. (2020) demonstrate. In Chile, a primary concern was to limit the financial risk, which led to a specific payment scheme that avoided setting educational and work targets. Another approach could have been to define policy targets in spite of uncertainty and accept that investors bear a risk. But as we will see in chapter 4, uncertain projections are incompatible with valuation practices in use in finance.

To conclude, section 2 has shown that feasibility imperatives emerge as prime criteria in the definition of impact indicators. So-called feasibility studies emphasize two main requirements for SIB feasibility: the production of “enough” cost savings for the public sector and the possibility to mitigate the financial risk. The latter point is discussed in length in chapter 4. Key concerns in this respect are not only data availability, in particular cost data, but also data

representation within explicit and convincing discourses directed to both public funders and private investors. Discourses on cost savings are used to legitimate public investment in SIBs, but also to justify the definition of outcome indicators. The section has emphasized the important role of tactics (for data collection, outcome pricing, evaluation design) in shaping such discourses as “feasible” trade-offs between scientific rigor, legal requirements and political factors. Next section takes a closer look at outcome indicators in use, after SIB projects are launched, and examines the extent to which the tactical definition of evaluation metrics in feasibility studies influences program implementation.

3. Tactics for producing impact on the ground according to established theories of change

3.1. Administrative criteria for selecting participants

3.1.1. *Use of public databases*

Chronologically, SIB feasibility studies are the first step in SIB setup. They are followed by official negotiations leading to definitive metrics and to the drafting of contracts. This section deals with the following phase, i.e., SIB launch and program implementation. It focuses on the problem of selecting participants, which, I argue, is influenced by the concern of achieving predefined outcomes. Empirically, the section draws on an ethnographic observation of an early “process evaluation” of the second SIB implemented in Colombia to address unemployment among vulnerable people. The evaluation, conducted by the independent evaluator Deloitte, consisted in reviewing the implementation methods used by the four operators through meetings and interviews with operators and participants. The observation took place in November 2019 in the city of Cali. Empirical material includes my detailed field notes and most of the documents presented by the operators to the evaluator. This case is the most thorough example of SIB implementation and evaluation that I had the opportunity to capture. It will nonetheless be completed by some insights taken from French SIBs.

As discussed in section 2, SIB feasibility requires categorizing and precisely delineating the target population based on “objective” administrative criteria (cf. more especially subsections 2.2.2 and 2.3.2). The SIB rationale emphasizes specific “social issues” to be addressed. Moreover, since social outcomes are measured over 3 to 6 years on average, beneficiaries must be precisely defined and easily tracked. This subsection shows that this objectivity is constructed by reference to commonly accepted administrative data.

In the Colombian SIBs, the target population was framed so that the government could take ownership of the programs. It was defined in the terms of the Department for Social Prosperity, the national entity in charge of public policy for poverty eradication and social equity. The main tool used by the Department for Social Prosperity to identify its target population is an assessment system called SISBEN (*Sistema de Selección de Beneficiarios Para Programas Sociales*). SISBEN, a system fed by a survey-based statistical database, defines population groups on the basis of poverty and vulnerability levels, which in turn are used to devise fine-grained social policy “focusing” (*focalización*), hence the allocation of state aid. The scope of the Department for Social Prosperity includes victims of the armed conflict in Colombia, identified through other devices like the database *Registro Único de Víctimas*. My informants were unaware of the classification methods used in the different devices, in particular SISBEN, and they did not seem to question them, as a conversation with an official from Cali suggested:

“Official: SISBEN is the system... of identification for... wait, what exactly is it called?”

Author: Yeah... I have read it somewhere. I understand that it is a scoring system. Do you know how it is calculated or which data is put in that platform to get the [score]?”

*Official: It is a survey. [...] **We cannot give you the information and help you because we are not the entity that calculates scores; we are simply the entity that uses it [...].** There are many people who say to us “I have a very high score for what I think I am”, and we cannot get in and say “I have to lower the score”, no. SISBEN is administered by the municipal planning department. They conduct surveys with **some parameters given by the national planning department**, and based on this survey they give you a score.” (Public outcome payer, Municipality of Cali; 12/11/2019) (emphasis added)*

The databases mentioned above served as default references for the identification of SIB targets. The excerpt shows that SISBEN is a commonly accepted classification device that generates public trust: it brings objectivity. Thus, focusing on SISBEN population data was the most straightforward way to work on employment for vulnerable populations with the government. A list of administrative criteria for “eligibility” was established and written in the SIB convention:¹⁶³

- **Not being registered as a contributor to the Social Security System** as attested by the *Planilla Integrada de Liquidación de Aportes* (PILA) in the last two months before entering the programme. This verification guarantees that the participants have not been employed through a “Valid Contract for Metrics” during the last two months available in PILA when joining the SIB program in Cali.
- **Being between 18 and 40 years** old when joining the program
- **Not having participated in the following programs:** a. SIB 1; b. programs launched by the employability area of the *Secretaría de Desarrollo Económico* of Cali (Secretariat for Economic Development) in 2017 and 2018.

Besides, the convention states that eligible participants should comply with at least one of the following criteria:

- Having a **SISBEN score between 0 and 41.47**. SISBEN used to produce a score that determined access social benefits according to the level of household vulnerability, until SISBEN IV was implemented in 2020. SISBEN IV attributes people to groups A, B, C or D ranging from extreme poverty to no poverty, no vulnerability.¹⁶⁴
- Being **part of Red Unidos**. *Red Unidos* is the strategy of the Colombian State to address the needs of the most vulnerable Colombia population, that is, with a SISBEN score below 1. The strategy mobilizes several public actors to act on the diverse dimensions of poverty, including health and social protection.

¹⁶³ Source: “Anexo 2 – Anexo técnico” in *Convenio de cooperación técnica para la implementación del segundo bono de impacto social No. 4171.010.27.2.001 de 2019 entre Entidad Pública: Alcaldía de Santiago de Cali, Organización Multilateral de Crédito: Banco Interamericano de Desarrollo/Fondo multilateral de Inversiones, Entidad Sin Ánimo de Lucro: Corporación Inversor*.

¹⁶⁴ Source: “SISBEN IV: Consulta tu grupo SISBEN | Nueva encuesta.” (October 6 2020). <https://sisben.gov.co/> (accessed September 2022)

- Being **part of the *Registro Único de Víctimas*** (Single Registry of Victims) because of displacement. The *Unidad para la Atención y Reparación a las Víctimas*, which administrates the registry, is a government entity in charge of supporting victims of armed conflicts on the territory.
- Being **graduated from the program *Gestores de la Alcaldía de Cali*** at May 1, 2019. This program was developed by the City of Cali with the twofold purpose of promoting employment and social inclusion for vulnerable people and reducing violence in the territory.

In addition, the intervention focuses on priority districts defined by the Municipality as “Territories of Inclusion and Opportunities” (*Territorios de Inclusión y Oportunidades*, TIOs). 60% of the identified participants (before verification by the evaluator) should live in these territories. This policy focus is also based on the SISBEN scores observed in these areas (figure 16).



Figure 16. Map of priority districts in Cali. TIO = Territorio de Inclusión y Oportunidades (*Territory of inclusion and opportunities*). Source: Corporación Inversor.

These criteria were based on administrative and statistical coding (Desrosières 2016). The target population thus appears as a homogeneous and commensurable “vulnerable population” in need for adequate support. SISBEN, *Red Unidos*, *Registro Único de Víctimas*, *Gestores de la Alcaldía de Cali* and *Territorios de Inclusión y Oportunidades* are at the same time classification devices and targeted social policy promoting social protection, health and

employment. Because they are generally acknowledged policy categories, they bring objectivity in the selection criteria.

3.1.2. *Measures against perverse incentives*

The latter eligibility criterion, i.e., “Being graduated from the program *Gestores de la Alcaldía de Cali*”, is specific to the second SIB implemented in Colombia in the City of Cali. Indeed, besides the population targeted by the Department for Social Prosperity, the municipality of Cali decided to focus on former gang members already supported through this local program, for which the city had available resources. However, this population was considered more “difficult” than that of the Department for Social Prosperity, meaning that it would need more intensive support to achieve sustainable employment. In the actors’ view, operators could be tempted to avoid supporting this population.¹⁶⁵ In SIB jargon, the evaluation framework entailed a risk of “perverse incentive.” Perverse incentives refer to practices that are detrimental to the target population, which operators could be tempted to adopt in order to achieve the objectives. Typically, excluding populations most in need is one of these practices, called “cherry picking”, “cream-skimming” or else “parking” (OECD 2016).

The stakeholders wanted to attribute a higher price to the outcomes of ex-combatants in order to incentivize and reward operators for their support, and thus, mitigate the risk of cherry picking. However, this was against constitutional principles of equality. One stakeholder from the intermediary Fundación Corona explained:

“There was this idea of having differential tariffs for the most difficult target population. [...] It didn’t work, though. We tried, we planned, we discussed. But in the end we had to abandon the idea. It was not possible. Constitutionally impossible. How can you tell someone in which you have already invested quite a load of money [through the local program] that you are going to put even more money, while spending less on people you actually did not invest in?” (Intermediary and investor; 23/10/2019)

The reference to perverse incentives is common in SIB design: most feasibility studies and SIB contracts include measures to avoid them. For instance, the first SIB launched in France included two main measures to avoid perverse incentives (Impact Invest Lab 2020). The SIB

¹⁶⁵ Source: interview with Intermediary and investor; 23/10/2019.

aimed at supporting business creation in targeted rural areas thanks to microcredit. First, the selection of beneficiaries was based on an established “exclusion score” developed and used by the operator, which aimed to provide an objective assessment of the population and avoid subjective judgements. This score varies from 0 (the least excluded) to 23 depending on measures of social exclusion (due to age, gender, level of education, etc.) and financial exclusion (due to low income, saving ability, banking exclusion, etc.). Second, besides the main objective of 270 people in sustainable employment, the SIB evaluation framework included an objective of supporting 500 people (through microcredit and support) overall. This metric was intended to both lower the financial risk (since it is an actionable input for the operator) and increase the probability of including a variety of profiles in the program, including most vulnerable people.

Although selection criteria may be based on administrative data considered as objective, SIB practitioners need to anticipate and prevent the perverse incentives that metrics produce on the selection of participants. By referring to the notion of perverse incentives and adopting measures against them, practitioners acknowledge the performativity of impact indicators, i.e., the fact that indicators tend to provoke what they aim to describe. Indeed, practitioners tinker with indicators, targets and participant selection criteria in order to trigger desirable actions from “right” incentives targeted at operators. This is, however, a limited definition of performativity centered on financial incentives. The next subsection explores the effects of metrics beyond financial incentives.

3.2. More tactics for selecting participants

3.2.1. Tactics for the identification of participants

Although selection should theoretically be based on objective, administrative criteria only, in Colombia, operators developed additional selection tactics on the ground. Social operators felt pressure to pick well the participants, because selection is irreversible and determines performance. The methods used for identifying the target population combine references to the contractual selection criteria (see flyer on figure 17 and intervention sites on figure 18)

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and *ad hoc* tactics. As I explain here, operators implemented tactics to assess the participants’ likelihood of sticking with the programme and staying in employment for 6 months.

The four SIB operators working in the Cali, Colombia targeted participants through various means, namely: targeted calls from call centers, announcements through speakers in specific districts, radio announcements, communication through community organizations and word of mouth, social networks, posters and flyers (figure 17). Here, I refer to the four operators as **Fundación 1**, **Fundación 2**, **Fundación 3** (which correspond to three Colombian foundations) and **Business 1** (a Colombian for-profit social business).



Figure 17. Advertising flyer designed by Fundación 2 displaying administrative selection criteria. Source: Fundación 2.

Operators were attributed geographic locations according to the mapping of priority districts (shown in figure 16), considering their experience and propositions made by the intermediary Corporación Inversor (figure 18). Colombian towns have local democratic bodies such as community leaders and community centers. The operators targeted community leaders and centers for them to target potential participants.

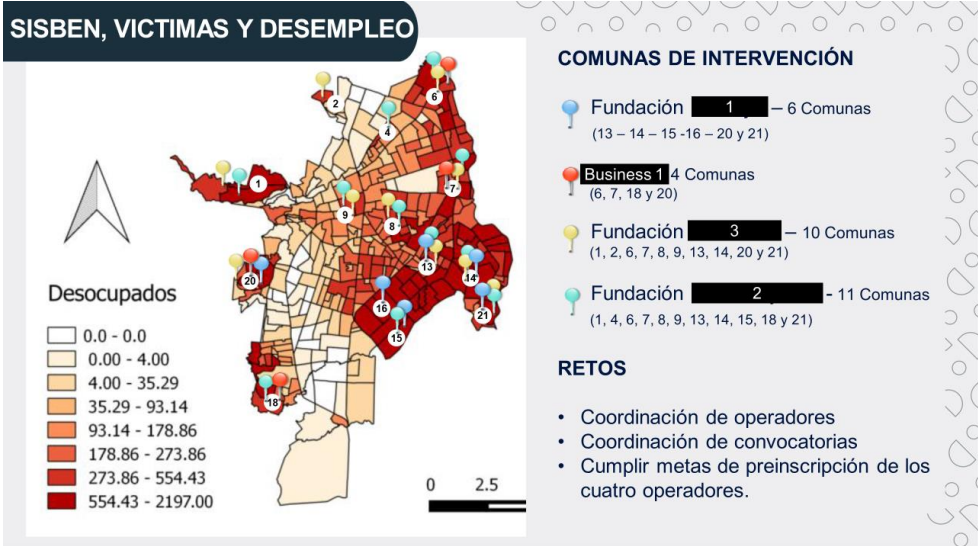


Figure 18. Attribution of geographic areas to the four providers. Source: Corporación Inversor.

Moreover, Fundación 1 and 2 developed partnerships with health centers in targeted districts, where social workers could reach out to the people waiting their turn.¹⁶⁶ According to the foundations, this approach was very effective. Business 1’s targeting methods consisted in “wide and efficient advertising” (field notes, p. 25; 14/11/2019), using in particular the targeting service offered by social networks. Facebook alone allowed precise (quantitative) monitoring of the efficiency of the communication strategy. During the meetings with identified people, Business 1 showed a promotional video aimed to “catch their attention” and raise their interest for the employment program. The video used a modern and very illustrated design, with a hand drawing or sticking information on a blank page (figure 19). “From our experience, videos have a greater impact”, the project leader from Business 1 affirmed (field notes, p. 25; 14/11/2019).

¹⁶⁶ Source: Process evaluation in Cali, Colombia; Fundación 1 & 2; 12/11/2019 & 13/11/2019.



Figure 19. Snapshot of Business 1's promotional video. Source: Business 1.

3.2.2. Tactics for making impact real

Whereas SIB metrics consider that the target population is made of commensurate participants, problems of incommensurability arose in the course of program implementation, as social operators had to deal with diverse but also moving participants (Mennicken 2013). The operators developed tactics in order to select and contain participants' behaviors within the limits of the theories of change included in outcome indicators.

Fundación 1 assessed the motivation of participants and anticipated their behaviours based on short interviews.¹⁶⁷ Interviews aimed to anticipate any contradiction with the objective of sustainable employment, defined as 6 months in employment with the same employer. This definition promotes a certain definition of stability that does not include moves, pregnancies or significant family problems. This definition also considers that time is homogeneous. In particular, the SIB contract sets targets without considering exceptional events such as the annual festivities in Cali ("*feria de Cali*"). The project leader from Fundación 2 was concerned that they might not meet the annual goals. The festivities, which took place at the end of the year (2019), were competing with the program: "Now it is difficult, they want to dance or to work at the feria" (field notes, p. 17; 13/11/2019). The festivities were an opportunity for many participants to earn money through informal work such as selling food, or just to party.¹⁶⁸

¹⁶⁷ Source: Process evaluation in Cali, Colombia; Fundación 1; 12/11/2019.

¹⁶⁸ Source: Process evaluation in Cali, Colombia; Fundación 2; 13/11/2019.

The operators developed tactics in order to prevent any incompatibility with the SIB goals. Business 1 developed a specific form to compute and classify people's aptitude for the program regarding attitudes, verbal and nonverbal expression and personal situation. Social workers selected the participants with the highest scores. They had to fill in the form for each potential participant they met. On the snapshot shown in figure 20, we can see four tabs: personal data, eligibility criteria, interview and pre-inscribed. Personal data and eligibility criteria correspond to contractual requirements. Business 1 developed an additional "interview" tab (figure 20) with ad hoc qualitative criteria to select the population. For instance, the first criterion on figure 20 is "His/her working experience will make job entry more efficient"; the second one is "His/her academic education is related to the work positions associated with the project." These criteria are related to the participant's ability to be employed, which is one of the metrics of the SIB. In addition, on figure 21, we can see four criteria within the category "Attitude about work":

- "He/She is available for work from Sunday to Sunday"
- "His/Her attitude is positive about the process proposed (including training and matching)"
- "He/She shows motivations and attitudes that promote job retention"
- "His/Her opinion is positive about the job offers proposed"

Other criteria are related to verbal and nonverbal expression and personal situation like the existence of a "supportive network" of people around the person. Business 1 staff had to rate each criterion from 1 to 4, which resulted in a score. The people with the highest score were selected in priority.

Chapter 3 – Impact in the making: tactics for defining outcome metrics and producing effective outcomes

Nuevo/Editar

Tipo de seguimiento (?)

1. Datos personales 2. Criterios de elegibilidad **3. Entrevista** 4. Preinscrito

VARIABLES EVALUADAS EN ENTREVISTA DE PRESELECCIÓN

Por favor, evalúe al interesado teniendo en cuenta el perfil deseado en los participantes del proyecto, elija un número de uno a cuatro para cada afirmación, teniendo en cuenta que uno es la calificación más baja, es decir que el interesado no cumple con la afirmación planteada y cuatro la más alta, donde el participante cumple con el perfil esperado, las calificaciones 2 y 3 permitirán nivelar la evaluación.

Categoría	Texto guía	Calificación
Nivel de experiencia (Ver guía)	Su experiencia laboral hará más eficiente una colocación efectiva	2
Nivel de formación (Ver guía)	Su formación académica está relacionada con las vacantes asociadas al proyecto.	1
	Sus conocimientos están relacionados con los cargos a los que aspira.	2
Concordancia con aspiración salarial (Ver guía)	Su aspiración salarial es acorde a su perfil	4
	Su aspiración salarial es acorde a las vacantes del proyecto.	4
Concordancia de cargo deseado (Ver guía)	Concordancia de cargo deseado	4
Actitud hacia el empleo (Ver guía)	Cuenta con disponibilidad para trabajar de domingo a domingo.	4

Figure 20. Selection criteria on Business 1's digital platform (1/2). Source: Business 1.

Concordancia de cargo deseado (Ver guía)

Concordancia de cargo deseado

4

Actitud hacia el empleo (Ver guía)

Cuenta con disponibilidad para trabajar de domingo a domingo.

4

Su actitud es positiva frente al proceso planteado (incluyendo formación e intermediación).

3

Tiene motivaciones y actitudes que promuevan la retención laboral.

3

Su opinión es positiva frente a la oferta laboral proyectada.

4

Expresión verbal (Ver guía)

Maneja un tono y lenguaje apropiado para el área laboral.

2

Expresión no verbal (Ver guía)

Su expresión no verbal proyecta disposición y atención.

2

Contexto favorable (Ver guía)

Cuenta con una red de apoyo que reconoce la importancia del empleo formal.

3

Su contexto o disposición le permiten desplazarse hasta los lugares de trabajo.

3

Puntaje total

135

Guardar respuestas

Volver al listado de prospectos

Figure 21. Selection criteria on Business 1's digital platform (2/2). Source: Business 1.

The form thus promotes full availability for work from Sunday to Sunday, the existence of a “supportive network” that can assume for example babysitting, and an enthusiastic attitude about work. It very concretely excludes people from the program even if they are eligible according to the administrative criteria. It excludes, for instance, people with children that would not comply with the criteria, but also disillusioned and cautious people that would not

show enough enthusiasm. Most of the participants that I met certainly had reasons to approach cautiously the SIB program, including previous experiences with job agencies that happened to be fallacious:

Participant a: “I thought that those were lies like other projects, but they said that some had found a job, it gave me confidence.” (field notes, p. 20)

Participant b: “Here, you find a job after the training, it’s not like in other programs.” (field notes, p. 13)

Participant c: “[The most satisfying part was] finding a job. Even the snack they give! It is not like the other agency...” (field notes, p. 12)

Contrary to what the notion of perverse incentives suggests, I contend that the criteria included in the form do not specifically relate to the level of vulnerability or poverty or the overall difficulties faced by the population. They instead relate to the theory of change contained in the SIB objectives: first, employment, and second, sustainable employment over 6 months.

The project leader from Business 1 gave a practical explanation for using this selection device. The form, she claimed, helped optimize the matching between employers and employees. She added:

“Some companies want to know that. For example, they want to work with people that have children.” (Social operator; 14/11/2019)

Indeed, employing companies showed selection preference that also influenced the selection criteria used by the operators. The operating team from Fundación 1 shared a table that showed that most exclusion came from employing companies. The reasons why companies do not select eligible people, Fundación 1 specified, vary from attitude, diction, suspicion of drug consumption (this problem was said to be recurrent), skills, time until effective contracting but also high body mass index, or lack of supportive network (it is for example the case for single mothers). This constituted what the informant called the “hidden profile” of employees.¹⁶⁹ The operators acknowledged and increasingly integrated these sometimes discriminatory criteria in selection processes.

¹⁶⁹ Source: Process evaluation in Cali, Colombia; Fundación 1; 12/11/2019.

Therefore, the social operators took part in describing and at the same time shaping a certain labor market for vulnerable people. First, the matching between employers and potential employees indeed gave importance to “hidden profile” criteria and thus, promoted discriminatory criteria related to body mass index, tattoos or the number of children. Business 1, for instance, asked personal questions such as the number of children or health condition (including pregnancy). Second, the social operators tried to find employing companies that were able to plan the number of work positions they would offer, which was apparently unusual. Business 1 targeted “companies in extension” that were, according to the project leader, more likely to anticipate job vacancy than other companies considered “steadier in the market.” “We chose the sectors that are growing”, the project leader insisted (field notes, p. 35-36; 14/11/2019).

The targeting of companies reflected the theory of change that the SIB objectives encompassed: the job market should be extended with new job offers tailored to vulnerable people. It is thus the whole “world” included in SIB evaluation frameworks that influences program implementation, in the sense put forward by MacKenzie (2003) in his study of option pricing theory:

“Option pricing theory seems to have been performative in a strong sense: it did not simply describe a pre-existing world, but helped create a world of which the theory was a truer reflection.” (MacKenzie 2003)

In line with section 2, section 3 has demonstrated that the establishment of neatly delineated targets is a recurrent requirement for SIB projects. The problem of feasibility controls this requirement to a very large extent. The choice and definition of targets is heavily determined by the existence of an already-available statistical instrument whose suitability for the subject matter shall not be questioned. In addition, though, a consistent dose of improvisation is needed in order to make sure – again, for the sake of feasibility – that the actual participants recruited for the project do comply at best with the targeted expectations. SIB metrics introduce new uncertainties and create a form of anxiety by concentrating on a set of quantified goals (Espeland and Sauder 2016; Mennicken and Espeland 2019). I have argued that the performativity of impact models goes beyond the problem of financial incentives put forward by SIB practitioners. Whereas measures against “perverse incentives” are limited to adjusting indicators, targets, and pricing so that the evaluation framework sends adequate

signals (cf. section 3.1.2), I have shown that the whole theories of change included in metrics has structuring effects on program implementation. In other words, the tactics developed by SIB operators in Colombia reflected the assumptions of the SIB program in terms of definition of sustainable employment, intervention timeframe and nature of the job market.

Conclusion

This chapter has brought to light the politics of “impact.” The notion of impact has taken a growing importance not only in the developing impact investment field, but also in policy formulation. I have intended to question the depoliticized discourses of international actors such as the UNDP and the GSG that pose impact as the silver bullet to address global social needs. I have instead examined what “impact” promotes and entails by examining the valuation processes that underlie impact production in SIBs, which are at the same time impact investments and policy interventions.

The work of impact creation in discrete policy interventions such as SIBs is not driven by standard metrics and reporting routines as in the impact investment field (Barman 2015, 2016) but by tailored evaluation methods that are often developed on a case by case basis. The politics of impact in SIBs are to be found in the ordinary practices of SIB stakeholders trying to define impact objectives and obtain outcomes accordingly, and in the tensions and difficulties that this labor entails. The notion of micropolitics of valuation (Williams 2021) derived from Foucault (1995) and Deleuze and Guattari (1987) partly accounts for the struggles between different conceptions of values and the consequences of design choices. However, I have demonstrated the critical usefulness of considering trials and tactics of feasibility to account for the politics of impact creation, since this approach allows grasping how the concern for SIB feasibility shapes impact.

First, impact is created through trials of feasibility. In particular, the “feasibility” of SIBs depends on the ability to expose SIB benefits – i.e., social outcomes and economic and financial returns – in an explicit manner to public and private funders. Hence a preoccupation for the representation and communication of data in documents such as “feasibility studies.” Moreover, for the sake of feasibility, the availability of quantitative data to forecast impact

Chapter 3 – Impact in the making: tactics for defining outcome metrics and producing effective outcomes

and the practicability of evaluation methods (in terms of costs, legal and ethical concerns, existence of target population, measurability of outcomes) constitute main concerns – or trials.

Second, in order to create impact in spite of material, political, legal and logical difficulties, practitioners resort to tactics of feasibility. Tactics are developed in order to find, but also to communicate data that can convincingly argue for SIB feasibility. Cost savings estimates are a crucial element for the justification of both feasibility and legitimacy of SIB financing. As “valorimeters” (Çalışkan and Callon 2010), cost savings estimates fix multiple and indeterminate values into monetary amounts. They incorporate theories of change that emphasize specific, costly “social issues” and a narrative of problem solving based on cost reduction and individual behavior change. These theories of change prove performative since they urge SIB practitioners to evidence and thus organize their applicability. In particular, they orient the way social impact is produced on the ground, beyond the assumed performativity of “incentives.” SIB operators implement tactics to make the objectives attainable, for instance by screening participants according to their suitability for the objective of sustainable employment.

Finally, the politics of impact rely greatly on apparently non-political economic logics based on cost savings but also from investment requirements in terms of timing, risk and return. Chapter 4 dives into SIBs financial conditions and examines how the “imaginaries of finance” (Ortiz 2014) guide SIB implementation in terms of risk and return.

Chapter 4 – Financial viability in social impact bonds: tactics to deal with “social risk”

Introduction

This chapter takes as its object the making and remaking of financial viability in novel impact investment products such as social impact bonds (SIBs). While chapter 3 discusses the politics of outcome targets and impact measurement, this chapter approaches the notion of “impact” from a different angle: that of its integration into financial accounting. It describes SIBs as an impact investment product that questions the traditional notion of financial viability based on the risk-return scale. Indeed, the financial return SIBs offer depends exclusively on social performance instead of the economic performance of investees. Whereas there are established models to calculate future returns and financial risks according to the present economic situation of an organization, there is no method to forecast social impact. I argue in this chapter that SIB practitioners have invented new ways of making sense of financial viability, but still within the persistent financial imaginaries of “return” and “risk.” In particular, the chapter describes practices that emerged for the management of the particular uncertainty – taken as an object of analysis rather than an analytical category (Doganova 2018) – attached to social performance. As will be discussed, SIB practitioners have employed singular methods – tactics of feasibility – to develop financial models that were deemed viable while managing new risks called “social risk”, “partnership risk” and “valuation risk.”

Impact investing covers a range of practices that combine investment expertise and social impact accounting in specific ways. Impact investors, the narrative goes, aim at responding to a growing demand for capital to finance impact-driven organizations. At the same time, they are considered to be leading a change in the global economy (Social Impact Investment Taskforce 2014). As Sir Ronald Cohen put it in the introduction of the 2014 Social Impact Investment Taskforce report, impact investment “brings the invisible heart of markets to guide

their invisible hand”, with reference to Adam Smith’s statement about the “invisible hand” of the market:

“Impact investment is emerging as a new unifying force among them in dealing with social issues, driving innovation and prevention to improve lives. It harnesses the forces of entrepreneurship, innovation and capital and the power of markets to do good. One might with justification say that it brings the invisible heart of markets to guide their invisible hand.” (Social Impact Investment Taskforce 2014)

In this statement, the “heart” of markets designates the fact that impact investors care about the production of impact by “dealing with social issues, driving innovation and prevention to improve lives.” The notion of “impact” in the impact investment field means the intentional expectation of social or environmental impact alongside financial return.¹⁷⁰ There are in fact various degrees of “expectation” in the impact investing industry. This is often described through schematic representations of the impact investing spectrum placed within a wider financing ecosystem (figure 22). “Impact first” or “investing *for* impact” are the names given to the approach developed by the most committed impact investors. This approach implies that the financial offer is tailored to social-purpose organizations’ needs. On the other end of the impact investing spectrum, there are “finance first” or “investing *with* impact” approaches, which need to guarantee a certain return alongside the intended positive impact they aim at generating (Gianoncelli and Picón Martínez 2020:8). The European Venture Philanthropy Association (EVPA) recently proposed a now recognized diagram of the impact investment spectrum, which stands in between “traditional grant-making” and “sustainable and responsible investing” (SRI, also “socially responsible investing”) (figure 22).

¹⁷⁰ Source: The GIIN. “Impact investing.” <https://thegiin.org/impact-investing/> (accessed September 2022).

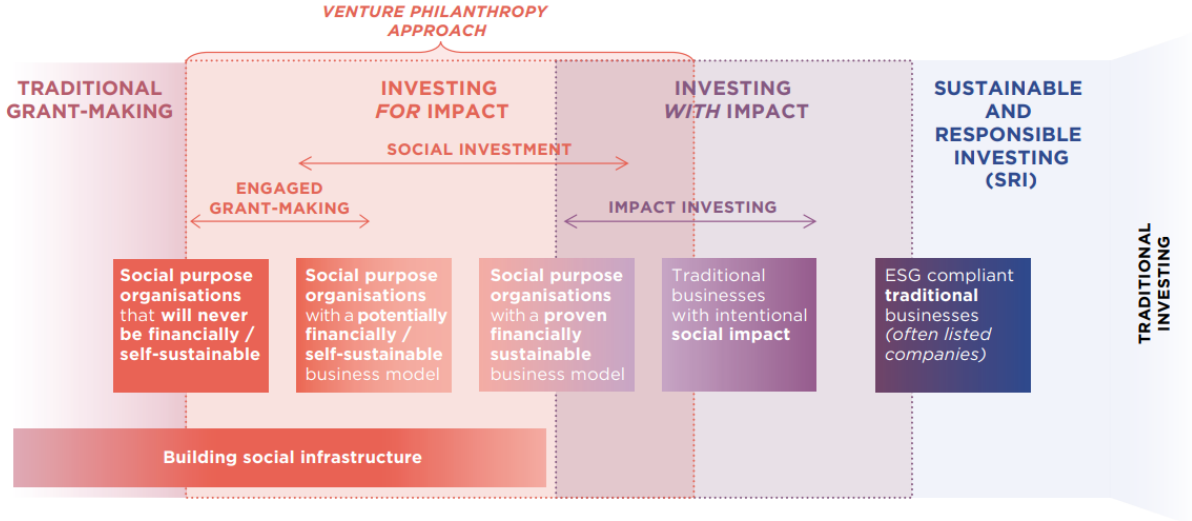


Figure 22. The “impact ecosystem” spectrum. Source: EVPA (Gianoncelli and Picón Martínez 2020:8).

The EVPA diagram shown in figure 22 denotes efforts to situate impact investing within a financing ecosystem. Impact investing is distinguished from three approaches, namely philanthropy, SRI and traditional investment. On the one hand, it is distinguished from philanthropy, which is the business of donation and not of investment. Instead, impact investors seek *profitable* investments in social purpose organizations. On the other hand, impact investing differs from SRI and traditional investing in terms of social motivation. Traditional investing designates investment approaches that do not take into consideration any extra-financial criterion. SRI does, though the social commitment of SRI is limited to a notion of *compliance* with Environment, Social and Governance (ESG) criteria whereas impact investing *intends to generate and measure* social impact (Arjaliès et al. 2022). Moreover, SRI applies mostly to investments in listed companies, contrary to impact investing, which focuses on non-listed companies.

Chiapello and Godefroy (2017) and Barman (2020) term these differentiation efforts “boundary-building work.” Both papers demonstrate the role of judgment devices in building a distinct impact investing market, in delineating its scope and its targets. These devices include discursive and calculative tools such as labels (Chiapello and Godefroy 2017), ratings and rankings (Barman 2015), impact indicators (Arjaliès et al. 2022; Barman 2015; Chiapello and Godefroy 2017) and ratios like the Social Return On Investment (SROI) (Chiapello and Godefroy 2017). They are “devices that are considered relevant for valuing what is recognized as being of the same ‘quality’” (Chiapello and Godefroy 2017): here, impact-led organizations.

By making organizations commensurable, they help impact investors make investment decisions (Chiapello 2015).

This chapter, like these works, acknowledges the important role of judgment devices in defining impact finance. It aims at examining socio-technical challenges linked to the constitution of an impact investment market – more precisely, of an effective impact investment product. The case of SIBs is particularly interesting in this respect. The impact dimension is more salient in SIBs than in any other impact investment products. This exacerbates the difficulties encountered when trying to create a viable investment product. In this chapter, I examine how investors have dealt with the specifics of SIBs compared to their routines. First, SIBs put social projects, instead of companies, at the center of financial analysis. As I will show, investors’ benchmarks need to be adapted in order to take into account the project dimension. Second, the return SIBs offer – which can be negative – depends exclusively on social performance instead of economic performance: outcome payers pay and reward investors according to the social results. No other product base the return exclusively on social results. Some do consider social results but only attach a small part of the return to social performance, and contrary to SIBs, they offer a lower return if results are good: “In general [in the tools that we use], [...] if the impact goes well the rate decreases and if the impact goes wrong it increases”, an impact asset manager based in France indicated.¹⁷¹ By contrast, SIB profitability increases with social results, and SIBs are supposed to be a lot riskier since they also put the capital at risk.

The fact that financial performance is determined by social performance implies that financial experts need to apprehend new kinds of futures based on the likelihood of obtaining and measuring social results. This requires new investment decision processes, but also methods to apprehend new uncertainties. Investors must adapt their routines to assess SIBs and make them comparable to other investments in order to make investment decisions. Instead of developing new analytical tools, this chapter shows that SIB investors slightly modify existing methods: they tactically extend established and recognized processes to SIB analysis in order to make these peculiar objects amenable to investments. Furthermore, SIB stakeholders employ meticulous and inventive techniques to develop consistent financial models, i.e.,

¹⁷¹ Source: interview with Asset manager; 16/07/2019.

projections of outcomes, payments and returns. As this chapter illustrates, such SIB models are negotiated until the stakeholders consider that first, there is sufficient evidence to support the ambition of the project, and second, the return on investment is acceptable. This way, models, as well as financial management, *cope with* the problem of uncertainty about social results. These practices are, I argue, tactics of feasibility responding to the pragmatic impulse to establish SIB arrangements that can prove *viable*. Additionally, I highlight the fact that the viability of SIB arrangements is constructed by securing sustainable partnerships between SIB stakeholders, but also by setting up an actionable governance. I finally contend that uncertainties about the viability of SIBs are regularly framed in terms of risk and stay, along with the very notion of viability, within the limits of financial imagination (Ortiz 2014): they are turned into “categories of management” (Power 2007) that need to be acted upon in order to maintain the primacy of financial ratios.

Through this approach, this chapter contributes to an understanding of risks and risk management in SIBs. It explores inventive conceptualizations of SIB risks and risk evaluation found in the daily work of investors. In doing so, it does not seek to establish a typology of risks, nor does it propose methods to improve risk management, as some scholars do. For example, models are elaborated to grasp the specific “uncertainty” contained in SIBs, in order to make them more attractive to investors (Rania et al. 2020). Carè et al. (2020) intend to delimitate the multiple risks involved in SIBs and propose a typology building on SIB literature. Here, I am interested too in the multiplicity of risks associated to SIBs but I rather intend to question the meaning of these risks and analyze the methods used for their management. In the same vein, Riot (2020) questions the notion of “social risk”, showing that it is problematic to the stakeholders. The scholar argues that this notion should be subject to public debate:

*“We find that SIBs are a cause of tensions, especially in difficult situations such as those characterizing “children in danger,” as actors’ views and interests are misaligned. We also find that SIBs promises depend on actors’ willingness to control and modelize “social risk” and therefore achieve better performance (for whom? on what terms?) than welfare. **There is currently considerable resistance in the field of social work to adopt such a vision of society.**” (Riot 2020) (emphasis added)*

The author studies a SIB launched in France to avoid foster care for “children at risk.” She shows that actors have different views on how to characterize “children in danger”, and more

broadly on the relevance of the notion of “social risk” to characterize the circumstances of families. Likewise, through a focus on accounting technologies, Cooper et al. (2016) criticize the “socialization” of risk that SIBs operate, in that they ask the homeless (in the case studied) to carry the risk. In fact, these works suggest that the notion of uncertainty attached to social outcomes is used to justify the fact that investors capitalize from vulnerable populations. Moreover, I contend in this chapter that this “social risk” is turned into a financial management category (see also Wirth 2020).

This chapter focuses on the localized and non-standardized practices involved in the management of uncertainties and risks, instead of focusing on institutionalized routines. Tactics of feasibility account for risk management as a dynamic organizational process that has prescriptive effects (Power 2007, 2009). In this respect, tactics of feasibility are partly similar to what Power terms “riskwork”, i.e., “the actions and routines through which organizational actors make sense of risk, of themselves and their roles, and collectively try to enact institutional scripts” (Power 2016:8). Indeed, I consider risk management not as the management of something that is already there, but as coordinated practices that form risk categories and determine the allocation of risk, management responsibilities, and profits. However, risk management tactics differ from riskwork in that tactics are not routinized or institutional processes. There are instead contingent and unplanned practices that recurrently question the delimitation of SIB risks and develop ways to *cope with* it.

Empirically, the chapter describes how SIBs are turned into viable financial products in design and implementation phases. It looks at how practitioners deal with trials of feasibility revolving around the idea of financial viability. Empirical data from Chile cover early reflections from investors about the levers and barriers to SIB investment. Material from SIB projects in France and Colombia displays financial management practices over SIB design and SIB implementation.

In this chapter, I refer to “SIB investors” as the broad category of SIB stakeholders who deal with upfront investment in SIB projects, regardless of money circulation circuits. This category covers actual investors (i.e., those who bring money), but also asset managers and analysts from investment firms. I will either use the term SIB investors or specify further the informants’ role when I believe it brings a better understanding of the situations described. The term “intermediary” refers to a different category of SIB stakeholders whose role is to

coordinate and orchestrate stakeholders’ engagement (e.g., through the drafting of contracts, the coordination of negotiations, the overall management of the contract).

The first section of this chapter is dedicated to presenting the challenges that SIBs pose to impact investing routines. It discusses the notion of viability in impact investing in particular from the impact investing “spectrum” (figure 22). It then exposes in detail the ways in which SIBs revisit the traditional notion of viability but are still subject to standardized assessments of risk and return. The two following sections of this chapter explore two aspects of SIB viability: the sustainability of the SIB partnership on the one hand and the accuracy of projections of future outcomes and value on the other. The second section focuses on a recurrent concern of SIB practitioners: that of the durability of SIB partnerships, or “partnership risk.” It shows that the contract and the governance structure are tactically used to manage and sustain the SIB partnership over time. The section also studies the consequences of the Covid-19 crisis on SIB partnerships. It concludes that partnerships have proven particularly resilient thanks to actionable governance structures, but also that the original financial conditions (risk and return) are preferentially preserved. The third section analyzes the constitution of projections of future performance. It analyzes the negotiated nature of viable projections through the description of the meticulous definition of indicators and of a “reasonable” level of risk. It uses the example of the Covid-19 crisis to show that a modification in risks can lead to a renegotiation of SIB metrics: in other words, SIB investors are not expected to deal with unexpected risks. In addition, it studies the difficulties faced by investors to perform the financial valuation of SIB “assets”, which are unconventional in many aspects. In the cases studied, namely SIBs in France and Colombia, frequent asset valuation is either a regulatory requirement or a strong demand from investors. Asset managers develop methods to report on social and financial performance. I will argue that valuation methods tend to alter social work, in particular because operators’ activities are the object of increased scrutiny.

1. The drift from impact investing to SIBs

1.1. Profitability in impact investing

This sub-section discusses the notion of profitability in the context of impact investing. It shows that the pursuit of profitability is a central objective that is distinct from – yet concomitant with – the pursuit of impact. It concludes that in SIBs, this distinction can no longer be sustained and new investment practices are needed.

Impact investing has emerged in recent years, putting forward the idea that investors should intentionally seek social and environmental performance alongside financial performance. The Global Impact Investing Network (GIIN), the main association of impact investors based in the US, provides a reference definition on its website:

“What is impact investing?”

Impact investments are investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return.”¹⁷² (emphasis in original)

The GIIN’s definition mentions two distinct performance categories: one which is social and environmental, and another one which is financial.¹⁷³ Some impact investment proponents argue that investors produce “blended value”, that is to say that they pursue financial returns *while* addressing social and environmental challenges (Bugg-Levine and Emerson 2011b; Emerson 2003). A crucial element in this definition is *intentionality*. In other words, contrary to other approaches that more or less resemble mainstream investing, impact investors aim to *profit from* activities that generate social and environmental impact. By contrast, Socially Responsible Investment (SRI) uses sustainability criteria to whether select “best in class” investments or exclude a list of sectors (called “sin stocks”) (Crifo and Mottis 2016).

The level of return that can be expected from impact investing varies. The GIIN’s website additionally displays the following on the first page:

“How do impact investments perform financially?”

Impact investors have diverse financial return expectations.”¹⁷⁴ (emphasis in original)

¹⁷² Source: The GIIN. “Impact investing.” <https://thegiin.org/impact-investing/> (accessed September 2022).

¹⁷³ Some works, in particular in France, characterize impact investing through three notions focused on impact: intentionality, measurement and additionality of impact (Groupe de Place Impact, 2021).

¹⁷⁴ Source: The GIIN. “Impact investing.” <https://thegiin.org/impact-investing/> (accessed September 2022).

To identify the range of practices that “impact investing” covers, the EVPA has introduced a now recognized distinction between investing *for* impact and investing *with* impact (Gianoncelli and Picón Martínez 2020). The former approach is akin to what has also been termed “impact first.” It implies tailoring the financial offer to social-purpose organizations’ needs even if this means lowering expectations regarding financial return. The latter approach, on the other hand, can be compared with a “finance first” approach that needs to guarantee a certain return alongside the intended positive impact (Gianoncelli and Picón Martínez 2020:8) (see figure 22).

The GIIN’s definition of impact investing puts forward another important element, namely the *measurement* of social and environmental impact. The impact investing industry has developed methods to account for impact (Barman 2015, 2020). In an ethnographic study of an impact investing firm, Bourgeron (2020) makes two contributions that are particularly interesting for our study. First, he shows that analysts indeed conduct separate analysis of profitability on the one hand – based on traditional risk and return profiles, and of “impact” on the other hand (see also Barman 2015; Kish and Fairbairn 2018). In particular, investors need to ensure a certain rate of return in their portfolios independently from the nature of the investments. In the case of SIBs, however, financial returns and social impact are completely entangled and it is impossible to make separate assessments of economic and social criteria. As the next sub-section highlights, assessment methods need to be adapted to apprehend this new investment product.

Second, Bourgeron contends that investors are involved in the production of social impact. They use judgment devices such as norms, procedures, categories, indicators and ratios that objectify the organizations (see also Chiapello and Godefroy 2017) and make them investable. In Chiapello’s (2015) words, these are ways to “organis[e] a market likely to attract private funds into social organisations.” Or as Bourgeron puts it:

*“To find such investable ‘impactful businesses,’ impact investors organise the market for “impactful businesses” based on their financial needs.”
(Bourgeron 2020)*

Bourgeron demonstrates that investors shape the notion of impact and “impactful businesses” by defining and applying impact categories to target companies. In the case studied, such categories are “impact through activities”, “impact through management”, and

“exemplarity” (i.e., companies run by iconic CEOs). Moreover, impact is shaped by indicators, extra-financial ratings and ratios such as the Social Return On Investment designed to account for impact and circulate to other actors (Bourgeron 2020; Chiapello and Godefroy 2017). In this chapter, I aim to outline the role of investment practices in shaping “impact” in SIBs. The following sub-section gives voice to investors about the challenges posed by the integration of SIBs into investment routines.

1.2. Introduction of social / impact risk in impact investing routines

1.2.1. *Small adjustments in investment decision criteria*

The art of investing in SIBs combines traditional financial expertise, to determine the solvability of the outcome payer (the state) and the financial stability of the operators expected to deliver outcomes, but also “a great dose of confidence and conviction” about the probability to hit the targets, as a France-based intermediary expressed:

*“The difference is that in any other case we can rely on a forecast. [The operators] know that they will make that much turnover, [...] future cash flows, and that is what will allow us to estimate the repayment capacity. For SIBs, we are not in that logic at all: **it is not the revenues but the impact generated that will determine the reimbursement.** We have a [triple] logic:*

*1. **The social operator cannot** collapse [...] even if it is not the one who reimburses, because if it goes bankrupt it can no longer generate its impact. [...]*

*2. **There is a thorough analysis of the outcome payer** although we may think that the state [has the ability to pay]. [...]*

*3. Then [to] assess the **likelihood that the impact is achieved**, that the goals are [properly] calibrated, we need a little bit of expertise and a good dose of confidence and conviction!” (Intermediary and investor; 3/10/2019) (emphasis added)*

As mentioned in the previous sub-section, “the repayment capacity” in SIBs depends on social outcomes instead of effective cash flows. The need to assess the “probability that impact is achieved” is entirely new to impact investors. The intermediary emphasized “confidence and

conviction” over “expertise”, since there is no proven method to assess these “social” or “impact” risks as they are labelled in the literature (Carè et al. 2020).

To take into account uncertainties regarding the achievement of outcome objectives, investors indeed consider them as risks. They examine project design from the planning of activities to human resources. A French impact asset manager explained the importance of the project dimension in SIBs:

*“No exception was made to our investment decision-making processes. **Our investors agreed to look at this investment from a slightly different angle than others**, because we generally invest in companies, not projects. So in this case, there was a dimension of corporate risk analysis, i.e., we checked that [the French organizations that acted as operators in SIBs] were financially viable, but **the project analysis dimension was also very important** in the investment decision and in the evaluation of the risk we take – which is not always easy to evaluate by the way.” (Asset manager; 16/07/2019) (emphasis added)*

An analyst in the same firm added: “We slightly adapt the method we use for all our investments. We conduct an analysis which is at the same time economic and financial, and extra-financial.”¹⁷⁵ The analytical frameworks indeed need to be adapted to this “different angle” that analysts need to take. The section titled “The [project name] social impact bond” was added to the investment memorandum used in this firm. This section covers a description of the operational program, the outcome metrics, the budget and financing plan (see section outline in figure 23). The investment memorandum additionally comprises the sections “Presentation of the organization”, “Economic and financial analysis”, and “Extra-financial analysis.” The section “Extra-financial analysis” was developed more in depth for SIB investment cases in order to emphasize the social problems the organizations address and the solution and impact they deliver.

¹⁷⁵ Source: interview with Asset manager; 16/07/2019.

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Figure 23. “[Project name] social impact bond” section outline in an investment memorandum (here “Wimoov SIB”). Source: France-based impact asset manager.

1.2.2. *The financial perspective of investment committees*

Although small adjustments are needed to analyze SIB investment cases and the particular social risks they carry, financial expectations about risk and return continue to govern investment decisions, as I argue here. The specificities of SIBs compared to other financial products – including impact investment products – are particularly visible at the time of presenting investment propositions, prepared by analysts, to investment committees, which take the decision to invest or not. In the words of a representative of a Chilean foundation that has been involved in the private IB¹⁷⁶ (see chapter 1), SIBs bridge the two perspectives of philanthropy and financial investment. Yet, conversations about social impact on the one hand, and economic impact on the other, still take place in two distinct areas:

“We have the philanthropic area, which is governed by a board of directors that basically understands social programs, not finance. And on the other hand, we have the investment committee that oversees investments [...]. There is a lack of a comprehensive approach to bridge these two positions. Because some understand where to give the money the best way, right, because it will generate a greater impact, and the others understand where

¹⁷⁶ The private IB, “Primero Lee”, aimed to improve reading skills among young children in the Municipality of Estación Central, Chile. It was developed by Social Finance UK and Fundación San Carlos de Maipo in collaboration with other foundations that were either investing or paying for outcomes. The state was not involved.

to invest this money to generate a greater economic impact. So where is the middle ground?” (Investor; 06/12/2019)

Without people able to embrace social and economic impacts together, SIBs are ultimately subject to classic investment rules, namely established levels of risk and return. The committees in charge of risk analysis are inevitably disconcerted by the social nature of SIB risks, as a French intermediary ironized:

“When we say to someone from ‘risks’ [i.e., the risk analysis department] – because the investment process must be the same [as usual]: ‘[our performance is] not going to rely at all on the future cash flows generated by the program, but [...] on the generation of a social impact [...]’, obviously everyone looks at us with a bit of a dazed look on their face [laughter]!” (Intermediary and investor; 3/10/2019) (emphasis added)

On the other side, SIB profitability is likely to be below the expectations of investment experts who do not integrate social impact into their calculations, as the representative of the Chilean foundation deplored:

*“It’s very difficult to go to investment committees whose mandate is to maximize profitability and tell them ‘we’re going to invest in a social impact contract and it’s going to yield you 3% real annual return.’ What’s the investment committee going to tell you? ‘No.’ [...] **They are going to tell you that 3% is very little, first because we have a mandate to yield inflation plus 6%, which is more or less 8.8%-9% in Chile, in pesos. Of course [...] these social impacts make more sense to the philanthropist than to the [investor].**” (Investor; 06/12/2019) (emphasis added)*

The low return on investment offered by a SIB is likely to deter investment decision-makers to invest, regardless of the social impact that could be produced. This quote however suggests that the investment committee is not simply reluctant to invest in social-purpose, low-return projects; it is rather bound by its contractual, regulated mandate. Likewise, the above-mentioned French intermediary specified that the difficulties “someone from the risk analysis department” experiences are related to the technicalities of the investment process, i.e., risk assessment, rating and fund allocation:

“[We’re faced with] the difficulty of someone from ‘risks’ saying: ‘how do I estimate the risk on this? How do I rate a case like that? How do I provision a case like that?’” (Intermediary and investor; 3/10/2019)

She added:

“[Here in the research & innovation department] we develop products that are a bit strange, that do not fit the right boxes and processes, that are not standard. Then we look at how to insert them into a more classic process so as to be able to industrialize them, so that they do not require that much ‘manual’ work.” (Intermediary and investor; 3/10/2019)

This informant outlined the specificities of SIBs regarding classic investment processes: SIBs do not fit processes because they are not standardized. The intermediary did not aim to adapt or create processes for this novel, social-purpose investment product, but instead to adapt SIBs to standard processes in order to “industrialize” them at a larger scale.

As a consequence, demands from investment committees flow down to operators and, inevitably, influence project design. The following excerpt from the minutes of a France-based SIB design meeting shows the kind of information that risk departments may require:

“[The investor] asks [the operator] for an overview of the current productions based on the indicators. [...] It is essential, otherwise investors will not engage. [Another SIB operator]’s head was asked for outcome data since the company was launched. Without this, [...] [the investor] will not commit, will not be supported by the risk analysis department.”¹⁷⁷

The investor asked for a track record on past productions of the operator along the SIB indicators. The operator was not only asked to provide evidence on activities that are not part of the SIB program, but also, evidence should demonstrate that the SIB targets are in line with past results. In fact, SIB goals are defined according to reference data. Past data determines goals for the future – goals that should neither be too low nor too high compared to previous outcomes. Section 3.1 focuses on this meticulous search for a subtle balance and the subsequent trade-offs. The following subsection studies further how investors influence project design.

1.2.3. Investors’ authority over project design

¹⁷⁷ Source: Minutes of a France-based SIB design meeting; 19/01/2022.

This sub-section shows that SIB investors manage to get involved in project design in several ways: they explicitly challenge design choices and sometimes, they get involved in day-to-day project management.

These forms of involvement are not new in the investment field. Entrepreneurs are used to “pitching” their business projections in front of picky investors. Investors get involved in businesses as shareholders and sometimes as managers. Impact investors too engage with the social enterprises in which they invest, perhaps even more invasively on a range of issues. The following quote from the SIB coordinator at Colombia-based asset management firm *Corporación Inversor* serves as an illustration of impact investors’ involvement in investees’ social businesses.

“It is similar to what [Corporación] Inversor was already doing in its private equity fund because we also implement a performance management process for our companies [...]. Without necessarily being experts in any of these sectors, just as we are not – at least we were not – experts in employability issues, [...] we go to the companies in the territories to look at their impact strategy, but obviously also their commercial strategy, their operational strategy, their human resources strategy. [...] We look at it all, from the [...] work environment, the sales strategy, the infrastructure, absolutely everything.” (Intermediary & asset manager, Corporación Inversor; 25/10/2019)

The coordinator explained that SIBs require the same kind of hands-on involvement as the other investments in their first pilot fund: *Corporación Inversor* “look[s] at it all” in the companies in which it invests. The legitimacy of the asset management firm to supervise business development does not come from its “expertise” in any of the targeted sectors, the coordinator implied, but in its financial expertise. I contend that financial expertise legitimizes the involvement of impact investors in social businesses’ activities. Indeed, this is commonly called “support” in the impact investing milieu and it is encouraged as a form of “additionality.” Additionality is a pillar of impact investing (along with intentionality and measure): it designates a contribution to business and impact development that would not have happened without the intervention of the investor (Groupe de Place Impact 2021). Although I have observed that *Corporación Inversor*’s monitoring is particularly intense compared to what other investors propose (see section 3.2), it is indeed common for impact investors to provide overall “support.”

However, what is specific to SIBs is the fact that investors’ oversight revolves more precisely around the capacity to reach the outcome targets. From the onset of negotiations, investors challenge operational capacity against outcome indicators. The role of operators is then to reassure investors about the soundness of their budget, their operational strategies and their track record – or sometimes to elaborate strategies in order to meet investors’ projections. For instance, I have noted some interventions from representatives of the French public bank that invests in many French SIBs during negotiations on a recent SIB project for the employment of disadvantaged higher education students:

“[The investor] is concerned about [the operator’s] ability to find job openings. [The operator’s] strategy is to target the higher education streams that match the largest pool of offers, based on [the operator’s] history.”

“[The investor] asks whether [the operator] will have difficulty reaching the 1,000 [targeted] students. Although there is little data available on the number of [eligible] students, [the operator] can hope to find a sufficient number through targeting universities to enroll a large number of students in the program: a rate of 30% [of eligible students] seems conservative based on [the operator’s] experience and surveys conducted with universities.”¹⁷⁸

The excerpts indicate that investor concern prompted changes in the SIB program. For instance, the operator committed to select the higher education streams that offer more employment opportunities in volume to ensure that the matching between employers and students is optimized and that the corresponding target will be hit. Furthermore, the operator planned to focus on universities – and to forgo other higher education tracks that were included in the initial proposal – in order to reach a large number of students and increase their chances of reaching the target number of disadvantaged students.¹⁷⁹ This illustrates the structuring role of investors in shaping adequate investment assets. In Bourgeron’s (2020) terms:

“The creation and shaping of the ‘impactful business’ product is performed to a large extent by impact investors themselves.” (Bourgeron 2020)

¹⁷⁸ Source: Minutes of a France-based SIB design meeting; 19/01/2022.

¹⁷⁹ After a warning from the French Treasury and FAIR (the “center of expertise” on SIBs that I represented in this SIB project), the program was reviewed in order to reflect the original proposal.

In the following subsection, I show that a problem of risk assessment is invoked as a justification for investors’ influence over project design.

1.2.4. A problem of risk assessment

I contend that the problem of risk assessment is a main factor that shapes SIB projects. Some scholars argue that SIBs are risky (Carè and De Lisa 2019; Carè et al. 2020) or on the contrary, ostensibly de-risked investments, for instance through intermediary payments and oversight of operational activities (Berndt and Wirth 2018; Neyland 2018; Wirth 2020). However, I suggest that the methods used by investors and other stakeholders to assess risks are more problematic than the actual outcome of negotiations, and the supposedly low or high level of risk. The perception of SIB risks should be seen as a product of risk assessment tactics. In addition, I argue that risk assessment methods act as legitimation instruments for SIB design choices and so-called risk mitigation strategies.

SIBs may not be considered risky investments insofar as there is a low failure rate (understood as the proportion of SIBs that do not achieve their targets and do not entirely pay out returns) in the world, only 2 out of 50 according to Gustafsson-Wright et al. (2020). I sometimes suggested during interviews that SIBs are not risky, but investment professionals would counter with two arguments. On the one hand, not only the return but also the reimbursement of the principal depend on social outcomes, which makes the capital “at risk.” On the other hand, investors experience difficulties in assessing and thus mitigating financial risks in SIB investments. In fact, SIB investors are concerned less by the level of risk and more by the distinct nature of SIB risks. SIB risks are new to impact investing, as a France-based SIB impact investor declared:

“We are dealing with totally innovative devices that involve a lot of actors, that are still complicated to set up, and that can include risks that do not necessarily exist in other types of investment propositions.” (Investor; 06/06/2019)

SIB risks are new because they are of a “social”, “operational” nature, as a Colombia-based investor explained:

“The risk is very high because it is 100% operational. When we looked at the risks we realized that there is a variety risks. We knew that we would be paid if we met the results, but [...] since there was a lack of evidence, there was a very high risk. [...] [S]ince we were experimenting with something new, the risk was total! The return was not comparable.” (Intermediary and investor; 23/10/2019)

The operational nature of risk, but also the lack of practice and evidence of SIB success and failure conditions significantly increased the financial risk for SIB investors. In sum, SIB risks are difficult to assess because they cannot be calculated with usual calculation devices, and as such, they are high. Indeed, quantification devices (ratings, rankings) are used in the financial industry and many other domains to make uncertainty and risks visible, calculable, and manageable (Mennicken and Espeland 2019; Power 2007). Although SIB risks are not calculable and manageable, SIB return is still an actionable parameter, as a France-based impact asset manager suggested:

“The remuneration is overall quite low compared to our assessment of the risk taken, which we find difficult to evaluate. [...] We have to be careful with this because one day this could be a sticking point; investors would say that the risk/return ratio is not appropriate... And at that point it could prevent the deal from closing.” (Asset manager; 16/07/2019) (emphasis added)

Difficulties in risk assessment are used as a justification for asserting that the risk is high and therefore, the return is too low, as the latter two SIB investors expressed. Moreover, the fact that risks are new and incalculable is put forward as a justification for influencing project design, as exemplified in the previous subsection, for the sake of risk mitigation. The next subsection aims to clarify what the problem of SIB risks entails in terms of risk mitigation.

1.2.5. Justifications for risk mitigation practices: reducing uncertainty in France, and value creation in Colombia

The problems of risk assessment and risk mitigation were present in France and in Colombia but they were posed in different terms: that of “uncertainty” in France, and “value creation” in Colombia. I argue that notions of “uncertainty” and “value creation” are to be seen as vernacular categories that orient action (Doganova 2018; Muniesa 2017).

In France, they were formulated as a problem of knowledge. SIB investors struggled to make sense of SIBs within their routines because SIBs require analyzing unprecedented forms of risks based on social, unpredictable behaviors of support recipients (see previous sub-section). Investors noted the absence of calculative methodologies to *express* and thus evaluate “social” risks. As a result, investors sought to compensate the lack of knowledge about SIB risks by influencing project design. A main method used to address risk uncertainty is to ensure that outcome targets are “achievable”, based on evidence of past performance and national statistics. Section 3.1 expands on this practice.

In Colombia, risk mitigation was instead a matter of “good” asset management. As exposed in length in chapter 1, SIBs were seen as an opportunity to develop an impact investment market. This objective translated into an asset management strategy aimed at ensuring a good financial return so that SIBs could become a scalable, viable asset. This is why risk mitigation was considered part of sound asset management. The director of a Colombian Foundation that invested in SIBs justified higher internal rates of return in terms of SIB scalability:

*“[Corporación] Inversor is the SIB manager. It has been a success. I think that is one of the lessons we learned. **Because when someone who knows how to manage resources manages them, they are used to looking for a higher internal rate of return.** And that also supports the economic impact of the bond, which was also very important to prove. Because it is great to help people, but **if you are not able to bring in more resources afterwards, it will be very difficult to make a second, third and fourth SIB.**” (Investor; 01/11/2019) (emphasis added)*

The internal rate of return (IRR) is the annual rate of growth that an investment is expected to generate. It is defined as the discount rate at which the sum of future discounted cash flows equates to the investment costs (the net present value (NPV) is set equal to zero).

$$NPV = 0 = \sum_{t=1}^T \frac{C_t}{(1 + IRR)^t} - C_0$$

where:

C_t = Net cash flow during the period t

C_0 = Total initial investment costs

IRR = Internal rate of return

$T = \text{Number of time periods}$ ¹⁸⁰

The NPV formula is the main formula that governs public and private investment decisions. This formula introduces a theory of value stating that time has a cost and short-term is more profitable, and that investment is a choice to make between multiple possibilities (including no investment, considering the “cost of capital”) (Doganova 2014, 2018). Its use in the case of SIBs reveals that intermediaries play the role of managers who seek to maximize capital profitability (Doganova 2014), not by choosing between several investment options as in the cases described by Doganova (Doganova 2014, 2018; Doganova and Muniesa 2015), but by acting on the parameters of the formula.

Corporación Inversor influenced two parameters in order to manage uncertainty and secure higher rates of return. On the one hand, the intermediary sought to lower investment costs (i.e., C_0 and negative C_t) by insistently cutting on operational costs. One operator attested:

“We proposed prices but they kept lowering, lowering, lowering. Corporación Inversor has a very strong way of negotiating – pressure, pressure... They push until you lower it.” (Social operator; 29/10/2019)

On the other hand, the intermediary worked on the ground with operators in order to make the predictions of social performance (and thus financial performance, i.e., C_t) happen. It is important to recall that in Colombia, outcome objectives and prices were not co-constructed like in France, but pre-defined according to the government’s track records (see chapter 1). Therefore, Corporación Inversor had little room to influence indicators and prices like French investors did. The asset manager implemented a number of tactics for orienting operational activities towards the expected social results (see also section 3.2.2 and chapter 3). Corporación Inversor’s SIB coordinator justified these tactics in terms of ensuring “value creation”:

“So if an [operational] strategy is not working for us, we tell them [the operators] well, it is not worth investing resources in that, let's invest resources in something else that you identify that will generate value.” (Intermediary & asset manager, Corporación Inversor; 25/10/2019)

¹⁸⁰ Source: Investopedia. “Internal Rate of Return (IRR).” <https://www.investopedia.com/terms/i/irr.asp> (accessed September 2022)

Notions of “uncertainty” and “value creation” have a political role in guiding SIB project design towards shapes that minimize “risks” and maximize “value” as the IRR formula supposes. In particular, the search for lower risks and higher rates of return legitimizes lower outcome objectives and intensive monitoring of operational activities, as section 3 discusses in detail. This suggests that SIBs, although they are unique investment products with strong social objectives, are stuck within financial justifications and tools – what Ortiz (2014) has called financial imagination.

To conclude this section about the introduction SIBs in investment routines, SIBs have unique characteristics compared to other impact investment products, in particular because they depend on uncertain social performance. However, I have argued that the language and routines of financial investment seem irreducible. Established analytical frameworks, including risk assessments, and contractual mandates, including profitability targets, persist even though their application is far from straightforward in the case of SIBs. Notions of financial risk and return still govern investment decisions. As I have shown in this section, negotiations are focused on project design and, for the sake of “risk mitigation”, seek to align operations, outcome targets and operators’ track records. The following sections move on to the concrete construction of SIB viability. Before discussing in depth methods for establishing viable financial products, I examine a less visible yet crucial aspect of SIB viability: the viability of contracts through sustainable SIB partnerships.

2. SIB viability as sustainable SIB partnerships

2.1. Establishing SIB partnerships through material and contractual links

2.1.1. *Partnership risk*

SIB contracts are collectively negotiated, signed and managed. They need collective engagement to function, in the sense that the stakeholders (i.e., legal entities and their human representatives) must be involved and stick to their role over project duration. This subsection

identifies the partnership risk – a term found in the SIB literature meaning the risk of not sustaining SIB partnerships (Carè et al. 2020) – as a main preoccupation for SIB practitioners.

SIB projects are necessarily discussed and negotiated in order to define contract terms; this is why stakeholders are often asked to be engaged before any contract is concluded. This is often a source of concern for the actors involved: stakeholder engagement is not guaranteed in the absence of contractual arrangement, which makes SIB partnerships and thus SIB projects at risk during the negotiation phase. The executive director of the executing agency of the SIBs.CO program in Colombia, insisted on the fact that the early engagement of the private, public and international partners had been unusual. The partners worked and bet on the SIBs.CO program before it was formalized into conventions:

*“[W]e all started to work, with DPS [the Department for Social Prosperity] and with everyone, before signing the SIBs.CO convention. I mean, SIBs.CO framework convention was signed in November and we had all been working ‘with the spirit’ before signing the conventions [he smiles]. This is very unusual for a multilateral as well as for a country. [...] **I believe that there was a group of actors trusting that this was of value for the country and that it allowed us to move forward regardless of the viability [viabilidad].**” (Intermediary and investor, Fundación Corona; 21/10/2019) (emphasis added)*

The director was pleased to recall that the partners believed in SIB significance: they were convinced that SIBs would bring “value for the country” regardless of their “viability” at that time. He used the word *viabilidad* in Spanish, which can be translated into “viability” but also “feasibility”, possibility to implement. Here, the notion relates to the possibility of enforcing contractual obligations. The partners, the director implied, took a risk by dedicating time and efforts to a program that was not yet contractually established.¹⁸¹ According to the informant, the group of actors trusted their appreciation of SIB “value” instead of waiting for a convention to elaborate the project. What “value” made the SIB project worthwhile? Chapter 1 of this dissertation pointed to SIB promises in terms of, first, better efficiency in employment programs and public expenditure and second, an impact investing market open to citizens.

¹⁸¹ The preparation work was in fact facilitated by a pool of resources coming from the Inter-American Development Bank (IDB) SIB facility.

Likewise, Chilean stakeholders were concerned about stakeholder engagement, in particular as regards private investors. During my 2019 visit, I was invited to present feedback from France to a group of actors.¹⁸² My position at iiLab, also identified as the Secretariat of French National Advisory Board on Impact Investment (French NAB), made me a legitimate speaker. My presentation raised several questions about the nature of collective engagement in French SIBs. Some were about the partnership risk and investors’ confidence in sometimes incomplete financial information, as the three following excerpts from my field notes illustrate:

Excerpt 1: “Informant from Ministry of Social Development: *Did the investors know from the beginning what their **return and risk** would be?*

Author: *1) These people knew each other; it’s a small world. 2) They are social investors who don’t expect a huge return. 3) I think that from the beginning they proposed a ‘reasonable’ return.” (field notes, p.2)*

Excerpt 2: “*I presented the setup as a co-construction basically because all the actors negotiate together.*

SIB coordinator at Ministry of Economy: ***It increases the risk that the project does not work, if one person decides that it does not suit him/her and leaves. It takes a lot of motivation on the part of the stakeholders.” (field notes, p.2)***

Excerpt 3: “SIB coordinator at Ministry of Economy: ***Was the framework contract signed in order to start the negotiations?***

Author: *No, nothing. It was signed in the end. The people worked for free for a while and without knowing if the SIB was going to come out.” (field notes, p.3)*

The Chilean actors were surprised by the fact that in France, SIB negotiation took place before framework contracts were signed. Their concerns especially revolved around the “risk that the project does not work.” SIB attractiveness for investors was a particular point of attention for them, especially because they were worried about uncertainty and changes in financial conditions.

French actors expressed similar concern about the fragile nature of SIB partnerships. However, this risk was attributed to weak political engagement rather than volatile investors’ interest

¹⁸² From the Innovation Division of the Ministry of Economy, the Ministry of Social Development, the Corporation for Production Development (*Corporación de Fomento de la Producción, CORFO*) and Fundación San Carlos de Maipo.

like in Chile. For example, a France-based technical advisor regretted the effects of unpredictable political times on SIB projects:

“There is a political timeframe [that is difficult to anticipate], which will have a huge influence on your projects. This is very, very hard; when you have become an expert on a problem, when you have fought with social operators to finance a project built on solid foundations, and then you are told ‘no, this is no longer possible because the government has just changed’... it’s over!”
(Technical advisor; 19/07/2019)

Through this statement, the technical advisor points out the volatility of political engagement, which depends on the actual officials in charge and not on a clear, transparent political agenda.¹⁸³

In fact, SIB projects seem constantly at risk of being dropped. On one side, SIB practitioners become dedicated advocates for their projects. Practitioners, in particular in France, often emphasize their personal commitment for SIB projects in terms of considerable amount of time spent, pro bono work and as regards social operators, huge human and financial investment before receiving funding. But on the other side, SIB arrangements remain very fragile. In France, three programs selected through the first call for proposals launched in 2016 were not implemented because the outcome payers disengaged. One program was launched in 2021 after a long period of five years of negotiation with ministries. Likewise, in Colombia, the first attempt to launch a SIB, the payment-by-result pilot Alliance for Employment, was unsuccessful because the outcome payer eventually changed its priorities (this is described in chapter 1). In Chile, the identified outcome payer CORFO disengaged in 2020, and no SIB has been developed as per June 2022. From these examples, public stakeholders seem particularly unpredictable partners, and the reasons for their reluctance to launch SIBs are often unclear to the actors involved. Investor engagement is also a source of concern, as in Chile.

2.1.2. *The materiality of collective engagement*

¹⁸³ This issue is discussed and illustrated by several interviews with French SIB practitioners in Pellizzari, M. (2019). *Retour d’expérience sur les contrats à impact social en France. Les acteurs engagés font le bilan après 3 ans d’expérimentation multi-facette* (p. 70). Impact Invest Lab. <https://www.finance-fair.org/wp-content/uploads/2021/08/RETOUR-EXPERIENCE-CIS.pdf>

Sustaining collective engagement, I argue, requires creating material and contractual links in order to hold together the various SIB components. I additionally suggest that these links crystallize a collaboration of a financial nature.

Material and contractual elements sustain SIB partnerships besides collective motivation. For instance, the Colombian actors benefitted from an IDB preparation grant to start designing the SIBs.CO program.¹⁸⁴ In Chile, SIB designers from the government wanted to secure a financial vehicle and define a return on investment in order to attract investors’ interest in the SIBs under preparation.¹⁸⁵ In France, while new SIBs are in preparation, operators still ask for a “comfort letter” from the public outcome payer that confirms engagement and budget in order to support investor engagement.¹⁸⁶ Preparation grants, financial vehicles and written financial conditions, and comfort letters are part of tactics of feasibility that align actors’ interests, often around shared financial objectives.

However, the requirements of SIB contracting are not always in line with the laws and rules that organize public welfare: creating links also means making do with established regulations. As I argue in the chapter 2 of this dissertation, SIB contracts place the state in the position of an investor that invests over several years, focuses on the effects of her investment and manages her risk. The chapter demonstrates that feasibility tactics for establishing SIB contracts cope with existing regulations in two ways: by circumventing and avoiding problematic parameters, or by trying to fit into existing legal and regulatory framework through meticulous adjustments. Public budget regulation is given as a significant example. First, SIBs are multi-year financing schemes. From a public budget perspective, this is incompatible with the principle of annual budgetary execution. Governments vote every year the budget to be executed in the course of the year. For instance, in Colombia, government engagement was made possible by splitting outcome payments into two parts so that SIBs abide by the annuality rule: the government pays over one fiscal year, and the international donors pay for outcomes on the second year of SIB implementation. Second, SIBs implement payment for outcomes instead of payment based on real costs. Chapter 2 exposes in length

¹⁸⁴ Source: interview with Intermediary and investor, Fundación Corona; 21/10/2019.

¹⁸⁵ Source: meeting with Chilean SIB practitioners; 05/12/2019.

¹⁸⁶ Source: France-based SIB design meetings.

the tactics implemented to manage to pay for results when public accounting rules ban or significantly complicate it.

To an official from the Municipality of Cali, however, the main problem posed by payment for outcomes is not a legal one, but rather a financial one: that of who provides upfront financing, at which conditions, and with which level of risk – considering that the Colombian law does not forbid payment for outcomes as such:

*“It is not a legal restriction that you cannot contract through payment by results, but **who is going to pre-finance it**. In Colombia you can no longer give advances, i.e., giving money before the activity takes place. Before, this used to happen in public contracting, to build a bridge for example. [...] So, now everything is financed with the operator's own resources, but **usually nobody has the financial capacity required by SIBs** – to develop a whole process before you pay them at the end.” (Public outcome payer, Municipality of Cali; 12/11/2019) (emphasis added)*

SIBs introduce financial investment to back payment for outcomes. Therefore, SIB contracts contain clauses and guarantees that suit investors, or more precisely the financial habit to hedge risks. Indeed, standardized risk covering processes are applied in SIB setup regardless of their suitability. For instance, one French intermediary was critical of the heavy requirements of banks, which he considered disproportionate:

“There are a lot of little things that are standard in bond contracts but don't make sense in a SIB. [...] [T]here is a complete discrepancy between the requirement of bank players and the amount of time association's leaders will and can spend on it.” (Intermediary; 03/09/2019)

2.1.3. Example of technical and legal dispositions for risk mitigation: operators' default risk

SIB stakeholders face a particular risk related to the partnership infrastructure that is particularly important to hedge for investors: SIB operators' default risk. As exposed in section 1.2, operators' financial situation is an object of scrutiny by investors even though SIB financial performance is unrelated to operators' economic performance. As I have shown, investors follow the analytical frameworks that they use for any investment, with some adjustments to analyze the project design dimension. A justification for analyzing operators' finances is to

prevent default risk, since if operators default, then social impact is not produced and investors lose their investment.

In addition to due diligence, French SIB contracts include a specificity due to the central position of operators, through which financial flows transit. A specific disposition was added to avoid that investors’ payments go somewhere else in case of default: a pledge on their assets. This is a special convention that secures and keeps separate the funds that are specific to a SIB project. In fact, SIB contracts in France include two pledge contracts: one on the outstanding debt (i.e., the bond contract), and one on the state outcome payments. Both the money lent and the money to be received are secured for the investors. Yet, some investors ask for more guarantees that might indeed be included in future SIB contracts, as an informant from the public administration told me in a personal communication:

“[N]othing is specified either in the framework convention or in the grant about [default risk]. In reality, as it is currently written, if the Operator defaults, the investors lose everything. [...] [One intermediary] would like [...] this case to be dealt with in the framework convention, with possibly a sharing of this risk between the investors and the State (an option that we at the Treasury would support). So this is an evolution in progress, as far as the IBs are concerned.” (Personal communication; 9/06/2022)

2.2. Sustaining SIB partnerships through actionable governance

In this subsection, I am interested in studying changes in the SIB environment and the consequences they may have on SIB contracts. The Covid-19 crisis period provides insightful evidence of loss of control on both future projections and the idea of durability. I analyze SIB governance and its role in sustaining SIB contracts even in changing environments.

2.2.1. Governance structure

SIBs are contracts that, as every contract, are administered by their signatories. I refer to the administration of SIB contracts as the SIB “governance.” The governance body of a SIB usually brings together all the stakeholders (outcome payer, investors, social operator, intermediary). It is empowered to negotiate all aspects of the contract amicably, thus making it possible to

review results objectives, budgetary choices, operations, among other contractual dispositions.

In France, SIB stakeholders gather frequently (say, every 6 or 12 months) at the occasion of “steering committees.” In steering committees, the social results and any advances or difficulties encountered in the program are discussed. In Colombia, there was not one steering committees but various governance committees corresponding to the different contracts that composed the SIB. One intermediary mentioned the “executive committee with SECO and the IDB [the multilateral outcome payers], once or twice a year” and the “follow-up committee with the Department for Social Prosperity [i.e., public outcome payer].” Moreover, another intermediary mentioned two more committees: the technical committee and the executive committee with investors. The technical committee was dedicated to operational monitoring:

*“There is a **technical committee**, which is basically Fundación Corona and [Corporación Inversor], in which the operational results are evaluated – it is purely operational, purely technical, not financial. Fundación Corona can give its input on the employability route, on the different stages, and on performance management [...].” (Intermediary & asset manager; 25/10/2019)*

And the latter committee was where strategic decisions about financial management were taken:

*“The **executive committee** is the highest governance body we have with investors. [...] This executive committee meets every 2 or 3 months. The results of absolutely everything are presented, both financial and operational results; projections are presented, scenarios are presented [...]. It is where decisions are made at a very strategic level of budget management.” (Intermediary & asset manager; 25/10/2019)*

According to one investor, the executive committee with investors was very valuable – “one of the great success of these SIBs”, he said – because it was useful “to understand and be able to rapidly handle any concern we would have.”¹⁸⁷ This committee made SIB projects actionable for investors. The intermediary cited above gave an example of decisions that investors may take in the course of SIBs:

¹⁸⁷ Source: interview with Investor; 01/11/2019.

“For example, if we want to renegotiate with an operator because we see that, as is happening to us right now, there is an operator that could reach much more than its current goal, then the executive committee can say ‘let’s offer him more money if he gets us more job placements.’” (Intermediary & asset manager; 25/10/2019)

SIB governance bodies have authority to modify operational activities and financial conditions of SIB projects. They make SIB objectives as well as SIB risks malleable, as the Covid-19 pandemic made even more visible, as I discuss next.

2.2.2. Responses to Covid-19

Here, I contend that SIB governance ensures the *durability* of financial conditions, namely risk and return.¹⁸⁸ SIB stakeholders tend to preserve original financial conditions over time and changing environments. Moments of crisis are interesting to analyze durability, as trials that test the resistance of collective arrangements. The Covid-19 pandemic that struck in late 2019 has generated a sanitary, economic and social crisis. This subsection analyzes consequences of the Covid-19 crisis in terms of SIB contract management.¹⁸⁹

In response to the global pandemic, governance committees were held for several SIBs around the world. Various measures were taken regarding SIBs implementation, from no change at all to contract termination, as was the case for the “private IB” launched in Chile by foundations to improve literacy skills for vulnerable children (information about this program is provided in chapter 1). The GO Lab, an Oxford-based research center specialized in outcome-based policy-making, identified six contract management responses to Covid-19, namely: 1. no contract alteration; 2. adjustment of outcome payment terms; 3. temporary

¹⁸⁸ This contention is inspired by Katharina Pistor’s analysis of durability as an attribute of financial assets that is coded in law. She refers to durability as the extension of priority claims over time: “Legal coding can extend the life span of assets and asset pools, even in the face of competing claimants, by insulating them from too many creditors” (Pistor 2019:14). In the context of SIBs, I use the notion to refer to the tendency of preserving original financial conditions over time and changing environments. This is not coded as such in SIB contracts but, I argue, contracts allow and empower the governance body to enact changes along these lines.

¹⁸⁹ Early works on this topic include Pellizzari, M. (June 2020). Que révèle la crise du Covid-19 sur le paiement aux résultats ? *Impact Invest Lab*. <https://www.finance-fair.org/sites/default/files/2022-05/FAIR-crise-covid-paiement-r%C3%A9sultats-2020.pdf>

switch to grant instead of payment for outcome; 4. suspension of delivery; 5. permanent switch to grant; 6. contract termination (figure 24).¹⁹⁰

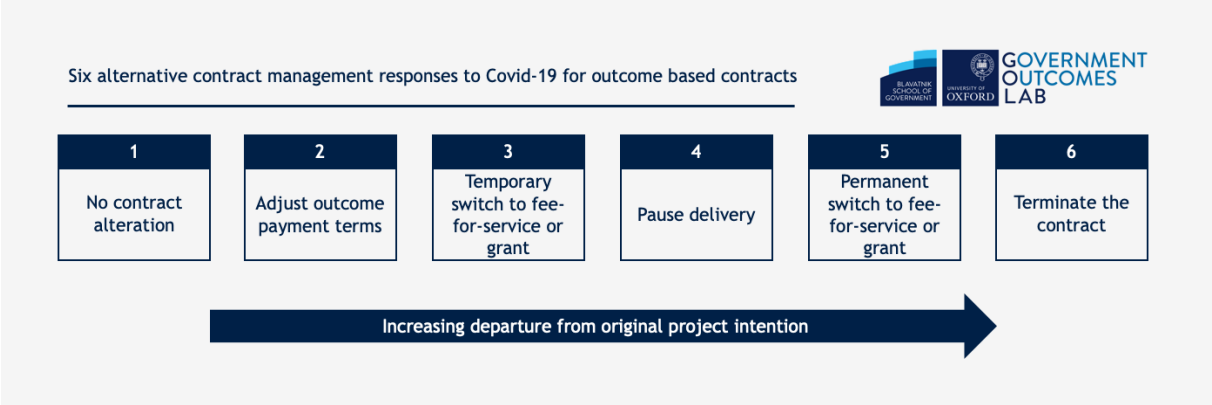


Figure 24. Six alternative contract management responses to Covid-19 for outcome based contracts. Source: GO Lab.

In particular, the Covid-19 crisis has shown both the limits and the resilience of outcome targets in SIBs. In many cases, reality moved away from established projections. In this way, the pandemic amounts to a crisis *of the future*: the future went from being predictable and calculable to being completely unpredictable, which brought radical uncertainty back in SIBs.

In this context, governance proved to be crucial to sustain SIB partnerships. In April 2020, one month after the beginning of the first lockdown in France, I asked the eight France-based SIB operators about their response to the situation. Half of them answered, putting forward two types of responses.¹⁹¹ Two programs focused on infrastructure rehabilitation were paused. The stakeholders still expected to manage the delays without changing the terms of the contracts: either the delays would be caught up or the contract would eventually be extended in time. The governance committees seemed aligned on not changing the contract. The committees’ meetings were postponed to give time to the stakeholders to apprehend better the impact of the crisis. Furthermore, two other programs, respectively for job interview training and persistence in secondary and higher education, were also paused because of the lockdown. The operators expected to amend the contract in order to lower the result targets. The governance committees were planning extraordinary meetings in the last trimester of

¹⁹⁰ Source: GO Lab. “Six alternative funding approaches for impact bonds in response to Covid-19.” <https://golab.bsg.ox.ac.uk/community/covid-19-resource-hub/selecting-alternative-funding-arrangements-uk-sibs-response-covid-19/> (accessed September 2022).

¹⁹¹ Sources: interview with Social operator on 21/04/2020; email exchange with Social operator on 27/04/2020; email exchange with Outcome payer on 28/04/2020; email exchange with Social operator on 04/05/2020.

2020 to make a decision. In the four cases, I was told that it was too early to apprehend the definitive impact of the crisis on the results, and more generally on the SIB conditions. In the end, one SIB lowered its targets and the other one kept them unchanged.

In conclusion, SIB governance appear as the foundation of SIB contracts since governance committees tactically manage any unexpected event through a collective decision-making process. Governance committees can embed everything that overflows back into the SIB framework, with priority given to the durability of original financial conditions in terms of level of risk and return.

3. Financial futures

This section dives into the conditions for SIB investments to become financially viable. It argues that SIB viability is constructed through particular assessments of future performance. These projected futures deal with two crucial aspects of SIB feasibility: first, the feasibility of evaluation, i.e., the possibility to have measurable indicators, attainable objectives and collectable data; and second, the viability of financial valuation, which must consistently reflect the value of the asset.

3.1. Negotiated viability in SIB financial models

This subsection examines the conditions under which SIB financial models are deemed viable. It analyzes the underlying financial scenarios. A SIB financial model consists of projections of investment and outcome payments over project duration. In order for a model to be financially viable, the SIB internal rate of return (IRR) (as defined in section 1.2.5) must be positive (i.e., cash inflows superior to cash outflows) and at a reasonable level (i.e., not too low, not too high), as we will see. In chapter 3, I study in detail the construction of evaluation frameworks in feasibility studies. Chapter 3 emphasizes the importance of cost saving calculations and discursive and graphic representations in the establishment of “feasible” SIB projects, highlighting two main domains where trials of feasibility arise: evaluation practicability and data availability. Here, I extend the demonstration proposed in chapter 3 by

studying the steps that follow the construction of evaluation frameworks, namely the establishment and validation of viable financial models. SIB viability, I argue, is a negotiated notion that requires the implementation of tactics, through which practitioners make sense of risks, their distribution, and elaborate ways of managing them.

3.1.1. Connectee SIB feasibility study

To exemplify the construction of SIB financial viability, I focus on a feasibility study that I conducted in late 2020 at iiLab. The social organization Connectee¹⁹² wanted to apply for a call for SIB projects launched by the French Agency for Ecological Transition (ADEME) on the topic of circular economy. The operator needed support from iiLab to draft the proposal. Connectee’s SIB program aimed to collect surplus food from producers and distributors and to deliver it to food aid charities. It consisted in a low-carbon logistical chain that ensures the delivery of fresh food. The program was already running in the Paris area, and Connectee wanted to finance its expansion to other French metropolises through a SIB. On one side, Connectee’s program intended to address the increasing demand in food aid a few months after the beginning of lockdown measures in France. On the other side, it aimed to divert surplus food from being wasted.

Connectee’s team and I worked together to draft the proposal.¹⁹³ The team was leading the writing on the operations, including the description of the social and environmental issues. I made suggestions to inform further sections about the social and environmental issues considered, the gap in existing solutions (called the “market loophole”), the theory of change, and the program budget. I was leading the writing of the sections dedicated to the SIB model, namely the description of SIB features including the financial model (figure 25), and the detailed evaluation framework (figure 26).

¹⁹² The company’s name is anonymized.

¹⁹³ Connectee’s proposal was finally selected and the program was awarded SIB funding from ADEME. The proposal is not publicly available.

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Figure 25. Outline of the application form, Part 3 – General presentation of the SIB project. Here, I focus on the content of the red frame: V. Outcome payment model: amount, conditions, schedule. Source: Ademe.

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Figure 26. Outline of the application form, Part 6 – Presentation of methods for evaluating program impact and success. Here, I focus on the content of the red frame: IV. Evaluation of program success. Methodological principle, evaluation criteria. Justification for the chosen method and criteria. Source: Ademe.

Sections 3.V and 6.IV are the objects of interest here (cf. figures 25 and 26, red frames). Section 3.V presents the synthetic financial model. Section 6.IV exposes several development steps: methodology (IV.A.), saving calculation (IV.B.), calibration of outcome payments (IV.C.), return on investment (IV.D.). I followed the steps indicated by IV.B, C and D to develop the SIB financial model.

3.1.2. Trade-offs in the construction of social and financial value

The first step consisted in calculating the savings generated by Connectee's program. As Williams (2021) argues about SIB evaluation, the valuation work performed in SIBs embodies micropolitics of valuation, that is, disagreements, compromises and trade-offs between different views on the relevance (in terms of rigor or practicability) of certain evaluation

methods (Williams focuses on randomized controlled trials) but also different ways of envisioning SIB value. I make the case in chapter 3 for considering, beyond the notion of micropolitics, the role of feasibility tactics in shaping SIB value: I contend that the recurrent pragmatic impulse to set up “feasible” SIBs guides SIB-making. Here, I apply this theoretical lens to the work of establishing SIB financial models.

Connectee and I considered savings from surplus food saved: we monetized the gain from avoided food waste and developed an argument to support this approach. The target of the study was ADEME, which policies include food waste mitigation. The Agency being an administrative entity in charge of awareness campaigns and specific programs, it was impossible to identify direct savings from Connectee’s concrete action. This is why we chose to calculate savings from avoided food waste even though these savings applied to “the community” and not to public budget as the notion of public savings suggest.

To justify this ambiguous choice, iiLab’s study proposed an alternative interpretation of the value of the collected food. It was equated to state savings on food aid, considering that food aid was increasingly subsidized by the state during the Covid-19 pandemic. This framing of savings was, as the team at iiLab argued, a fair trade-off between policy objectives and the economic logic of SIBs. In addition, the fact that food surplus donations give the right to a tax credit worth a portion (60%) of the value of the food was taken into account. The final definition of savings was:

$$\text{Savings} = \text{economic value of food} - \text{tax credit given by the state}$$

I elaborated the financial model from there so that the outcome payments from the public sector were inferior to the savings. For modelling outcomes payments, we had to agree on the outcome indicators. Connectee and I defined the two following indicators:

1. Volume of food collected and valued through donation to local food aid actors (kg)
2. Number of partnerships settled with food professionals.¹⁹⁴

The first indicator was directly linked to the savings: the volume of food collected and redistributed for food aid. We considered that food collection and distribution was also the main value added of Connectee’s program. We decided to add a second metric to diversify

¹⁹⁴ Source: Connectee's proposal, p. 23.

the risk, as Sandrine, my colleague from iiLab, taught me to do. We proposed to measure the number of local partnerships made with food professionals in order to reflect the successful integration in the different territories. This second metric aimed to measure a program *output* instead of outcome, i.e., an achievement that depends more directly on implementation capacity. Although output indicators are considered less rigorous and informative than outcome (or impact) indicators, they are common tactics used for two reasons. First, output indicators are less risky because, while being dependent on implementation capacity, they are less subject to social risks. For instance, the number of beneficiaries is a common SIB indicator – it is systematically present in French SIBs, for instance. And second, outputs can be measured early in time and trigger intermediary payments to investors, whereas outcomes are often measured later in time, as for example employment or improved educational outcomes. Output indicators are thus seen as a means to lower the overall financial risk.

In conclusion, the development of viable financial models requires trade-offs between an ideal of rigor, pragmatic constraints and valuation methods. Savings estimates and outcome targets are two main domains in which such trade-offs arise.

3.1.3. *Evidencing ambition*

In order to set the objective of volume of food collected, Connectee determined and *proved* its ambition over four years thanks to data. The team projected the volume of food that they thought they would be able to collect (figure 27.1) and calculated the corresponding economic value (figure 27.3) according to an average value per kilogram by category of professionals that they came up with (figure 27.2). The team split the objectives into four categories of food professionals: agricultural producers (*Producteurs agricoles*), food industry (*Industrie agroalim – Centrales*), artisans (*Artisans*), and large and medium-sized stores (*Grandes et moyennes surfaces*). The program aimed to collect almost 700,000kg of food per metropole (figure 27.1) in three metropoles, or about 2 tons in total over four years. According to reference costs (figure 27.2), this volume of food saved is worth EUR 4.8 million per metropole (figure 27.3) or about EUR 14.5 million in total.

Nombre de kilos collectés par an au total				
Producteurs agricoles	5980	13000	21840	31200
Industrie agroalimentaire - Centrales	9360	23920	39000	45240
Artisans	24960	58500	101400	148720
Grandes et moyennes surfaces	11440	32500	50960	67860
Total	51740	127920	213200	293020
				Total sur 4 ans
				685880

Prix de revient par kilo de denrées				
Producteurs agricoles	3	3	3	4
Industrie agroalimentaire - Centrales	3	3	4	4,5
Artisans	6	7	8	8,5
Grandes et moyennes surfaces	8	8	9	10

Valeur des denrées collectées par an (don uniquement)				
Producteurs agricoles	17 940,00 €	39 000,00 €	65 520,00 €	124 800,00 €
Industrie agroalimentaire - Centrales	28 080,00 €	71 760,00 €	156 000,00 €	203 580,00 €
Artisans	149 760,00 €	409 500,00 €	811 200,00 €	1 264 120,00 €
Grandes et moyennes surfaces	91 520,00 €	260 000,00 €	458 640,00 €	678 600,00 €
Total	287 300,00 €	780 260,00 €	1 491 360,00 €	2 271 100,00 €
				Total sur 4 ans
				4 830 020,00 €

Figure 27. Excel tables extracted from Connectee SIB’s financial model: Projected objectives in volume of food collected for one metropole over 4 years. From top to bottom: 27.1. Total volume; 27.2. Average value of food per kilogram; 27.3. Total economic value for the volume of food collected (= Table 1 * Table 2). Source: iiLab.

How did Connectee elaborate these projections? As mentioned in the proposal, the objectives are in line with the data available from Connectee’s information system.¹⁹⁵ As regards the economic value of food, Connectee used its experience in declaring values to the state for tax relief. It is worth highlighting two points here. First, the work of projecting future performance was not straightforward. The tables shown in figure 27 changed several times before being stabilized in terms of content and format. Second, Connectee used past evidence to project future results, meaning that the SIB’s objectives are not more ambitious than past outcomes. This approach was justified by a notion of risk: the risk of the Connectee SIB was focused on scaling up the program in new metropolises; it would have become *too* risky to expect higher performance in parallel.

As mentioned in section 1.2.2, historical data is essential for investors to commit at the time of negotiations. The more data is available, the less investors worry about social risks. This is what a Colombia-based investor and intermediary expressed:

“We were able to get 3 new [investors] in SIB 2 because the return was positive. The correlation was very clear. It was like: ‘how did the first SIB go?’ If the SIB had gone badly I don’t know if we would have had other investors. [...] So, I think that implementing the SIBs on the same topic [i.e., employment of vulnerable people] has a very nice effect. If I were to make a

¹⁹⁵ Source: Connectee’s proposal, p. 32.

SIB 2 in education, the risk would be [...] uncertain, versus [by] launching SIB 2 and now the outcomes fund on the same topic, uncertainty about risks lowers because you have more data. And you have more evidence.”
(Intermediary and investor; 23/10/2019) (emphasis added)

To this informant, there was a clear correlation between the production of evidence about outcomes but also financial performance in SIB 1 and the engagement of three additional investors in SIB 2, since “uncertainty about risks lowers.”

In addition to past evidence, Connectee’s objectives were justified by the level of savings. I checked feasibility according to the profitability principle that “the state always pays less than it earns” (a principle that is also studied in practice in chapter 3). Translating the feasibility principle into Excel tables proved challenging. After some difficulties (for example, for determining the variation on operational costs depending on the volume of food collected) and mistakes (for example, in the definition of the break-even point, i.e., where operational costs are equal to the amount of savings), the table shown in figure 28 proved the SIB feasibility. Fortunately, indeed, figure 28 attests that the savings are higher than the program costs from 800,000kg of food collected, hence they are even higher for the 2 tons that Connectee projected to collect in three cities over four years.

Calcul des coûts évités et des coûts du programme

Volume collecté (kg)	100 000	200 000	300 000	400 000	500 000	600 000	700 000	800 000	900 000	1 000 000
A Economies brutes (k€)	704	1 408	2 113	2 817	3 521	4 225	4 929	5 634	6 338	7 042
B Crédit d'impôt (k€)	246	493	739	986	1 232	1 479	1 725	1 972	2 218	2 465
C= A-B Economies nettes (k€)	458	915	1 373	1 831	2 289	2 746	3 204	3 662	4 120	4 577
D Coût du programme (k€)	4 358	4 244	4 129	4 014	3 900	3 785	3 670	3 556	3 441	3 327
C-D Différence (k€)	- 3 901	- 3 328	- 2 756	- 2 183	- 1 611	- 1 039	- 466	106	678	1 251

Figure 28. Excel table extracted from Connectee SIB’s financial model: Calculation of the break-even point between savings and program costs. Source: iiLab.

3.1.4. Tactics for defining a reasonable return on investment

Outcome payment modelling then consists in calibrating outcome payments according to social and environmental performance against the indicators. To do so, I went through a challenging trial and error process. I designed a double entry table with horizontally, the volume of food collected (indicator 1), and vertically, the number of partnerships (indicator

2). The table in figure 29.1 shows outcome payments as a function of metrics 1 and 2. Payments are defined as percentages of savings so that the outcome payer indeed pays less than it is supposed to earn. I set decreasing percentages in the blue, green and orange zones. Figure 29.2 shows the outcomes payment in proportion of the program costs. As we can see in figure 29.2, the orange zone represents payments that are above 100% of the total program budget: it indeed determines the return on investment. The elaboration of this table was a laborious process of feasibility tactics. Before stabilizing the model, I tried many combinations of percentages, redefining each time the three zones and the maximum outcome payments. I finally limited outcome payments to 107% of the program budget (figure 29.2), which allowed to generate an “adequate” return on investment, as I discuss below.

Chapter 4 – Financial viability in social impact bonds: tactics to deal with “social risk”

3 Paiements par le secteur public

Paiement selon les deux indicateurs

		Volume collecté (kg)																								
en k€		100 000	200 000	300 000	400 000	500 000	600 000	700 000	800 000	900 000	1 000 000	1 100 000	1 200 000	1 300 000	1 400 000	1 500 000	1 600 000	1 700 000	1 800 000	1 900 000	2 000 000	2 100 000	2 200 000	2 300 000	2 400 000	
Nombre de partenaires	10	139	278	417	556	694	833	972	1 111	1 250	1 389	1 857	1 903	1 950	1 996	2 042	2 088	2 135	2 213	2 216	2 218	2 221	2 223	2 226	2 228	
	30	142	284	426	568	710	852	994	1 136	1 279	1 421	1 864	1 912	1 959	2 006	2 053	2 100	2 148	2 218	2 221	2 224	2 227	2 230	2 233	2 236	
	50	145	290	436	581	726	871	1 016	1 162	1 307	1 452	1 872	1 920	1 968	2 016	2 064	2 112	2 161	2 224	2 227	2 231	2 234	2 237	2 241	2 244	
	70	148	297	445	593	742	890	1 039	1 187	1 335	1 484	1 879	1 928	1 977	2 026	2 075	2 123	2 174	2 229	2 233	2 237	2 241	2 244	2 248	2 252	
	90	152	303	455	606	758	909	1 061	1 212	1 364	1 516	1 836	1 886	1 936	1 986	2 037	2 087	2 137	2 231	2 235	2 239	2 243	2 247	2 251	2 255	2 260
	110	155	309	464	619	773	928	1 083	1 237	1 392	1 543	1 843	1 894	1 945	1 996	2 047	2 098	2 149	2 236	2 240	2 245	2 249	2 254	2 258	2 263	2 268
	130	158	316	474	631	789	947	1 105	1 263	1 421	1 579	1 849	1 901	1 953	2 005	2 057	2 109	2 161	2 241	2 246	2 251	2 256	2 261	2 265	2 270	2 275
	150	161	322	483	644	805	966	1 127	1 288	1 449	1 609	1 855	1 908	1 961	2 014	2 067	2 120	2 173	2 246	2 251	2 256	2 262	2 267	2 273	2 278	2 283
	170	164	328	492	657	821	985	1 149	1 313	1 477	1 642	1 862	1 916	1 970	2 023	2 077	2 131	2 245	2 251	2 257	2 262	2 268	2 274	2 280	2 285	2 291
	190	167	335	502	669	837	1 004	1 171	1 338	1 505	1 674	1 868	1 923	1 978	2 033	2 087	2 142	2 250	2 256	2 262	2 268	2 274	2 281	2 287	2 293	2 299
	210	170	341	511	682	852	1 023	1 193	1 364	1 537	1 714	1 813	1 868	1 923	1 978	2 033	2 087	2 142	2 250	2 256	2 262	2 268	2 274	2 281	2 287	2 293
	230	174	347	521	694	868	1 042	1 215	1 389	1 566	1 751	1 824	1 881	1 938	1 994	2 051	2 108	2 164	2 259	2 266	2 273	2 280	2 287	2 294	2 301	2 308
	250	177	354	530	707	884	1 061	1 237	1 414	1 595	1 789	1 830	1 887	1 945	2 003	2 060	2 118	2 175	2 263	2 271	2 278	2 286	2 293	2 301	2 308	2 315
	270	180	360	540	720	900	1 080	1 260	1 439	1 620	1 810	1 835	1 894	1 952	2 011	2 069	2 128	2 260	2 268	2 276	2 284	2 292	2 299	2 307	2 315	2 323
	290	183	366	549	732	915	1 099	1 282	1 465	1 644	1 834	1 841	1 900	1 960	2 019	2 079	2 138	2 264	2 273	2 281	2 289	2 297	2 306	2 314	2 322	2 330

→ Nous proposons au tiers payeur de payer en fonction des résultats :

En zone bleue : 30% des économies générées selon l'indicateur 1, et maximum 10% selon l'indicateur 2 (progression linéaire)

En zone verte : 10% des économies générées au-delà de 1 500€ selon l'indicateur 1, et maximum 3% selon l'indicateur 2 (progression linéaire)

En zone orange : 0,5% des économies générées au-delà du coût du programme selon l'indicateur 1, et maximum 1,3% selon l'indicateur 2 (progression linéaire)

4 Rendement du CIS

Proportion payée par rapport au coût du programme

		Volume collecté (kg)																								
en k€		100 000	200 000	300 000	400 000	500 000	600 000	700 000	800 000	900 000	1 000 000	1 100 000	1 200 000	1 300 000	1 400 000	1 500 000	1 600 000	1 700 000	1 800 000	1 900 000	2 000 000	2 100 000	2 200 000	2 300 000	2 400 000	
Nombre de partenaires	10	6%	13%	19%	25%	32%	38%	45%	51%	57%	64%	85%	87%	89%	92%	94%	96%	98%	102%	102%	102%	102%	102%	102%	102%	102%
	30	7%	13%	20%	26%	33%	39%	46%	52%	59%	65%	86%	88%	90%	92%	94%	96%	99%	102%	102%	102%	102%	102%	103%	103%	103%
	50	7%	13%	20%	27%	33%	40%	47%	53%	60%	67%	86%	88%	90%	92%	95%	97%	99%	102%	102%	102%	102%	103%	103%	103%	103%
	70	7%	14%	20%	27%	34%	41%	48%	54%	61%	68%	86%	88%	91%	93%	95%	97%	100%	102%	102%	103%	103%	103%	103%	103%	103%
	90	7%	14%	21%	28%	35%	42%	49%	56%	63%	70%	84%	87%	89%	91%	93%	96%	98%	102%	103%	103%	103%	103%	103%	103%	104%
	110	7%	14%	21%	28%	35%	43%	50%	57%	64%	71%	85%	87%	89%	92%	94%	96%	99%	103%	103%	103%	103%	103%	104%	104%	104%
	130	7%	14%	22%	29%	36%	43%	51%	58%	65%	73%	85%	87%	90%	92%	94%	97%	99%	103%	103%	103%	103%	104%	104%	104%	104%
	150	7%	15%	22%	30%	37%	44%	52%	59%	66%	74%	85%	88%	90%	92%	95%	97%	100%	103%	103%	103%	104%	104%	104%	104%	105%
	170	8%	15%	23%	30%	38%	45%	53%	60%	68%	76%	85%	88%	90%	93%	95%	98%	103%	103%	104%	104%	104%	104%	105%	105%	105%
	190	8%	15%	23%	31%	38%	46%	54%	61%	69%	77%	85%	88%	91%	93%	96%	98%	103%	103%	104%	104%	104%	104%	105%	105%	105%
	210	8%	16%	23%	31%	39%	47%	55%	63%	71%	79%	86%	89%	91%	94%	96%	99%	103%	104%	104%	104%	104%	105%	105%	106%	106%
	230	8%	16%	24%	32%	40%	48%	56%	64%	73%	81%	84%	86%	89%	91%	94%	97%	99%	104%	104%	104%	105%	105%	106%	106%	106%
	250	8%	16%	24%	32%	41%	49%	57%	65%	74%	82%	84%	87%	89%	92%	95%	97%	100%	104%	104%	105%	105%	106%	106%	106%	107%
	270	8%	17%	25%	33%	41%	50%	58%	66%	75%	84%	87%	89%	92%	95%	98%	104%	104%	104%	105%	105%	105%	106%	106%	107%	107%
	290	8%	17%	25%	34%	42%	50%	59%	67%	76%	85%	87%	90%	93%	95%	98%	104%	104%	105%	105%	105%	106%	106%	107%	107%	107%

Figure 29. Excel tables extracted from Connectee SIB's financial model: outcome payments according to indicator 1 (horizontally) and indicator 2 (vertically). 29.1. (top) Outcome payments; 29.2. (bottom) Ratio [outcome payments / program costs]. Source: iiLab

Finally, the third and last step in SIB modelling consists in defining the maximum IRR. I calculated the return on investment with the standard IRR formula shown in section 1.2.5, which takes into account the schedule of investments and payments. I adjusted Tables 29.1 and 29.2 so that the resulting IRR is at the same time attractive to investors and reasonable. Eventually, my financial model set the maximum IRR at 6.56% (figure 30), corresponding to a case of over performance on the two metrics, that is to say 2.4 tons of food collected (against 2 tons) and 290 partnerships settled (against 250). This IRR was above the highest IRR among the ten first SIBs launched in France, which is 5.5%. However, the partner intermediary validated the 6.56% rate, adding “especially given the savings”, which meant that the savings were quite high.¹⁹⁶ Here, savings did not only prove feasibility, they also justified a higher return on investment.

Taux de retour sur investissement maximum pour les investisseurs (+15% de surperformance par rapport aux objectifs espérés).

Inv année 1	Année 2	Année 3	Année 4	Total
1 220 000	755 000	90 000	115 053	2 180 053

Paiement année 1	Année 2	Année 3	Année 4	Total
-	965 979	1 141 634	230 941	2 338 554

Flux année 1	Année 2	Année 3	Année 4	Total
- 1 220 000	210 979	1 051 634	115 888	158 501

TRI
6,56%

Figure 30. Excel tables extracted from Connectee SIB’s financial model: calculation of the maximum internal rate of return (IRR). From top to bottom: Table 30.1: cash outflows (upfront investment) per year and total; Table 30.2: outcome payments per year and total; Table 30.3: net cash flows per year and total (= table 2 – table 1); Table 30.4: IRR. Source: iiLab.

In conclusion, this subsection has shown the prevalence of SIB design justifications in terms of risks and IRR. However, this financial rationale is intertwined with economic justifications related to the amount of savings, but also ethical considerations, as the following quote from a Colombia-based investor and intermediary illustrates:

“What happened in the second SIB? The payers suggested capping the IRR at 10% so as not to encourage this to be a ‘money machine’¹⁹⁷ for investors.” (Intermediary and investor; 23/10/2019)

¹⁹⁶ Source: phone call with Intermediary and investor in December 2020.

¹⁹⁷ In English in the original quote.

The idea of a reasonable return on investment stems from ethical justification considering how much an investor can profit from social policies, but it also prompts operational design choices: a reduction of risk through increased control of past evidence as well as compromises on rigor, from setting “achievable” targets and interim payments.

3.1.5. *Renegotiations in times of crisis*

This subsection provides additional evidence to support the claim that SIB viability is a negotiated notion that emphasizes risk appraisal. It analyzes a case in which a reconfiguration in SIB risks due to the Covid-19 pandemic led to a redefinition of SIB objectives.

This subsection refers to the study I conducted in 2020 on the evolutions of France-based SIBs during the Covid-19 crisis (introduced in section 2.2.2). At the time of the study, I was surprised by the fact that SIB targets could change in the course of project implementation. I noted the following dialogue during an interview with one social operator that planned to modify the targets:

“Author: What is the risk [of not changing the indicators]? Impact measurement can be used to assess the impact of a crisis, and that's the SIB game, investors could lose... Any pressure?”

Operator: No pressure, but it took 1 year and a half to negotiate the targets, so we would rather reach them! Joint discussion to be conducted [...] to renegotiate the indicators.”¹⁹⁸

I suggested to my informant that, alternatively, Covid-19 might be considered as part of the “SIB game”, that is to say as a risk inherent to any projection over time (or any experimentation), which might incur to investors. To the operator, however, the indicators had to be renegotiated in order to be achievable in the new context of Covid-19 pandemic, and he assured that he did not suffer any pressure from the investors.

On the contrary, in Colombia, the SIB stakeholders decided to adapt the target quota of “obra y labor” working contracts (i.e., working contracts for a given assignment) and to keep the overall target unchanged. To one intermediary, this decision allowed to understand the effects of the Covid-19 crisis on employment results:

¹⁹⁸ Source: interview with social operator; 21/04/2020.

“Author: Were the goals modified due to the Covid crisis or can investors lose their investment?”

Intermediary: There was an adjustment in the number of ‘obra y labor’, not in the total target: investors may lose their investment. It is interesting to understand the effect of the crisis.”¹⁹⁹

In the case of France, the result indicators proved performative, since lengthy negotiations to define *viable* objectives generated the imperative of reaching them. What this situation also reveals is that the social risk, exacerbated by the sanitary measures, rather incurred to the public outcomes payer, preventing investors from losing their capital.

3.2. Challenges and tactics for the valuation of SIB assets

This subsection focuses on the problem of financial valuation in SIBs, that is to say the assessment of the value of SIB assets. Asset valuation is an established practice in finance. It is used to support investment decisions and to monitor investment performance. It is subject to legal rules in the case of asset management, in which assets are managed on behalf of asset owners. In this subsection, I first expose difficulties in assessing SIB financial value, and related legal issues in the French context. I introduce the notion of valuation risk, meaning the risk to perform an inaccurate valuation of SIB assets. I then focus on asset management methods, which consist in mitigating the valuation risk by introducing “financial incentives” and monitoring operational activities.

3.2.1. Illustration of the valuation risk: legal requirements for asset managers in France

Here, I go back to the difficulties that investors face in terms of risk assessment, which pose a main problem for SIB asset valuation. As the following quote from a France-based expert recalls, there is no established model to statistically assess SIB financial risks:

“There is an operational risk of setting up the project and its impact, of achieving the results objectives, and on the other hand there is a financial

¹⁹⁹ Source: Conference organized by SIBs.CO to present the Colombian SIB projects and the evidence to date: “Que tan bien parados estamos en este primer round”; 11/12/2020.

risk. And this financial risk is remunerated. Do we know how to evaluate it? No! That's what I was hoping for at the beginning: that we would be able to make probabilities and that we would be able to make a 'return-risk-impact' [scale]. Today we are not able to do that.” (Technical advisor; 19/07/2019)

As a consequence, there is no reliable way for an investor to know whether or not he or she is likely to lose his/her money, and therefore there is no method to assess the value of SIB assets. In particular, this has posed a significant challenge to asset managers known in France as “solidarity funds” managers. Solidarity funds are among the most common financial vehicle for impact investment in France. They are savings funds that orient between 5 and 10% of the funds to activities with a high social utility. These funds are regulated by the AMF (*Autorité des Marchés Financiers*), i.e., the public authority in charge of “supervising the orderly operation of markets”, in its own terms.²⁰⁰ As an impact asset manager explained to me, AMF regulation imposes the principle of equity between unit holders: each unit holder must be aware of his or her interests. As a consequence, the valuation of assets must be up to date at each entry and exit of unit holders, which may happen every day:

“For us, there is a fundamental element in our business, it is the equitable treatment of unit holders. As long as they are open funds, equitable treatment means that there are people who enter the fund and who will exit at any time, so we have to be able to give a 'fair value', the fairest possible value.” (Asset manager; 11/09/2019)

The asset manager acknowledged that valuation requirements hinder investment in SIBs:

“In fact, we have to ask ourselves: why does asset management for third parties not participate in SIBs? [...] It's a valuation problem!” (Asset manager; 11/09/2019)

For this reason, his fund did not invest in SIBs. The asset manager then outlined two possible ways of valuing SIB assets, neither of which he considered acceptable under AMF regulations:

“You buy at 100 and you value at 0 immediately afterwards. In fact, this is what we call a management error. This is the first possibility: impossible to implement. Another possibility is to do an 'expected return', where you have to estimate the probability $(1 - p)$ that you will be at 120 at the end. Then

²⁰⁰ AMF. “The AMF at a glance.” <https://www.amf-france.org/en/amf/presentation-amf/amf-glance> (accessed September 2022)

the ‘p’, since it’s a social innovation, good luck for estimating it!” (Asset manager; 11/09/2019)

The first option is to value the asset to zero, insofar as there exists a risk (regardless of the likelihood of this risk) of losing the capital invested. It is, however, impossible to implement, the asset manager affirmed, because it would be a major management error: the manager would have bought an asset at 100 whereas its value was in fact zero. The second option is to calculate the expected return based on a probability $(1 - p)$ of receiving the maximum return but the informant implied that there is no clue about how to assess this probability.

However, some asset managers did invest in SIBs in spite of the problem of SIB asset valuation. In fact, these investors decided to value the asset at 100 as long as social performance was good. This required keeping track of social results over project duration. One asset manager who invested in SIBs added that the shorter the SIB contract, the clearer the results, and thus, the more reliable the valuation:

“If we had had a product with a much longer maturity, we would have had much less information over time, or more precisely, much less significant information on the final result. The question is to know whether we could have had our auditor accept to maintain the valuation at the nominal value [i.e., 100], as long as we were keeping on track – by prorating results in a satisfactory manner. This implies that we do have an idea of the dynamics of the indicator, though.” (Asset manager; 17/07/2019)

The asset manager mentioned what I term the “valuation risk”: the risk related to the level of reliability of a valuation method. To this informant, since social risk increases with contract length, the idea that present results likely reflect future results is not always applicable.

Another asset manager who invested in SIBs mentioned the role of evaluation design in mitigating the financial risk – i.e., that of loss of capital. Output indicators, progressive reimbursements, interim payments are all tactical design choices that reduce the probability of losing money.

However, the valuation risk does not disappear:

“It is hard to assess the risk. [However,] it is circumscribed to a project. The way the indicators are set, often with a threshold and then progressive [reimbursement] depending on the outcomes, it somehow guarantees a part of the reimbursement, it's not zero or 100%, it can be in between. So we also circumscribe the risk according to the way the indicators are set. But we are never 100% sure that it will work.” (Asset manager; 16/07/2019)

However, to the more skeptical asset manager mentioned above, there is no room for valuation risk in asset management:

“Often people say ‘yes, but wait, it’s a just a small portion’ [changed his voice]... Either small or large proportion, the problem remains the same: after the accounts are audited by the auditors, they will check the value and they will say ‘didn’t you anticipate that the probability was not going to be realized?’ [One could answer] ‘yes, but you’d understand that this is innovation’... [But] innovation must not conflict with shareholder interest. Then there would be the subprime crisis again tomorrow! We won’t make the same mistakes as in the past!” (Asset manager; 11/09/2019)

To this asset manager, justifications in terms of contract duration or innovation development should not be considered as a counterpoint to legal requirements. He even made a comparison with the subprime crisis, arguing that poor valuations can lead to serious consequences.

To address the problem of valuation risk, a 2022 report for the development of SIBs in France includes the following recommendation:

“To address the current difficulty investors have in valuing IBs as a financial asset, it would [...] be desirable for market participants to adopt a common valuation methodology to be established by an independent expert.” (Groupe de travail présidé par Thomas Cazenave 2022:4–5)

The report argues for the development of a common valuation methodology that would be certified by an independent expert. In this view, the valuation problem equates to a lack of standards that are scientifically certified and legally recognized.

3.2.2. Financial management tactics for mitigating the valuation risk

This subsection analyzes financial management practices implemented in SIBs as tactics for the mitigation of valuation risk. It studies three approaches that are used in SIB financial management: financial design, financial incentives, and operational management. The study is based on observations made in Colombia, where financial management practices were particularly elaborated, and where I had access to financial management details.

In Colombia, SIB implementation aimed to demonstrate that SIBs are viable as an asset (see chapter 1). As one investor expressed, it was important that the first SIB constitutes a precedent of “success” to attract other investors:

“Let's say that it is a minimal part of our equity, so we were not worried about it. We were more concerned about testing the model and making it successful than about having a financial return. However, we were aware that it was very important to have a success story, to generate a reference so that we could continue to do more and more people would get involved.”
(Investor; 01/11/2019)

He was not worried about losing the capital invested, given the small amounts invested. However, demonstrating good financial performance was crucial for the development of the sector. This ambition made the work of the SIB asset manager Corporación Inversor particularly valuable. In the words of another investor, the asset management firm brought legitimacy to the investment process thanks to its financial expertise:

*“I believe that a very important point is the partnership with Corporación Inversor as an asset manager. [...] They do speak a [financial] language – they are registered here at the Financial Superintendence, that is to say, **they are an entity that gives legitimacy to the financial investment process**. It was much easier to make the fiduciary contract, plus the mandate, all these issues... **We saw that the project could have a positive IRR, then we saw a risk**, then the project got the green light again, and the IRR was doing this [i.e., variations] in the project. The more time passed, the more certain the result was.”* (Intermediary and investor; 23/10/2019) (emphasis added)

On the one hand, Corporación Inversor facilitated the establishment of the financial vehicle (the fiduciary contract in particular). On the other hand, the asset manager was able to provide clear financial information in terms of IRR and risk.

In addition, one investor affirmed that Corporación Inversor has substantial skills in financial design. Sound financial design can influence the IRR, but also facilitates investment conditions, as for example through the “recycling” of investments:

“I committed [the Foundation] to invest up to 600 million in terms of capital calls. We invested only 320, and the reason why is that we invested our money, and then we started to receive income from the first results. And we recycled these resources to keep funding expenses instead of giving me the

*money back and making some calls again. This is important to understand because **obviously financial management is important**. It can lower or raise the IRR a little bit, but **it can also make it easier to have less investment commitments**. [...] It is financial design.” (Intermediary and investor; 23/10/2019) (emphasis added)*

The recycling of funds consists in reusing interim payments for investment. This avoids additional cash inflows and outflows.

Furthermore, the asset manager Corporación Inversor implemented “financial incentives” in order to orient social operators towards successful implementation. In the first SIB implemented in Colombia, the financial design aimed to incentivize operators to outperform by conditioning 10% of their operational budget to the last 10% of the objective of number of beneficiaries reaching 3 months in employment. To receive the entire operational budget, operators had to report good social performance. However, this had unintended effects, according to my informants. First, the 10% performance-based envelope limited the capacity of operators to reach the targets. Second, the return on investment ended up being quite high because investors not only saved a portion of their commitment, but besides, they also received maximum payments from outcome payers, as the asset manager explained:

“Actually, in SIB 1, [performance-based payments to operators] have generated some strange incentives within the model. [...] The negotiation was to tie 10% of their contract, in money, to 10% of the target in number of participants. [...] What happened? When the operators started to default, say, they did not reach 600 but 550. That 10%, those last 50 people, I did not pay the operators for them, but the outcome payers did pay me the whole thing, because they were to pay me up to 514.” (Intermediary & asset manager; 25/10/2019)

In the second SIB, these “strange incentives” were corrected. Five percent of the operational budget was tied to the achievement of 50% of the objective (this time, in terms of people reaching 6 months in employment instead of 3 months). The asset manager continued:

“In SIB 2 these rates were corrected so that [...] if your contract is for 100 pesos, 5 pesos of your resources are tied to 50% of your goal. This mitigates the risk, because first, the operators start earning their payment for success much earlier, so the probability of an operator not reaching 50% is much lower than not reaching 90%. If only the last 10 people are missing, the

*amount in money is very little; **there is not so much loss for the operator and there is not so much additional profit for us, for the investors.*** (Intermediary & asset manager; 25/10/2019) (emphasis added)

Moreover, I argue that the idea of financial incentives is a limited vision of asset management focused on financial motivations. Indeed, it only takes into account financial conditions as a lever for SIB success. As one Colombia-based social operator explained:

*“We do feel incentivized to the extent that this is a project that we wanted to be involved in; we like it. But economically it is not very profitable. [...] **[T]he ones who are taking the bonus are the investors. For us, operators, it ends up being unprofitable.** [...] The four operators that are running the program want to do it well because of a reputational issue; we want to do it well because it is a matter of the mission we are committed to. **The third or fourth reason might be that we have a performance-based bonus. It is definitely not the component that makes the difference.**”* (Social operator; 29/10/2019) (emphasis added)

A third significant set of tactics consisted in the daily involvement of the asset manager in the operational activities performed by the operators. As the asset manager explained, thanks to a privileged access to ongoing operational activities, financial arrangements can be continuously adjusted:

“[I]t gives us some flexibility, for example if we see that an operator is doing very badly and they are going to lose their outcome payment, then I can take this outcome payment and offer it to another operator. As I am almost sure that this one is not going to succeed, I take the risk and I offer it to this other operator and tell them to perform above their current target, for example.” (Intermediary & asset manager, Corporación Inversor; 25/10/2019)

Financial management thus appears as a continuous process of tactics for ensuring a good financial performance (in terms of IRR). If an operator underperforms, it is possible to transfer resources to another operator that is likely to outperform. However, even though this financial micromanagement approach seems to satisfy the imperative of SIB viability from an investor perspective, social operators may see it as over-control. One operator indeed criticized the heavy reporting requirements, adding that they require significant human (and thus financial) resources:

*“In our programs we have meetings with our partners once a month, once a semester. It is not normal to have meetings every day, it is not normal to have calls every day, it is not normal to have to send reports every week! I understand them from a certain point of view, because there are many interests involved here. They want to have firsthand information, everybody wants this to go well and in that sense, we understand. But for the operators, eventually, it stops being viable because almost all of us have had to assign a person from our team just to generate reports. That is very expensive.”
(Social operator; 29/10/2019)*

In conclusion, this subsection has demonstrated that financial design is not exact science. It has highlighted the tactical nature of financial management practices, which have been characterized as contingent tactics of feasibility that recurrently question and shape SIB viability. I have shown that financial design, financial incentives and operational monitoring are practices that investors appreciate for they limit the valuation risk and likely guarantee a good return on investment. However, these practices may be subject to debate, in particular among social operators. Indeed, valuation methods tend to alter social work (Mennicken 2013; Mennicken and Muniesa 2017), in particular because operators’ activities are the object of increased scrutiny (Wirth 2020).

Conclusion

SIB practitioners’ concerns about SIB feasibility also apply to the problem of the financial viability of these unprecedented financial products. SIBs are impact investments with unique characteristics. The profitability of SIBs rests on their social performance, in terms of achieving pre-defined outcome objectives. Only if the social outcomes of the program financed are in line with the targets, investors get their capital back and a return on investment, regardless of the economic performance of the social provider. SIBs disrupt the widely accepted notion of financial viability because indeed, the SIB asset is of a particular nature: it hinges on *policy interventions* supported by public funders – therefore, with no need of being economically viable –, except that public funding is delivered upon effective outcomes.

SIBs certainly disturb usual investment processes since they entail new kinds of uncertainties. The business of investment does consist in capitalizing on uncertainty, but only as far as

uncertainty is turned into a “category of management” (Power 2007) and indeed made manageable mostly thanks to quantification devices (Mennicken and Espeland 2019). I have demonstrated in this chapter that although uncertainties in SIBs are of a qualitative, “social” nature, they are treated and managed as financial risks. Different tactics of feasibility are implemented in this respect. First, SIB stakeholders negotiate outcome metrics in order to align the targets with references evidenced by research studies, national statistics or historical performance data – besides cost savings estimates, which also act as legitimation devices (cf. chapter 3). Although this process is aimed at providing a scientific basis for defining “achievable” outcome targets (and thus lowering the risks in a context of low return), it necessarily requires trade-offs between this ambition and other factors such as realism, data availability and accessibility, but also changing contexts. Second, SIB stakeholders act simultaneously on financial projections and operational activities in order to adjust projections to reality while conforming reality to projections. Intermediaries and investors use financial techniques to optimize the risk-return ratio (e.g., by acting on the parameters of the IRR formula), but they also intervene more or less intensively in the actual social work performed by social operators.

The tactics employed to make SIBs “viable” have consequences on the design of SIB interventions. First, the search for benchmarks on social outcomes tends to orient the choice of indicators but also the definition of target population towards options that match the evidence basis but might not be adequate regarding the nature of the program. Second, the monitoring of operational activities is as much resource-intensive as it is a source of anxiety for social operators. Third, tactical financial structuring makes financial management more approximate, i.e., not amenable to numbers and standard processes. This conflicts with legal requirements of asset management in terms of profitability targets, transparency, equity of asset holders and accurate valuation of assets.

Although SIB uncertainty frequently overflows from the established projections, the governance of SIBs serves as a rectification mechanism. Governance committees are empowered to renegotiate the terms of SIB contracts in order to re-embed changing situations into contractual frameworks. SIB governance proved particularly powerful during the Covid-19 crisis, insofar as contract duration or even impact indicators could be changed so as not to penalize investors.

In SIBs, the vocabulary of future performance can be seen as part of investment vernaculars and thus, as a political technology that legitimizes the handling so-called “social risks” for capitalization purposes (Doganova 2021; Muniesa and Doganova 2020). However, it also acts as constraint to project development that tactics of feasibility help cope with.

General conclusion

This dissertation has analyzed how feasibility concerns come to the front when developing contemporary social policy interventions such as SIBs. I argued that SIBs are implemented through an ongoing process made of trials and tactics of feasibility. Trials of feasibility are situations faced by SIB practitioners in which the feasibility of SIB arrangements is questioned, justified, and finally enacted – or not. Through these situations, SIB features are specified along with the qualities of the political, social and economic environment in which the SIB projects are implemented. Put differently, the relevance of SIBs as an adequate response to existing but also emerging problems formulated locally is put to the test in the course of SIB implementation. SIB practitioners emphasize the notion of “feasibility” as a main objective of SIB development that serves as justification for design choices. Design choices are made through tactics of feasibility, which pursue an imperative of feasibility of SIB arrangements despite common-sense difficulties, constraints, and practical contradictions. Tactics are inventive ways to deal with and overcome trials of feasibility. Through tactics of feasibility, practitioners cope with implementation contingencies and sometimes divert constraints imposed by established systems of laws, evaluation requirements, and investment rules. I intended to characterize a “culture” of feasibility that primarily focuses on “making” and often “making do” with SIB design and that, consequently, leaves other perspectives out. In this conclusion, I synthesize the contributions of this dissertation related to the account of this “feasibility first” approach in policymaking, before discussing the limits of my contention.

1. Feasibility first: a culture of making (do)

1.1. Main arguments of the dissertation

This dissertation has analyzed how the problem of feasibility unfolds in SIB implementation. To do so, it has examined what the SIB implementation process consists of. The **first chapter** finely describes SIB development in three different jurisdictions: Chile, Colombia and France.

It shows that **SIBs follow different trajectories of implementation that are rooted in localized circumstances**. It builds on actor-network theory (Akrich 1989, 1993; Latour 1987) and the sociology of justification (Boltanski and Chiapello 2007; Boltanski and Thévenot 2006) to theorize implementation challenges in terms of trials of feasibility. In the three cases studied, trials of feasibility arose during SIB implementation and were decisive in the formation of SIB policy. I argued that cultural factors and national political and economic traditions cannot be taken as analytical categories. Instead, the qualification of SIB features and of the social and political environment in which SIBs are set up occurs concomitantly during SIB implementation. In Chile, SIBs were promoted as a new form of public-private partnership that could enhance public accountability. SIB implementation was led by the state thanks to formal methodologies intended to ensure scientific robustness and transparency. In Colombia, SIB development aimed simultaneously at modernizing the state and supporting the expansion of an impact investment market. A development project called SIBs.CO funded SIB pilots and managed to install a fund within the government to sustain SIB development over time. The SIBs pilots were set up so that they could be scalable as a new outcome-based procurement method for the government, but also as a profitable asset. In France, SIB practitioners considered essential to adapt SIBs to a “welfare state” context. SIBs were confined to the social innovation policy area in complement to – and not in substitution for – mainstream grant funding. Social organizations were invited to lead SIB program definition. Moreover, the return on investment was capped.

The three following chapters develop the concept of tactics of feasibility, which was inspired from Michel de Certeau (1984). They respectively focus on tactics of feasibility implemented in SIB legal structuring, impact evaluation and financial valuation. The **second chapter** demonstrates the exceptional character of SIBs regarding public accounting and budgeting rules, and the laws that rule the social sector. Clashes between SIB requirements and legal conditions reveal that SIBs disrupt established inscriptions of what social policy ought to be. I argued that **SIBs place the state in the position of an investor**, which invests over several years, focuses on the effects of her investment instead of on the actual activities financed, and manages risks and returns. I show that, here, “feasible” means “readable from an investment perspective”, and how manifold this perspective can be. Tactics of feasibility were employed in France, Colombia and Chile to circumvent and avoid problematic parameters, or

alternatively, to cope with existing legal frameworks through meticulous adjustments. I additionally suggested that SIB development follows a path-dependent pattern through which some tactical structuring choices are locked in despite their exceptional and contested character.

The **third chapter** discusses **the politics of impact evaluation in SIBs**. I contended that the lens of tactics of feasibility accounts for these politics, i.e., the assumptions and the effects of evaluation design. The definition of SIB outcome metrics involves trials of feasibility related to data availability, practical constraints like costs, legal and ethical limitations or else measurability issues, but also to the need to expose SIB benefits in an explicit manner to convince public and private funders to engage. Tactics of feasibility are employed to conciliate practical possibilities and the narrative of impact creation and public cost reduction. In particular, presenting quantitative data about the “social issues” SIBs aim at addressing and expected cost savings appears to be crucial to prove SIB feasibility although this information often results from bricolage. Thus, SIB metrics incorporate theories of change that are partly shaped by tactics, and are eventually performative since they urge SIB practitioners to evidence and thus organize their applicability.

The **fourth chapter** studies how SIB practitioners deal with new kinds of uncertainties to ensure that SIBs are financially viable. It takes the notion of “uncertainty” as an object of analysis. I argued that **uncertainties related to social outcomes are treated and managed as financial risks although they precisely prove irreducible to calculable and manageable risks**. Practitioners implement tactics of feasibility to inform as much as possible – and lower – the ambition of outcome targets, and to mutually adjust financial projections and concrete realizations in the course of program implementation. I added that although SIB uncertainty frequently overflows from established contracts and projections, the governance of SIBs ensures that outcome objectives remain achievable and preserves financial conditions (i.e., levels of risk and return), like during the Covid-19 crisis.

1.2. The implementation of policy interventions through trials and tactics of feasibility

This dissertation contributes to the scholarship on SIBs by providing a rich empirical account of the culture of feasibility. It adds to the critique of SIBs from a novel perspective that can be summarized in two main points. First, “the devil is in the details” of SIB implementation. Second, the focus on feasibility leaves blind spots.

1.2.1. “The devil is in the details”

I argued that it is throughout the process of *implementation* that the trends or tendencies informing policies and reforms – be it neoliberalism or financialization – are translated, or not, into concrete and actionable measures (Muniesa and Linhardt 2011).²⁰¹ I identified the “feasibility” repertoire as a main driver in the ordinary accomplishment and accountability of social reality (Garfinkel 1996). The emergence of a culture of feasibility indicates that research can find in the ordinary tactics of SIB practitioners, and in the pragmatic trials they face, a promising object for qualitative inquiry. There is no general rule that would explain what determines the outcome of trials of feasibility or which tactics of feasibility tend to prevail. However, two recurring feasibility concerns stand out: the problem of gauging appropriate financial return, and that of coming up with handy outcome metrics – two problems that are obviously fundamentally intertwined. One crucial issue in the effective accomplishment of SIB policies lies in the ways in which valuation is articulated (Williams 2020a). Valuation controls, to a large extent, the penetration of the financial services industry in the circuits of money allocation in social policy (Bourgeron 2020; Chiapello 2015, 2020). This is particularly visible in the tactics displayed in France in order to come up with what informants call a “reasonable” return for investors (cf. chapter 1): that is, a financial payoff that is low enough not to contaminate the social aim of the policy with the character of speculative finance, though high enough to create financial incentives. Valuation is thus one determinant aspect of the way in which impact investment contributes to a tendency toward financialization and to a culture of the “asset” (Birch and Muniesa 2020).

As far as outcome metrics are concerned, the feasibility of SIBs is controlled to a large extent by the problem of (available, tractable, affordable, accountable) data. The selection and delineation of target populations, but also the establishment or obtainment of suitable

²⁰¹ These arguments are also discussed in (Pellizzari and Muniesa 2022).

indicators, are a recurrent source of concern for SIB practitioners. This is indicative of both the “miniaturization” of society and the exploitation of a behavioral paradigm that populate current trends in social policy and public management reform (Alauzen, Muniesa, and Violle 2021; Lezaun 2011; Lezaun, Muniesa, and Vikkelsø 2013). But this data-driven approach, which is quite pervasive in metrics-based policy reforms, is also an identifiable characteristic of so-called neoliberal policy reforms, concordant with the statistical style of neoliberalism identified, for instance, by Desrosières (2003). The results displayed in chapter 3 show how the identification of a suitable database or a suitable indicator precedes and determines, for the sake of feasibility – and financial viability alike, as discussed in chapter 4 –, the establishment of SIB projects and thus, of social policy.

However, this dissertation gives a nuanced account of the politics of quantification akin to “the new politics of numbers” that Mennicken, Salais, and the contributors of the collective volume they edited describe (Mennicken and Salais 2022b). Contingent, situated and sometimes contested processes govern the part numbers actually play in policy reforms. Data and quantification are involved in a plurality of policymaking activities and modes of administrative control (Mennicken and Salais 2022a). The first chapter of this dissertation underlines how SIBs speak to three different policymaking approaches: in Chile, SIBs are supposed to guarantee public accountability by allowing social policy evaluation; in Colombia, SIBs are aimed to bring cost-efficiency by focusing on effective results; in France, SIBs are intended to allow financing and testing social innovation programs.

1.2.2. What does feasibility leave out?

The culture of feasibility refers to a certain way of interpreting and orienting action and therefore, preferring certain approaches to others. I characterized this culture as a tendency shared by practitioners to orient the SIB arrangement towards shapes that prove viable and exploitable. Consequently, things that are not deemed feasible are censored or avoided. This dissertation illustrates what feasibility criteria do and do not allow for in the context of SIB development. I highlight here three salient points. First, exceptional, experimental and innovative action is preferred to systemic action (cf. section 1.3.2 about the success of the “project form”). Policy and management reforms from inside the state – through taxes,

national policy programs, accounting reforms, or direct law changes – are either deemed too complex and unlikely to succeed (chapter 2) or completely out of scope. Policy is instead reformed in small steps, which eventually form a path-dependent sequence of changes (chapter 2). Second, feasibility relies on evidence even if this entails renouncing the scientific robustness or the realism of quantitative analyses – e.g., of risks, of social problems, of cost savings (chapters 3 and 4). Third, feasibility concerns those who are entitled with making projects. SIB practitioners form a “milieu” populated by those who master the practice of feasibility. Other parties with different perspectives such as public lawyers, auditors, target beneficiaries, and SIB critics have limited opportunities for participation in SIB design.

Besides, the culture of feasibility tends to obscure a great part of the policy response that SIBs are supposed to give to identified social problems. As a matter of fact, this dissertation does not provide much information about the nature of the social interventions, the concrete social work and the beneficiaries supported. This is an effect, I argue, of the feasibility culture: it spotlights the problem of making projects tractable and gives less emphasis to the question of the adequacy of social interventions. My research indeed focused on SIB practitioners and the particular angle from which they look at social problems such as poverty and vulnerability: that of setting up collaborative, result-based and investment-enabling contracts. Likewise, the question of what happens after SIBs end was hardly visible in my fieldwork, and is not addressed in the literature. I identified elsewhere three possible “post-SIB” trajectories based on some examples, namely the institutionalization of the intervention tested – if successful, the development of the intervention thanks to private funding, and the institutionalization of evidence-based approaches.²⁰² The sustainability of SIB-funded actions is almost never assured, and this problem is rarely addressed during SIB design.

1.3. Interventions in between global action and local projects

²⁰² Pellizzari, M. (2021, July 1). “*Les contrats à impact social: Quelle pérennité pour les programmes financés ?*” FAIR. <https://www.finance-fair.org/fr/actualites/les-contrats-impact-social-quelle-perennite-pour-les-programmes-finances>

This dissertation introduced SIBs as part of what I termed the “doing good with finance” paradigm. Here, I outline what we have learnt about the *implementation* of this paradigm, and more generally, about how SIBs implement global action through localized projects.

1.3.1. Implementation of the “doing good with finance” paradigm

SIBs are emblematically representative of what I termed the “doing good with finance” paradigm in the introduction of this dissertation, that is, the idea that global social issues such as poverty and inequality can and should be radically addressed with financial investment. Indeed, this paradigm promotes private investment as a necessary means to generate “impact” and foster sustainable global development (chapter 3). It posits that financial investment can make social policy more effective by supporting results-based financing (chapter 2). It argues for developing enabling environments and financial products to ensure the viability of financial support to (and profit from) social organizations and policies (chapter 4). As I have discussed in this dissertation, these statements are drivers and justifications for SIB development.

The enigma of SIB success – i.e., the fact that SIBs are developing everywhere despite recognized setup difficulties – might thus be explained by the fact that the persistent “doing good with finance” paradigm makes SIBs attractive. To Golka (2019), the success of impact investing and SIBs in the UK is the result of financial actors developing cooperating ties with nonfinancial actors to their own advantage. On the contrary, my contention is that SIBs are not the mere product of the interests of elite groups of professionals. By focusing on the process of setting up this paradigmatic type of projects, I demonstrated that the agency of the entities involved is shaped and transformed in the course of SIB implementation. SIBs are rather the product of contingent implementation processes made of trials and tactics, which put forward feasibility concerns over other objectives such as easy implementation, or extracting profits from welfare.

With this theoretical lens, I exposed how the “doing good with finance” paradigm is concretely enacted through the pragmatic problem of setting up SIB projects. Consequently, the political, moral and technical content of SIBs varies from one place to another. The roles and benefits of private capital in the financing of social policy are defined locally as SIB practitioners

collectively go through trials of feasibility. While in Colombia impact investment is considered essential to address poverty more efficiently, in France, investor involvement in social policy is limited to avoid detrimental effects related to the pursuit of profitability. Likewise, the fundamental ideals of rigor, evidence on results, and cost-efficiency, which are associated with the “doing good with finance” trend are tested and sometimes compromised in the course of project implementation. Chapter 3 and chapter 4 illustrate the recurrent trade-offs and compromises between scientific rigor (about benchmarks on outcomes, cost saving estimates, evaluation methods, financial valuation) and the possibilities that tactics open while dealing with issues such as data unavailability, unpredictable or inexistent target populations, budget limitations, or legal impediments.

I even suggested that “doing good with finance” narratives act as constraints in that they conflict with practical implementation conditions. In particular, producing impact to tackle social issues while reducing costs is appealing to public authorities, but it is difficult in practice to inform this endeavor with evidence and to provide adequate support without putting too much pressure on outcomes (chapter 3). This is equally appealing to investors but challenges in calculating social risks and SIB asset value hamper the establishment of standardized SIB assets (chapter 4). Moreover, result-based commissioning for social programs is hindered by accounting and budgeting rules, and laws ruling the social sector (chapter 2).

Yet, despite practical contradictions during the implementation process, the “doing good with finance” paradigm is regularly reaffirmed in light of SIBs success. Some studies conclude that since most completed SIBs fulfilled their objectives, SIBs in general are indeed effective policy and investment tools that enhance public contracting, create impact and pay out returns (Gustafsson-Wright 2018; Gustafsson-Wright et al. 2020). My approach countered this type of analysis, which obscures the process of SIB implementation and fails to account for what SIBs actually look like and do: these accounts naturalize SIBs *a posteriori*. This phenomenon is comparable to the naturalization – or “black-boxing” – of scientific methods and claims that occurs *at the end* of trials, as highlighted by anthropologists and historians of sciences (Bloor 1976; Latour 1987; Law 2009; Shapin and Schaffer 1985). These scholars argue that the success of an object or a claim is erroneously explained *a posteriori* by the intrinsic qualities attributed to this object or claim and by assumptions about society. In fact, as Latour famously puts it, “reality [...] is what *resists* [...] *trials of strength*” (Latour 1987:93) (italics in original),

meaning that reality and truth take shape as a result of controversies, when there is no more dissent about the nature of a new object.

1.3.2. The project form: are SIBs temporary tinkering or global social action?

SIBs support the global “doing good with finance” goal while remaining local projects irreducibly embedded in contingent circumstances. Global prospects of mobilizing finance for sustainable development may seem contradictory or even hampered by the small-scale, local nature of projects. In this vein, Williams (2020b) argues that the intractable tension between standardized financial methods and localized social problems has impeded SIB market development. Yet, projects are widespread in global action despite the localized difficulties they pose. I expose here three characteristics of projects that explain their success – and that of SIBs – as a mode of action that efficiently links the “global” and the “local.”

First, projects have a convenient political status. As “time limited, funded, technically defined and limited intervention[s]” (Li 2016), projects proliferate in social and development policy. Although projects might not fulfill their objectives, they are often compelling in channeling resources to governments, empowering government officials and enabling policy interventions to take place while avoiding political questions (Ferguson 1994; Li 2007, 2016). Indeed, projects excel in “rendering [things] technical” instead of political (Li 2007), as was the case for the SIBs.CO project in Colombia.²⁰³ SIBs.CO installed result-based financing within the Colombian government by the means of a technical approach focused on SIB implementation instead of trying to reform directly public management.

Projects also make interventions temporary, localized, and sometimes exceptional, as argued in chapter 2. The project form is compelling in confining social problems, their causes and the solutions to address them into small spaces. This is how randomized controlled trials (RCTs), considered as the gold standard of evidence-based approaches to poverty action, operate (Abdelghafour 2020). RCTs are experimental projects aimed at testing an intervention and measuring its effects on a group of people compared to a “control group” that did not receive

²⁰³ Although I argued in chapter 1 that SIB development in Chile was a technicized state intervention, I believe it is not because of the project form. In Chile, social policy in general, not only SIBs, is technicized.

the intervention. To Abdelghafour (2020), RCTs organize poverty knowledge around small fragments of the world and urge policy interventions to target these fragments and the people that live in them. Simultaneously, RCTs legitimate evidence-based approaches as political (and moral) modes of action (Abdelghafour 2017, 2020). We learn from these works that projects – and SIBs as well –, as opposed to policy, frame problems within the limits of what they can reach, fund and achieve. In Li’s terms:

“In the policy-centered sequence, projects are just one form of intervention among others that might be used to meet policy objectives (others might include changes in law, prices, or institutions). But when the anticipated intervention takes the form of a project, the entire sequence may be reversed: first comes the project, then the definition of a problem in terms that render it solvable by the project at hand.” (Li 2016)

Second, projects serve as prototypes aimed to engender more projects. According to Li, “[a] successful project is one that generates a flow of revenue, and more projects” (Li 2016). SIBs, like RCTs, are used to measure the effects of a social intervention in the short-term on a population sample, in order to develop this intervention at a larger scale if it proves relevant. But SIB projects are also used as demonstrations that “the SIB” as a mode of intervention based on evidence should be institutionalized and reproduced – nationally as well as internationally. As argued in chapter 2, in France, Colombia and Chile, SIB practitioners wanted to develop pilot SIBs as workable models to be then developed at a larger scale. In France, two working groups set up by the government addressed SIB scalability issues by, for instance, making a contract template available. In Colombia, an outcome fund was created within the government to streamline the use of SIBs as a new public procurement method. In other countries including Spain and Italy, the National Advisory Boards for Impact Investment (NABs) keep promoting SIBs as a useful policy tool – instead of a means that can serve policy goals.²⁰⁴ More fundamentally, projects are successful in that they bet on future improvements. They

²⁰⁴ Source: Blanco, L., Ruiz de Munain, J. L., Lusarreta, J., & Canta, J. (2021). *Informe final del Taskforce de Contratos de Impacto Social. Recomendaciones para impulsar los CIS en España: Propuesta de cambios regulatorios, creación de un Espacio Piloto de Co-creación y de un Fondo de Pago por Resultados* (p. 53). SpainNAB, GSG, Fundación COTEC. https://spainnab.org/images/pdfs_conocimiento/Recomendaciones%20para%20impulsar%20CIS_SpainNAB.pdf. In Italy, according to a personal communication, the NAB launched a study on the drivers of impact investment in Italy, including SIBs.

are future-oriented *projections*: projects project more projects; they project future results; they project innovation; they project a better world.

Third, projects are negotiable, manageable and revisable entities. The project is a management unit that temporarily gathers different actors around a common goal. To Boltanski and Chiapello (2007), the project form is representative of a “new spirit of capitalism” driven by principles of entrepreneurship, flexibility, cooperation and enthusiasm to form and connect networks. Projects require the engagement of dynamic subjects to manage collective objectives beyond contracts. The following excerpt resonates with my account of SIB implementation:

“To engage, one must be capable of enthusiasm. Furthermore, given that the project is a complex, uncertain process, which cannot be confined within the limits of invariably incomplete contracts, one must know how to trust those with whom connections are formed – connections that are destined to develop as the project develops.” (Boltanski and Chiapello 2007:112) (italics in original)

SIBs tackle social problems by means of time bound projects that require committed partners and strong coordination. As argued in chapter 4, SIB governance supplements contracts to manage any unforeseen event that may occur during program implementation. The project form favors instability, in particular through notions of innovation and experimentation, and enables the management of the uncertainty attached to it.

1.4. Practical implications for SIB practitioners

This dissertation was funded thanks to an industrial doctoral contract with iiLab and then FAIR. This dissertation owes a lot to my own implication in activities related to SIBs at FAIR. My approach to SIB development, as a SIB practitioner myself until now, has evolved as my research yielded results. I believe this research can usefully inform the concrete work of SIB setup, in France where I am based, in Colombia and Chile where I have also conducted fieldwork, but also wherever the practice of feasibility is present. I propose here some learnings for SIB practitioners, which will hopefully add to the reflexivity and the diligence of the sector.

From the onset, reflexivity has been a key driver for my PhD research. I hope to have provided a fair account of the work of practitioners by analyzing the feasibility problems they face; the culture of feasibility may now be a subject for further reflexivity. This dissertation does not provide concrete guidelines to develop more and better SIBs, but invites practitioners to reflect on the necessity to make SIBs instead of focusing on making SIBs. I share here some reflections that I have included in my own SIB practice. First, social operator involvement in SIB setup should not be neglected. Social operators are familiar with fieldwork and target beneficiaries. They can ensure that the evaluation framework will not create too much pressure at the expense of quality support. Second, it is crucial, I believe, to constantly reflect on the consequences of outcome indicators and financial valuation on program implementation, and if needed, to mitigate these consequences. A question to consider is: do the ways in which beneficiaries are targeted, “success” is defined through outcome indicators and data is collected alter social work and the original purpose of the program financed? Third, data availability should not guide the purpose of SIBs. I additionally often encourage the use of qualitative data to understand “social problems”, but also to inform SIB evaluation besides the few metrics used to trigger payments.

This dissertation also outlines the fact that SIBs are not fundamentally good or bad, but are enacted in the course of their implementation. It sheds light on the crucial role of trials and tactics in determining SIB policies. In forthright terms, evidence-based policy inevitably involves tinkering with laws, data, valuation, but also with the providers and beneficiaries of public programs. This research suggests that this tinkering should be acknowledged by practitioners for them to capture the kind of knowledge at play and the type of social support that takes place in SIBs. Tinkering is also inherent in attempts to predict the future. In practice, “the future” does not easily conform to forecasts, but one should keep in mind that its conceptualization in SIBs as “uncertain performance” does support and benefit investment processes (Doganova 2018; Muniesa and Doganova 2020).

2. Limitations and perspectives for further research

General conclusion

This study was focused on the narrow case of SIB implementation in France, Colombia and Chile. I argued that SIBs are representative of two interrelated phenomena in the financing of social welfare: outcome-based commissioning and impact investing. I have seen SIBs as a case for studying a culture of feasibility that I characterized in this dissertation. I omitted other existing practices in the financing of welfare, which could however have been useful to situate SIBs within and in the continuity of existing devices. Although my approach may have seemed to consider SIBs as a radical novelty in the field of social policy interventions, I want to highlight here some possible connections with other systems. I have mentioned in this conclusion the project form as a contemporary mode of action that is likely to mobilize the feasibility repertoire. The implementation of development projects, RCTs, and any other experimentation and policy projects could be analyzed through the lens of trials and tactics of feasibility. As far as evaluation is concerned, some insights from this research could apply to public policy evaluation, performance systems in organizations and in particular social organizations, and impact measurement in investment firms. However, this dissertation does not provide analytical tools to study more standardized modes of action – through standard contracts, procurement processes, evaluation methods, financial products such as green and social bonds –, though future research could investigate how tactics of feasibility may co-exist with standardized processes, or be locked in through in path-dependent standardization sequences.

The work I undertook mostly in chapter 1 could be continued to characterize the specific type of SIB politics that unfolds in multiple locations. As SIBs are set up through trials and tactics of feasibility, there is room to get a closer look to how SIB policies represent and transform local circumstances as regards, for instance, social work, social and development policy, innovation policy, impact investment, or poverty. In this respect, the beneficiaries of SIB interventions, who had a minor part in this dissertation, could be involved in future research. What matters to them in SIBs? What is their experience of SIBs and does it differ from other programs they may have been part of? What is their experience before, and after SIBs?

The notion of “culture of feasibility”, more broadly, can be useful for research on other contemporary objects beyond SIBs. The lens of feasibility can be insightful to study situations in which implementation is the overriding objective. For instance, projects, reforms, strategies, consulting missions, evaluations, or management changes may be characterized by

General conclusion

the culture of feasibility. Although this dissertation focused on ways practitioners found to successfully implement SIBs, cases of implementation failures are also interesting to consider in light of the culture of feasibility.

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Appendices

Appendix 1. List of interviews

#	Country	Date of interview	Typology of actors	Organization
1	Chile	25/11/2019	Policymaker	División de Cooperación Público Privada, Ministerio de Desarrollo Social
2	Chile	26/11/2019	International outcome payer & technical advisor	IDB Lab
3	Chile	28/11/2019	Policymaker	SIB division, División de Innovación, Ministerio de Economía, Fomento y Turismo
4	Chile	29/11/2019	Asset manager	FIS Ameris
5	Chile	03/12/2019	Intermediary & investor	Fundación San Carlos de Maipo
6	Chile	06/12/2019	Investor	Fundación Mustakis
7	Colombia	21/10/2019	Intermediary & investor	Executive area, Fundación Corona (1/2)
8	Colombia	21/10/2019	Technical advisor	Instiglio
9	Colombia	22/10/2019	Intermediary	SIBs.CO area, Fundación Corona
10	Colombia	23/10/2019	Intermediary & investor	Executive area, Fundación Corona (2/2)
11	Colombia	24/10/2019	Intermediary	Area of inclusive employment, Fundación Corona
12	Colombia	25/10/2019	Intermediary & asset manager	Corporación Inversor
13	Colombia	29/10/2019	International outcome payer	SECO
14	Colombia	29/10/2019	Social operator	Kuepa
15	Colombia	01/11/2019	Investor	Fundación Bolívar Davivienda

Appendices

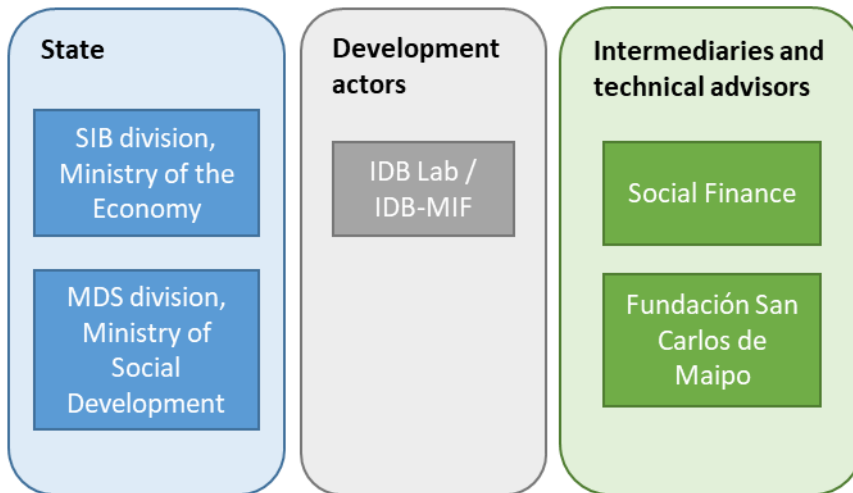
16	Colombia	12/11/2019	Public outcome payer	Alcaldía de Cali
17	Colombia	14/11/2019	Technical advisor	Social Finance UK
18	France	11/01/2018	Social operator	Adie
19	France	22/01/2018	Technical advisor	Impact Invest Lab
20	France	26/01/2018	Intermediary & investor	CSR area, BNP Paribas Group
21	France	31/01/2018	Administration	Pôle financement de l'ESS et Investissement à Impact, DG Trésor, Ministère de l'Economie et des Finances
22	France	31/01/2018	Evaluator	KPMG
23	France	14/02/2018	Evaluator	KiMSO
24	France	24/02/2018	Policymaker	Secrétariat d'Etat au Commerce, à l'Artisanat et à l'ESS, Ministère de l'Economie et des Finances
25	France	09/03/2018	Evaluator and researcher	KPMG, ESCP Europe
26	France	17/04/2018	Critic	Collectif des associations citoyennes (CAC)
27	France	16/05/2018	Intermediary & investor	CSR area, BNP Paribas Group
28	France	25/05/2018	Investor	INCO
29	France	19/07/2018	Social operator	Médecins du Monde
30	France	30/01/2019	Social operator	Fondation de Nice
31	France	16/04/2019	Evaluator	KiMSO
32	France	09/05/2019	Social operator	Impact Partenaires
33	France	17/05/2019	Social operator	Réseau Ecohabitat
34	France	22/05/2019	Social operator	Foncière Chênelet
35	France	28/05/2019	Social operator	La Cravate Solidaire
36	France	28/05/2019	Philanthropic outcome payer	Fonds b.
37	France	04/06/2019	Investor	Maif Investissement Social et Solidaire

Appendices

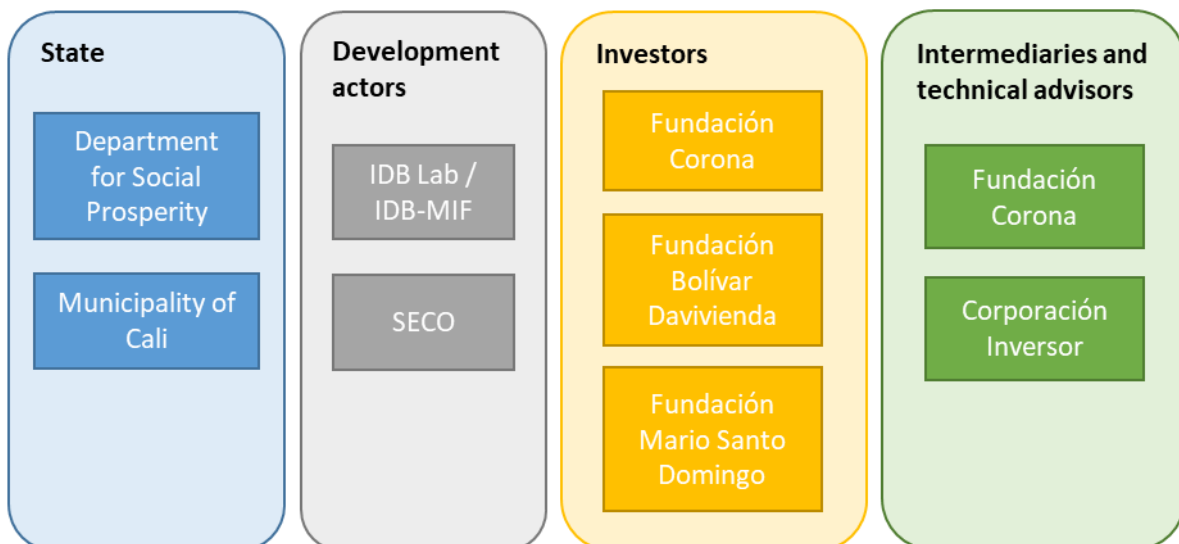
38	France	06/06/2019	Investor	Banque des territoires, Caisse des Dépôts
39	France	28/06/2019	Social operator	Wimoov
40	France	02/07/2019	Public outcome payer	ANAH
41	France	09/07/2019	Social operator	Article 1
42	France	16/07/2019	Asset manager	INCO
43	France	17/07/2019	Asset manager	Ecofi Investissements
44	France	19/07/2019	Technical advisor	Impact Invest Lab
45	France	24/07/2019	Social operator	La Cravate Solidaire
46	France	24/07/2019	Social operator	Agence Nouvelle des Solidarités Actives (Ansa)
47	France	30/07/2019	Social operator	Action Tank Entreprise et Pauvreté
48	France	01/08/2019	Social operator (volunteer)	La Cravate Solidaire
49	France	02/09/2019	Public outcome payer	Bureau de la vie scolaire et de l'insertion, Ministère de l'Agriculture et de l'Alimentation
50	France	03/09/2019	Intermediary	KOIS
51	France	11/09/2019	Asset manager	Mirova
52	France	03/10/2019	Intermediary & investor	CSR area, BNP Paribas Group
53	Belgium	07/05/2019	Social operator	Duo for a Job
54	UK	18/09/2019	Intermediary and asset manager	Bridges Outcomes Partnerships, Bridges Fund Management

Appendix 2. Cartographies of the main actors involved in SIB development in Chile, Colombia and France according to chapter 1

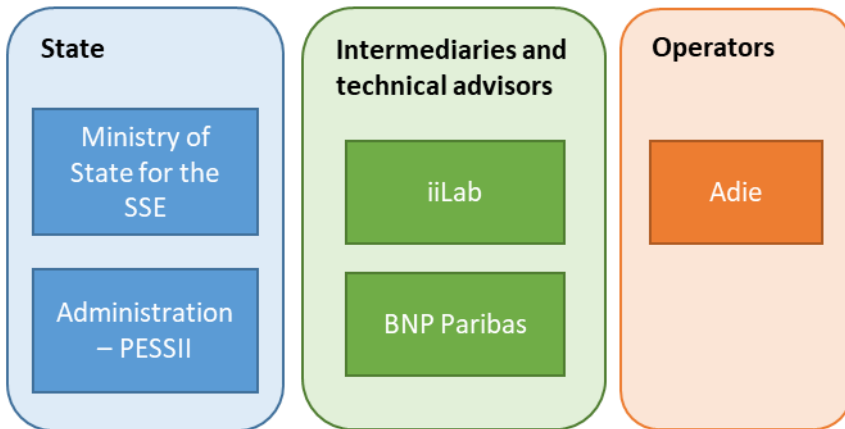
CHILE



COLOMBIA



FRANCE



RÉSUMÉ

Cette thèse étudie la mise en œuvre des social impact bonds (SIB, contrats à impact en français) d'un point de vue empirique. Les SIB sont des interventions de politique publique sociale dans lesquelles l'État finance en fonction de résultats sociaux mesurés. Les SIB sont aussi des outils d'investissement à impact puisque le budget opérationnel des interventions est avancé par des investisseurs, qui retrouvent finalement leur capital et reçoivent un retour sur investissement en cas de bonne performance sociale. Les SIB sont employés dans des secteurs tels que l'emploi, la prison, ou encore l'éducation, dans l'objectif de fournir un accompagnement préventif et innovant à des personnes vulnérables. À partir d'une étude ethnographique du montage de SIB au Chili, en Colombie et en France, la thèse analyse la manière dont les praticiens rendent compte et justifient de leurs activités, défendant le fait que les caractéristiques et les effets des SIB prennent forme à travers la mise en œuvre concrète des projets et les difficultés que cela suppose. L'argument principal de la thèse est le suivant : le montage de SIB est guidé par le problème de la « faisabilité » des projets. Cette notion est vue comme une catégorie vernaculaire et une justification récurrente mise en avant par les praticiens. Pendant le montage des SIB, la faisabilité des SIB est remise en cause dans des « épreuves de faisabilité », c'est-à-dire des moments d'incertitude collective qui impliquent la spécification du contenu politique, technique et moral des SIB. Pour maintenir la faisabilité des projets de SIB, les praticiens ont recours à des « tactiques de faisabilité » : des actions improvisées qui « font avec » les contingences et rendent le montage des SIB faisable.

MOTS CLÉS

contrats à impact ; investissement à impact ; politiques sociales ; faisabilité ; sociologie de l'innovation ; sociologie de la finance ; ethnographie ; Chili ; Colombie ; France

ABSTRACT

The dissertation discusses the implementation of social impact bonds (SIBs) from an empirical perspective. SIBs are social policy interventions in which the state pays for effective, measured social outcomes. SIBs are also an impact investment product since investors provide upfront funding and receive their capital back and a return on investment in case of good social performance. SIBs are applied in policy areas such as employment, criminal justice, or education, to provide preventative and innovative support to vulnerable populations. Based on an ethnographic study of SIB implementation in Chile, Colombia and France, the dissertation focuses on the way practitioners account for and justify their endeavors, arguing that the characteristics and effects of SIBs take shape through their enactment and the difficulties implementation raises. The main thesis is that SIB design is driven by the problem of “feasibility”, which is taken as a vernacular category and a justification that SIB practitioners put forward. During SIB implementation, SIB feasibility is questioned through “trials of feasibility”: moments of collective uncertainty that involve the specification of the political, technical and moral content of SIBs. In order to maintain the feasibility of SIB projects, practitioners use “tactics of feasibility”: improvised actions that cope with implementation contingencies to make SIB design workable.

KEYWORDS

social impact bonds; impact investment; social policy; feasibility; sociology of innovation; sociology of finance; ethnography; Chile; Colombia; France