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Architecture and logic of a new social policy intervention in the context of neoliberalism: Social Impact Bonds

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Summary

A Social Impact Bond (SIB) is a relatively new social investment vehicle that aims to attract private finance for the funding of social service provision. In essence, a SIB is a set of contracts that obliges a commissioner (often a government department or a local authority) to pay investors for the achievement of pre-defined measurable outcomes in a social project that is delivered by a social sector organization (which receives upfront funding from investors). At the heart of a SIB lies a set of measurable outcome targets which were defined by the commissioner and an intermediary organization at the outset of a project. When the project, which is evaluated by an external institution, achieves or even exceeds the benchmarks for success, the commissioner repays the principal plus return to the investor. Thus, SIBs stand in line with the emergence of alternative payment-by-results policies in the UK and the US.

Since their first implementation in the UK in 2010, SIBs have been applied in many other countries across the globe, including the US, Australia, South Korea and Germany (amongst others). Heralded as a seminal social policy innovation that will redefine the way social service are organized, SIBs promise to increase efficiency of social service delivery on a low-cost level for governments. Hence, SIBs are promoted in the UK in the context of state austerity and the Coalition Government's Big Society agenda. In particular, the UK SIB market is the most advanced regarding the number of planned and implemented projects. Although the corpus of texts in the political and media discourse is large, there is still a lack of scientific research to provide a sufficient account regarding the architecture of Social Impact Bonds. Moreover, it is still unclear how this policy can be aligned with theoretical debates about neoliberalism and politico-economic courses of western governments.

This master's thesis sets out to delineate the structure and architecture of SIBs in a first step, and to provide an overview of relevant discourses, argumentation and legitimization strategies that are structured around this new policy tool, with an emphasis on financial logic. Methodologically, a twofold approach was chosen. In order to carve out structural features, a qualitative content analysis was applied to a text corpus comprised of newspaper articles, policy documents and interview transcripts. The discourses were identified on the basis of a critical discourse analysis. The analysis shows that, although SIB guidelines are diverse and heterogeneous, all SIBs share a number of structural features. Particularly the aspect of the transfer of risk from government to investors or service providers and the importance of performance management stand out. These two aspects, the transfer of risk and performance management, are strong incentives by which service delivery is believed to be improved. However, a financial logic is increasingly gaining a

dominant position in the development of SIBs and in the SIB market, as mechanisms of de-risking or the desire to connect capital markets suggest.

The discourse analysis revealed other important aspects. SIB promotion is often related to Anti-Keynesian rhetoric that aims at refuting traditional ways of public service organization and, in contrast, argued for more private funding for the social sector. Related to that, an entrepreneurial and market discourse puts SIBs in line with the propagation of market-oriented practices and entrepreneurial ways of organizing social sector institutions. Instances of social engineering and technocratic thinking imply, however, that the idea of controlling is not completely absent. It is stated that Social Impact Bonds incorporate mechanisms and strategies that assist a more or less purposive marketization of the sector and help to control the activities of both service providers and the cohort. Apparently, this is also the case for the localist discourse around SIBs which promotes more independence for local authorities and social sector organizations. But this is also based on some forms of soft paternalist presumptions which increasingly appear in UK policies. A line of discourse that is highly prominent is the discourse of a 'new social economy' that seems to combine financial and social profit and make them acceptable in one. In this respect, the notion of the 'win-win' situation is a reoccurring argument.

The complexity of Social Impact Bond architectures and the different, at times contradictive discourses can be understood as an example for how neoliberalism itself is characterized and described. It will be shown that SIBs can be compared to a mobile vehicle that incorporates a few basic assumptions which then stand in mutual exchange with local circumstances. Moreover, for a discussion of neoliberalism, an analysis of Social Impact Bonds demonstrates how mechanisms and technologies are used (and by whom) for the expansion of market rationales, and how these mechanisms are related to instances of soft paternalism in UK politics.

Contents

I. Tables

II. Figures

III. Abbreviations

BSC	Big Society Capital
DWP	Department for Work and Pensions
NEET	Not in Education, Employment or Training
SIB	Social Impact Bond
RCT	Randomized Control Trial
SITF	Social Investment Taskforce
SITR	Social Investment Tax Relief
QDA	Qualitative Data Analysis

1. Introduction

The introduction of Social Impact Bonds (SIBs) as a new financial instrument to fund social services has gained momentum throughout the Global North, particularly in the UK and the US. Being considered as a pioneering social service innovation that has the power to transform social service delivery, SIBs promise to be an effective and economical way to finance an underfunded social sector that struggles to receive government payments. As was first outlined in Peterborough 2010, the instrument is based on a set of contractual arrangements between a public commissioner and private institutions (e.g. a social investment bank or a social investment financial intermediary) which facilitate the funding of public services by attracting private capital. SIBs, who are closely related to payment-by-results schemes, make government payments contingent upon the achievement of pre-defined, measurable outcomes. Much like investment tools, SIBs also address the interest of social investment banks and (global) capital markets.

In times of increased budget pressure, progressing financialization and complex political realities that are commonly described as being neoliberal "and […] something else"[1] (Graefe 2006: 72), SIBs definitely represent an interesting subject for research. However, not much research has been conducted in this respect. Apparently, this is due to its relatively recent initiation in 2010. Existing academic literature mainly originates from business or economic schools which uncritically examine the tool and herald it as a way to spur innovation and produce better outcomes in social services (Liebman 2011). Few existing critical approaches consider the significance of SIBs for non-profits in juridical terms (Dagher 2013) or the consequences of third sector marketization through Social Impact Bonds (Joy & Shields 2013, McHugh et al. 2013). Sinclair et al. (2014) go one step further and conceive of SIBs as an ideological paradigm shift that uses the rhetoric of austerity in order to legitimize the use of private funds for public services provision (and, in doing so, redefine the relationship between state and civil society) (McHugh et al 2013). In contrast, Warner (2013) discusses Social Impact Bonds with respect to New Public Management reforms in governments. Although providing an interesting insight into the significance of controlling mechanisms (such as performance management and contracts), little is known about the diversity of discourses and their relation to characterizations of neoliberalism.

A further search of literature has revealed that a systematic characterization of this new tool is not available. Moreover, little is known about the interrelation of discourses around SIBs and

[1] Graefe (2006: 72) states that the emergence of social economy policies as "flanking for neoliberalism" indicate a shift in the policy discourse of Western governments from rigid neoliberal practices towards a more socially compatible mixture of neoliberal premises and an emphasis on "regulating social and economic questions", denoted as *something else*.

discussions about neoliberalism and financialization. The main purpose of this master's thesis is to provide a critical first step to the development of a more holistic understanding of the architecture and functioning of SIBs and the SIB market in the UK. As this policy tool is still in its infancy, and guidelines concerning its structure and functionality can be incoherent and misguiding, the first part of the analysis sets out basic elements, features and architectures that will provide a general idea to understand the tool. This is done by the help of a qualitative data analysis. In a second step, the rhetoric and logic of SIB promotion is analysed more thoroughly. The discussion about the function of SIBs in newspapers, magazines, policy documents or bank reports is never disconnected from political contexts and rhetoric. Therefore, SIB promotion always incorporates the use of manifold discursive strategies, argumentation and legitimization strategies. As noted at the beginning, this is often done within the scope of discussions around state austerity, fiscal crisis, the role of private finance, financial markets and the rule of markets. Hence, within the framework of critical discourse analysis, this thesis examines in a second step legitimization and argumentation strategies that are structured around the promotion of Social Impact Bonds and subsumes them under different lines of discourses. A key concern is to disentangle discursive networks on the one hand, but also to identify discursive entanglements, knots and contradictions appearing within the proclamation of Social Impact Bonds on the other. Special emphasis lies on the study of financial logic around SIBs as they are being promoted in a field of social investment. Theories on neoliberalism and financialization will serve as a main theoretical framework for this analysis.
The UK will always be a reference point for this analysis. This is due to the fact that in the UK, apart from being the place of the first implementation, SIBs are actively promoted within the context of a political agenda called Big Society. In no other country, Social Impact Bonds are politically instrumentalized in the same way that in the UK. Thus, the discussion often refers to the UK as a political context. Nevertheless, the analysis also takes into account the US discourse on SIBs (which is not fundamentally different to the UK) as well as the architecture of US Social Impact Bonds.

This master's thesis starts with a short overview of the UK Coalition Government's Big Society agenda that seeks to strengthen social cohesion and reduce expenditure with the help of, amongst other things, Social Impact Bonds. Second, in chapter three a recapitulation of the theoretical approach of this thesis is given as conceptualized by neoliberalism and financialization theories, as well as accounts on soft paternalism and localism. Chapter four introduces the methodological framework encompassing empirical research, and documents the process of data assessment and data analysis. Chapter five provides an overview of the functioning of Social Impact Bonds, its financial architecture and presents the structure of the UK SIB market. This chapter is followed by the presentation of three distinct bundles of discourses appearing in the promotion of SIBs. Chapter six starts with an anti-state or an Anti-Keynesian -narrative which aims to denounce traditional practices in social service delivery. Chapter seven goes on by presenting a discourse which is structured around market logic, efficiency narrative, an entrepreneurial logic and logic of social engineering. In chapter eight, the two aforementioned discourses are complemented by a moral economy discourse, comprised of the 'new social economy' narrative and instances of localism in the promotion of SIBs. A concluding discussion is provided in chapter nine.

2. Political context

2.1 Cameron's vision of a Big Society

Social Impact Bonds were first implemented at the beginning of Prime Minister David Cameron's mandate in 2010 and are not independent from the political intentions of the Conservative Party and the Coalition Government. SIBs epitomize to some extent the guiding principles and ideological fundament of the current political leaders. Therefore, SIBs need to be analysed within the context of Cameron's social policy reforms, generally the Conservative Party's assumptions of the reasons behind the financial crisis, and with reference to the Big Society agenda Cameron is pursuing.

When Prime Minister Cameron came into power in spring 2010 and formed the Coalition Government consisting of the Conservative and the Liberal Democrats, the UK was suffering from the effects of the financial crisis: At that point, Great Britain had the highest new indebtedness of all OECD members and Cameron feared that these conditions would not be far from what happened in Greece (Theurer 2010). In fact, Cameron addressed these problems with a political mixture of one-nation Conservatism[2] and the new right ideology[3] similar to that of the Thatcher[4] era (Lowndes & Pratchett 2012: 22). After having rescued several large investment banks, the government decided to address the crisis by resorting to austerity measures and, in doing so, announced massive cuts in public services (Lowndes & Pratchett 2012: 21). The formation of the Coalition Government, however, not only marked the beginning of an austerity era but also was it flanked by a range of policy innovations, like the Localism Bill[5] and the Big Society programme, which "all suggest radical changes to local governance in Britain" (Lowndes & Pratchett 2012: 22). An era of intensified localism and purported decentralization began.[6] To some extent, Big Society agenda bundles the ideological stances of the Conservative Party which

[2] One-nation Conservatism is characterized as being more concerned about social issues and supporting the poor than Thatcher's new right Conservatism. Moreover, one-nation Conservatism is supposed to be more authoritative and paternalistic (Evans 2010: 326-327).

[3] The new right ideology, best represented by Ronald Reagan in the US and Margaret Thatcher in the UK, emerged around 1980 and aimed at diminishing the Keynesian welfare state while expanding the idea of free, unregulated markets and individualism (Lowndes & Pratchett 2012: 33).

[4] Margaret Thatcher (1924-2013) was UK's Prime Minister from 1979-1990 and member of the Conservative Party. Till this day, Thatcher exemplarily stands for *laisser faire* neoliberalism, the retrenchment of the welfare state and the emerging new right ideology (Hobsbawm 2012: 314).

[5] The Localism Bill was made law in November 2010, aiming to increase local control, empower local governments and abolishing bureaucracy (Clarke & Cochrane 2013: 19).

[6] It is however one of the „constitutional ironies of British politics" that the politics of localism exclusively applies to England (Clarke 2013: 10).

tried to demarcate itself from the strong top-down government the Labour party applied under Blair and Brown (Evans 2010: 327).

Instead, Cameron promoted with Big Society a concept that sought to restore a society - that is in his eyes a "broken society" (Finlayson 2010: 24) – by reducing state intervention and "roll[ing] forward the frontiers of society by extending the parameters of social responsibility" (Evans 2010: 334). More precisely, the Big Society suggests a larger transfer of power from the central government to the local authorities, encouraging social action, empowering voluntary work and community organization to change the way public services are arranged (Lowndes & Pratchett 2012: 30). Social Impact Bonds were developed as an instrument to support and facilitate the empowerment of local governments and the way public service is funded. The Cabinet Office (2010) discusses a "cultural shift" and talks of a Big Society "where local people feel empowered to bring about the changes they know their communities need and they come together to change the things they care about." This points to where the government sees the roots of the crisis. The Conservative Party, and particularly Cameron himself, spread the idea that the nature of the current crisis in Great Britain can only be explained to a certain degree by the financial breakdown. More importantly, they argue, the crisis can be attributed to a lack of moral sense and a "[…] form of individualism, because of which people refuse to take responsibility for themselves, each other or their society" (Finlayson 2010: 26). Cameron attributes this corrosion of self-responsibility, which is due to a permanent increase of "asocial or anti-social individualism" (Finlayson 2010: 29), to the precedent bureaucracy and over-regulation by the Labour government: "[…] the source of the corrosion of social life can be found in the excesses of government" (Finlayson 2010: 25). In the eyes of the Coalition Government, the Labour party was committed to a strong top-down government approach aiming to incapacitate people, taking away their right of self-determination and leaving no room for society. Cameron sought to abandon this form of governance and replace it with a smaller state and a stronger society, the Big Society (Evans 2010: 335).

Thus, on the surface, Cameron breaks free from the traditional focus on economic progress and the economic role of individuals that the Conservative Party was following under the new right paradigm of Margaret Thatcher (Lowndes & Pratchett 2012: 33). On some points, this approach comes close to one-nation Conservatism and explains Cameron's interests in poverty issues and social justice while at the same time promoting "potent anti-statism and an emphasis upon individual responsibility" (Evans 2010: 327). His rolling out of social issues, concerns about the 'nanny state' and emphasis on social responsibility "encapsulates Thatcher's preference for individual action over government intervention in a way that was more suited to the demands of the 21st century" (Evans 2010: 340). Nevertheless, as Lowndes and Pratchett (2012: 36) argue, Big Society is to some extent a continuation of the New Labour's thinking in "relation to the actual and potential capacities of civil society to contribute to the public good." In other words, a sense of third way[7] is also visible in Cameron's focus on social issues. Cameron's politic is indeed marked by a middle way between liberal market values and a focus on resolving social issues. He did not only pay tribute to the Conservative's heritage of M. Thatcher, but he also tried to reconcile the party's historical values with a modern Conservatism in order to mitigate modern social problems: "It would enable them to combine the preservation of the free market consensus that they had created in the 1980s with the resolution of those 'social problems which were left unresolved at the end of our time in government'" (Cameron 2006, qtd. from Evans 2010: 333).

2.2 Critique against Big Society

As previously mentioned, the announcement of the Big Society and other policy shifts affecting local politics were accompanied by a reduced flow of money from the central government to local authorities. First and foremost, the cuts to tackle the supposed crisis affected public services. £30bn less of spending over a period of four years confronted local governments with fiscal hardship (Lowndes & Pratchett 2012: 23). The Comprehensive Spending Review of 2010 revealed that local government's expenditure fell by 26% in real terms while "capital funding to local government was cut by 45%. School budgeting was increased by 0.1% while capital funding for schools was cut by 60%" (Clarke 2013: 12). The enhanced autonomy for local authorities may have been seductive at first, but it also drew criticism from the left which supposed that the Big Society agenda was actually a "figleaf for spending cuts" which marked progressive privatisation of public services (Boxell & Timmins 2011). Others pointed to the far-reaching implications for social and welfare issues that could possibly trigger unemployment and a surge in crime rates: "[I]t is those areas of traditionally highest deprivation that are least likely to be resilient to the economic shocks of the cuts […]. The cuts in services for poorer groups substantially outweigh the impact of tax increases on higher-rate taxpayers" (Lowndes & Pratchett 2012: 24). By devolving more power, and with that more responsibility, to local governments, the Big Society is seen as a programme that enables the central government to "reduce the risks of policy failure" while building "new means of control at a distance" (Kerr et al. 2011: 200). This critique opens

[7] In the UK during the last decades, the notion 'third way' was marked especially by former Prime Minister Tony Blair and indicated a political middle course between unfettered market capitalism and interventionist, top-down government. It is considered as an own conception of neoliberalism by the Labour party in order to distance themselves from neoliberalism of Thatcherite tradition (Jessop 2003: 137-138, 153).

up new dimensions to the analysis of such localism concepts like Big Society and Social Impact Bonds. In opposition to the Conservative's public transcript of reduced state intervention, the reality seems to be closer to a liberal "governing at a distance" mentality through incentives and nudges in order to increase control (Clarke & Cochrane 2013: 13). As SIBs work with performance targets and economic incentives, these concerns need to be taken into account when it comes to analysing Social Impact Bonds and its legitimization strategies.

2.3 Big Society Capital and Social Impact Bonds

That Big Society is not only a blank rhetorical formula without any content proves the creation of the Big Society Capital bank by the government in 2010. This independent social investment bank, funded by dormant bank accounts and money from the four Merlin Banks[8], will work from a wholesale level and is intended to stimulate the cash flow in the social investment market (Cabinet Office 2010). As will be shown in the sections to follow, Social Impact Bonds are increasingly promoted in the context of Big Society and seem to be symbolic for a government which incorporates both values from the new right spectrum and from one-nation Conservatism. According to Rick Cohen, SIBs are not just a minor thing but represent the core element of Cameron's Big Society concept which "encourages […] an increase in the amount of private giving and social investment in social programs" (Cohen 2013). Although the state is meant to recede from public life, the same state is needed to promote solutions to the erosion of responsibility which is perceived as the fundamental problem society is facing. The goal of a strong society should be achieved through the "promotion of social entrepreneurs and the provision of training for community activists" (Finlayson 2010: 29). Social Impact Bonds are thus created by the government in order to "reform public service delivery" by attracting "private investors to fund early and preventative action" that allows "greater flexibility for those providing the services to adapt and change the service according to their experience" (Cabinet Office 3)[9]. This means handing responsibility and accountability of service provision to the local level.

However, one has to be cautious in declaring SIBs as an intrinsic element of Conservative politics or an essential instrument of Big Society. Although Big Society agenda is more and more criticized, SIBs keep on being promoted. This gives reason to suspect that they are not so much correlated with this political agenda as it is stated in the literature and the official documents of the Cabinet Office. The Coalition's demarcation strategy in order to deny any consistency with

[8] The four UK high street banks Barclays, HSBC, Lloyds, and The Royal Bank of Scotland are called the Merlin Banks (Cohen 2).

[9] While quoting or referring to documents and interview transcripts from the text corpus, I use abbreviations which are indicated in chapter IV (list of analysed documents).

respect to the previous Labour government masked some parallels both governments were following in socio-economic issues. The narratives around enhancing self-responsibility and a stronger civic society have already been figured out during the presidency of Gordon Brown. The 2009 White Paper on *Smarter Government* recommended a reconfiguration of the way public service is funded as a response to the low efficiency in service delivery. The idea of building "a stronger civic society" as well as encouraging "greater personal responsibility" and the self-management of local governments should be realized (among other policies) by the piloting of Social Impact Bonds (HM Government 2009: 9). The idea behind SIBs, at this time, was to "unlock an unprecedented flow of social finance" and incentivizing organizations to confront social problems in innovative ways by rewarding successful outcomes (HM Government 2009: 31). Sinclair et al. (2014: 3) remark that payment-by-results schemes were put on the welfare provision agenda by the past Labour government which raised their voice for more private sector organizations. Thus, it seems that economic austerity can only partly explain the reasoning behind the introduction of SIBs in the UK. Taking into account the influence of the previous Labour government, they "represent the continuation of a trend by successive UK government to reduce direct public investment in social services while simultaneously encouraging increased investment from private sector financial and other intermediaries and 'marketizing' the third sector" (McHugh et al. 2013: 252). In other words, the introduction of the first Social Impact Bond in Peterborough, which followed the inauguration of Cameron as Prime Minister, did not really mark a break with the past Labour government but rather shows a continuity of socio-political policy shifts enshrining a transformation in public service funding. Another learned lesson in this context is the relativeness of legitimization vocabulary that seems to be very adaptive and flexible to the prevailing political climate. Nowadays Big Society, regardless of the criticism geared against its assumptions, acts as a (relatively fragile) legitimization regime for SIB implementation, which can change or be adapted to the prevailing politico-economic course. In light of the political context, it will be an aim of this master's thesis to refer the discussion about Social Impact Bonds to the ambivalent political agenda the Coalition Government is pursuing.

3. Theory

This master's thesis will discuss the logic of Social Impact Bonds within the main theoretical scope of critical neoliberalism and financialization literature. As indicated in the introduction, an understanding of the characteristics of neoliberalism and its contradictive aspects (Peck & Theodore 2012: 179) is helpful when it comes to evaluating Social Impact Bonds with respect to this context. Conversely, a substantial understanding of the functionality and rationales of Social Impact Bonds could provide a discussion of neoliberalism with fruitful ideas and examples. Therefore, the main theoretical approach of this thesis will be based on literature about the characterization of neoliberalism and financialization. The perspectives these conceptions offer emphasize the effective process of creating and implementing structures which are suitable for the market by making use of calculative tools and other devices. Another important strand of literature for this theoretical framework addresses the influence of soft paternalist thinking and localism on the political agenda of the UK government. As will be shown, an analysis of Social Impact Bonds provides fruitful contributions both to the literature on localism and soft paternalism as well as to the diverse academic characterizations of neoliberalism and financialization. While presenting main tenets and limitations of these strands of literature, the research questions for this master's thesis will be developed.

3.1 Social Impact Bonds in academic literature

As stated in the introduction, (critical) academic literature about Social Impact Bonds is a rare good. So far, it seems that SIBs are received relatively uncritically and analysis about it mainly stems from business studies and economics. This section provides a short overview of social science literature on Social Impact Bonds that challenges traditional characterizations of SIBs as a 'game changer' in social policies.

In total, two main issues are covered in critical publications. A first strand of literature revolves around the implications of Social Impact Bonds for the social sector and the civil society. Not only since the first implementation of Social Impact Bonds in 2010 authors have expected a progressed marketization of the social sector. Eikenberry and Kluver suggest that in the US the non-profit sector has gradually become reliant on market principles and practices which would ultimately undermine the democratic fundamentals of the civil society (Eikenberry & Kluver 2004: 132). With respect to SIBs, Joy and Shields (2013: 49) suppose that SIBs "represent the next phase of marketization and privatization of social policy with the non-profit sector being used as a legitimation strategy […]." It is stated that SIBs may pose a challenge especially to small, local service providers as this new tool can have both "empowering and disempowering, freeing and controlling" aspects (Joy & Shields 2013: 50). Another important point is mentioned by McHugh (2013) et al. and Sinclair et al. (2014). McHugh et al. are sceptical towards the fact that capital markets become engaged in the social sector by the help of Social Impact Bonds. This process where the non-profit sector is gradually giving up its fundamental principles for market-driven accounts is seen as problematic and dangerous (McHugh 2013: 251). For the authors, this development symbolises a next step in the "ideological shift which favours removing delivery of social and welfare services from conventional public or third sector provider (McHugh et al. 2013: 253). Thus, austerity is described to be merely an ideological programme that legitimizes the use of SIBs as a private-finance tool for public services (McHugh et al. 2013: 251). In a similar vein, Sinclair et al. continue on this line of argumentation and conclude that SIBs might be a possible answer to looming budget cuts, but they tend to redefine fundamental concepts of public service and welfare provision (Sinclair et al. 2014: 2). Instead, SIBs contribute to a change in responsibility for public service delivery which is shifted from government to private sector institutions (Sinclair et al. 2014: 8-9).

A second type of argumentation points to a discussion of SIBs within the context of New Public Management[10] strategies. One of the most influential contributions to this research is an article by Warner (2013) which demonstrates how structural features of SIBs (i.e. contracting, performance management, modes of control or evaluation designs) can be put in line with emerging New Public Management reforms that place an emphasis on measurable results, "positivistic evaluation designs" and market-solutions (Warner 2013: 315). Moreover, this approach is important, as it takes into account governance structures in combination with the promotion of market principles which are meant to "provide the necessary discipline" (Warner 2013: 306).

The presented literature provides interesting accounts on the potential consequences of marketization through the introduction of Social Impact Bonds. However, these accounts lack an in-depth analysis of how mechanisms of the SIB architecture and the associated discourses and legitimization strategies have an effect on marketization and financialization of the social sector. Additionally, these approaches emphasize the expansion of New Public Management schemes into social policy rather than joining a more holistic discussion about how the characterization of

[10] New Public Management approaches have to be understood in the context of rolling out new forms of governance as an aspect of creative moments of neoliberal restructuring (Peck, Theodore & Brenner 2009: 59). It consists of an emphasis on managerialism (increase in efficiency and productivity, the use of technology, professional management) and modes of control ("managing from a distance", "indirect control or centralised decentralisation" and an "emphasis upon contracts and markets; performance management […]" in public administration (Evans et al. 2005: 79).

neoliberalism is related to SIBs. In this thesis, the analysis will especially focus on these mechanisms of transformation and integrate the results into a discussion of neoliberalism.

3.2 Neoliberalism as a contradictive process of restructuring

Many attempts to characterize the essence of neoliberalism have been undertaken, yet only a few aspects enjoy general approval among scholars. Neoliberalism is, in its broader sense, described as a "political-economic philosophy" (Peck & Tickell 2007: 28) that emerged in the 1970s as a reaction to the economic downturn and the critique of dismantled Keynesian welfare state institutions (Brenner & Theodore 2002: 350). Typically, neoliberal discourse is, in spite of its unstable configurations and context-dependence, known to share a set of ideas which include the proclamation of free, unregulated markets "liberated from state interference and the actions of social collectivities." This maxim is seen as the "optimal mechanism for socioeconomic development" (Peck, Theodore & Brenner 2009: 50). Ever since its beginnings, neoliberal discourse has been marked by a notion of individual liberty (Peck & Tickell 2007: 28) as well as by strong tax aversion and the wish to internationalize the mobility of capital (Peck, Theodore & Brenner 2009: 50). For the UK under Margaret Thatcher, considered as the epitome of neoliberal state restructuring at the time, this dogma triggered strong actions against labour movements and unions, intensified privatization and competition in the labour market and effective reduction of social welfare state institutions (Peck & Tickell 2007: 28). In light of these transformations, for many analysts "neoliberalism is substantially defined by its antipathy to Keynesianism (Peet et al. 2003)" (Peck & Tickell 2007: 34). With regard to Social Impact Bonds, where argumentation strategies often refer to this Anti-Keynesian – Keynesian dualism, this point has to be kept in mind. Scholars repeatedly point to the fact that theorization of neoliberalism would, however, be insufficient when only predicated on the description of features that are "inconsistently and unevenly applied, triggering own contradictions, externalities and recoils" (Peck & Theodore 2012: 179).

Indeed, the complexity of neoliberalism that hinders proper conceptualization resides in these contradictions and in the gap between theory and practice. Unlike the clear neoliberal ideals of free markets, individual liberty and minimal state intervention suggest, in practice, processes of neoliberalization were and still are not coherent. Rather, these processes have "entailed a dramatic intensification of coercive, disciplinary forms of state intervention in order to impose versions of market rule and, subsequently, to manage the consequences and contradictions of such marketization initiatives" (Peck, Theodore & Brenner 2009: 51). The intense promotion of free markets, deregulation and abolition of social welfare has driven many countries into crises that required states to intervene, to re-regulate markets and to apply "trial-and-error experimentation"[11] (Peck & Theodore 2012: 179). Examples of this blurred situation are public-private 'partnership' and the acceptance of private monopolies (Peck & Theodore 2012: 179). More importantly still, neoliberal processes may not only lead to "crises of deregulation, (over)marketization and (hyper)exploitation" but also take these crises as a basis for their "own adaptive reinvention" (Peck & Theodore 2012: 178). In essence, this means that the story of a receding state and free markets is only true to some extent. Furthermore, it emphasizes that it is rather a selective "roll back" of Keynesian institutions and "roll out" of "new state forms, new modes of regulation, new regimes of governance, with the aim of consolidating and managing both marketization and its consequences" (Peck & Tickell 2007: 33). The academic debate about the essentials of neoliberalism diverges when it comes to the inevitable question of what to do, conceptually, with these inner contradictions and inconsistencies which govern processes of neoliberalization.

This master's thesis seeks to follow a theoretical middle course between structuralist approaches representing neoliberalism as a global, homogenous project and anti-structuralist approaches, which see in the exceptions and variations in supposedly neoliberal states a ground for rather refusing neoliberalism as an empirically manifest concept. Authors as Loïc Wacquant (2012) or David Harvey (2005) represent neoliberalism, in fact, as a global project and are intrinsically critical towards each policy containing even the slightest traces of neoliberal aspects. Wacquant, for example, alludes to an "institutional core" of neoliberalism which is, from his point of view, a programmatic, state-led project of diffusing a market doctrine into the life of normal citizens (2012: 71). He defines neoliberalism as a political project by which states, shifting politically from left to right, extending penal institutions and propagating market mechanisms, are an epitome of the "neoliberal Leviathan" (Wacquant 2012: 73-74). Neoliberalism is thus depicted as a global project with a homogenous core. In contrast, anthropologists like Hilgers underline the diversity of state forms where an amalgamation of neoliberal thoughts, redistributive measures or other anti-neoliberal evidence can be found (Peck & Theodore 2012: 182). Using the examples of West African states, he positions himself in opposition to Wacquant's stance about the extension of the penal state as a general pattern of neoliberalism, which does not seem to be relevant in these countries. Hilgers concludes that on the level of implementation "the impact of the neoliberal process is not homogenous" (Hilgers 2012: 89) and argues that the co-existence of neoliberal traits, social welfare institutions and other exceptions add to the complexity of neoliberal implementation (90). Structuralist authors would conceive of SIBs as merely another instance of

[11] This notion will be used later in this master's thesis without a reference to Peck & Theodore 2012.

the neoliberal project, or the neoliberal leviathan, whereas anti-structuralist approaches would likely declare SIBs another “out-of-character configuration” (Peck & Theodore 2012: 182). This master’s thesis will, while adopting neither of these extremes, draw upon a perspective that acknowledges a geography of diverging and contradictive neoliberalisms and think of neoliberalization as an “open-ended process” (Peck, Theodore & Brenner 2009: 56).

Regarding these inner contradictions of neoliberalism, authors around Jamie Peck developed the concept of “actually existing neoliberalisms” which implies the path-dependence of such neoliberal projects and their creative destructive moments (Peck, Theodore & Brenner 2009: 54-55). This concept contradicts the claim that neoliberalism does exist in an original form. However, it states that, although not denying common principles, the occurrence of neoliberal restructuring is always a matter of context, geography and history of a specific place, which results in different forms of neoliberalisms (Peck, Theodore & Brenner 2009: 53). This path-dependence, which emphasizes the interaction “with pre-existing uses of space, institutional configurations, and constellations of socio-political power” (Peck, Theodore & Brenner 2009: 54), is complemented by the idea of “creatively destructive neoliberalism.” It pays special attention to the destructive and creative processes in the course of neoliberalization exemplified by the destruction of old state institutions and politics (redistribution, solidarity, Keynesian institutions etc.) by market-guided approaches (rollback) and by the creation of new forms of governance (rollout) which help to promulgate “market-oriented economic growth, commodification, and capital-centric rule” (Peck, Theodore & Brenner 2009: 55). After all, this focus on interaction reveals that neoliberalization is a process which, while constantly being restructured and adjusted, is capable of handling arising crises that were induced by neoliberal logic (Peck, Theodore & Brenner 2009: 55) and that the “less state” rhetoric in reality signals “a thoroughgoing reorganization of governmental systems and state-economy relations (Peck & Tickell 2007: 33).
One example of this restructuring process and its specific trajectory is the incorporation of “’flanking mechanisms’ as community governance, social capital, and the social economy” (Jessop 2002, qtd. in Peck & Tickell 2007: 34). This is, for example, marked by the shift from Thatcher’s harsh neoliberal regime during the 1970s and 1980s, which sought to curb down labour movements and social expenditures, to Blair’s modest, socially recalibrated neoliberalism in the 1990s (Peck, Theodore & Brenner 2009: 55). In other words, neoliberalisms follow their own trajectories and “the actually existing neoliberalisms of today are markedly different from their early 1980s predecessors” (Peck, Theodore & Brenner 2009: 55). More importantly, with respect to a discussion of Social Impact Bonds, the narrative of social economy and the upcoming third

way policy discourse mirrors the response of neoliberalization to a crisis of "social exclusion and social cohesion" (Graefe 2006: 69). This social policy discourse resulted in states becoming more active in promoting market-solutions in order to tackle social issues under the premise of efficiency and productivity. By reducing state commitments to public health and education at the same time, these policies should first be understood as mechanisms that underline neoliberal principles (Graefe 2006: 71). Social economy discourse is therefore closely connected to the neoliberal discourse. But, as Graefe posits, the interplay of 'flanking measures', that seek to "mitigate the anti-social consequences of neoliberal policies", and of institutions promoting market metrics in the social sphere are not compatible (2006: 72). As the discussion of SIBs will unravel, the non-profit sector will be most affected by this paradigmatic shift (Evans et al. 2005). Additionally, the talks about SIBs bear resemblance to such discourse-dependent entanglements of neoliberalism and social economy. In this respect, it is also worthwhile to mention the viewpoint of Ferguson with regard to his research on the Global South. He claims that politicians and programmes making use of a neoliberal toolbox should not be stigmatised from the outset (Ferguson 2009: 174) because the notion 'neoliberalism' is too ambivalent and diverse for a legitimate use. Instead, we should "use less all-encompassing terms" (Ferguson 2009: 177). According to Collier (2012: 194), the power of Ferguson's neither pro-standpoint nor contra-standpoint lies in the fact that he offers serious reflections on neoliberalism as a potentially "attractive political alternative – to the more solidarising, but also more paternalistic and in some respects disempowering, variants of a South African social state" (194).

This master's thesis attempts to remain relatively open in terms of theoretical approaches. A nuanced view towards neoliberalism is important so as to effectively analyse Social Impact Bonds which seem to be more than just a typical case of a 'neoliberal project', as Wacquant would probably say. Rather, this analysis aims to contextualise SIBs within characterizations of neoliberalism, taking into account its contradictive character that combines state interventionism, the promulgation of unregulated markets, but also rhetoric of state refusal and the activation of social and moral aspects at the same time.

3.3 The construction of markets

In the context of an investment tool, as represented by SIBs, a discussion of neoliberalism should also briefly engage with the technicality in the market-making process and the performativity of economics. Among scholars, marketization processes are seen as a consequence of the interplay between economic science and the economy itself. Social scientists describe this relation as an example of performativity: economists do not really stand outside of their research field when trying to explain the economy but rather actively contribute to the production and reproduction of markets with their models and calculations (Berndt & Boeckler 2012: 204). Callon describes this phenomenon as "experiments and economics in the wild" (2007: 351). However, the discussion is not limited to the performative role of economic science. An important share in the course of market-making is ascribed to the proper functioning of technical devices, models and other calculating tools (Berndt & Boecker 2012: 205). Callon (2007: 319f.) introduces the notion of "sociotechnical agencements" to refer to a sort of assemblage and interplay of human and non-human agents in the making of markets. "Technical devices", "metrological systems" and "technical and scientific knowledge" are a part of such an agencement (Çalışkan and Callon 2010: 3). According to Callon, economic markets are sociotechnical agencements whereby those calculative devices and models "organize and, very often, facilitate encounters between agents endowed with unequal calculating capacities" (Callon 2007: 348). As Berndt and Boeckler (2012: 205) state, it is precisely the "framing" and "formatting" of markets and "calculative agencies" through such devices that lies at the heart of the marketization process as these processes transform "the world outside Economics […] into a borderless, unbounded market." The extension of market rules, competition, property rights or other "market encounters" through technical devices, software etc. is, as implied by Callon above, subject to an asymmetric distribution of control and power (Callon 2010: 13-14). Asymmetries in development arise as the "most powerful agencies are able to impose their valuations on others" (Callon 2010: 13). In particular, MacKenzie's discussion of the technical aspects of practices and tools in the financial markets, e.g. the calculation of LIBOR, derivatives etc. is a viable example (MacKenzie 2009). Similarly, SIBs involve calculative mechanisms and rules by which an un-marketized field is gradually transformed into a space where market discipline, competition and productivity are guiding principles. A central proposition of this master's thesis is, therefore, that Social Impact Bonds may not only be a new funding mechanism relevant for governmental budgets, but also that the functioning of a SIB is based on the use of distinctive calculative devices and marketizing techniques with consequences for the social sector.

3.4 Localism and soft paternalism

A fourth set of literature revolves around the analysis of localism and soft paternalism which influence the political agenda of the UK. A theoretical framework considering such streams of literature enables us to grasp discourses and justification strategies of SIBs, which are articulated by aspects of controlling, governing and behavioural engineering. Moreover, some authors argue that the emergence of soft paternalistic agendas should not be seen as simply being a "version of neoliberalism but a corrective to its political and economic shortcomings" (Pykett et al. 2011: 302). After all, it adds another dimension to a characterization of neoliberalism.

In the course of economic recessions, localist agendas have gained importance, partly because they followed "from genuine disillusionment with a Keynesian welfare state that for the Right had undermined the efficiency of business and for the Left had failed to address class inequalities" (Clarke 2009: 497). Essentially, localism in the UK is exemplified by the Big Society agenda that seeks to empower local authorities, enforce community self-aid and to entrust localities with more responsibility (Clarke & Cochrane 2013: 12). The mobilization of this agenda by the current Coalition Government is legitimized as a correction for deficits of fairness, efficiency and democracy (Clarke & Cochrane 2013: 12). Geographers think of the romanticization of the local as a problematic, anti-political movement that conceives of localities as autonomous and homogenous in terms of their needs (Clarke & Cochrane 2014: 14). Although more liberty, responsibility and flexibility for localities is promoted, Clarke and Cochrane demonstrate that localist agendas are often bound to technologies of control or "technologies of 'government at a distance'" in order to face the trade-off between too much and too little government (2013: 13). Moreover, increased freedom for localities might sometimes obscure the fact that freedom is only granted as long as they (local authorities and communities) 'behave' responsibly, rationally and in accordance with market-oriented approaches (Clarke & Cochrane 2013: 13).

Another important issue in the context of soft paternalist agendas, which gained importance during the last decades, is behaviourism. Frequently, soft paternalism or libertarian paternalism is characterized as being a 'real third way', "denoting a radical break with left versus right -wing politics and claiming a balance between the liberal market and the interventionist state" (Pykett et al 2011: 301). It is based on the presumptions of behavioural economists who break with the idea of the rational entrepreneur and support the concept of "bounded rationality", which points towards "the limits that exist to the ability of humans to make consistently rational decision" (Jones et al 2011: 53). Accordingly, advocates of libertarian paternalism believe that human behaviour has deficits which need to be corrected or, in other words, that humans should be nudged to make rational decisions (Jones et al. 2011: 53). The middle course between free market and state interventionism is characterized as a potentially contradictive relationship between freedom, democracy and subtle mechanisms of choice and coercion (Pykett et al. 2011: 302), which aim at shaping "the contexts in which people make decisions" (Pykett 2012: 217). In contemporary life, this is, for instance, visible in overt nudges of architectural structures (e.g. prisons, schools, and clinics) or "more subtle forms of spatial power which cultivate various

prompts to the self-activation of what may be defined as conductive social and economic behaviour" (Jones et al. 2011: 57). Critics, however, point to democratic deficits and ethical concerns of using "affective channels" (Whitehead et al. 2012: 305).
A systematic discussion of the architecture and discourses around Social Impact Bonds allows us to situate this new policy with respect to upcoming localist and soft paternalist tendencies in the UK policy development. If SIBs can be described as a policy vehicle whose architecture and discourses mirror, to some extent, how academics talk about neoliberalism, then instances of localism and soft paternalism around Social Impact Bonds can provide an interesting contribution to a characterization of neoliberalism.

3.5 Financialization

The introduction of Social Impact Bonds marks the arrival of private capital and financial market practices into the social sector. Additionally, SIB promotion contains financial logic, which makes it necessary to consider literature on financialization as a part of the theoretical approach. The financial aspects of economic geography have long been neglected, but have recently gained more attention (Lee et al. 2009: 724, Pike & Pollard 2010: 31). As measured by the strong focus on the characteristics of neoliberalism, this neglect is rather surprising. Neoliberal policies "tend to be more exteriorized, in terms […] of their orientation to a globalizing and financializing economy […]" (Peck & Tickell 2007: 30). In the process of restructuring of governance (the "rollout" and "rollback" neoliberalism) financialization is considered as a consequence of free market and competition discourses that favoured globalized financial capital (Peck & Tickell 2007: 40). In light of the fiscal crisis, many scholars began to address the issue of the growing influence of finance and its entanglement with economic geographies (Pike & Pollard 2010: 34). Or it is discussed from a neo-Marxist viewpoint which interprets increased financial activities in hitherto non-financial realms as a new form of imperialism and "dispossession by accumulation" (Harvey 2004).
Generally, financialization stands for the increased importance of financial market practices, capital markets and financial intermediaries in economic, political and everyday life (Pike & Pollard 2010: 29). For our discussion of Social Impact Bonds, three aspects of financialization are of particular importance. Firstly, on an abstract level, financialization describes processes of finance capitalism that are constantly looking for or constructing new asset classes. These will in turn ensure stable and positive financial return (Leyshon & Thrift 2007: 98, 100). Typically, this incorporation becomes increasingly relevant for fields which were not perceived as financially manageable before: "[T]he trick has proved to be the identification of a particular geography of

revenues which were previously considered trivial or off-limits and their incorporation into the financial system by grossing up" (Leyshon & Thrift 2007: 101). The use of tools such as securitization and, more recently, hedging, has helped to join even unconventional "assets" "so that they will yield clear and defined income streams" (Leyshon & Thrift 2007: 100). An example where capital markets succeeded in linking up distinct fields and agents, which were previously not concerned by the bond market, is the financialization of natural catastrophe risks (Pike & Pollard 2010: 43). Johnson, for instance, discusses the issue of catastrophe bonds as a new asset class that allows securitization of and speculation on natural catastrophe risks (Johnson 2014).

To some extent, this reaching out to new asset classes can be explained by decreased returns on existing financial products (Leyshon & Thrift 2007). From a neo-Marxist perspective, the progress of financial markets into unfinancialized spaces could also be the result of a crisis of overaccumulation. Harvey (2004: 64) suggests, as crises of devaluation are always looming, that capital surpluses need to be deployed in physical infrastructure or, in order to avoid devaluation, in the social fields, which is the case for Social Impact Bonds. A discussion of this overaccumulation thesis with the example of Social Impact Bonds would, however, exceed the scope of this master's thesis. Nevertheless, SIBs seem to form a new dimension for financial institutions or financial capitalism that have a potential to produce new income streams of a previously 'untapped' sector.

Secondly, the incorporation of previously financially untouched fields as the social sector, physical infrastructure or environmental issues is predicated on the applications of practices and devices that transform these sectors into something insurable endowed with a prospect of risk and return. Indeed, the discovery of new asset classes is closely connected to a functional risk management. Technical instruments help to transform sectors which were not formerly conceived of as productive assets, into "high-risk but high-reward income stream[s] that, through the process of securitization, were attractive for investors […]" (Leyshon & Thrift 2007: 108). In other words, the use of software by particular intermediaries "can remake assets so that they are tradeable" (Leyshon & Thrift 2007: 110). This second aspect of financialization, accordingly, consists of the integration of risk and uncertainty to the financial system, or, in particular, the transformation of the uninsurable into something insurable (Pike & Pollard 2010: 33). Similarly, the tradeability of SIBs is based on the transformation of social problems into an asset class and the calculation of risk-return profiles in the developmental process of a SIB.

Thirdly, the growing importance of financial intermediaries and the connection to financial markets represent another essential element of financialization (Pike & Pollard 2010: 33). The establishment of financial intermediaries in various places of political and social life indicates "the growing visibility and influence of financial markets" (Pike & Pollard 2010: 33). Practices from financial capitalism increasingly determine how business is done in previously non-financial fields. This concerns, for example, the pressure to "deliver 'shareholder value' in the form of dividend streams, […] marked growth […], fee-earning intermediaries […], or the trend for non-financial corporations to buy up assets and financial subsidiaries […]" (Pike & Pollard 2010: 33). The connection to global capital markets is not only present in economic and political life, but it also concerns households and individuals who are confronted with the possibility, for instance, to stock their savings in the form of investments into the stock market (Erturk et al. 2007: 556). Erturk calls this convergence of capital markets and households "democratization of finance" (Erturk et al. 2007: 556).

As the literature review in 3.1 showed, Social Impact Bonds have not been examined from a financialization perspective. Contrariwise, the financialization of public services and of the social sector with respect to political courses remains hardly investigated in financialization literature. This master's thesis, amongst other things, sets out to fill this gap and give an example of how financialization is articulated through the implementation of Social Impact Bonds. A look at the financial architecture of both the UK SIB market and the Social Impact Bond structure in particular alludes to the significant influence of intermediaries, fund managers and capital markets as well as financialized practices of de-risking and the call for short turnover rates.

3.6 Research questions

In order to provide a holistic insight into the functioning of SIBs as well as to prepare a discussion of neoliberalism, the theoretical framework presented above encompasses a wide spectrum of literature. As shown, existing literature on Social Impact Bonds remains reluctant to contextualize this new funding instrument.[12] Therefore, the possibility of interrelating diverse strands of literature, ranging from neoliberalism and financialization, to marketization (techniques), localism and soft paternalism, while discussing the architecture and discourses of SIBs is the main aim of this master's thesis. A central proposition of this paper holds that SIBs not only represent a simple funding mechanism for the social sector. Rather, and more profoundly, SIBs seem to be a 'meta-policy' which integrates a set of actual discourses of the political and economic spheres, particularly of countries such as the UK. Thus, the thesis seeks to address the following two questions:

1) **Architecture and logic of SIBs:** What is the characterization and architecture of Social Impact Bonds and the UK Social Impact Bond market?

2) **Discourses around SIBs:** To what extent do practices and legitimization/argumentation strategies around Social Impact Bonds and the SIB market represent a financial logic? What kinds of other discourses in relation to financialization emerge and what does this mean for a characterization of neoliberalism?

[12] The reluctance to classify and contextualize SIBs as a policy may be due to the fact that current politico-economic conditions (probably worldwide) are hard to grasp and almost illegible, as the discussion about the characterization of neoliberalism has demonstrated.

4. Methods

4.1 The use of two methodological approaches

This master's thesis will apply a qualitative social science approach providing an interpretive-understanding framework which considers aspects as contextualization, subjectivity of interrogated persons and also subjectivity of the researcher himself (Reuber & Pfaffenbach 2005: 107). According to the interpretive paradigm, reality is a construction resulting from the mutual interpretation of communication processes and agency. Epistemologically, this perspective is based on constructivist ontology (Reuber & Pfaffenbach 2005: 110). Moreover, qualitative research focuses on the understanding of a phenomenon from the inside, or a subject's perspective (Flick 2005: 48). Likewise, interview transcripts, reports, newspaper articles or other documents (the main research unit of this master's thesis) are subjected to a context of communication and action (Reuber & Paffenbach 2005: 115).

For the purpose of identifying a coherent SIB-structure as well as recurrent legitimization strategies and other discursive elements, the empirical part of this master's thesis was split up in two steps. The first step in this process was a data assessment that was met by conducting qualitative expert interviews and by selecting relevant existent data (documents, reports and newspaper articles). This text corpus served for a data analysis in a second step. I drew on a qualitative content analysis approach (Kuckartz 2014: 77) followed by a critical discourse analysis according to Jäger and Jäger (2007). For practical reasons, the text corpus was parallel coded with both a content analytical code system and a discourse analytical code system. Although acknowledging that critical discourse analysis and text analysis are conceptually related and similar in terms of their hermeneutical approach (Reuber & Pfaffenbach 2005: 215-218), it is nonetheless necessary to analytically distinguish the two methods. Whereas qualitative content analysis serves as a textual basis to understand a structure, content or a phenomenon, discourse analysis considers texts as being a part of an entire, global discourse that is historically and socially rooted (Jäger 2001: 119). Hence, the research questions, to be answered, required two analytically different approaches. The following sections outline the methods used in more detail.

4.2 Data assessment

The data assessment was based on two methods: 1) mining and selection of existent qualitative data and 2) qualitative expert interviews with representatives from important institutions of the SIB market.

1) Pre-existing qualitative data: In empirical social science, qualitative data can not only be extracted from qualitative interviews or participatory observation but also by searching and selecting existent texts according to certain criteria (Reuber & Pfaffenbach 2005: 119, Ralph et al. 2014: 2). Mainly, this is the case for a discourse analysis of a public discourse where newspaper articles, reports, and documents are selected and processed. The sampling unit of a content analysis can be compromised of the aforementioned sources as well (Kuckartz 2014: 46). Although SIBs have already been operating in many parts of the world when data assessment began in spring 2014 (25 SIBs), the number of published non-academic material with sufficient quality remained manageable. In order to give an overview of the characterizations and discourses in general and not from a specific perspective (e.g. investment banks), this allowed me to compile a text corpus consisting of a broad scope of text forms from different institutions, sources and medias. The approach, however, did not consider each SIB-funded project in detail to construct a framework, but relied on the analysis of reports of institutions that are active in the promotion and development of this instrument. A systematic review of all 46 SIBs would have been out of scope. In total, I have chosen 102 texts from six different fields, including newspaper articles and magazine articles (on the right side), as Table 1 illustrates:

Table 1: Number of documents and articles by specific source.

Source	**N° of texts**
investment banks, social investment banks, intermediaries, foundations, consultants	24
government departments, local authorities	11
newspaper articles, magazines	65
others	2

Newspaper/Magazine	**N° of articles**
Civil Society	1
Economist	8
Financial Times	3
Forbes	2
The Guardian	9
div. Harvard Magazines	5
Huffington Post	4
The Independent	6
Institutional Investor	1
The New York Times	8
Philanthropy	1
Telegraph	4
Washington Post	3
Stanford Social Innovation Review	3
Other	3

Criteria: With regard to the short time since the first SIB-implementation (2010), the publication date of the texts was of little relevance. Yet, it seems that more recent publications are far more sophisticated and complex than the older ones. The majority of texts were published between 2010 and 2014, with a few exceptions (the very first documents about SIBs originate from 2009). I considered documents and articles that on the one hand offered explanations of the structure and architecture of SIBs as well as the SIB market, and on the other hand discussed SIBs within the context of political and economic discourses (like state austerity, financial crisis, Big Society, public sector vs. private sector, etc.). Sometimes a text only met one of the two criteria. The guiding principle was to balance out the text corpus with respect to the number of different texts chosen from banks/intermediaries, governments, foundations and newspaper articles. Each block was considered to more or less the same extent. Newspaper articles were selected to reflect the public discourses of Social Impact Bonds in major newspapers and magazines. Although mainly the UK serves as a reference point for this analysis, the text corpus consists of documents of both UK and US origin. The idea behind this was to have a diverse text corpus that allowed comparisons between the different countries. For a characterization of SIBs it was generally an advantage to involve not only UK texts. The text corpus was the same for both methods of analysis. When quoting or referring to documents and interview transcripts from the text corpus, I use abbreviations which are indicated in chapter IV (list of analysed documents).

2) Qualitative expert interviews*:* The second bit of the text corpus was complemented by qualitative expert interviews. Qualitative interviews are a popular data assessment in qualitative social science that allows for generating text through direct communication in an open atmosphere that leaves space for open comments (Helfferich 2005: 22). Expert interviews, in particular, are a way for researchers to efficiently collect insider knowledge about a specific field where access is normally impeded or in the exploration phase of a project, in order to gain initial insights for further steps (Bogner & Menz 2002: 7). Moreover, resorting to experts can facilitate the understanding of a complex field that would otherwise require a lot more interviews to be conducted (Bogner & Menz 2002: 7).

I conducted six explorative expert interviews according to Bogner and Menz (2002b: 37) in order to collect statements from individuals who were actively working at different positions in the SIB market. Explorative expert interviews use an open interview structure that does not involve the premises of comparability and completeness but tries to remain open during the conversation. Nevertheless, a basic guideline in order to assure that all relevant topics are discussed is absolutely necessary (Bogner & Menz 2002b: 37). As the interviews were conducted right after assessment of the existent data, pre-given knowledge about the topic was used to create and structure the interview guideline, as opposed to a totally explorative expert interview at the very beginning of a project. Thus, the interview guideline technically involved some features of the problem-centred interview and was semi-structured (Reuber & Pfaffenbach 2005: 133). In a semi-structured interview, the main topics of the guide are developed deductively according to pre-given knowledge that was acquired throughout the data assessment, and the research question. But it remains open for an individual course of conversation (Reuber & Pfaffenbach 2005: 133-134). This openness was required as I had to adapt the interview guideline according to the specific background of the interviewee. Whereas the specific questions were adapted, the basis of the interview guide remained the same. The interview was carried out according to these topics:

a) SIBs and the making of a new asset class and SIBs as a financial instrument
b) Appearance of SIBs in the UK and US, transformation of society and the social sector
c) Financial architecture of SIBs (globally)

The interview with Experts 6 and 7 followed a slightly different structure as they were perceived as experts outside of the SIB-scene. The six interviews with seven experts were conducted in September 2014 in London and via Skype in order to complement the existent documents with an insider perspective. A pre-selection of the interviewees was carried out in July 2014, when I contacted them via e-mail or telephone. The seven individuals were chosen because they are placed at different levels of the SIB network which was a premise in order to present the SIB market from different perspectives. I used a dictaphone to record the interviews which were carried out in meeting rooms of the specific institution (except interviews 6 and 7). Against my initial planning, Experts 3 and 4 wanted to be interviewed together (both work for the same institution). This was a bit problematic as the two experts sometimes interrupted each other's speech. Table 2 presents the experts.

Table 2: Expert interviews.

Abbreviation in text	**Educational/professional background**	**Institution**	**Location**
Expert 1	project management, policy development	UK government department	London
Expert 2	microfinance, international development, policy development	social investment bank 1	London
Expert 3	academic background (economics), voluntary work	social investment financial intermediary	London

Expert 4	academic background (politics, sociology), social sector working experience	social investment financial intermediary	London
Expert 5	academic background (philosophy, mathematics), microfinance	social investment bank 2	London
Expert 6	SIB architect, SIB analyst, author	former: Government department, now: independent blogger	Sydney (Skype)
Expert 7	academic background (social policy)	researcher on SIBs	Glasgow (Skype)

Unfortunately, it was not possible to do an interview with a local service provider involved in a SIB-funded project. Although I contacted several organizations, I did not receive a response.

4.3 Qualitative content analysis

Social Impact Bonds represent a relatively new social policy innovation that lacks a coherent description of its features and characteristics which is owed to the context-specific use of SIBs. Around 46 SIBs are currently running across the world. As a result of this specificity, documents, reports and newspapers report quite incoherently and heterogeneously about the architecture of SIBs. Similarly, academic literature in this field, a small number, explains the potential implications for public services, society and analysis of historical and political continuities rather than providing a more or less structured characterization of its elements. Nonetheless, a cross-reading of SIB-specific documents revealed some basic features a majority of SIBs have in common. This is why this master's thesis aims in the first part to systematically assess the functional elements and architecture of a SIB and to reduce its complexity to a common baseline. A qualitative content analysis seemed to be best suited for this intention because a systematic, rule-following 'interpretation and understanding' of the material lies at the heart of this method (Kuckartz 2014: 39). Moreover, a qualitative content analysis is based upon the systematic categorization of processes, phenomena and other patterns that appear throughout the documents. Phenomena that appear to be similar are grouped under a certain type that is called 'category' or 'code' (Früh 2004: 42).

A variety of approaches in the field of qualitative data analysis exist with regard to the coding procedure. These approaches can be arranged on a continuum from inductive coding (categories are built right at the material) to deductive coding (categories are based on an existing theory)

(Kuckartz 2014: 59). A special case of completely open coding is the Grounded Theory, developed by Strauss and Corbin (1996), whereby categories are created directly based on the material with the intention of identifying abstract concepts and creating new theories and hypotheses (Kuckartz 2014: 67). This master's thesis applied a qualitative content analysis with an inductive-deductive coding approach according to Kuckartz (2014). This was done for two reasons: First, a completely open coding system according to the Grounded Theory was not considered because it was neither the aim to uncover a latent theory in data (Flick 2005: 258) nor to create abstract concepts and codes on the basis of the texts (Kuckartz 2014: 68). The second reason is that a mixed form was considered more appropriate in relation to the research question. In order to carve out structures and functioning of Social Impact Bonds, the code system followed the pre-given structures of the reports and documents to some degree. The majority of documents that described Social Impact Bonds were structured alongside some basic elements, although they were heterogeneous.

As Flick states, the interpretation of the dataset is the core of the empirical approach, and data collection and interpretation should therefore be an interlinked process (Flick 2005: 257). This circular process of collection and analysis of data, and the use of feedback loops are also key elements in Kuckartz' approach. According to him, the research question also undergoes a reconfiguration during the five analytical steps of a qualitative content analysis. Those steps are (Kuckartz 2014: 50):

1) literature review
2) establishing categories
3) coding
4) analysis
5) presentation of the results

A 'content-structuring qualitative content analysis' is particularly useful in studying Social Impact Bonds because it allows for explorative interpretation with the intention to find latent structures in the texts. This method combines an inductive and deductive code system (Kuckartz 2014: 76). The circular process of reconfiguring, refining and adapting the code system step by step from main categories to a set of subcategories (Kuckartz 2014: 78) allows for flexibility in approaching a relatively unknown research field.

An early draft of coding system derived from pre-given knowledge, theoretical assumptions and diagonal-reading of documents was gradually improved, adapted and refined. After having selected the sampling unit and the recording units, a part of the documentations was analysed according to these categories with support of the qualitative data analysis software *Atlas.ti*. New phenomena were inductively built into new codes that were later integrated into subcategories and categories, depending on how important they were for answering the research questions. The whole text corpus, then, was analysed and coded in total with the use of the code system. The main code system for the content analysis is presented in Table 3.

Table 3: Main code system for qualitative data analysis.

SIB ecosystem	intervention fields	evidence based therapy
SIB design - rest	measurable outcome metric	prevention and remediation
performance management	upfront funding, flexibility	risk/return ; de-risking
stakeholders	track records	

The code system consists of a mixture of narrowly defined codes (e.g. intervention fields) and more general codes that grasped a set of subcategories (e.g. SIB design – rest). Such categories, which are comprised of clearly defined subcategories, were created to keep the number of categories under control and to reflect the research emphasis. Again, the difference to a Grounded Theory approach is evident. The aim was to structure the text corpus according to these codes and to reflect the SIB architecture that was more or less latent in the documents. A theoretical assigning was not considered here (Kuckartz 2014: 146).

CA-codes and DA-codes: For the purpose of the discourse analysis a second code system with discursive codes was established. The coding for the content analysis was carried out parallel to the coding for the discourse analysis.

Interview codes: The interview transcripts were coded in a different way. When data assessment is structured (or semi-structured), i.e. in an interview guideline, the first part of the qualitative content analysis is based on categories developed according to the interview questions (Kuckartz 2014: 62). Hence, a separate code system was used for the analysis of the expert interviews in order to meet the analytical requirements.

4.4 Discourse Analysis and the Theory of Discourse

As mentioned before, the qualitative content analysis was then followed by a critical discourse analysis according to Jäger and Jäger (2007).

Discourse theory was most importantly marked by philosopher and sociologist Michel Foucault more than by anybody. A French intellectual in a poststructuralist tradition, Foucault's discourse theory was influenced by the linguistic turn which develops a new perspective on language as a constitutive element of reality. In essence, poststructuralists question the invariability and inner coherence of language and signs in constituting reality that structuralists claim (Reuber & Pfaffenbach 2005: 220). As a matter of fact, a key element of discourse theory is the power of language in the constitution of truth. Foucault stated that it is not possible to access or perceive the essentials or reality of things beyond a discursive access enabled through language. In other words, non-conceptual awareness does not exist and the process of making 'things' accessible is determined by language and linguistic constructions (Villa 2003: 89). According to Hajer, "[d]iscourse is here defined as a specific ensemble of ideas, concepts, and categorizations that are produced, reproduced and transformed in a particular set of practises and through which meaning is given to physical and social realities" (Hajer 1997: 44, qtd. from Reuber & Pfaffenbach 2005: 203).

Questions of power and knowledge are closely tied to the order of discourses. Foucault's aim was to find out how the production of discourses is connected to institutions or mechanisms (Foucault 1983: 8, qtd. from Jäger & Jäger 2007: 20). Supported by 'power-knowledge complexes', hegemonic discourses define what constitutes truth at one point of history and what is cast away as wrong, false or deficient otherwise (Foucault 1992: 32f, qtd. from Jäger & Jäger 2007: 21). This normative binary characterization, which is guided alongside a power-knowledge relationship, is commonly described as the field of the "sayable" and "unsayable" (Jäger 2010: 107). Typically, a discourse is a bundle of practices, expressions, ideas and rules determined by the scope of what can be said and what cannot be said (Jäger 2010: 107). Thus, the 'power-effects' of discourses represent its materialistic nature of shaping, producing and reproducing of a certain type of society and awareness: discourses define and shape reality via the intervention of individuals (Jäger & Jäger 2007: 23). Foucault emphasized, however, that the relation of hegemonic discourses to marginalized discourses is not static and dualistic. Rather, it is a dynamic up-and-down of discourses that can be a measure of power and have a coercive effect on the one hand, while potentially undermining and challenging existing ideas and constellations on the other (Foucault 1983: 122, qtd. from Jäger & Jäger 2007: 21). Metaphorically spoken, a global discourse is often depicted as a network or bundle of discourses or lines of discourses which flow through history like a stream (Jäger & Jäger 2007: 23). It is the aim of discourse analysis to disentangle this network of discourses and to deconstruct the power mechanisms that helped to sustain its validity and acceptance (Reuber & Pfaffenbach 2005: 206). Obviously, by deconstructing the norms, rules and conventions upon which discourses are built and by disclosing marginalized, subdued discourses, this poststructuralist approach has clear political implications (Reuber & Pfaffenbach 2005: 220). The political relevance of SIBs is a reason why discourse analysis is appropriate. Social Impact Bonds are often represented as solutions for systemic deficits endemic in the organization of modern states, for example for inefficient but strong governments, devastating austerity and the ineffective non-profit[13] sector. A discourse analysis can help to situate Social Impact Bonds within this public discourses around neoliberalism, austerity programme of post-industrial governments, the role of capital and private firms in social service delivery but probably and also with respect to philanthropic motives.

4.5 Critical discourse analysis and Foucault

Foucault was not very prescriptive in terms of discourse analysis methods. His approach pointed towards a diachronic analysis of the history of discourses (genealogy) and he conceived of the autonomous subject or individual as a narrative (Reuber & Pfaffenbach 2005: 212). In contrast, Jäger's critical discourse analysis conceded certain agency to individuals when he conceives of discourses as standing between society and the individual. For an analysis of SIBs, Jäger's approach was chosen as it offered an analytical baseline. As will be shown, a range of discursive strategies, argumentations and legitimizations are structured around SIB promotion which requires closer look. Jäger and Jäger (2007) and Jäger (2010) propose some analytical entities and instruments that help to disentangle the discourse network and to deconstruct discursive formations (Reuber & Pfaffenbach 2005: 206). In what follows, I will present some categories and instruments of critical discourse analysis which I consider to be relevant for an analysis of SIBs.

Discourse fragments, line of discourses: A discourse fragment is the smallest analytical unit and represents one coherent semantic entity of a discourse. A line of discourse, in turn, is comprised of a bundle of such discourse fragments. A bundle of discourses, in turn, constitutes the 'entire discourse' or 'global discourse' which is little more than the discursive entanglement that discourse analysis seeks to unravel (Reuber & Pfaffenbach 2005: 212-213).

Discursive entanglement: A semantically homogenous discourse fragment (e.g. a paragraph about SIBs as an innovative tool) can exhibit references to a variety of discourses in order to express an argumentation or legitimization (for example the entanglement of an austerity discourse and social engineering discourse) (Jäger & Jäger 2007: 29). The entanglement of references can be constitutive for an argumentation strategy, but it can also bear contradictions. Critical discourse analysis does not only aim to disentangle but also to show knots, overlaps and twists of lines in discourses.

Level of discourses: A specific line of discourse appears on different levels, say politics, media, economy etc. Although part of the same discourse, discursive fragments of different levels can

[13] In this master's thesis, I will use the notions non-profit organization and social sector organization for organizations which are active in the social sector. More specifically, I will use the notion 'service provider' for a social sector organization or a non-profit organization which is involved in a SIB-funded project.

influence, use and relate to each other and, thus, shape the characteristic of a line of discourse (Jäger & Jäger 2007: 28).

The field of the "**sayable**" and "**unsayable**": Generally, critical discourse analysis identifies the "sayable" that exists throughout a society at a specific time. This involves also the strategies by which this field is constituted, spread and confined (like legitimization strategies). Often, the "sayable" can be outlined by the increased recurrence of specific utterances and signs that have, due to the constant reoccurrence, an effect on society's consciousness of reality (Jäger & Jäger 2007: 32-34). The "sayable" is the entirety of utterances, ideas, perspectives, stances that are accepted with respect to a specific topic (Jäger 2010: 209).

Argumentation and Legitimization Strategies*:* These are strategies that aim to defend or change a line of discourse for personal or institutional interest (Jäger 2010: 27). Often, this was done by employing a "binary reductionism": a strategy of reducing a complex issue into two opposed positions (Jäger 2010: 46). Argumentation and legitimization strategies also incorporate strategies of denying or relativizing as well as implications, allusions etc. (Jäger 2010: 35). Therefore, an interpretation of documents also relies on the analysis of linguistic elements. SIB promoters applied argumentation and legitimization strategies to underline the necessity of this innovation and to demarcate themselves from traditional forms of public service financing.

Normalism: Normalism is closely linked to the establishment of the "sayable" and the "unsayable". It is a discursive procedure, comparable to binary reductionism, that produces and reproduces the demarcation line between normality and abnormality through dispositives, institutions, rules etc. according to the prevailing discourse. Normalization strategies tend to shift this line and help to enforce normalism (Jäger 2010: 87, 89). Mass media hold an important position in enforcing normalism. By recurrently publishing certain arguments, data, limits of tolerance, mean values, curves etc. they provide society with a reference system by which individuals 'normalize' themselves (Jäger & Jäger 2007: 64).

Collective symbols and metaphors: Each society has its specific collective symbols that provide a variety of tropes and metaphors that help to constitute societal reality (Jäger & Jäger 2007: 36). They help to simplify a complex issue (e.g. society) and enable symbolic integration and exclusion by distinguishing between normality, norm (e.g. inside the boat, house) and deficiency, deviation or abnormality (e.g. outside the boat). Collective symbols and metaphors serve as a heuristic pattern of interpretation (Jäger 2010: 70).

4.6 Data analysis

Practically, discourse analysis scans documents with the intention of finding underlying 'meaning structures' (*Aussagen*) by grouping related discourse fragments and bundling them up into lines of discourses (Jäger & Jäger 2007: 26). These discourses can either be clearly distinct from each other or show entanglements and similarities (discourse entanglements). Before this background, the whole text corpus was analysed according to a discursive code system that helped to extract discursive fragments. I structured the analysis section according to semantically similar argumentation and legitimization strategies, discourse fragments, metaphors or other utterances and subsumed them under different lines of discourses. Again, QDA software *Atlas.ti* was used to code important fragments and to group the results in the follow-up. Similarly to the content analysis, the code system of discursive codes was refined after a certain amount of documents were reviewed. Another purpose of this analysis was to disclose discursive entanglements and contradictions. Indeed, a few discourses around SIB promotion showed similarities and continuities of argumentations but also evident contradictions. For a discussion of neoliberalism and financialization, as this is the aim of my thesis, the finding of such contradictions and their functioning in the discourse is of major importance. The qualitative content analysis was carried out separately.

5. The architecture of Social Impact Bonds

5.1 Overview: functioning - definition

Across the world, 46 SIBs[14] are currently operating or being developed. They are very distinct in terms of organizational structure and financial architecture. Similarly, attempts to define the nature of SIBs remain relatively poorly focussed and diverse. The aim of my analysis is to reduce this complexity and to extract the core elements shared by all or most SIBs. This section provides a short overview of involved stakeholders and the procedure of a SIB.

Despite being labelled as a 'bond', a Social Impact Bond differs from a conventional bond and other fix-return instruments used in capital projects. As the discussion in chapter 5.3 will outline, SIBs include debt and equity-like features. The most common definitions emphasize the contractual arrangement of a SIB as being its defining characteristics. Typically, a Social Impact Bond is a contract system which is based on the agreement by a governmental body to pay private investors for "an improvement in a specific social outcome once it has been achieved" and which is delivered by a social sector organization (service provider) (Cabinet Office 2: 4). Documents on Social Impact Bonds provide manifold and heterogeneous definitions of this new social investment tool. A simple definition of a SIB is provided by the Cabinet Office:

> Social Impact Bonds are a subset of Payment by Results contracts which allows private investment to be used to pay for interventions, which are delivered by service providers with a proven track record. If the agreed outcomes are achieved, the commissioner pays back the capital along with agreed return to investors. If however the outcomes are not achieved, investors could stand to lose all of their capital (Cabinet Office 2: 3).

In a nutshell, it is a funding mechanism for social service provision. At its heart lies the collaboration of five distinct entities:

a) **Commissioner**: Mostly belonging to the public sector[15], a central government department (e.g. UK Ministry of Justice or Department for Work and Pension) or a local authority (e.g. City of London, Manchester City Council). The commissioner must be legally distinct from the service provider as well as the investors of a SIB and predefines measurable performance targets (Cabinet Office 2: 13). Moreover, the commissioner is only obligated to make payments to investors if pre-defined outcome targets are achieved (more specifically, when a social outcome has improved) (Nicholls & Tomkinson 2013: 3).

[14] Status at March 2015. See Appendix I for an overview of all projects which are running on the basis of a SIB.
[15] Also non-public sector commissioners can establish a SIB, like in Fresno, California, where a test health care SIB is operating in order to incentivize private health insurers to commission Social Impact Bonds in the future (Cabinet Office 2: 13).

b) **Service provider:** A charity, non-profit organization, or a social enterprise is responsible for the provision of a social service to a predefined group of people (in the SIB language the 'cohort', 'intervention group' or 'service users'). The service provider receives working capital from the investor(s) in advance and will conduct a service according to the terms defined in the contracts.
c) **Private investors:** They fund the service of a service provider upfront. In return, they hope for a social and financial benefit when the project achieves its targets but risk losing 100% of their investment when targets are missed.[16] Additionally, investors have the chance to gain a higher return with higher improvements (Nicholls & Tomkinson 2013: 3). Only non-governmental organizations can invest in a SIB (Cabinet Office 1).
In addition to these compulsory characteristics, SIB design might involve the following entities:
d) **Intermediary** organization or a **special purpose vehicle (SPV)**: This is the case in the majority of SIBs. It offers mediating services between commissioners, service providers and investors, organizes money and payment flow, performance management and other services, attracts investor capital and is, in most cases, holding the SIB contract with the government (or another type of commissioner), e.g. the UK intermediary Social Finance (Social Finance 2: 5). SIB designs are often very complex, as they involve many different actors and contracts. Therefore, an intermediary is required in order to organize this complexity.
e) **Performance manager**: an entity consisting of managers from the SPV's board of directors can be created in order to control and manage the performance of a service provider, for example the Triodos New Horizons Ltd intermediated SIB (Expert 5: 33).
It is worth noting that the organization of stakeholder can vary. Instead of a special purpose vehicle, a commissioner may directly contract with one or more service providers. A service provider can also subcontract other organizations and distribute tasks.
Figure 1 is an attempt to catch the complexity of a SIB in a simplified way.

[16] Although the initial idea of a SIB was to incentivize performance management of the investors, some US and Australian SIBs include downside protection by the use of grant layers of philanthropic foundations.

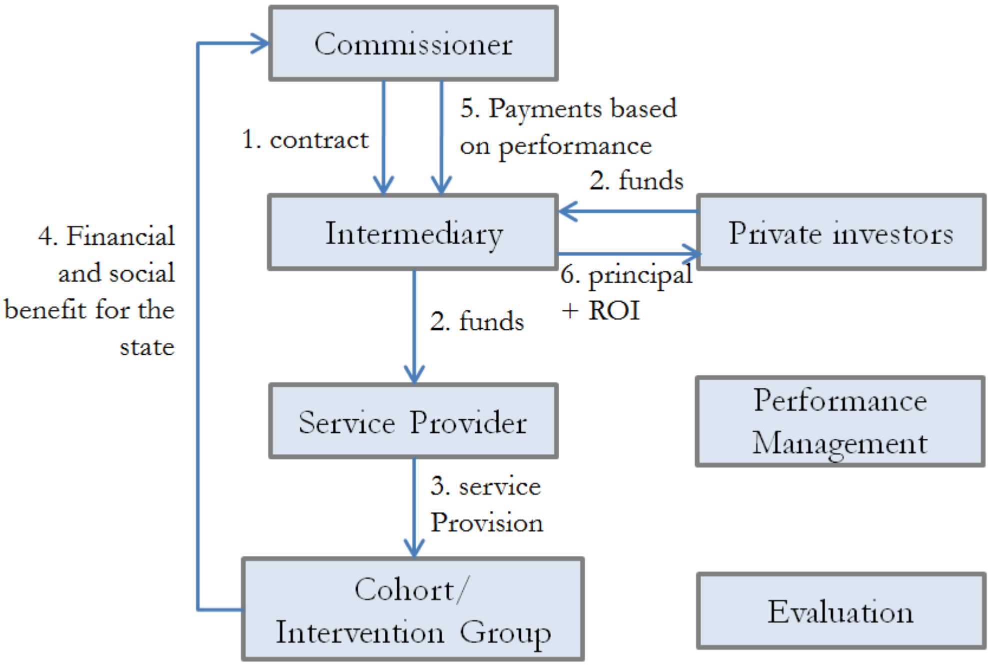

Figure 1: Simplified structure of a Social Impact Bond (own representation, adapted from Harvard Kennedy School 2: 9)

(1) In a typical Social Impact Bond, a commissioner (e.g. the UK Ministry of Justice) enters a contract concerning the provision of a particular social service referring to a social issue, either with an intermediary organization or directly with a service provider. The commissioner and the intermediary, SPV or service provider agree upon a set of measurable social outcomes of the service delivery for a predefined group of people (e.g. a 40% reduction in days spent in prison across the cohort) (Nicholls & Tomkinson 2013: 4). Depending on who the initiator of the SIB is, the intermediary or the commissioner predefines the cohort (The Young Foundation 1: 15). The commissioner is only obliged to pay if the service provider is able to induce the agreed outcomes. Additionally, the commissioner has to replenish the reimbursement when performance is even better (depending on the contract).

(2) Based on another contract, an intermediary or service provider (or even a commissioner) attracts money from private investors, which allocates upfront capital to the provision of a social service. The contract is structured around the achievement of specified performance targets which are tied to the outcome payment. As the investor's money is on risk, investors are incentivized to manage and control the work of the service provider (Cabinet Office 1, Big Society Capital 1: 8). Antecedent funding is a crucial difference to common pay-for-success or payment-by-results -models because in case of the latter, money is only paid to service providers if specific results are met. Here, the service provider gets the money at the onset of an intervention.

(3) Endowed with capital received from the investors (via intermediary), service providers deliver a specific service, 'intervention' or 'therapy' to the cohort over a certain period of time (usually around 4-6 years). Performance management on behalf of the intermediary or the SPV as well as an optional risk sharing by the provider incentivizes due diligence of service provision (Big Society Capital 1: 8).

(4) In case of success, or, correspondingly, when the project evaluation found that the service provision achieved the predefined outcomes, the government will have saved costs as no more costs will accrue with respect to this cohort (theoretically). This allows the government to pay a fraction of the saved expenditure to the investors (outcome payments). The success of a SIB depends on the evaluation of the social outcome by an external evaluator (Social Finance 8: 23).

(5), **(6)** Outcome payments on behalf of the commissioner are directed towards the investors via service provider or intermediary. Depending on the quality of the outcome, investors will receive their principal and a return on investment (ROI), which increases with a better performance (Social Finance 8: 23).

This characterization is a simple typification of a Social Impact Bond. In the following section, it will become clear that, in practice, many variations exist.

5.2 SIB milestones

The following section presents essential elements of a SIB which also correspond, to some extent, to the milestones in the Social Impact Bond development process. This process is structured alongside an axis that involves first of all the definition of social issues (target population), secondly, the outcome metric(s) and the measurement framework and thirdly the intervention model. The fourth step is a "value-for-money case" and at last the programme design with an emphasis on the payment framework is involved (Social Finance 8: 5). Additionally, the role of performance management and risk sharing is crucial for the functioning of a Social Impact Bond.

5.2.1 Target population and cohort definition

Social Impact Bonds promise to solve society's "seemingly intractable problems" by working preventatively with vulnerable and disadvantaged people (Forbes 1). It seems that preferences in intervention fields are tightly connected to what SIB developers envision to be the most pressing problems. Sometimes, there are "strategic priorities" that commissioners want to address and SIBs offer a possibility to tackle those issues (Social Finance 8: 9). Among SIB developers, there is also a concern that charitable funding and social need is often not correlating. In other words, social issues, as for example re-offence, youth delinquency or homelessness, struggle to receive the same emotional attention than more appealing areas, which results in a discrimination of some groups (The Young Foundation 2: 14). SIBs are meant to avoid this problem and are portrayed as being most effective when adopted in such fields (The Young Foundation 2: 14).

In preparation of contract negotiations between a commissioner and an intermediary, a clear definition of the 'cohort' is a prerequisite for a well-performing Social Impact Bond (Social Finance 8: 10). After all, an eligible cohort needs to be a group that

a) is "a strategic priority" for the commissioner
b) has had historically bad outcomes
c) has previously caused high expenditures for the commissioner (Social Finance 8: 11).

There are two reasons why the cohort should neither be defined too narrow nor open. First, it allows SIB developers to better evaluate or assess the future impact of an intervention: "Most social impact bond applications will find it easier to evaluate a programme's impact and design a performance contract if the targeted population can be clearly defined in such a way that it is not affected by actions of the service provider" (American Progress 1: 5). In order to assess the social impact as well as the financial impact in the form of cost savings for the government in an appropriate manner, a clearly defined cohort is essential because it avoids cream-skimming (the picking of easy cases). Cream-skimming or cherry-picking is seen as a potential problem since service providers or investors could arbitrarily choose those individuals they consider to be showing better results and increase the chances for achieving performance benchmarks (Nonprofit Quarterly 4).

The other reason lies in the technical requirements of the evaluation methods which, in most SIBs, compare the performance of the cohort with a control group. So as to show significant results as well as positive outcomes for the intervention group, an exact definition of the target population is crucial for a well-functioning SIB-funded project: "If the definition is not focused enough, the interventions may be too diffuse to have a significant impact on the target outcome. If the definition is too focused, the target population may be too small to demonstrate a statistically significant effect" (Social Finance 1: 33). Therefore, the cohort definition is associated with a certain trade-off between statistical significance and outcome significance.

As will be outlined in the second part of this analysis, a recurrent legitimization strategy highlights the strong focus on prevention that Social Impact Bonds are inducing. This specific focus is rooted in their offering of upfront funding for early interventions. Thus, the formation of the intervention group follows this premise of prevention and early intervention by choosing groups of individuals where future cost savings are most possible: "Bonds are being touted for fields such as early-childhood education, job training, and anti-recidivism efforts for criminal offenders. These are some of the more obvious areas where spending on early intervention and prevention can yield significant downstream savings" (Huffington Post 3). Overall, nine different intervention fields can be identified. Most of them concern children or adolescents in connection with criminality or homelessness (American Progress 4, Social Finance 2). Table 4 illustrates the identified intervention fields according to Appendix I.

Table 4: SIB-funded projects by social issues and geography.

Social issue	**N° of SIBs[1] in UK**	**North America**	**Europe**	**other**
adoption	1	-	-	-
children at risk going into care; at-risk families	3	1	-	3
children or adolescents at risk becoming NEETs[17]	14	1	2	-
early childhood education	-	2	-	-
health issues	3	-	-	-
loneliness (among retirees)	1	-	-	-
recidivism	1	3	-	-
rough sleeping (homelessness)	8	1	-	-
others	-	-	-	2

Note: (1) As at March 2015.

The focus on prevention is reflected in the large number of social issues that revolve around the life of vulnerable adolescents or disadvantaged children. Two out of three US anti-recidivism SIBs work with young people and also the family-SIBs aim to prevent that children have to go into residential care. 38 out of 46 SIB-funded projects work with young people or children. Table 5 illustrates the target population and cohort size of different SIBs across the globe while putting special emphasis on youth SIBs. Note that the term 'target population' should not be confused with the more specific cohort definition. Target population refers to all the individuals of a region or a country that would be eligible for a SIB-funded project theoretically. In contrast, a cohort is a group of individuals that eventually participate in a project.

[17] 'NEET' stands for 'Not in education, employment, or training'. The term is often used in the context of project development in order to categorize vulnerable young people which are considered at-risk of falling into a period of unemployment, not in education or training (DWP: 4-5).

Table 5: Characterization of target population and cohort size of different SIBs across the world.[18]

Location	Social Issue	Target population	Cohort size
Peterborough, England	reoffending, recidivism	male, 18y+, short-term (<1y) sentence, released from prison	3'000 (1'000 annually)
London, England	homelessness	rough sleeper	831
Manchester, England	children at risk of going into care	11-14y male/female	1st y: 8; 2nd y: 16; 3rd: 95
Rikers Island, New York	reoffending, recidivism	16-18y male prisoners	4x2'500=10'000 (2'500 annually)
Utah, USA	early childhood education	3-4y male/female lower-class children	3'500, 5 cohorts
Massachusetts, USA	reoffending, recidivism	17-23y 'at-risk' young men on probation or leaving prison	929 (with the option of adding 391)=1'320
Brussels, Belgium	integration of young migrants	18-30y male/female non-EU migrants	180
Augsburg, Germany	youth unemployment	<25y male/female	limited information
New South Wales, Australia	children in out-of-home care	families with min. one child < 5y,	700 families

Note: The data in this table are from Cabinet Office 2 – Case studies.

An interesting point here is that projects differ in the size of cohorts. While the Manchester SIB, for instance, works with around 100 individuals, a SIB-funded project in Utah is reaching out to over 3'500 children. The strong emphasis on adolescents and children, which are often categorized as NEETs, is a major concern of the government with respect to the current fiscal situation and the austerity measures which is meant to hit those individuals even more: "The increasing number of young people who leave school and do not enter further education, training or enter employment is a major problem across the UK, intensified by the current recession" (The Young Foundation 1: 25). NEETs are more likely to "experience unemployment, have a criminal record and have mental/physical health difficulties […]" (Social Finance 6: 5).

5.2.2 Outcome metric

A centrepiece of a Social Impact Bond is the definition of outcome metrics upon which the intervention is evaluated. These outcome metrics are specified in the SIB-contract between the commissioner and the bond holder (e.g. an intermediary organization). Outcomes metrics function as an absolute benchmark for the service provider but also represent the basis for the future outcome payments to the investors. Often, SIBs are promoted with regard to the shift

18 For more details of specific SIBs used as examples in this analysis see Appendix I in which a complete list of planned and operating Social Impact Bonds is provided.

from input or activity metrics to the more popular measurable outcome metrics. In the course of social sector transformation and rationalization in order to save costs and drive up efficiency, the use of measurable outcome metrics is a crucial step with many consequences (Social Finance 1:13). The definition of an outcome metric, which is closely tied to the social issue concerned, needs to respect several criteria:

1) In order for it to be valued and transformed into a system of outcome payments, a suitable outcome metric should be clearly defined and measurable. Its definition has to guarantee that an achievement by chance is impossible (American Progress 4). Additionally, the metrics should be linked to cashable savings accruing to the government (Social Finance 8: 11).
2) The outcomes have to be qualitatively shaped in a way that an objective, transparent and independent measurement system can identify the degree of improvement (Social Finance 1: 41).
3) An outcome metric needs to be linked to the improvements the commissioner wants to achieve and needs to incentivize "a service that ultimately improves outcomes for those who use it" (Social Finance 8: 11).
4) The outcome metric should be defined in a way that prevents perverse incentives and requires to work with all individuals (Social Finance 5: 18).

Various *types* of outcome metrics are used in operating SIBs. The different characterization is due to the varying social issues and intervention groups that are part of a project:
-**Multi-dimensional outcome metrics**: When the needs of a group are very complex, as for example in the case of children at the edge of care (Essex SIB), SIB developers may use a basket of outcomes in order to address more than one need. The Essex SIB is a good example for a sophisticated outcome metric that consists of one primary outcome metric, 'number of saved care days averaged over the cohort', and three flanking outcome metrics (school performance, n° of offending, emotional wellbeing) which are designed to prevent perverse incentives (Social Finance 8: 12). In this project, the use of flanking metrics ensured that the intervention is not only targeted to keep an adolescent out of care for anything (and therefore preventing care entry when this would be the best option), but that it is also tied to indicators of wellbeing, school performance etc. which allow the establishment of a more nuanced impact measurement (Social Finance 8: 12).
-**One-dimensional outcome metrics**: A second type of SIBs uses a single outcome metric against which performance is evaluated. This was the case in the Peterborough pilot where the 'number of reoffending cases' of the intervention group during a period of 12 months was compared to the performance of a control group. The commissioner, the Ministry of Justice, was

obliged to activate outcome payments if a reduction in reoffending events of at least 10% generally, or 7.5% averaged across the three cohorts, occurred (Cabinet Office 2 – Case studies).

-**Binary outcome metric:** The distinction of a binary and a frequency outcome metric concerns the quality of the outcome metric, regardless of it being one-dimensional or multi-dimensional. A binary outcome metric measures whether an event occurs or not and takes this as a basis for success or failure. For example, an individual who reconvicted only once is automatically counted as a fail for which no payments have to be made. Although it is seen as a "clear-cut option", this measurement is criticized because it disproportionately weights a one-time reconviction versus other positive effects of an intervention, which would be ignored. Instead, SIB developers prefer frequency measures (Social Finance 8: 13).

-**Frequency outcome metric:** This type of metric, as opposed to the binary metric, defines the frequency of a special event as the outcome. The number of a specified event is counted and compared. In Peterborough, this was for example the "reduction in number of days spent in care by the target group" (Social Finance 8: 13). Frequency metrics incentivize service providers to keep on working with the whole target group regardless of whether they had reoffended or entered in care, or not (Social Finance 8: 13).

-**Subjective metrics:** In order to facilitate measurement, most metrics are hard metrics. However, some outcome metrics show some subjective aspects. In the Manchester SIB, one of the outcomes was "young person achieving wellbeing (incl. school attendance, reductions in anti-social behaviour)" (Cabinet Office 2 – Case studies) and the ten SIBs of the Department of Work and Pension, which have a similar metric ("improved behaviour at school, stop of persistent truancy" etc.), involve so-called 'school improvement letters'[19] in which a school teacher confirms an improvement in an outcome with his or her signature (Department for Work and Pensions: 21).

Table 6 presents a few outcome metrics of selected SIB-projects in the UK, the US and Canada:

[19] School improvement letters resemble contracts in which a teacher confirms a behavioural improvement or a stop of persistent truancy. The letter functions as an evidence for further outcome payments (DWP: 21f.).

Table 6: Outcome metrics of seven Social Impact Bonds.

Name/ Location	Social Issue	Outcome metric(s)
Peterborough	reoffending	-number of reconviction events over 12months after release from prison (threshold: 10%)
DWP SIBs	disadvantaged young people	e.g.: improved school behaviour, stop of truancy, achievement of First NQF Level 1&2, entry into first employment
Essex	children at risk of going into care	-reduce the average number of care days over the cohort
IAAM Adoption	hard to place children	-registration -placement -one year in placement -two years in placement
London Homelessness SIB	homeless people	-n° of the cohort seen sleeping out -n° of people moving to settled accommodation -n° finding accommodation in home country -increased employment -decreased the use of Accident and Emergency services
Saskatchewan	children at risk	-number of children who lived with their mother in the EGADZ Saskatoon Downtown Youth Centre staying with their mother at the project's end
New York State	reoffending	-employment calculated as difference of percentage difference of positive earnings (threshold: 5% increase) -recidivism resp. prison days (threshold: 8% reduction)

Note: The data in this table are from Cabinet Office 2 - Case studies.

Overall, this table indicates a variety of outcome metrics throughout the social issues and geographies of Social Impact Bonds. Most SIBs rely on a multidimensional outcome metric, as it better reflects changes in the course of an intervention. Particularly the ten Department for Work and Pension SIBs consist of a large number of outcome metrics based on a subjective measurement system. After all, it is the social issue at hand that determines the outcome metric. SIB-funded projects in the field of recidivism tend to use frequency metrics whereas in the case of education and childcare-SIBs multidimensional, binary metrics seem to be more appropriate.

5.2.3 Cohort baseline

The definition of outcome metrics is often complemented by the establishment of a measurement framework including a benchmark, more specifically a cohort baseline, in order to evaluate the impact of an intervention. A measurement framework is required in the project evaluation that eventually decides over failure or success. In most cases, it is based on the comparison of the performance of the cohort with that of a control group. Benchmarks are defined in a way that enables them to reach statistical significance, so that the improvement of a social issue can be clearly attributed to the intervention[20] (MoJ 2: 11).

The outcome of an intervention is tested against the benchmark to identify success or failure. The benchmark is set with respect to the outcome valuation, which signals the benefit of a SIB intervention in comparison to the absence of such an intervention: "Once a benchmark is established the outcomes achieved by the target group can be compared and the difference measured" (Social Finance 8: 13). The following three types of benchmarks are applied:

1) Historical benchmarks: This evaluation strategy uses historical data of a similarly composed group of people, usually named 'comparison group', to determine the outcomes of a SIB intervention. Normally, in order to assemble a comparable group, the historical baseline group is made up of people who would have been eligible for the SIB-funded project (had it been available). The outcomes of the intervention group are compared with the performance data of the fictitious historical group of people. Subsequently, the difference is then attributed to the intervention. An advantage of this method is that people in the comparison group still are eligible for the intervention group (Social Finance 8: 13).

2) Pre- and post- intervention measurements: In SIB-funded programmes with outcome measurements such as well-being measurement or educational questionnaires, the benchmark can be based on the comparison of pre- and post-intervention results in the same target group. This method, also known as 'distance travelled', is particularly suitable for SIBs where standardized questionnaires are available (Social Finance 8: 14).

3) Living control group: A majority of SIBs are using a contemporaneous control group (not receiving a service) as a way to measure performance outcomes. The control group should reflect the intervention group as good as possible with respect to its characteristics (e.g. age, gender etc.) and the socioeconomic context (Social Finance 8: 14). In the Peterborough SIB, the first 1000 prisoners were measured against a control group of 10'000 prisoners (The Guardian 6). The mean number of reconvictions, derived from the Police National Computer, are measured for the total of the cohort members and compared to the average number of reconvictions in the control group. The difference is then attributed to the SIB project (MoJ 2: 11).

The construction of a control group is subject to difficulties because control groups need to be constructed in a way that a statistical comparison with the intervention group is possible. In the Department for Work and Pensions SIBs, SIB architects used a Randomized Control Trial (RCT)

[20] In the Peterborough SIB, the construction of the 10% benchmark of reduction in reoffending events based on a statistical test with the historical data on reconviction events of a 1:10 matched control group (=10'000 individuals) using a 90% level of significance and a power of 80%. This implies that a reduction of 10% hardly can be attributed to other circumstances than the intervention (MoJ 2: 11).

to randomly distribute adolescents suitable for the planned intervention (Multi-Systemic Therapy) to the intervention group or the control group (Social Finance 8: 14). In the Peterborough SIB, an RCT was not possible because programme developers openly advertised the pilot in the prison and did not want to arbitrarily exclude prisoners by randomizing them (SSIR 1). Instead, they used 'Propensity Score Matching' (PSM) to select prisoners from other institutions which have the same 'propensity score'. The propensity score identifies "what indicators have historically correlated with eligibility for the treatment (propensity to be eligible)" (SSIR 1). Another popular method is the 'regression discontinuity' design, which evaluates outcomes of individuals "just below" and "just above" the threshold and compares them to the outcomes of the intervention group (Harvard Kennedy School 2: 19). This evaluation process is often carried out by an independent external company or a university institute (The Guardian 2).

5.2.4 Interventions and therapies

At the level of service provision, a SIB-funded project can be based on a specified intervention model with an evidence base (defined in the contract between intermediary and service provider), or it is up to the service provider what kind of intervention is considered as promising for achieving the social outcomes. In essence, a SIB can either test an innovative approach or it can rely on the evidence of a previously tested intervention in order to maximise the impact. It depends on the specific circumstances (cohort, region, social issue) of a SIB whether a proven or an untested intervention model is preferred (Cabinet Office 2: 19).

According to Ministry of Justice, a general strength of a SIB is reflected in the fact that service providers do not need to specify the applied intervention in the SIB contract. This would enable them to apply a new, experimental approach in order to flexibly address the diverging and individual needs of the cohort members (MoJ 2: 18). This practice does also correspond to the promise of SIBs as being a tool to 'scale what works' or 'test what works and what does not' (compare section 7.2). Therefore, testing unproven but scalable models or applying already tested models is favoured by some promoters which oppose locally tailored solutions (Social Finance 3: 9).

However, from a mainstream investor perspective, the use of a specified therapy based on evidence is a fundamental prerequisite in terms of risk-return assessments because hardly any financial institute would invest in an untested intervention that is running on an experimental base (McKinsey 1: 7). Risk of failure can be reduced, in the eyes of investors, if a model was successfully tested or if, more significantly, independent scientific research confirms its efficacy (Cabinet Office 2: 19). In terms of impact assessment prior to the start of a project, tested models are considered more reliable and easier to manage (Social Finance 2: 20).

In contrast to the use of specified intervention models, service providers which apply an individualized and customized model can benefit in terms of flexibility. As in the Peterborough SIB, the One Service (service provider) did not have a predefined intervention model but adopted a “pragmatic and client-led approach” (MoJ 2: 1). That way, a service provider can maintain flexibility for the provided services and respond to individual needs of the cohort (MoJ 2: 48). Intervention models can also be changed during the project “to ensure offenders’ needs are met” (MoJ 2: 1). By using a client-focused model with different interventions, SIB developers acknowledge the local circumstances and the cultural, societal and biographic backgrounds (Social Finance 8: 16).

Table 7 presents intervention models of six Social Impact Bonds with respect to the social issue. As a lot of SIBs work with adolescents or children, intervention models with an emphasis on behavioural correction are widespread.

Table 7: Intervention models of six Social Impact Bonds.

Location	Social issue	Intervention model	Intervention points
Peterborough, England	reoffending, recidivism	client-focused, individual	housing and employment assistance, drug/alcohol treatment, mental health support, parenting
Essex, England	young people at risk of going into care	evidence-based: Multi-Systemic Therapy (MST)	parenting, rebuilding family relationships
Manchester, England	children at risk of going into care	evidence-based: Multi-Dimensional Treatment Foster Care (MTFC-A)	parenting, build up education skills, support pro-social relationships.
New South Wales, Australia	children in out-of-home care	New Parent and Infant Network (Newpin)	parenting, behavioural therapy
Rikers Island, New York, USA	reoffending, recidivism	evidence-based: Adolescent Behavioural Learning Experience (ABLE)	improvement of personal responsibility, decision-making, reduce school dropout rate etc.
Massachusetts, USA	reoffending, recidivism	service provider’s best practice (track record)	cognitive behavioural intervention model

Note: Adapted from Cabinet Office 2 – Case studies.

5.2.5 Financial modelling

Each SIB requires financial modelling or a “value-for-money case” (Social Finance 8: 18), which includes an outcome valuation (how much cost savings accrue to the commissioner’s budget), the calculation of current costs the target population is causing, the cost of an intervention, and an estimation of investor returns (Social Finance 8: 19). After all, a financial model is used to elaborate a framework for the outcome payments a commissioner is due to the investor. As figure 2 shows, a successful intervention is meant to have a certain impact on the budget of a government. Generally, a successful SIB service is projected to result in substantial cost savings as long as the intervention has a sustainable positive effect on the future life of the cohort members (which is considered as given). A part of these savings, however, are used for the outcome payments for the investors, which consist of the intervention costs (identical with principal investment, or the upfront working capital for the service provider) and an investor return (depending on performance). Thus, SIBs only work well when intervention costs plus fixed costs to achieve the target outcomes are substantially lower than the outcome value (Social Finance 8: 19). Figure 2 shows a possible value-for-money calculation:

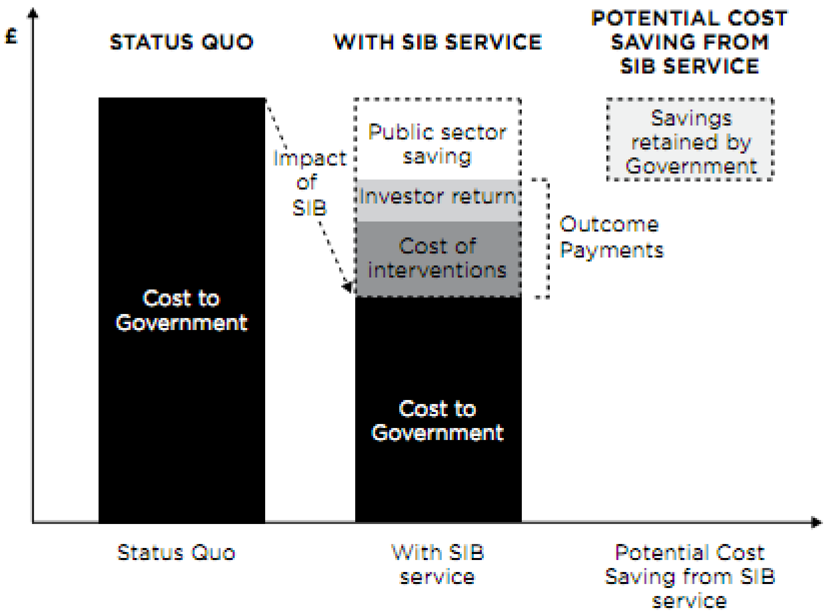

Figure 2: Value-for-money calculation (adapted from Social Finance 8: 18).

In essence, the impact valuation of a SIB starts with the quantification of the average cost an individual is causing without intervention (e.g. a two year placement costs averaged for an individual). An essential feature in the development process is the estimation of the value a set of outcomes represents: “It requires identifying the full cost to society of the issue being addressed. This price can be based on the historical cost of delivering outcomes. Alternatively, it may purely be based on future cost benefits […]” (Bridges Ventures 2: 17). In some SIBs, a deadweight component is calculated which reflects the change in an outcome that would have occurred without intervention. This is a way to save commissioners from paying for an outcome that would have occurred even in the absence of an intervention (Social Finance 5: 28). The IAAM Adoption SIB and the Saskatchewan SIB are examples where deadweight is assumed to be zero. Promoters of this SIB argue that, without the intervention, a child would not have found a placement (Adoption SIB), or would end up in foster care respectively (Saskatchewan). Therefore, both SIBs operate without a counterfactual group (Cabinet Office 2 - Case studies).

The outcome payment structure is another important component of the SIB design. It aligns the programme's achievement with tariffs for successful outcomes and indicates when these payments are due to the investors (Social Finance 8: 23). The currently operating SIBs apply two sorts of payment mechanisms:

-**General outcome payments:** This type reflects a system in which investors are paid at the end of a phase, according to overall results. Payments are due only when an external evaluator attests the success of a project, respectively when the predefined performance targets are met. As in the Peterborough SIB, outcome payments will be activated in correspondence with the achievement of one specific outcome: a significant reduction in the number of reoffending events with respect to a control group. In the contract, the benchmark was fixed at a minimum of a 10% reduction in reoffending events for each cohort from the baseline comparison group, or a reduction of at least 7.5% across the three cohorts together (at the end of the whole project) (MoJ 2: 12). The commissioner accepted to pay a value (undisclosed) for each reduced event once the benchmark is reached (maximum outcome payments were capped at £8m (=13% internal rate of return)) (Cabinet Office 2 - Case studies).

-**Milestone payments**: A range of SIBs include milestone payment structures that oblige the commissioner to pay investors for the achievement of milestone outcomes by each individual. Milestone payments are made while a SIB is still in operation. Obviously, this is the case where multidimensional binary outcome metrics are used, e.g. in the IAAM Adoption SIB. Payments in this example are paid right away in accordance with the achievement of these four staged milestone outcomes (Cabinet Office 2 - Case studies):

1. Registration (acceptance that there is a deliverable plan for the child between non-profit organization and local authority): £8'000 each
2. Placement (child found a family): £23'000 each
3. One year in placement: £6'800 each
4: Two years in placement: £15'800 each

Direct payments are manageable for the commissioner, particularly when the project is intended to reduce the number of care placements. As care placements are spot-purchased by the government or local authority, any reduction in its number is immediately cashable (Social Finance 8: 19).

The existence of these different payment frameworks represents the dilemma of the measurement period and the payment timing. The duration of a SIB is a function of both the short-term repayment claims coming from investors and the need for statistical evidence, which is more robust for a longer measurement period. In the end, the duration of SIB-funded projects is determined in order to meet both claims (Cabinet Office 2: 25). Milestone payment mechanisms, however, provide a solution to these problems as they allow paying for achieved services right away and, in doing so, help keeping the cost of capital low “as earlier payments from the commissioner can be used to cover the cost of later service delivery […]” (Cabinet Office 2: 26).

5.2.6 Performance management and risk transfer

The logic of a SIB is predicated on risk transfer and performance management which incentivize the investors and service providers to seriously manage an intervention. In a Social Impact Bond, the implementation risks of a project as well as the financial risks are transferred from the government or commissioner to investors. As this is the case in a typical payment-by-results project, the commissioner of a SIB is not going to pay the investors, if a SIB programme does not achieve its performance targets. Thus, investors lose their principal which they directed to the service provider previously to the intervention. This enables governments to test out new approaches from a distance.[21] Expert 4 suggests that “another appeal of SIBs [is] that it allows the social sector to test new innovative ways of tackling social problems but then, at the same time, the government is not held accountable” (Expert 4: 83). As this statement suggests, the risk transfer is not only about testing new things, but also about the issue of an accountability shift to the investors and service providers. For the government, this is considered as a win-win situation. The “risk of intervention failure” can be transferred to investors, but the tools “for the continuing adaptation and improvement of services” can be kept (Social Finance 1:11). Consequently, a risk transfer is not equivalent with the loss of control.

Risk transfer is a key measure for performance management. Since the investment is at risk and since investors want to recuperate their principal plus return, they are incentivized to influence in a performance improving manner (Big Society Capital 1: 9). Performance management in a SIB can either be executed by a separate Performance Manager, composed of representatives from the investor group and the intermediary, or can be handed over to the investors themselves. Performance management ranges from simple data collections to a close management of the provider’s provision (Big Society Capital 1: 10). Often, a separate special purpose vehicle is responsible for the performance management enabling investors to place their representatives into the board of directors (Cabinet Office 3). Interviewee 5 stated that his firm would constantly

[21] Although also non-governmental institutions can be a commissioning body, this analysis assumes that the majority of Social Impact Bonds are issued by a governmental department or a local authority.

have one of its directors sitting in the board of the newly constructed SPV in order to steer the programme (Expert 5: 35). Investors hold an "important form of quality control" and require the service provider to "convince the private investors that their programme model and management team are likely to achieve the performance targets" (American Progress 1: 2). The monitoring, although incentivized by the searching of future profits, functions as a controlling mechanism and trouble-shooter that supervises the way service providers are working.

Interviewees reported that the constant reconfiguration of a SIB, more specifically its intervention model in the course of the performance management, is important: "[E]very day that the SIBs live, it's being constantly refined and iterated […]" (Expert 4: 34). Elsewhere, Expert 4 indicates that "we have a big emphasis on performance management where service delivery organizations have to record all of their data. […] And one of the advantages of the performance management is that you can kind of spot operational failures or problems before there's a huge financial deficit" (Expert 4: 34). Once a programme has started, the intervention model is supervised and controlled in order to modify it according to the needs of the intervention groups. As a SIB only focuses on the eventual outcomes rather than on the necessary process to achieve these outcomes, innovation in service delivery is absolutely welcome and required (Expert 3: 35). Intervention models, therefore, are exposed to a permanent optimization process by the management team as a means to maximise benefits and in the same vein to mitigate the risk for investors. As a consequence, performance management can be understood as a solution of the risk problem for the investors. It functions similarly to a control tool that optimizes and reconfigures service provision according to what the board of directors of the Performance Management consider to be the best.

5.2.7 Conclusion

Although SIBs are heralded as an entirely new way to work with in the social service sector, its features are not actually new. Rather, the blending of different concepts is seen as the real innovation:

> Thus the novelty of SIBs really lies in their ability to bring together a number of models that are already widely accepted in the social and financial sectors. In this sense, the SIB concept is not new; it is a hybrid of old concepts commingled in an innovative way (Social Finance 3: 44).

One condition of this hybridity is represented in the fact that SIBs incorporate payment-by-result characteristics as well as upfront funding for service providers, which entails a risk transfer from government to investors. The interplay of features as risk transfer, outcome metrics, performance management and track records are crucial for a full understanding of how a SIB works on a more

abstract level. The risk transfer, which is partially caused by the introduction of an outcome metric which is in turn tied to performance targets, is a key aspect of the functioning of a SIB.
On the one hand, the risky position of the investors incentivizes them to manage the performance of the service provision in order to optimize the social as well as the financial outcome (recuperating the investment plus a return). On the other hand, it is the reputational risk of failure that pressurizes service providers to find the most suitable solutions, to work with rigour and to coordinate their work with a performance manager.
Overall, the characterization in this chapter has also given an idea of the complexity and diversity of projects funded with a Social Impact Bond. The architecture of SIBs is based on a variety of different contracts between a commissioner, service providers, investors, evaluators, performance managers and sometimes even more stakeholders. This complexity of contracts requires, in most cases, an intermediary organization to structure and arrange the cooperation. With regard to the number of SIBs and their different contexts and forms, the claim of providing a holistic characterization is still a concern that needs more attention.
Table 8 sums up the most important components of a Social Impact Bond that were discussed above.

Table 8: Important components of a Social Impact Bond.

Intervention field (criteria)	strategic priority	bad outcomes historically	high expenditure	preventative focus	
Outcome metrics (criteria)	objective, transparent, independent measurement	link to the desired improvements and cashable savings	no perverse incentives		
Outcome metrics (types)	one-dimensional metrics	multi-dimensional metric	binary metrics	frequency metrics	subjective metrics
Cohort baseline (types)	historical benchmarks	pre- and post-intervention measurements	living control group		
Intervention model (types)	evidence-based intervention	innovative intervention	individualized, flexible intervention		
Financial modelling (steps)	outcome valuation	calculation of current costs (status quo)	cost of intervention (investment)	estimation of investor return	
Outcome payment model (types)	outcome payments after evaluation	milestone payments			

5.3 The financial architecture of Social Impact Bonds

The relatedness of SIBs with practices of finance capitalism is not surprising since Social Impact Bonds were constructed in order to facilitate social investment for social services. The purpose of this chapter is to analyse how Social Impact Bonds are structured with respect to financial aspects and how they relate to conventional practices of financial markets. A first section is dedicated to the debate about the terminus technicus of SIBs which tries to clarify the misnomer 'bond'. The second part describes the SIB value chain and the functioning of the cash flow. Thirdly, some examples of the risk-return discussion are being provided alongside the presentation of de-risking strategies in currently operating SIBs. The dilemma of short-term returns and sustainability of impacts is discussed in the fifth section.

5.3.1 Not a bond, not equity: confusion around terminology

> This instrument is not really a bond at all but behaves more like equity (Economist 2).

Even though the name 'Social Impact Bond' alludes to a traditional 'bond' investment, its functioning differs from a traditional bond. Typically, a bond investment is characterized as a debt investment which involves a fixed rate of interest and guarantees that the bond holder will regain the invested capital at a specific date (Metzger & Heldt 2015). While Social Impact Bonds have a predefined and limited duration, there is no security that investors recuperate the invested money. Moreover, only a few Social Impact Bonds offer the possibility of earning a fixed annual return (e.g. IAAM Adoption SIB). For some, the designation as 'bond' results in confusion and misunderstandings about the qualities of a SIB. The consulting firm McKinsey tries to clarify: "It's not a bond: Investors and others still struggling to wrap their heads around SIBs are distracted and confused by the word 'bond,' which is a misnomer" (McKinsey 1: 54). A major concern is that this misnomer alludes to a typical financial investment while the instrument has other qualities beyond financial gains. For discussions between investors and commissioners, this could be a source of problems, as Social Finance states: "Several others expressed a specific concern about the current terminology, arguing that the term 'bond' is distracting at best and misleading at worst, especially in conversations with potential investors" (Social Finance 3: 33). With regard to the goal of attracting mainstream investors and not only social investors, SIB architects are making an effort to be specific about what a Social Impact Bond really is. With respect to the high diversity of payment models, financial architecture, evaluation models etc., finding a name that meets the fundamental principles of a SIB is not an easy task. But due to this ambiguity, the capital markets are not showing much interest in SIBs, it is believed.

Overall, two designations considering the special qualities of Social Impact Bonds are common. A first group describes SIBs as a form of equity-like investment. The use of quasi-equity investment is a common type of social investment and represents a combination of equity and debt investment. Often, young social enterprises use them because the amount of return depends on performance and can be capped by the bond issuers (Cheng 2008: 3-6). SIBs involve similar features:

> SIBs share features of both debt and equity. The instrument has a fixed term and the upside is capped, but, like equity, returns vary based on performance and investor bear a higher risk of losing their principal. Moreover, these investments are not secured by hard assets or cash flows […] (Social Finance 3: 17).

A main difference to a financial bond, however, is the risk profile and the fact that repayment is determined by the achievement of specified targets: "[R]returns are contingent and will vary according to the successful delivery of pre-agreed outcomes. This […] makes the risk profile of SIBs more akin to equity or quasi-equity" (Bridges Ventures 2: 11). An exception is the IAAM Adoption SIB where investors receive 4% fixed yields annually as the performance targets are constructed as milestone targets that need to be reached. Additionally, the return rates (e.g. up to 13% in Peterborough) reflect the equity-like character of a SIB.
Another designation emphasizes the contractual character in order to avoid the complex financial jargon. By bypassing a financial definition, some advocates try to play down the complexity of a SIB and deny its financial characteristics: "SIBs are not bonds or debt instruments but rather multistakeholder partnerships managed through a series of contracts" (McKinsey 1: 13). Similarly, Social Finance avoids the financial terminology and proposes instead to "ignore the 'bond' in social impact bond and think instead of a social impact bond as a contractual relationship between the government and an external organisation" (Cabinet Office 2: 5).
Regardless of this various attempts to clarify the misnomer 'bond', there is still a lot of ambiguity behind this classification. For some, emphasizing the financial side seems to have a priority, while others avoid a financial terminology (and even deny that they are debt instruments) and focus instead on contractual features. It is questionable, however, whether an instrument which appears in so many forms and qualities can be correctly labelled without missing important aspects. After all, Social Impact Bonds are a complex contractual arrangement between several stakeholders. Still, they involve characteristics of both equity and bond investment which should not be neglected for a discussion on financialization. The importance of this becomes visible in the value chain of SIBs, which is outlined in the following section.

5.3.2 The Social Impact Bond value chain

As presented before, the currently operating SIBs are very diverse in their structure. It is argued here that the financial architecture of Social Impact Bonds bears resemblance with the financial logic of conventional investment vehicles. This holds true, not only for considerations in terms of risk-return and de-risking strategies (this issue will be discussed later on), but also in the imagining of SIBs as value chains endowed with financial intermediaries and special purpose vehicles.

The use of special purpose vehicles in SIBs is due to the complexity of its contractual arrangements. Often, this entity is comprised of representatives from the investor group(s) (Expert 5: 13). As shown earlier, they organize the cash-flow and are, in most cases, the contractor with the commissioner. This is important with respect to power relations, especially "when there are multiple investors and providers as it mitigates the need for each party to contract individually with one another" (Cabinet Office 2: 17). Thus, an SPV is a way to clarify the role of each party and to simplify the collaboration. However, a lot of information and power is bundled within this entity. This is of strategic importance: First and foremost, the influential position of an SPV allows it to make strategic decisions with regard to the service provider(s). This is highlighted by Big Society Capital: "Structures that enable flexibility are highly preferable, particularly in relation to being able to *add/remove delivery bodies* or performance managers" (Big Society Capital 1: 3). Therefore, a special purpose vehicle addresses this claim for flexibility by opening up the possibility of removing a service provider, if its performance is not accurate.

Another central issue that adds an emphasis to the imagery of SPVs as a powerful entity in a SIB concerns the control of the money flow. Often, a special purpose vehicle is responsible for this task as it receives:

> incoming investment from funders and act as the lead organisation responsible for ensuring the delivery of the intervention programme. It would pass the funding to contracted delivery agencies and manage the contracts with each agency to monitor their performance. It would also receive payments from the payer, based on the success of the interventions, and pass these back to funders (The Young Foundation 1: 5).

A special purpose vehicle occupies a central position in the governance of a SIB, as the quote above suggests. They collect investments, distribute it to service providers. Further, they are involved in performance management and are responsible for directing the outcome payments to the investor group(s). An example of this type of SIB is the Triodos Horizon SIB in the Greater Merseyside area, as Figure 3 illustrates.

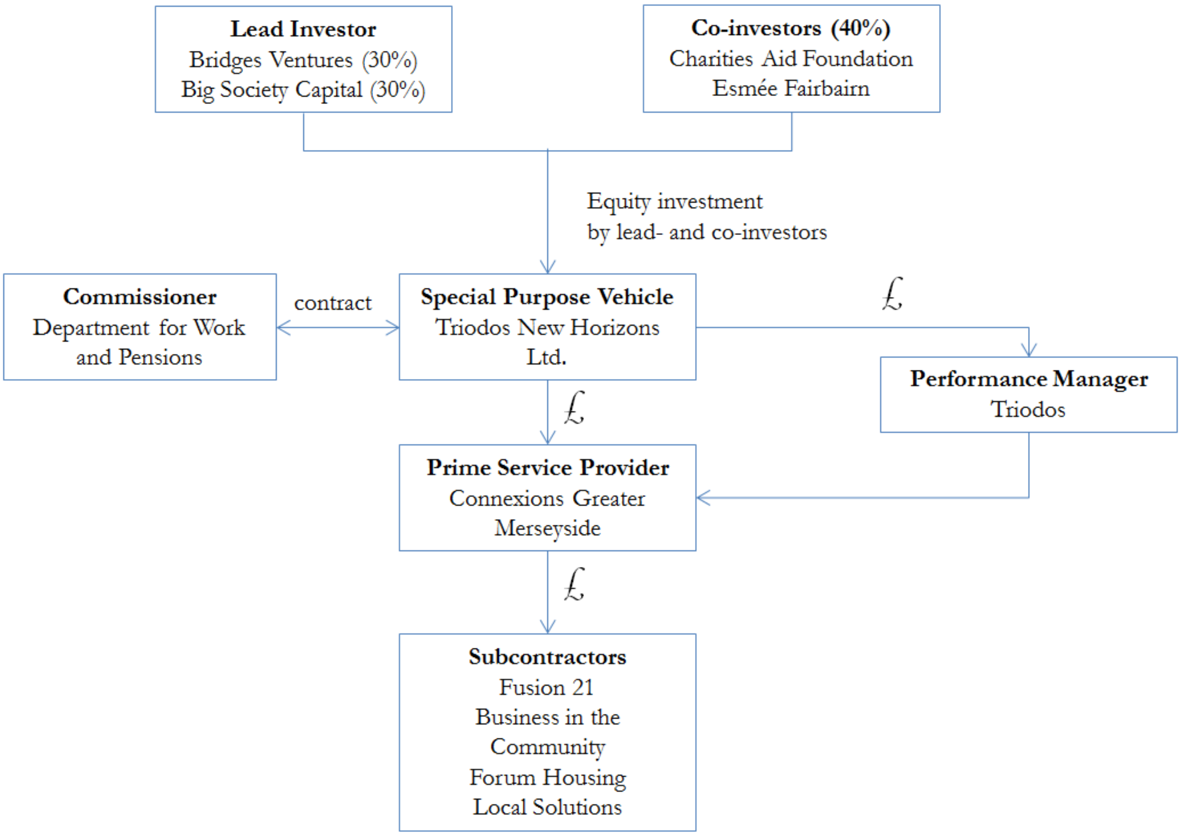

Figure 3: Financial architecture of a Social Impact Bond (own representation, information adapted from Bridges Ventures 2: 21, and Expert 2).

Lead investors and co-investors buy equity into a special purpose vehicle, in this example Triodos New Horizons Ltd., which also holds the payment-by-results contract with the Department of Work and Pensions. Triodos New Horizons Ltd. is taking the risk and diverts the collected investment to the set of service providers and subcontractors (Expert 2: 13). This SPV consists of a board of directors set up by delegates of the different investors who organize the management of the SIB: "[T]he new company that we set up will have a board of directors to manage it and we will always appoint one of our team to be one of the directors sitting on the board to help to stair the programme" (Expert 2: 33). In the example of the Triodos New Horizon SIB, the SPV pays a performance manager to administer the contract and the performance. Unlike a simple intermediary, a special purpose vehicle allows service providers to make an "equity investment into the SIB and therefore sharing in the delivery risk of the intervention", as the non-profit organization St. Mungo did in the Greater London Authority Homelessness SIB (Big Society Capital 1: 8). A service provider that invests in its own performance can also benefit from its work and receive financial returns. However, by doing so, service providers are sharing part of the risk: "[T]he main service provider(s) may also invest in the SPV to bear some of the performance risk associated with the project – and share in the potential rewards of success […]" (Cabinet Office 1).

The example of the Triodos New Horizons SIB represents a more financialized and complex form of Social Impact Bond compared to forms of direct-contracting SIBs in Peterborough or Essex.[22] Some authors criticize, however, that by using intermediated structures a SIB eventually becomes a case for overblown bureaucracy which leads to increased budget pressure for governments rather than cost saving (Cohen 2014). Contrariwise, McKinsey justifies the additional costs caused by the participation of intermediaries, evaluators and assessors with enhanced quality: "[T]he SIB structure is designed to add value as well. The oversight and support provided to a SIB-funded programme is intended to boost quality and performance […]" (McKinsey 1: 16). More important for the analysis of financialization is the key role of financial intermediaries or special purpose vehicles. The financial structures presented above demonstrate the influence of an intermediary in the SIB governance and its central role of shaping investment according to financial logic. The shareholder value, as mentioned in the theoretical approach, is one example of how the architecture of a SIB is transformed and adapted to practices of the financial market.

5.3.3 Risk, return and de-risking

Risk-return

A major issue in the financial architecture of Social Impact Bonds is the evaluation of risk and return. In the context of financialization theories, risk-return assessments play a crucial role in the valorisation of new income streams through investment banks. The "remake of assets so that they are tradable" (Leyshon & Thrift 2007: 110) is based on a prospect of future returns and possible risks. Risk assessment remains a tough field for financial institutes, particularly when considering projects that work with ex-prisoners, vulnerable teenagers, homeless people or other people with social problems. The risk-return debate in the SIB market is crucial for proponents, as the risk-return profile of a project determines the interest of commercial investment banks in a SIB-investment.

A recurring complaint of SIB promoters was that risk-return profiles are still not appropriate to the requirements of commercial investors, which is seen as a reason for their reluctance to engage with the market. When asked about the main challenges for the development of the SIB market, Expert 4 repeatedly complained about the risk aversion of major investment banks and the need

[22] A direct contracting SIB does not involve a special purpose vehicles or an intermediary organization. In this case, the service provider or investors are the bond holders and are directly connected to the commissioner (The Young Foundation 1: 10-11).

for more risk capital in the UK: "For me it's actually investors being too risk averse […]. I think there's still some wariness about widening risk capital and I see that as a big challenge" (Expert 4: 89). According to Big Society Capital, "mainstream institutional investors have not invested in SIBs in the UK as the risk/return profile, lack of scale and track record remain key challenges to their involvement" (Big Society Capital 1: 3). This statement shows that the discussion of risk and return, amongst other things, is closely related to the vision of connecting the SIB market with global capital markets and attracting mainstream investment banks. For many, it is a question of time until risk-return becomes adjusted so that commercial investors become interested in the UK market. Bridges Ventures states that "over time, they [commercial investors, MW] may also recognise a compelling financial reason: although risk-adjusted returns will become clearer as this first wave of SIBs matures, it is possible that SIBs will prove to be an investment opportunity capable of delivering attractive risk-adjusted financial returns" (Bridges Ventures 2: 34). For Nick Hurd, British Minister for Civil Society, a crucial concern remains the question of returns "that investors will demand if SIBs are to attract serious amounts of money" (Economist 4).

This brings us to a further controversial issue: the question of investor returns and risk capital. Against the backdrop of an allegedly high failing rate of SIBs, the Center for American Progress sees the capped return rates in the US as an obstacle for further development. Not only the risk profile needs to be adjusted, but also the rate of return needs to be reconfigured. The claim for higher return rates is justified by the suggested high rate of failing projects. With respect to this issue Center for American Progress states:

> The most significant obstacle to making social impact bonds work is identifying interventions with sufficiently high net benefits to allow investors to earn their required rates of return. If one-third of projects fail, the annualized rates of return on the remaining projects would likely need to be more than 20 percent (American Progress 1: 3).

A glance at the United States, where Goldman Sachs is involved in several Social Impact Bonds, shows this call for higher returns and the refusal of return caps. Again, it is argued that a new financial innovation needs "substantial" returns in order to become a mainstream investment tool. Consequently, return caps are deemed as a barrier for further growth. Goldman Sachs argues in an article of *The Washington Post*: "[I]t is important for returns to be substantial –or at least, not artificially low. […] Alicia Glen, who heads up Goldman's Urban Investment Group, said that [the use of return caps, MW] would inhibit the growth of an asset class that already won't be the best performing of the bunch" (Washington Post 1). However, return rates do not seem to be as low as it is complaint. In the UK market, institutions as Big Society Capital and Social Finance expect returns to lie between 3% and 5%, targeting mid-single digits (Expert 4: 40). After all, in some UK-SIBs, investor returns can go up to a level of 12% in the Essex SIB, or

13% in Peterborough (Cabinet Office 2 – Case studies). In contrast, the New York Rikers Island SIB has return caps for maximum outcome payments at a level of $2.1m for an investment of $9.6m (The City of New York 2012). An even more striking example is a Social Impact Bond in Chicago in which investors (Goldman Sachs, amongst others) have the chance to receive maximum outcome payments of $30m for an investment of $17m (Sanchez 2014).

As opposed to the UK, the US market has already attracted the attention of commercial investment banks. Thus, some voices call for a restructuring of SIBs in the UK in order to make them attractive for all types of financial institutions, regardless of their institutional risk-return requirements. Social Finance, the most important UK SIB architect, wishes to restructure SIBs in order to "attract investors with a wide range of risk appetites, including foundations and the charitable trusts of high-net-worth individuals, as well as institutional investors" (Social Finance 2: 18). Again with respect to the US, these structures will probably consist of de-risking mechanisms. Social Finance as well as Bridges Ventures propose de-risking strategies as being the most effective way of making SIBs an attractive investment for institutional investors: "It is possible, however, that mainstream investors may participate earlier if SIBs are structured in such a way as to decrease the investment's downside risk" (Social Finance 2: 15; Bridges Ventures 1).

De-risking strategies

Generally, risk-assessments and de-risking strategies reflect the requirement of investment banks for predictable income streams. The desire for de-risking strategies has become more important throughout the evolution of the UK SIB market. This is a result of upscaling phantasies and criticism against the inappropriate risk-return profile that deters mainstream investors from investing. In addition, the discussion around de-risking in the UK is influenced by the example of American SIBs where de-risking strategies are already being applied and major investment banks showing increased interest (e.g. Goldman Sachs and Merrill Lynch). De-risking or risk-sharing, as an epitome of finance capitalism and practices of securitization (Leyshon & Thrift 2007), seem to be in the pipeline for future UK Social Impact Bonds as well (compare Bridges Ventures 1). Generally, the promotion of SIBs directed towards mainstream investors is the driving force behind de-risking practices as "[i]nvestment is most likely to be available at scale if: […] Investors could spread the risk of their investment […]" (Social Finance 1: 45). The US branch of Social Finance, for instance, suggests tiered capital structures with junior and senior investment tranches as a means to attract commercial investors:

> For example, a structure with senior and subordinated tranches could attract mainstream as well as philanthropic investors. A senior tranche could offer low-risk and fixed returns to institutional investors,

> while a subordinated tranche funded by philanthropic investors would function as a first-loss reserve. Various credit enhancement techniques may be applied in a single-tranche SIB or in combination with the tranche structure to lower the risk profile of the senior tranche" (Social Finance 2: 18).

The idea of a first loss layer is to protect the investment by more risk-averse players ('Finance First') i.e., by the aid of money from philanthropic institutions. McKinsey expect in a SIB guideline document that: "[i]nterest from Finance First investors will likely increase if SIB returns can be boosted by layering their investments on top of risk-absorbing, low-return-seeking philanthropic funding" (McKinsey 1: 39). The investment structure of the New York Rikers Island SIB is based on this tiered capital structure, with Bloomberg Philanthropies as a guarantor (see next section).

Although some people insist that in the UK SIB market de-risking mechanisms are not an option at the moment (Expert 1: 65), some Social Impact Bonds already include risk mitigation structures. A strategy that has already been adopted in the UK is the idea of staged milestone payments as, for instance, in the IAAM Adoption SIB in which payments are tied to the achievements of outcomes like registration, placement and placement stability. That is why this SIB "has a 'smoother' return profile as a result of an individual tariff […] and payments to delivery bodies being tied to the same milestones and outcomes as the outcome payments" (Big Society Capital 1: 9). The normalized risk-return profile and the staged payments of this project bring the Adoption SIB closer to a debt product which would allow trading it on secondary markets. Expert 5 thinks that these kinds of SIBs are "the ones that are the most likely to become tradable or the ones which can be traded as something more close to a debt product" (Expert 5: 41).

Performance management is another way of controlling the risk of failure during a project. This is especially important for SIBs without a clearly specified, evidence-based intervention model. In this case, a service provider and a performance manager can preferably focus on the outcomes and not necessarily on the process. This means that "innovation that happens through performance management can influence what we are doing to mitigate the risk" (Expert 3: 35). In other words, what make SIBs special is that investors or intermediaries constantly (and also legally) have the possibility to support service providers and to manage their performance in order to achieve the outcome targets. Moreover, as the improvement of a social issue is the primary goal, this kind of intervention is desired and not a secret at all. Thus, the special purpose vehicle is also responsible for the performance management which helps to control the risk of an investment and allows influencing the way in which a service is delivered.

5.3.4 Examples of tiered and guaranteed Social Impact Bonds

According to Bridges Ventures, 20% percent of currently operating SIBs, or six out of the seven largest SIBs, respectively, are using de-risking mechanisms like downside protection and risk tranches (Bridges Ventures 2: 29). However, only SIBs in the US and Australia apply de-risking strategies which are comparable to financial market practices. The New York Rikers Island programme, which is shown in Figure 4, is an interesting showcase for a Social Impact Bond including tiered capital structures and downside protection. As with the pilot project in Peterborough, this SIB-funded project, running from 2012 until 2017, works in the space of re-offending among young ex-prisoners from Rikers Island prison, New York (Cabinet Office 2 – Case studies). The Social Impact Bond was issued by the New York City Department of Correction and funded by Goldman Sachs, which invested $9.6m through a loan to the primal service provider MDRC. As a backup, Bloomberg Philanthropies guaranteed a sum of $7.2m in case of failure (Cabinet Office 2 – Case studies).

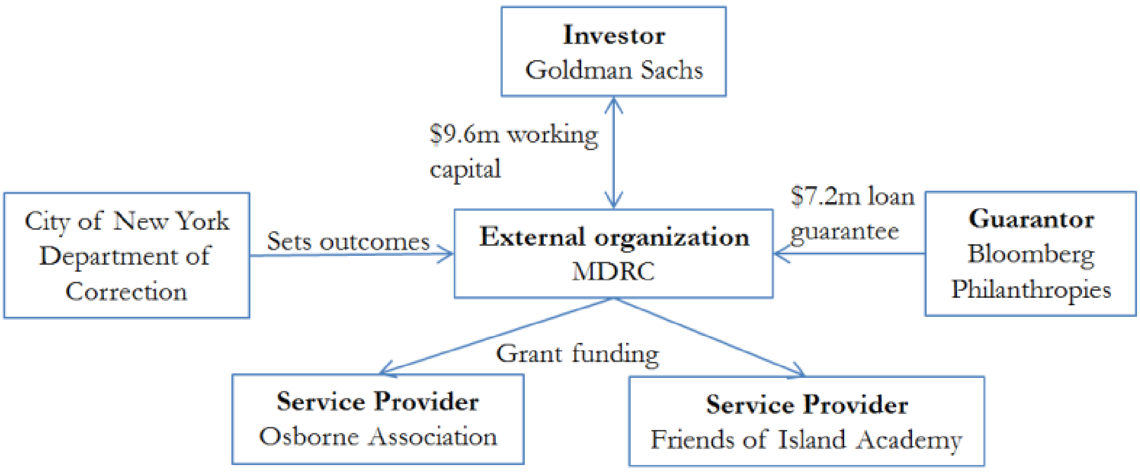

Figure 4: The New York Rikers Island SIB with downside protection (own representation, according to Cabinet Office 2 – Case studies.

In such a case of failure, Bloomberg Philanthropies would be obliged to pay Goldman Sachs via MDRC a sum of $7.2m. In this case, Goldman Sachs would only loose $2.4m in contrast to a maximum return of $2.1m (plus principal of $9.6m) if the programme succeeds best (if recidivism is reduced by more than 20%[23]) (Cabinet Office 2 – Case studies). This reflects a return of 22%.

[23] A reduction of 10% is the breakeven point with increasing returns until payment is capped from 20% reduction onwards (The City of New York 2012).

An example of a SIB with a tiered capital structure is the Benevolent Society SIB New South Wales, Australia. The programme was developed 2013 to provide family support and to avoid children from entering out-of-home care (Bridges Ventures 2: 29). The AUS$ 10m bond consists of a low-risk tier 'Class P' (AUS$ 7.5m) and a high-risk tier 'Class E' (AUS$ 2.5m). Class E investors can earn up to 30% return but face the risk of losing 100% of the principal investment if performance targets are not achieved. The money of Class P investors is capital protected by New South Wales Treasury (thus, the government shares a portion of the risk in this case) and the maximum return is capped at 10% (Bridges Ventures 2: 29).
A third noteworthy example is the 2014 Juvenile Justice Pay for Success SIB in Massachusetts. With US$ 18m, this SIB is the largest in the United States. The SIB offered two investment tranches: a junior tranche ($3m) with higher risk and an annual return of 2%; and a senior tranche ($9m) with lower risk and fixed annual returns of 5%. This risk-inverted risk structure allowed the buyer of the $9m senior loan tranche, Goldman Sachs, to get a bigger return at lower-risk (Bridges Ventures 2: 29). In light of these various risk-management strategies, the two investments made by Goldman Sachs seem to be quite a predictable income streams.

5.3.5 The duration of SIBs: Short term return versus sustainability of impact

A central issue in the designing process of the financial architecture of a SIB concerns the duration of a project and the moment of outcome payments. This point is especially important regarding the desire of proponents to connect the SIB market to global capital markets (compare 5.4.2). Thus, the arrival of commercial investment banks is not only tied to claims for de-risking strategies but also for short-term returns. The call for short-term wins contradicts the relatively long period between the start of a SIB-funded project and the final outcome payments. The theoretical approach on financialization showed that finance capitalism is confronted with an acceleration of transactions, which is also evident in the claims for short-term profits. The idea of "short-term share ownership" and the construction of "more sophisticated short-selling practices have allowed market intermediaries to profit from falls in prices of borrowed equities […]" (Pike & Pollard 2010: 33). Although SIBs require patient capital ("Many were drawn to the ability of SIBs to provide flexible, patient capital at scale" (Social Finance 3: 30).), some evidence shows that the SIB market has not remained untouched by an acceleration. The Young Foundation, for instance, calls for reasonable timescales and states: "SIBs are likely to be more attractive where return on initial investment is not too far in the future" (Young Foundation 2: 15). At criminal justice, following the argumentation, a quick payback is possible as most cases of reoffending, according to statistics, occur during the first two years" (The Young Foundation 2: 16). Similarly, Social Finance suggests reducing the timescale between intervention and payment:

> Investors would prefer to see a SIB that matures within a time horizon of around five years. Therefore there needs to be a tight timescale between intervention, measurement of impact and payment on outcomes achieved. […] The earlier the commissioner is able to pay money back to investors, the lower the 'cost of capital' investors will require (Social Finance 8: 19-20).

The problem of the cost of capital results in the need for higher returns for investors the longer the SIB is operating. Therefore, the right timing of outcome payments is a challenge for SIB developers, as this decides about its attractiveness for investors. A financial model that aims to solve this problem is the concept of milestone payments for the achievement of performance stages, i.e. the IAAM Adoption Bond or the Massachusetts SIB where investors are paid out annually. Nevertheless, the idea of short-term returns is hard to be reconciled with the paramount premise of SIBs to achieve a long-term, substantial impact, to work preventively, and to sustainably improve the life of target groups. This also raises another question related to the discussion about upscaling SIBs. One author questioned the sustainability of a SIB market:

> I also wonder whether a Bond Market can really think about long term solutions. Will investors be willing to wait 5, 10 or even 20 years to see transformative impact? Or will they only be interested in programs that can achieve benchmarks within 1 or 2 years? (Nonprofit Quarterly 4)

This rather rhetoric question alludes to a feeling of unease regarding the issue of having financial capital involved in the social sector.

In terms of the designing process, the choice of the duration of a SIB poses a dilemma to project developers which want to have both a sustainable impact of the programme as well as mainstream banks involved. However, SIBs are advertised as an instrument to use in social space in order to create long-term, sustainable social improvement and to provide preventive service to vulnerable people. Particularly the inherent prevention philosophy requires patient capital that does not have to be paid back immediately. Short-term turnover rates seem to stand in a contradictive relation to the promise of delivering a sustainable and effective service to vulnerable individuals.

5.4 A market for SIBs? Between upscaling and sustainability

With 31 operating or planned projects, Social Impact Bonds have become a popular funding mechanism in the UK. Regarding the institutional organization and architecture that support the development and procurement of SIBs, one can already speak of a Social Impact Bond market. Nevertheless, the future of this market seems to be a matter of controversy. This holds true especially for discussions about the scale of the market and the role commercial investors are meant to play in the future. The trade-off between the involvement of financial capital markets and the sustainability of interventions lies at the heart of this discussion. The following section provides an overview of the institutional setting and architecture of the UK SIB market, discusses the controversy about upscaling the market and presents the use of cultural stereotypes appearing in discussions around the UK and US SIB market.

5.4.1 The SIB market in the UK

Compared to other countries, the UK market is the most advanced in terms of social investment firms and intermediaries that are specialized in SIBs, but also with respect to the number of operating projects. The UK government is actively promoting and expanding the UK social investment market (HM Government 2) and thus has established a variety of social investment funds which are meant to support the growth of this market. Apparently, also the SIB market benefits from this financial infrastructure which supports outcome payments for successful project.

The private sector

The UK SIB market is dominated by a handful of institutions which are involved in most SIB-funded projects today. One of them is Big Society Capital (BSC), which was created by the Coalition Government in 2010 as an independent wholesale social investment bank with the mission to act as a "cornerstone investor in innovative products, such as Social Impact Bonds, that offer a blend of social and financial return that is attractive to socially responsible, mainstream investors" (Conservative Party 2010: 4). Big Society Capital can resort to a total amount of £600m to stimulate the social investment market. £400m of which comes from unclaimed assets in dormant bank accounts and £200m was contributed by the four largest UK high street banks, namely the Royal Bank of Scotland, HSBC, Barclays and Lloyds Banking Group[24] (Big Society Capital 2013:). The bank, although independent from the government, was not only initiated by a governmental decision but was also financially supported as a consequence of the governmental Commission on Unclaimed Assets, which provided the bank with £400m dollar from dormant bank accounts (Ronald Cohen 2: 22). BSC channels money from a wholesale level to the sector and acts as a nexus between this sector and the capital markets, which have not shown much interest so far (Ronald Cohen 1). According to Ronald Cohen[25], the

[24] According to Expert 5, this investment is an equity investment and sort of venture capital (Expert 5: 37). Together, the four banks hold 40% of the BSC shares but voting rights are capped at a maximum of 20% of overall voting rights (5% each) (Big Society Capital 2013: 36).

[25] Sir Ronald Cohen, also known as "the father of venture capital", is one of the most influential individuals in the UK social investment market and the Social Impact Bond market. He was active as a chairman of Big Society Capital, is founder and director of Social Finance UK and Social Finance US, co-founder and former chairman of Bridges Ventures, founder chairman of the Portland Trust. Cohen chaired the Commission on Unclaimed Assets in 2005 which endowed Big Society Capital with £400m (Financial Times 1).

role of Big Society Capital is to sustain the social investment market by harnessing entrepreneurial solutions for social problems (Ronald Cohen 2: 21).
A second important investor is a London based social investment bank called Bridges Ventures. Bridges Ventures directs money from their £25 million Bridges Social Impact Bond Fund into a total of eleven SIBs, three of them are currently under planning (Bridges Ventures 2015). Similarly to Big Society Capital, the Social Impact Bond Fund functions as an interface between the social sector and the capital markets. The Social Impact Bond Fund attracted money from investors like Big Society Capital (£10m), Deutsche Bank, JP Morgan, European Investment Fund, The Prince of Wale's Charitable Foundation, Trust for London and a few other pension funds immediately after its opening and had to be capped at £ 25m (Expert 5: 9).

Government funds

The UK government established a range of funds aiming to further support the growing SIB market. As a successful SIB obliges the commissioner to pay for the achieved outcomes, additional funds for these outcome payments are necessary in case the commissioning body cannot afford all of the payments. National funds were established as not only national governmental departments commission Social Impact Bonds, but also local authorities. Two outcome payments funds are prominent in the UK: the Cabinet's Office £20m Social Outcomes Fund and the £40m Big Lottery Fund "Commissioning Better Outcomes", which will give additional support to outcomes payment up to 20% of total payments as well as development funding in the developmental phase of a SIB-funded project (development grants) (Big Lottery Fund 1: 8). Both funds only support SIBs that work with "those most in need and that ensure VCSE [voluntary, community and social enterprise, MW] organisations have the chance to be involved" (Big Lottery Fund 2013: 6).
When Social Impact Bonds are initiated by the government (in most of the cases), the creation of special governmental funds used to finance a package of SIBs occurs frequently. In the following, a bidding process is started, in which organisations (intermediaries, service providers or other contracting bodies) can apply for the procurement of a SIB-funded project and get awarded a fraction of the fund. In December 2014, for example, the Fair Chance Fund, composed of £10m from the Department of Communities and Local Authorities and of £5m from the Social Outcomes Fund, was set up and is supposed to be paying the outcome payments of seven new SIB-funded projects which were chosen by the government in the bidding process (Civil Society Finance 2). Another example is the bidding process of the £28.4m Department for Work and Pensions Innovation Fund which awarded ten SIBs to ten contractors. In this case, the Department for Work and Pension is also the commissioning body (Cabinet Office – Case

studies). Figure 5 presents the complexity of the SIB financing on the level of institutions and presents a hypothetical SIB structure. In order to simplify the picture, only the main players and components are involved in the following graphic.

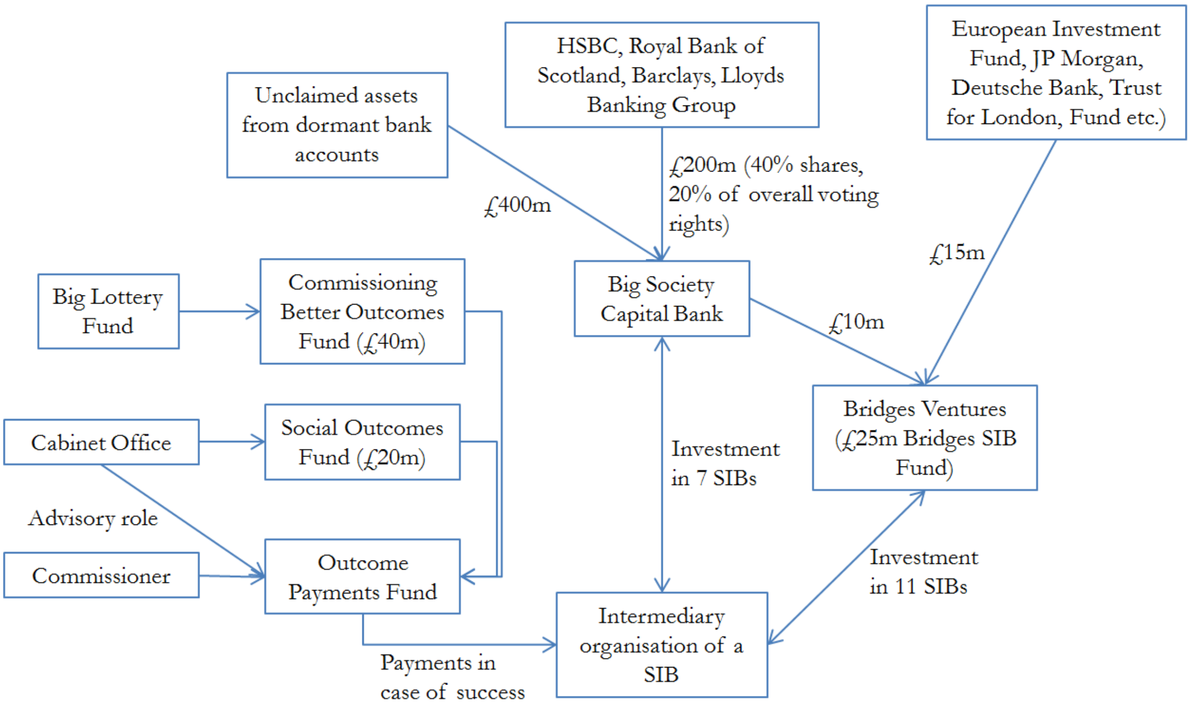

Figure 5: Financial architecture of the UK SIB market (own representation)

When a SIB achieves a positive result, payment from the Outcome Payments Fund is triggered and will be directed via the contracting, or the intermediary body, respectively. Although mainstream investment banks are indirectly connected to the SIB market through the Bridges SIB Fund or Big Society Capital, they do not immediately benefit when a single SIB succeeds. Rather, for example in the case of Big Society, they have a share in the institution's overall investment results over one year (Big Society Capital 2013: 36). Note that Big Society Bank's share of investments in Social Impact Bonds only reflects 2% of their overall investment portfolio (Big Society Capital 2013: 27). Moreover, the Cabinet Office also occupies an advisory position for local authorities or other government departments as a means to facilitate the procurement phase (Expert 1: 9).

5.4.2 The controversy about upscaling the SIB market

> I think one of the big challenges we've got generally in our time is trying to get in more institutional investors, more big corporates and retail people as well (Expert 1: 43).

Although accommodating a large number of SIB-funded projects, the UK SIB market remains relatively small in terms of investment values and the number of commercial investment banks involved (especially when compared to the US market). Comparable to the contentious discussion about risk-return assessment and de-risking mechanisms, the issue of upscaling and mainstreaming Social Impact Bonds by connecting global capital markets to the SIB market is likewise controversial. Moreover, the two debates are closely linked: The claim for de-risking mechanisms and risk-adjusted SIBs is driven by the desire of SIB promoters for more mainstream investment banks in the SIB market. Thus, commercial banks, as Expert 1 indicated in the previous citation, are considered as being a necessity for the further development of the market. Proponents portrayed the arrival of mainstream investors as the course of a natural life cycle of the market or SIBs in general. The expansion to global capital markets is an important issue within the financialization literature which emphasizes, for example, the growing influence of capital markets and intermediaries "in shaping the sociospatial relations of corporate, household, and individual agency […]" (Pike & Pollard 2010: 33).

Similarly, capital markets are becoming more important in terms of SIB promotion and design. A supporter of this development is Ronald Cohen, who considers capital markets as a solution for struggling non-profits. He states: "Yet there is one resource – vastly bigger than the resources currently available to either government or the social sector – that has remained largely untapped for social purposes: the capital markets" (Ronald Cohen 2: 21). To some extent, this view reflects an entrepreneurial approach that private capital is suggested to have more power to solve social problems than government financed public services. The inclusion of global financial players is described to be the next step in the development of Social Impact Bonds. Talking about the issue of financial capital markets, Expert 1 said:

> [T]he more different sources of investment that are coming in the greater the level of expertise, which is going to be a good thing. So yes, I think probably the next step for SIBs is to increase the amount of global retail investors. […] I think when you have more mainstream financial institutions involved in this space it gives you more credibility […] (Expert 1: 59).

The attractiveness for commercial investors, as stated in the previous section, is tied to the risk-return profile that still seems to be inappropriate. However, according to Social Finance, it is a question of time until Social Impact Bonds will show a robust, positive track record and will eventually become an asset class, entailing more investments and a larger market: "Ultimately, Social Impact Bonds could become a new social asset class, comparable to microfinance, enabling an unprecedented flow of investment into addressing social issues in the UK and elsewhere" (Social Finance 9: 4). More specifically, the flow of capital into the social sector is estimated to be substantial, as well as the projected size of the market. The following statement illustrates that this new funding instrument is not meant to be restricted to small scale investment: "SIBs hold the promise of becoming a multi-billion dollar source of growth capital for the social sector" (Social Finance 2: 32).

Goldman Sachs' engagement in US SIBs has of course been noticed in the UK market and was interpreted both in a positive and a negative way. An article in the *Financial Times* noted: "Goldman's foray is notable because it hooks the bigger idea of social bonds attracting risk capital. The hope is for waves of private money to 'scale up' funding of social programmes […]" (Financial Times 3). Similarly, Expert 4 showed a positive reaction when asked about Goldman Sachs' activities as this would increase the amount of money in the SIB market (Expert 4: 62). But in the same vein, Expert 4 complained that institutions like Goldman Sachs are still fundamentally risk averse, whereas the UK sector needs risk capital from organizations like Bridges Ventures and Big Society Capital "providing unsecured debt and equity" in order to grow (Expert 4: 34).

However, the issue of commercial banks is also met with concern, as the following statement reveals. Expert 2 had a differentiate stance towards Goldman Sachs' engagement in US SIBs and the increased activity of large commercial banks:

> I'd probably not say good or bad. […] It's new capital going to the sector which is great but it still requires a grant layer to come in. So what that article [about Goldman Sachs' low-risk investment in New York, MW] is probably implying is that Goldman Sachs is *getting a return but not taking very much risk* which is true but that's how they are set up as an institution. So, I have a personal judgement about that but that's…I can't…I don't…we don't have an organizational judgement about (Expert 2: 59).

This statement reveals some of the contradictions that surround the mainstreaming discourse. The desire for 'upscaling' the SIB market and attracting larger amounts of capital from high street investors is very common and seen as a natural path Social Impact Bonds have to follow. An increase of money in the sector depends, however, on the engagement of commercial investors. And in most cases, this entails the occurrence of de-risking practices. But the de-risking practices are still met with some refusal, as has been shown earlier. Another issue mentioned in this quote concerns, again, the question of risk and return. Although SIBs are advertised as a high risk investment with moderate yields, critical voices already refer to SIBs as an investment of "low risk for high quality", as in the case of the Chicago SIB. In this example it is stated that the investment "poses little risk to investors" while possible yield represent almost two times the investment. The low risk is "due largely to the proven track record of the project's chosen preschool program […]" (Sanchez 2014).

Nevertheless, according to most statements, it seems to be a question of time until commercial investors in the UK start investing in Social Impact Bonds. A majority of comments supported the claim for more capital in the market. In order for this to happen, risk-return profiles of new projects would have to be improved (this happens, if SIBs prove to be successful) or when concrete de-risking mechanisms will be consequently integrated in the SIB architecture.

5.4.3 Financial cultures: the UK and the US SIB market

As the examples of the previous sections suggest, de-risking mechanisms are especially applied in US and Australian SIBs. Although the US SIB market is lagging behind the UK by two years (the first US SIB was introduced in 2012), American and Australian SIBs seem to be more progressive in terms of financialization, as the use of downside protection mechanisms and the arrival of high street financial institutions indicate. Some UK SIB promoters argue that this has to do with two different financial 'cultures'. Expert 2, for instance, draws on supposedly 'finance-cultural' differences between the US and the UK in order to make SIBs more acceptable and, thus, uses a special sort of cultural stereotypes in his argumentation. By denying financial market practices within the UK SIB market, Expert 2 legitimized the use of SIBs as being unproblematic regarding concerns about them being an example of unfettered financial capitalism:

> The way it is done in the US or in Australia is that there is a de-risking layer. So there is grant capital that lies to de-risk financial institutions, so kind of absorbs the losses. In the UK, we don't have such structures. It is culturally. We don't de-risk financial institutions (Expert 2: 43).

Similarly, Expert 1 pointed to the differences between the US and the UK: "I think things have been done a little bit differently in the US. It's really up to investors where they put their money in. But I think, generally, we are not expecting it to be a requirement or a specification of SIBs that the money is secured" (Expert 1: 65). However, different indications contradict this view. Take, for example, a Bridges Ventures' report on de-risking, called "A De-Risking Toolkit for Impact Investing". In this report, Bridges Ventures calls for more de-risking strategies according to the American example (Bridges Ventures 1). After all, drawing on cultural differences with respect to the degree of financialization appears to be a figleaf for legitimizing the further development of SIBs: as Christophers (2012: 280) demonstrates, the USA and the UK are both the most advanced countries in terms of financialization.

Nevertheless, for a minor group of SIB promoters, the idea of restructuring SIBs in order to align the risk-profile to claims of major banks seems to be an alienation from its initial premises.

> In a pure SIB model, the way that we understand it, all of the investor's money is at risk. So it shouldn't really be secured against benefit […]. But generally, the whole point is that investors money should be at risk because at that way they have the incentive to work with the provider to make sure that they are delivering the best they can and to increase the chances of delivering outcomes (Expert 1: 65).

The risk of failure is described to be the most effective incentive for intermediaries or investors to manage the project performance. This would not be the case if the risk were mitigated, it is argued. However, Expert 6 is sceptical about the discussion concerning the inappropriate risk-profile of SIBs: "Every SIB in the world has been oversubscribed. […] If every SIB is oversubscribed, maybe […] the returns we are offering are too high. I think we are overestimating the risk" (Expert 6: 29). Other critics raise general concerns towards the financializing tendencies in the SIB market. It is supposed that the market will be eventually transformed and "become a massively complicated system as investors seek to bundle investments, guard against losses, shift risk to other parties, scale up, and otherwise replicate traditional investment markets" (Nonprofit Quarterly 4). This statement is representative for the anti-financial counter discourse which basically perceives de-risking and bundling strategies as an instance of financial capitalism. More interestingly, this counter-discourse often appears in connection with the use of cultural stereotypes that serve to demarcate two supposedly distinct spaces of financial practices.

5.5 The first SIBs in the UK

Social Impact Bonds are the outcome of a policy trend in UK social politics which, over the last years, increasingly promoted the use of payment-by-result mechanisms as a measure to deal with the consequences of austerity politics (Sinclair et al 2014: 2). SIBs, as a subcategory of social investment, are a "form of Payment by Results (PbR) but extend this by harnessing social investment from capital markets to meet needs arising from budget cuts" (McHugh et al. 2013: 247). As discussed earlier, the policy trend cannot be separated from the context of a change in political agendas geared towards tax reduction, privatization and market-based approaches (Nicholls & Tomkinson 2013: 7). In the UK, payment-by-results mechanisms took shape during the Labour era and were influenced by developments in the US and Australia, which lobbied for more competition and innovation in the social sector through private sector engagement. Central to the idea was that service providers should be rewarded for outcomes or results instead of for inputs or activity (Sinclair 2014: 3).

The world's first Social Impact Bond was launched in September 2010 in Peterborough UK and aimed at solving the problem of reoffence by released short-sentenced prisoners (Cabinet Office 2 – Case studies). Leading organization in the development of this funding mechanism – first results were published in summer 2014 - is Social Finance UK. In 2008, the notion 'Social Impact Bond' was used for the first time. Social Finance, Young Foundation and representatives from the City Leader's Group are perceived as the inventors of this new funding mechanism (Nicholls & Tomkinson 2013: 10). Although this scheme was outlined during the Labour era, the Coalition Government continued its development after the elections in 2010 and announced to launch the wholesale social investment bank, Big Society Capital, which was meant to support the growing social investment market, particularly the upcoming SIB market in the UK (Cabinet Office 2010). The Peterborough SIB is a contractual arrangement between Social Finance, which acts as an intermediary organization, the Ministry of Justice and the Big Lottery Fund. It involved a large group of investors which directed a total of £5m to the stipulated service provider One Service (Cabinet Office 2 – Case studies).

In summer 2014, the Ministry of Justice presented performance figures of the first phase of the Peterborough SIB. The first round was declared as a success, as a fall of 11 percent in reconviction events per annum over the cohort was measured in comparison to the control group (Ministry of Justice 2014). Regardless of this success, the government announced at the same time that the funding model of this project will be altered "as the majority of prisoners within that group will already be receiving 12 months supervision and rehabilitation as a result of the wider reforms to probation" (Ministry of Justice 2014). Although this note let the SIB-community worry about the future of Social Impact Bonds, this direction change was due to the introduction of the Transforming Rehabilitation policy[26], which would have diluted the whole intervention and evaluation model of the SIB (Cahalane 2014). Today, the UK hosts 31 Social Impact Bonds (7 of them were just announced in December 2014, and 7 in March 2015) and, thus, represents the world's largest market for this funding mechanism (Civil Society 2014 1, compare also Appendix I).

Two years after its initialization in the UK, the first US SIB, which focused on prisoner rehabilitation and anti-recidivism, was initiated on Rikers Island in New York in summer 2012. A key innovation was the engagement of Goldman Sachs as the first mainstream investor in a SIB, as well as the use of down-side protection strategies by a $7.2 million grant layer provided by Bloomberg Philanthropies (The City of New York 2012). Meanwhile, the funding mechanism has spread over the Global North and can now be found in Canada, Australia, UK, Germany, the Netherlands, Belgium and elsewhere (compare Appendix I). Figure 6 illustrates the number of planned and launched SIBs between 2010 and 2015.

[26] 'Transforming rehabilitation' is a governmental policy from March 2013 which is specifically targeted at reducing reoffending rates at a larger scope than in the Peterborough SIB (Cabinet Office 2013c).

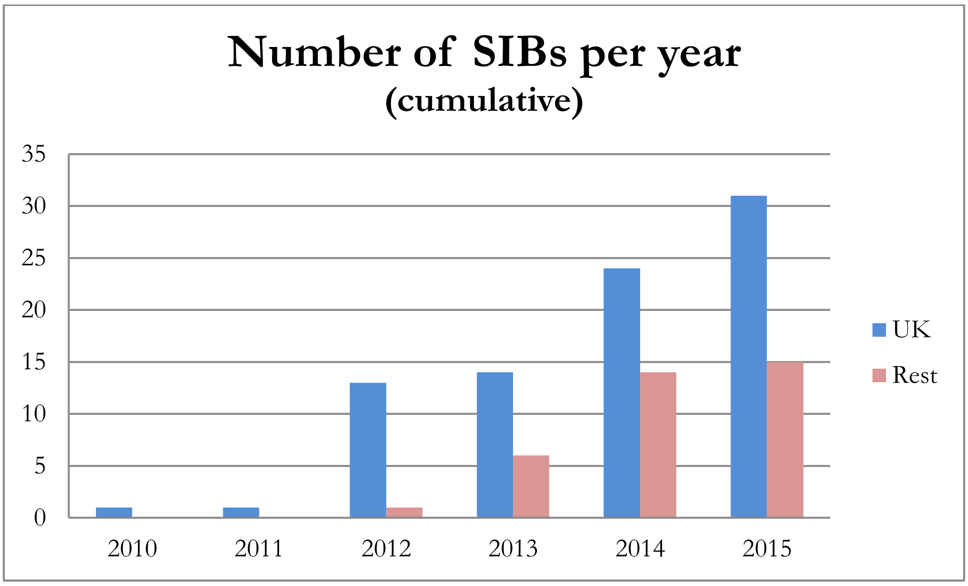

Figure 6: The number of planned and launched Social Impact Bonds in the UK and outside the UK from 2010 - 2015 (own representation according to Appendix I).

A majority of the SIBs announced in 2014 and 2015 are still under development. Nevertheless, a steep increase in numbers is observable. Especially during 2014 a large number of SIBs were launched.

This chapter has reviewed key aspects of how Social Impact Bonds are put to work as well as provided an overview of the financial architecture of SIBs itself and the UK SIB market. SIB promotion is often connected to specific, differing types of legitimization strategies and discourses. It is the aim of the following three chapters to track down and entangle the complexity of these discourses which are structured around the publicity of Social Impact Bonds, be it from the promoter's side or from the critics. The chapters ask how the different argumentation and legitimization strategies, metaphors, normalization strategies and other discursive strategies are used, how they operate and how they can be grouped to understand Social Impact Bonds for a discussion of neoliberalism that follows in the last chapter.

6. Anti-Keynesian rhetoric and the redefinition of Public Services

A first bundle of discourses appearing throughout the analysed documents and interviews draws on a negative imagery of the state and of state interventions. This chapter argues that SIB promotion in the UK and the US goes hand in hand with an Anti-Keynesian rhetoric that refuses Keynesian welfare state institutions and practices, and embraces capitalist and market-oriented ways of organizing public services instead. Against the background of the fiscal crisis, which is addressed in the UK with austerity measures (Lowndes & Pratchett 2012: 21), the need for cost-efficiency in order to appease taxpayers highlights almost all argumentation strategies.

Firstly, I want to briefly outline the Keynesian elements of the past public service organization. This is followed, second, by the presentation of the logic of the welfare state criticism which is targeted against how the state organizes and controls the social sector. Frequently, the government is seen as reluctant in establishing a cost-effective and impact-oriented social service provision. Third, I want to analyse discursive strategies that conceive of the traditional non-profit firm as being deficient, underperforming and chaotic. Evidence shows that the critique of non-profit organizations originates from a normative viewpoint that tries to consolidate more business affine forms of public service delivery. From a discourse-theoretical perspective, the norm of a privately financed social venture enabled by Social Impact Bonds is contrasted with the picture of an abnormal, defective grant-giving philosophy of the Keynesian era. In order to unfold a line of discourse in which Keynesian welfare state structures are strongly criticized and traditional public service organization is challenged, a conclusive summary of the discussed argumentation strategies will be provided at the end of this chapter.

6.1 The Keynesian welfare state

Institutions of the Keynesian welfare state generally put strong emphasis on non-profit organizations that, in collaboration with the government, provided social or ecological services. In reality, non-profit organizations (NPO) constituted the "community-centred 'public service' providers" and were considered as the primary provider of collective goods in places where the government could not intervene (Evans et al. 2005: 75). Although non-profit service providers were distinct from Keynesian welfare state services, both worked side by side and the state mostly funded NPOs at its core with a long-term focus (Evans et al. 2005: 76). In particular, the grant-giving practice whereby NPOs are provided with governmental out money is at the centre of critique by welfare state opponents. The relationship between the state and the NPO sector is characterized by Evans et al. as being based upon trust and "not highly regulated contracts, which awarded nonprofits considerable autonomy in how they constructed and delivered programs supported by public funds" (Evans et al. 2005: 76). With the "rolling-back" of Keynesian welfare state institutions in the course of processes of neoliberalization or "rolling-out" of neoliberalism (Peck, Theodor & Brenner 2009: 55), institutions and relationships between government and non-profits were upset and redefined (Graefe 2006: 72). The turn from government to governance in the course of neoliberalization implied that the state stepped forward in management as well as performance measurement and thereby enforced "private sector business practices" and an "emphasis on fiscal constraint" (Evans et al. 2005: 77).

6.2 The government as "punching bag"

Although a SIB is a funding model that is coherent with the state's political course during Labour and Coalition Government in the UK, social policy analysts and SIB proponents criticize past government practices with regard to the organization of the social economy and public services as being flawed and outmoded. In the context of the financial crisis and the expenditure cuts of many Western governments, everything that seems to be wasting taxpayer dollars or that does not show clear proof of being successful immediately becomes the target of neoliberal reformists. The lack of control is a repetitive argumentation line: "Governments find it hard to move money from ineffective programs to those that work well. Sometimes this is because government agencies are poor at measuring whether programs work, focusing their energy on disbursing funds instead of measuring impact" (American Progress 2: 6). On the contrary, governments seem to be willing to pay for services regardless of the potential outcomes. It is believed that "[m]ost governments pay for social services with insufficient consideration to how effective the programs actually are in achieving better outcomes for the target population" (Social Finance 2: 13).

Particularly, the *Harvard Magazine* around the founder of the Social Impact Bond Technical Assistance Lab, Jeffrey Liebman - an academic who appears at the spearhead of SIB promotion in the US think tank Center for American Progress – refuses traditional philanthropy and the practice of handing out grants by governments. Instead, publications coming from this ideological school desire Social Impact Bonds by schematically contrasting them to inefficient and money-wasting government practices: "With traditional philanthropy, you pay for the program and then the money is gone; this way [through SIBs, MW] the money comes back and can be recycled into the program to help more people" (Harvard Magazine: 12). Even more outspoken is Linda Gibbs, New York City's deputy mayor of health and human services. In *The New York Times*, she defines Social Impact Bonds "as a way to strip away some of the 'inefficient and ineffective' spending that is caught up in running government" (New York Times 2). This schematization, in which grant-giving by governments was conceived of as a process void of control, monitoring and strategic conceptualization is also foreshadowed during the interview with Expert 1. The rhetoric of his speech was a clear attempt to dichotomize and separate a favoured 'nice-to-have' situation and the traditional, outmoded methods applied in the third sector: "So lots of *charities, you know, are very good… or very used to operating on grants* where the government gives you some money and says, Ok, go and do something good, we don't really care what it is and then just let us know what you have delivered […]" (Expert 1: 49). This statement reflects how most SIB proponents depict the previous field during the Keynesian era. The relationship between the service provider and the government is not seen as very formal and the grant-giving of the government is not subject to performance control. According to this statement, service providers get funding in advance from the government, which, as the payment is unconditional, essentially relies on the ability of the social sector ("go and do something good, we don't really care" and "just let us know what you have delivered"). Another point is that this very statement portrays the old customs in an ironic way which constitutes, to some extent, their inferiority with respect to the performance management practices and outcome metrics occurring in a SIB-funded project.

The lack of controlling mechanisms, some people suppose, can lead to a situation in which the government pays for services which have not triggered an improvement. Under the current practice, governments pay regardless of the results that non-profits have generated; a situation that is subject to criticism. In times of austerity, programmes need to be successful and save money while Social Impact Bonds are heralded as a tool that renders both of these requirements possible. The reality of unconditioned cash transfer from government is replaced by the ideas of SIBs that only pay for success. Center for American Progress highlights SIBs as a tool that could change much in this respect: "[T]he reality is that most government programs still fund activities upfront. If these activities fail, taxpayer dollars are still spent. But Social Impact Bonds are different: Government only directs resources toward things that work" (American Progress 2: 5). In contrast, Social Impact Bonds embody a 'pay-for-success' -philosophy that is meant to improve results because they need to be good in order to get paid receive funding

6.3 Insufficient non-profit organization – The "cycle of rewarding failure"

Regardless of the critique against the government, a commentator from *Nonprofit Quarterly* expressed his doubts about who is likely the most affected stakeholder. Although the government has been a "good punching bag for everyone lately […] the critique of the supporters and lobbyists of ineffective social programs seems squarely aimed at non-profit service providers" (Nonprofit Quarterly 3). In a similar vein, the UK's Minister for Civil Society, Nick Hurd, states in an article that the non-profit sector is subject to a transformation as its performance is insufficient. In his understanding, SIBs do not only aim "at changing the nature of how government conducts business", but also at a "big cultural change in the nonprofit sector which is used to being funded from hand to mouth environment being encouraged to take on investment with rigor" (Nonprofit Quarterly 3). This "hand-to-mouth" -metaphor also appeared in one of the interviews in which the social sector organizations were described as "frail". In Expert 4's opinion, non-profit organizations would never have thought about taking external financial support, apart from government, as they are used to spend money immediately after they have received it and, thus, live "hand-to-mouth" (Expert 4: 24). The "hand-to-mouth" metaphor alludes to a social sector which is irrational, incapable of doing good work and which is constantly searching new grants instead of investing "in their infrastructure or in long-term sustainable growth […]" (Expert 4: 24). That points to the absence of strict performance management. Social Impact Bonds, following this argumentation strategy, stand for a turnaround in social policy which aims for correction of this flawed behaviour towards a definition of social outcomes. In this respect, Bridges Ventures states that SIBs are a promising tool that might overcome these problems although a "behavioural shift" towards outcome focus would be required (Bridges Ventures 2: 4).

The method under attack is the grant-giving system whereby, put simply, the government hands out grants to charities or non-profit organizations in order to provide upfront money for service delivery. Time and again, this model has been described as inefficient and a waste of taxpayer dollars because the government finances unsuccessful projects. Expert 4 labelled this practice in the social sector as a "catch 22" situation or a perpetuating "cycle of rewarding failure". In the view of Expert 4,

> grant making foundations give a grant to an organization because they've said they are gonna do xyz over the next three years, the charity fails to do xyz and so they go back to the foundation and say that if we had a little bit more money we'd be able to do that. And so that kind of perpetuates the cycle of rewarding failure […] (Expert 4: 26).

The "cycle of rewarding failure" implies a lack of modes of control, underperforming programmes and a continuation of spending for weak services. The citation above ("[non-profits] never invested in their infrastructure or in long-term sustainable growth") further hints at another important aspect in the critique of non-profit organizations: the implicit assumption that they should be organized like for-profit enterprises with business plans and dedication to growth curves. *The Guardian*, which otherwise appears as a rather critical analyst of SIBs, resonates with the idea of bringing business rigour to the third sector and removing governmental funding structures: "The new model of using social impact bonds is a worthwhile experiment that links results more closely to spending, a metric that is more commonly found in the business world" (The Guardian 2). Apparently, the ideas of entrepreneurialism and business values have gained importance in the Anti-Keynesian critique of the social sector, as this citation signals. This for-profit or entrepreneurial narrative that comes along with Social Impact Bonds will be discussed in chapter 7.

6.4 Fiscal crisis: a chance or a figleaf?

For many SIB proponents, prevailing austerity programmes and budget cuts act as a basis for argumentation strategies that aim to support the use of Social Impact Bonds. Against the background of the fiscal crisis, cost-efficiency and productivity are almost a *conditio sine qua non* of Anti-Keynesian rhetoric. Particularly, this is due to the New Public Management reforms which are a result of restructured governance forms in the course of neoliberalization and which equally focus on performance management, efficiency and productivity, amongst other things (Evans et al. 2005: 79). For some commentators, fiscal hardship is the starting point for irrational government activities: "One result of this fiscal environment is that government find themselves making penny-wise but pound-foolish decisions – forgoing upfront investments that would yield both social and fiscal benefits" (Huffington Post 4).

In particular, governments are criticized by their reluctance to approach innovative organizations that might provide them with new ideas, but which are risky at the same time. Evidently, this risk-avoidance by governments to foster innovative solutions is ascribed to a fear of reputational consequences. According to Harvard Kennedy School Magazine, governments would neither show enough interest to systematically work with innovative non-profit organizations nor would they want to test and scale innovative solutions (Harvard Kennedy School 2: 7). The reason for this is suggested to consist of a "fear of public scrutiny [that] makes it hard to take the risks associated with trying new things and rigorously assessing them" (Harvard Kennedy School 2: 7). First and foremost, it is a reputational risk that seems to be the reason why governments do not try new approaches of tackling social issues. In times of austerity, new expenditures for social sector experimentations could take a devastating course for politicians in power and thus would often be hard to encourage within governments, it is argued[27] (The Young Foundation 2: 12).

[27] A report of the Young Foundation refers to Keynes, who once said: "Worldly wisdom teaches that it is better for reputation to fail conventionally than to succeed unconventionally." Moreover, governments are considered

According to this argumentation strategy, Social Impact Bonds possess the ability to circumvent this twofold risk of money loss and reputational failure by shifting financial and reputational risk to the private sector: "At a time when there's huge pressure on the public purse, they offer a mechanism through which we can mobilise private investment to help tackle social issues affecting the UK today […]" (Triodos Bank 2). Consequently, following the argument, nothing but the private sector has the means to bail out the states, which are about to neglect their duties. Therefore, budget crises, as was often argued, can bear positive consequences for the government as crises might instil innovative solutions such as Social Impact Bonds. *The Huffington Post* stated that times of fiscal hardship could be a catalyst for the "greatest breakthroughs […]" (Huffington Post 4). The notion that a lack of finance can have a positive impact on the finding of innovative solutions, which points towards private capital, is very common. As will be shown later, private capital is by many seen as a chance to find new anti-poverty approaches.

Moreover, the aspect of SIBs being a chance for governments to save costs in times of austerity while improving the efficiency of social service provision is another important argumentation. It is purported that with SIBs, a significant amount of money can be saved by the government:

> SIBs are able to save money for the public purse even at a time of intense pressure on public resources. They are able to achieve this result by acting to correct poor incentives and attain new sources of funding, by promoting evidence based action, by allocating resources to where it can achieve greatest impact and achieving real risk transfer (The Young Foundation 1: 15).

The saving is owed to the flexibility for the service provider that can be another source of finding innovative solutions for poverty issues. SIBs are described to be different than traditional funding contracts in which every step of the intervention is defined because their outcome focus would "leave room for innovation in driving up the quality of outcomes and reducing the cost of successful interventions" (SITF: 15). SIB architects distance themselves from traditional procurement forms in which, according to the things specified in the contracts, the government was highly influential.

In essence, new social funding mechanisms as Social Impact Bonds are meant to overcome many deficits associated with government practices in times of austerity. Moreover, austerity or fiscal constraints are understood as a chance to shift responsibilities from governments to the private sector which could find innovative anti-poverty solutions. More specifically, by shifting reputational risk of failure and financial risk to service providers and investors, respectively,

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as being the wrong place to look for innovation: "Political considerations magnify this issue in government; failures may be excoriated in the press, while successes often go unsung. By its nature, innovation is risky and the cost of failure may be too high for those within existing institutions (The Young Foundation 2: 12).

innovative solutions can be triggered by the help of private capital, it is argued. In this respect, Social Impact Bonds epitomize both a result of this process and a catalyst for innovativeness and creativity.[28] As will be shown, the use of measurable outcome metrics as well as upfront funding are seen as being conducive for more flexibility and creativity for service providers.

However, the idea that by paying for outcomes innovative ways of service delivery will be triggered or that service providers gain flexibility with the arrival of SIBs is contested by critics. The notion of state austerity has been challenged by a few authors in the course of criticising Social Impact Bonds. Many analysts argue that the proclamation of austerity programmes often has strategic backgrounds "for the contradictory reproduction of market rule" (Peck 2012: 651). Krugman (2012, qtd. from Peck 2012: 628) even talks of "using deficit panic as excuse to dismantle social programs." Similar claims have been made with respect to Social Impact Bonds. Expert 7 calls the "period of austerity" an "ideological argument" by which capital markets are increasingly motivated and attracted to fund the provision of social services (Expert 7: 7). Another widely discussed issue is the contradictive relationship of state austerity and policies about tax reduction and tax exempt status. According to Rosenman, large financial institutions like Goldman Sachs or Morgan Stanley undertake many efforts to avoid paying higher taxes or fight schemes that would oblige large corporates to pay taxes in their country rather than in tax havens (PBS 1). Rosenman thinks of this tax avoidance as a reason for the fiscal hardship and, accordingly, refuses the argumentation that private corporates need to help out with funding public service. His criticism is especially targeted against the engagement of commercial investment banks in US SIBs:

> Don't citizens have a reason to be suspicious when those most likely to profit from these new social investment schemes are the ones creating the financing imperative by working to reduce the tax revenues that would otherwise fund the programs in question? (PBS 1)

NUPGE's[29] report on Social Impact Bonds even talks of a "privatization by stealth" and argues that SIBs are a "weapon of mass distraction" by which cuts to public services would be masked (NUPGE: 14). In this argumentation, SIBs rather appear to be a figleaf for expenditure cuts as this is the concern for the Big Society agenda (Boxell & Timmins 2011).

[28] As will be shown in chapter 7, SIBs have a twofold character in this argumentation. Firstly, they epitomize such an innovative anti-poverty approach that was invented by a (private) social enterprise (Social Finance). Secondly, and more importantly, SIBs are at the same time a catalyst for innovative private sector approaches for anti-poverty solutions. This self-referential character contributes to the picture of Social Impact Bonds as a meta-policy.
[29] NUPGE (National Union of Public and General Employees) is a Canadian based group of eleven unions (NUPGE).

6.5 The redefinition of the public good – back to Smithian *laisser faire*?

> We cannot go on assuming that public monies will be sufficient to resolve our many demographic challenges (Social Finance 8: 1).

The citation above reflects the line of discourse that revolves around the discussion of Keynesian welfare state institutions and the role of public service. SIBs tend to redefine the traditional way of public service delivery and its funding. They are publicly heralded as a tool that has the potential to overcome a variety of deficits associated with traditional ways of public service organization. The argumentation lines collected in this chapter construct a dichotomy of the perfect and functioning funding instrument SIB in sharp contrast to deficient methods in public service delivery. In opposition to traditional Keynesian approaches, Social Impact Bonds are portrayed as a way to mobilize money from the private sector or the capital markets in order to address drawbacks and expenditure cuts by governments (McHugh 2013: 247). Focussing on measurable outcomes and a 'pay-for-success' -philosophy, fundamental principles of the relationship between the social sector and the government are being questioned. Many commentators have detected this development and conclude: "We are on the brink of a huge change in the public sector" (The Independent 4). Another author claims that "social impact bonds are a way to begin to *rewrite the 'social contract'* with government, in which the for-profit world takes on a bigger role in easing social problems" (New York Times 2). The redefinition of the 'social contract' is also the underlying rhetorical figure of the interview with Expert 7. The core questions, which necessarily come to the fore with the introduction of SIBs, address the design of the relationship between state and its citizens as well as the way public services are provided and funded. Expert 7 said: "[…] I think there can be more important things at stake than just saving money. It can be about how you want your society to be […]" (Expert 7: 41). The concern of a devastating reconfiguration of this relation runs like a golden thread through the interview as the proliferation of SIBs seems to renegotiate traditional ways of public service organization. For Expert 7, it is clear that this renegotiation of public services will be dictated by the laws of markets, as practices of Social Impact Bonds indicate (Expert 7: 7).

Therefore, the introduction of SIBs seemingly poses fundamental questions about the organization of society and the definition public good. A showcase of this discussion is offered in the Stanford Social Innovation Review with a series called 'Recoding Good', where several authors question the understanding of public good as being government-provided. The new social economy they are presenting is shaped by impact investing, capital as well as social enterprises (Reich & Bernholz 2012) and it incorporates a definition of public goods that does not take into account its financing mechanisms: "We must now ask whether it is the good itself that has some public value or if that value is simply determined by its financing mechanism" (Bernholz et al. 2012). Put simply: As long as it generates public benefit, it does not matter how it is organized or financed.

This alludes to Adam Smith's legacy about public benefits and his famous dictum about the uses of self-interest in an institutional setting which will contribute to the public good (Boettke 2012: 8).[30] It seems that the Anti-Keynesian discourse around SIBs shares a similar logic. By activating private money, more specifically the capital markets, for the financing of public goods, profit-oriented actors in an institutional setting are incentivized to create social benefits by investing in a social asset class. The rhetoric, which promotes Social Impact Bonds and the private financing of public services, criticizes traditional forms of public service organization as deficient. From a discourse analytical perspective, this argumentations and legitimizations apply a binary reductionism by using normalization and de-normalization strategies in order to distinguish the desired private-finance practice from Keynesian welfare state institutions that are considered as outmoded and ineffective.

[30] Smith is paraphrased by Boettke: "Individuals pursuing their own self-interest within an institutional setting of property, contract, and consent will produce an overall order that, although not of their intention, enhances the public good" (Boettke 2012: 8)

7. Market logic, entrepreneurialism and logic of social engineering

A second group of discourses around the promotion of Social Impact Bonds addresses the issues of market logic and entrepreneurialism, and the logic of social engineering and controllability. The logic of markets, accompanied by the narrative of efficiency and productivity, appears in many legitimization strategies. As it is argued here, the progress of market and efficiency -logic stands in a mutual relationship to practices of social engineering, controllability and plannability. The role Social Impact Bonds play in this context of legitimization and argumentation strategies is examined in this chapter.

7.1 Market discipline and entrepreneurial values

> The idea is to transform the way public services are provided, by tapping the ingenuity of people in the private sector, especially social entrepreneurs (Economist 8).

Chapter 6 elaborated a line of discourse characterized by a rejection of Keynesian welfare state institutions and a desire for using more private finance in public service delivery. This discourse portrays a desire to reconfigure the way public services are funded, provided and controlled. As indicated earlier, the critique of Keynesian practices coincides with the arrival of business and entrepreneurial values and for-profit thinking in the social economy, which is certainly not by chance. This dynamic can be compared with "rollout" and "rollback" of neoliberalism. The shift is also seen as an indication for the rolling out of new neoliberal governance policies, expressed by New Public Management strategies (Evans et al. 2005: 79). The following section elaborates practices and argumentation strategies that indicate for-profit thinking, logic of (social) entrepreneurialism, market discipline and values of capitalist businesses. This line of discourse conceives of the market and its mechanisms as being the only effective way when it comes to providing social services, and the 'social enterprise' as the ideal type of firm that should be consigned to conduct these services. A number of indications that appear in the media discourse and political discourse are discussed: a) the idea of contracting and competition, b) the notion of the "market discipline" or "business acumen", c) the use of cultural metaphors in distinguishing traditional and entrepreneurial forms of social sector organizations, d) the rhetoric of innovation and ingenuity, and e) the 'best practice' and 'what works best' paradigm.

7.1.1 Contracts and competition

The significance of contracts and (quality) standards in the course of marketization and economization has been discussed in academic research (for example Berndt & Boeckler 2012, Mitchell 2007, Callon 2007). Rules of contract serve as a specific instrument that governs the relationship between agents and exerts disciplinary power (Mitchell 2007: 45). Also, the discourses around SIBs show similarities to these points. Service providers which become involved in a SIB have to agree on outcomes-based contracts: "All Social Impact Bonds involve an outcomes-based contract between the commissioner and delivery agency, and possibly further outcomes-based contracts between other parties" (Cabinet Office 2: 2). The use of Social Impact Bonds in the social sector is bound to a complex contract system that, depending on the form of the SIB, connects service providers, special purpose vehicles, governmental commissioners, intermediaries and investors under specific circumstances. When a Social Impact Bond is launched by a commissioner (like the 10 SIBs of Department for Work and Pensions), service providers or intermediaries can bid for a contract. According to Expert 1, this bidding also has to do with the question of pricing: "[A] provider will come and bid and say 'Yeah we can do this thing at a nice price. They then get awarded a contract on that basis and then what Social Finance will do is to help them find some investors […]" (Expert 1: 21). Again, the bidding process is bound to the intermediation of an intermediary institution (in this case Social Finance).

Moreover, the use of contracts helps to overcome the trust relation between government and service providers (as it was portrayed to be during Keynesianism). Instead, contracts have the function of, first, controlling the activities of service providers indirectly by defining performance targets in the contract (American Progress 2: 1). A second implication is that service providers become more accountable when they are bound to specific performance targets specified in the contract. The claim for more accountability for service providers often arises in the context of Anti-Keynesian rhetoric. The problem of lacking accountability is associated with 'uncontrolled' traditional practices of handing out grants:

> The habit of handing out grants to charities is not making them accountable for the services they offer. […] [B]ut if the charities don't get another grant then that's their work over, but otherwise it's just the grant is finished […], so no one is held accountable to the actual result (Expert 3: 27).

In contrast, service providers that are involved in a SIB need to achieve predefined outcomes because a fail would negatively affect the track record of the respective institution. The contract system is another way of gaining effectivity and control over service provision. Against claims of flexibility, contracts are used in some SIBs in order to specify implementation and structure of a project and its design: "SIB harken back to a rigid concept of contracting that trusts evaluation and profit mechanisms to ensure contract compliance […]" (Warner 2013: 306).

7.1.2 Social Impact Bonds for more market discipline and competition

As a consequence of the contract and controlling regime, service providers involved in the SIB market (and probably also uninvolved organizations) experience a takeover by business and market values that was predated in the private sector. The market discourse around SIBs celebrates the power of market forces as a means to organize service providers as effectively as possible:

> In the private sector the discipline that enables the most effective organisations to thrive and grow is the operation of market forces – only organisations that provide services to users at a price that they value will thrive. Similarly, in an effective social economy, socially-driven spending must reflect the value rather than the cost of commissioned services (Social Finance 1: 37).

Accordingly, only market forces can discipline the social economy and produce successful outcomes. The discourse also conceives of SIBs as a possibility to bring 'market discipline' to the social sector. It is stated that a SIB, as a funding instrument, "introduces market discipline into the social services field since only those service providers who can convince investors that they can achieve the performance targets will be able to attract funding" (Huffington Post 4). The inventor of SIBs, Social Finance, favours this instrument because it develops a competitive environment within the social service sector which is useful for both quality of outcomes and the government's budget: "Social Impact Bonds could help to create a positive culture of competition and innovation that should safeguard both the quality of services and value for money" (Social Finance 1: 19). The combination of finding innovative solutions in a competitive environment alludes, as well as the next quote, to emerging entrepreneurial and business values in the context of SIB promotion. *The Guardian*, for instance, stresses the similarity of this type of 'pay-for-success' –model to practices in business space: "The new model of using social impact bonds is a worthwhile experiment that links results more closely to spending, a metric that is more commonly found in the business world. If proven successful, it will be one import that is here to stay" (The Guardian 2). According to Social Finance, this increased market discipline is due to the arrival of (social) investors in the social sector. They bring along "due diligence" in business conduct in order to receive positive results: "Like other impact investments, SIBs involve the participation of investors who bring market discipline to transactions. Similar to many foundations, these investors conduct due diligence to ensure that participating service providers have a track record of positive results […]" (Social Finance 3: 9). Apparently, as this quote illustrates again, the use of performance control mechanisms, or a performance manager, in a SIB-funded project is an essential prerequisite for investors which want to mitigate the risk of losing their investment. Additionally, enhanced competition among service providers (bidding for

SIB-contracts) and the use of track records, which registers success or failures of previous interventions by a specific service provider, are considered as mechanisms that bring forward market discipline. Both of these aspects exert, to some extent, a disciplinary power upon service providers.

Firstly, competition is triggered by an ecosystem that rewards those organizations that work according to business practices and show positive results. Since service providers are dependent on investment, they need to show a positive track record to their investors as those are interested in making profit from their investment instead of losing the money. The consequences that arise out of this are named by Expert 5:

> [In Peterborough], the investors were really investing into Social Finance to manage the programme. And Social Finance manages a supply chain of providers including St Giles Trust, YMCA, Mind … but Social Finance are in charge and *they can flip the providers in and out* from their supply chain because those providers had no experience of doing a SIB before. So that's one option, if the providers don't have any experience in SIB in that kind of entrepreneurialism (Expert 5: 57).

Expert 5 conceives of the SIB market as a supply chain of service providers which should correspond to entrepreneurial ways of running their business for being successful. As stated in this quotation, Social Finance, because they are responsible in the end, did not have a choice but to choose those organizations with experience in entrepreneurialism. In contrast to claims that confer non-profits more freedom and flexibility in service provision, Social Impact Bond structures allow more flexibility for commissioners or intermediaries. In a similar vein as Expert 5, Big Society Capital welcomes the flexibility of choosing service providers according to their performance:

> Structures that enable flexibility are highly preferable, particularly in relation to being able to add/remove delivery bodies or performance managers. For example, the Innovation Fund [DWP SIBs, MW] and Essex structures [Essex SIB, MW] use Special Purpose Vehicles (SPV) which enable the board of the SPV to remove any party for underperformance (Big Society Capital 1: 9).

Both examples show that the SIB ecosystem is in fact portrayed as a market ecosystem in which the philosophy of effectivity, productivity and results (as metrics) prevails and in which social sector organizations stand in a competitive relation to each other.

A second aspect of importance with regard to market discipline is the use of track records which are meant to have a positive effect (from an entrepreneurial perspective) on service providers. Track records entail the risk of reputational failure. If a programme fails, service providers are confronted with reputational damage. Since investors are more likely to accept service providers with a positive track record, a series of negative outcomes could be devastating for the reputation of an organization. The Cabinet Office states that: "the greatest risk to a service provider is reputational. A SIB may 'prove' that an organisation is unable to deliver an outcomes and this may be interpreted by future funders as an inability to deliver any benefit at all" (Cabinet Office 2: 14). This is likely to have existential consequences because a failure is visible and public, and in most cases it will lead to a decrease in future funding possibilities: "Indirectly, all service providers run reputational risk from the heightened scrutiny on performance and the very *public nature of failure* in the event of targets being missed. This could affect their ability to attract further funds […]" (Bridges Ventures 2: 25). Phrased differently, the controlling mechanisms that push service providers to work according to business terms are not only material in form of performance control, but also exercised through the visibility and "public nature of failure". The track record seems to function as a disciplinary measure with the purpose of inducing a change in behaviour and, accordingly, to work like a business enterprise. Additionally, track records and the logic of reputational risk of failure work as subtle mechanisms that are able to define the demarcation line between normality and abnormality, which makes service providers struggle to come to the 'right' side.

Of course, the market approach is not left without critique from the philanthropist side. Typically, concerns are directed towards the idea that the market can solve every problem in the world. Contrariwise, the logic of having non-profit organizations engaged in a market environment is presented as problematic, as these organizations are active exactly at places where the market caused social problems. Moreover, particularly the idea of having high street banks in the social sector is criticized: "Part of the problem with using the language of Wall Street in philanthropy – social impact bonds, impact investing, is the implication that there are market solutions to everything […]. In fact, many of the problems being addressed by nonprofits are a result of market failures" (The New York Times 8: 19). This statement shows a reservation against market solutions. To some extent, this position is comparable to the non-profit discourse during the Keynesian era in which third sector organisations filled the gap when government service was not available due to reasons of scale (compare 6.1).

After all, SIBs are widely described as a tool that introduces market discipline and competition into the social sector in order to increase efficiency. As the SIB market is increasingly shaped in terms of business values (e.g. the SIB market and the value chain of suppliers), unsuccessful or non-cooperating organizations risk the danger of being crowded out. The idea of market discipline is also articulated through mechanisms as track records and the risk of reputational failure.

7.1.3 Culture change: the social sector organization as business

> I think everything is a slow culture shift (Expert 2: 67).

As described above, SIBs contain marketizing features that operate in the social sector, and a rhetoric that describes the SIB market from a perspective of efficiency and competition. Another interesting perspective on this topic revolves around the imagining and description of the social sector in contrast to the business sector. Very often, as the introducing citation indicates, the use of a vocabulary influenced by notions of 'culture' and 'language' is dominating these descriptions. This 'culture-oriented vocabulary' puts an emphasis on the cultural 'otherness' and distinction when comparing the social sector and the world of entrepreneurialism. The existence or non-existence of business skills and entrepreneurial values is often taken as a reference point of this 'otherness'. Mostly, the alleged inefficiency of social sector organizations is associated with a lack of business values, as an interviewee of Canadian public service observes (not with respect to SIBs):

> […] I always found the notion of voluntary sector 'inefficiency' curious. Often, in justification of some new, particularly destructive initiative, I would be told that voluntary organizations were inefficient because they did not use the latest management theories in their operations, or did not have a 'bottom line' mentality (Interview qtd. from Evans et al. 2005: 85).

The view that a lack of business skills is equated with inefficiency in general was also observable in the expert interviews of this master's thesis. Charities and non-profit organizations were often described as frail and not very sophisticated in doing business, which is seen as a reason why commercial investors still shy away from getting involved with small charities. Expert 3 took the existence of business conduct as a reference point for assessing the viability of a social sector organization: "[A] lot of charities are very frail. […]. They understand how to deliver a service but in the business planning sense they aren't very articulate on that side" (Expert 3: 70-71). Investors, therefore, cannot really deal with this because "BSC, Goldman or whatever, what they want from their investment is a fully formed organization […]" (Expert 4: 70). Consequently, not only the inappropriate risk-return profile is considered as a reason for the reluctance of commercial investors, but also the lack of business skills and entrepreneurial service provision. Then, Social Impact Bonds come into play as a tool that incentivizes a more entrepreneurial way of doing service: "They [social sector organizations, MW] are not capable of taking on investments or managing big amount of money. So Social Impact Bond is a way of trying to help them get back experience like and help moving that in that direction" (Expert 1: 49). Even more articulate about the potential of SIBs and entrepreneurship is the Harvard Kennedy School in an article about the future of SIBs in Europe. In the wake of the financial budget crisis and austerity measures, social entrepreneurship is perceived as the solution for imminent social problems: "Social Impact Bonds can be a credible answer to that issue by drastically innovating in the way social services are delivered and unleashing the potential of social entrepreneurship in Europe" (Harvard Kennedy School 3: 10).

In their contrasting description of the current social sector and the imagined, business-oriented social sector, SIB promoters often used metaphors of the 'cultural otherness'. The use of such cultural metaphors rhetorically supports this contrast. The two fields were often described in terms of cultural barriers and language problems which need mediating by an additional (intermediary) organization. Therefore, Expert 3 explained the role of an intermediary organization:

> I guess our role is quite useful as a social intermediary because of lot of the time these two sides [investors and service providers, MW] don't really know *how to speak the same language* or don't really know how to get their foot into the door. [...] Social intermediaries are useful by bringing that financial experience, to help to structure and understand the finance language well, also bringing in the social sector knowledge and understanding what this side needs (Expert 3: 22).

In particular, the issue of "language barriers" is a recurrent formulation in order to express that the business side does not have much in common with the social sector. Therefore, these language problems legitimize the introduction of an intermediary organization. In some cases, however, not even an intermediary can help to completely overcome the imagined cultural barriers, as Big Society Capital suggests:

> [T]here remain '*language barriers*' in discussions between providers and investors. Although intermediaries are vital to helping bridge those barriers, there is often a lack of understanding of investor motivations and characteristics. [...] [T]here is not a *developed culture of paying for professional services*. For commissioner originated programmes, Investment and Contract Readiness Programme has helped complement provider fees for intermediaries to provide support in bid development (Big Society Capital 1: 12).

Again, the notions of "language barriers" and "developed culture of paying for professional services" indicate the use of a 'culture-oriented' vocabulary in order to illustrate the split between the traditional social sector and the business sector. It points directly to the absence of business and entrepreneurial skills of the traditional social sector organization. To intensify this split, proponents speak of different cultural fields that need intermediaries in order to understand each other's language. Expert 2 said that social investors can get "the social sector moving to become more robust in terms of kind of business acumen. [...] I mean the two are culturally adapting to the new environments we are in today" (Expert 2: 67). This new, adapting environment is marked by the emergence of more socially minded investors and social investment banks in the sector. This is seen here as kind of synthesis of non-profit values and business values, thus representing the notion of 'culturally adapting'. Nevertheless, against the background of the Investment and Contract Readiness Programme (ICRF), it becomes clearer which of the two sides has to take more 'language lessons', or who is actually culturally adapting. The Investment and Contract Readiness Fund is a three year project and will support about 130 social enterprises in order to prepare them for the engagement with investors (Cabinet Office 2013a – Helping social ventures to grow). Together with the BIG Potential Fund, social enterprises are prepared for being investment ready. Expert 4 describes the ICRF as being designed to:

> support the capacity building of these organizations. […] The ICRF is a little bit further along helping you look for investment or go out for big contracts and it's almost like what you need to go along this path right before organization like BSC or other large investors will look at you because you are kind of so far, so far from being investment ready or thought about accessing investment (Expert 4: 72).

In order to be eligible for investments, a non-profit organization needs to accomplish several steps in business education before it is considered as being ready for providing a SIB-funded project. Moreover, the institutional setup of these 'readiness funds' as a pre-requirement for further activities in the market indicates that Social Impact Bonds are hardly an option for non-profits right away. What is portrayed as a mutual learning process (the notions of 'cultural adaption') is more often a one-sided activity by which the financial education of non-profits has to be improved, thus the notion of "culture change" in introducing citation. Take, for example, an interview, conducted by Bridges Ventures, with a service provider who describes the process of learning a new financial language: "We had to quickly become familiar with the language and priorities of the investment community. Terms such as "asset class" and "capital stack" were new to our lexicon" (Bridges Ventures 2: 25).

The use of cultural metaphors as well as the culture shift seems to be a more compelling issue for the non-profit sector which is meant to adapt to entrepreneurial practices in order to be eligible for a Social Impact Bond. The future of public service provision is imagined by SIB promoters as consisting of competitive, investment-ready social enterprises that are subject to market values. Expert 1, for example, thinks that: "if you want these organizations to be able to be involved in delivering public services, then you need to get them used to dealing with contracts and to win them, be able to manage investment" (Expert 1: 49). As already has been indicated while discussing Anti-Keynesian rhetoric, SIB promotion is based on the vision of privatized public service delivery.

The use of cultural metaphors by SIB proponents advances an overstated dichotomization of the non-entrepreneurial, traditional social sector and the space of business and for-profit enterprises. Moreover, by using the notion of "culture shift", this practice not only fuels the imaginative split but also indicates that it is the social sector which has to "culturally" adapt to business values when it wants to benefit from a Social Impact Bond.

7.1.4 Innovation and ingenuity

So far, this chapter has focussed on increased market discipline and how the lack of business experience is conceived of as a deficiency. Social enterprises are portrayed as being the outcome of this 'culture shift' that embodies foremost entrepreneurial, market-driven approaches in social service delivery. The language of 'innovation', 'creativity' and 'ingenuity' is another key aspect of the entrepreneurial discourse around Social Impact Bonds. Creativity is most often associated with the private sector or social enterprises, which are meant to gradually displace the government's role in solving social problems: "There's a recognition that philanthropy and government can't solve all the social problems" (New York Times 2). The use of new financing vehicles for public services also indicates that "the pool of philanthropic, government and aid money is not enough to tackle these issues and that we *need to be more creative*" (Financial Times 2). Therefore, the turn to the creative capital of private investors is conceived of as the last possible option to solve social issues more efficiently: "Private equity came of age when government realised it could not solve our industrial problems by creating more British Leylands and decided instead to open the door to private sector creativity and capital" (The Independent 3). The underlying idea is that, apart from social entrepreneurs with their ingenuity and force, neither state institutions nor philanthropy have the means to tackle social problems but social entrepreneurs with their ingenuity and force. Consequently, Social Impact Bonds represent a product of such entrepreneurial creativity to solve social problems: "Social Impact Bonds provide a genuine way for government to direct funds toward interventions that work since activities that don't achieve outcomes under a SIB will not receive taxpayer dollars" (American Progress 3: 3).
While some voices herald SIBs as a result of social entrepreneurs' innovativeness, others emphasize the role of Social Impact Bonds as a catalyst for innovations. This new funding instrument is considered as an incubator for innovative solutions itself because it creates "an incentive for everyone to deliver better outcomes and […] it creates the opportunity for the forces of entrepreneurialism to work out the best way of delivering those outcomes" (Expert 5: 63). Another example is McKinsey, which promotes SIBs because they are "highly relevant for *catalysing* the right kind of conversation, promoting innovative responses to social problems, and linking impact with the resources that can make a real change in the world" (McKinsey 1: 57). With respect to the trial-and-error experimentation accounts in policy implementation, SIBs are seen as a tool that allows testing innovative intervention models and evaluating their robustness in practice.

Overall, SIBs are at the same time an innovation that is currently tested as well as a platform which helps to test, evaluate and spread innovations in service intervention, as Social Finance highlights: “Others appear to define innovation more broadly, and are excited about the prospect of using SIBS to test unproven, novel approaches to social problems” (Social Finance 3: 43). The trial-and-error account many policy makers pursue in the context of SIB promotion is another interesting trait that is overarched by the entrepreneurial and for-profit discourse, as the next section highlights.

7.1.5 Optimization through experimentation – ‘best practices’ and ‘things that work’

The notion of experimentation (finding ‘what works’) is related to the aforementioned entrepreneurial claim for more innovativeness and creativity in tackling social issues. SIBs are conceived of as a tool that enables private financiers to start finding creative solutions for social issues by testing and experimenting interventions. In this relation, Social Impact Bonds have a twofold character: they are both a social policy experiment and an experimenting vehicle for innovative approaches at the same time.

Nevertheless, a few SIBs are still labelled as ‘pilot-projects’ (as the Peterborough-pilot SIB) which implies the experimental stage of these prototypes. Still, the experimental status of many SIBs prevents the policy from being prepared for the financial capital markets. For interested investors, Social Impact Bonds have not yet proven their functioning. An investor, cited in *The New York Times*, states: “[…] Putting my investor hat on, what we need now is a number of pilots that demonstrate they work” (New York Times 2). SIBs need success stories in order to overcome their experimental stage. According to Social Finance, the future development of this funding instrument depends on whether the operating projects prove to be a success. After four years of trials and improvements, Social Finance foresees that the proof of success is ready to hand: “SIBs are marching closer to achieving ‘proof of concept’ at which point the sustaining market for SIBs will no longer require philanthropic capital” (Social Finance 3: 4). As indicated earlier, major investment firms still refrain from being involved due to the inappropriate risk-return profile of pilot-SIBs. For Big Society Capital, this is due to the lack of evidence:

> [T]he private banks in the UK would like evidence of the performance of the initial round of SIBs before deciding whether they are appropriate for their clients. The lack of High Net Worth investment in SIBs is a reflection both of the unproven nature of the product, from an investor adviser viewpoint and the perceived lack of critical mass of investment products (Big Society Capital 1: 3).

After all, also Expert 3 and 4 conceive of the introduction of Social Impact Bonds as a governmental experiment. While not risking to lose implementation costs or to be held accountable for a failure, a government can test this social investment tool and eventually save costs: "[I]t transfers the risk, as the government don't have to take all that risk but then [they] are still able to test out that innovation and benefit from them" (Expert 3: 84).

The second point concerns Social Impact Bonds as an 'experimentation tool' that allows testing innovative approaches in order to find out which of them function. A key word in this relation is 'evidence': "SIBs put evidence at the heart of the process, strengthening the evidence base for 'what works' – and what does not work" (The Young Foundation 1: 15). Since SIBs focus on delivering better outcomes by imposing market discipline and entrepreneurial rigour on the social service field, the underlying assumption of the evidence-based approach is to expand and disseminate successful ideas:

> Social Impact Bonds offer an innovative way to scale what works. If they work as hoped, proven innovations will no longer languish for years as service providers struggle to access the capital needed to complement the limited funds currently available from government and philanthropy (Social Finance 2: 31).

Apparently, the use of SIBs as an experimental tool to find promising intervention models is closely related to the introduction of measurable outcome metrics which provide numeric evidence over success or failure (compare 7.2). For SIB architects, a successful project indicates that a 'best practice' or a 'thing that works' was identified and that it now can become a mainstream method in service delivery, regardless of where the first successful implementation has taken place. Particularly the notion of 'scaling up what works' is a recurrent statement in this context: "Social Impact Bonds could be an effective way of taking innovative interventions that have worked in one area or location and 'scaling up' the approach elsewhere" (American Progress 3: 3). This adds a geographical note to this policy, which suggests producing mobile and replicable solutions for social issues. The replication of successful interventions regardless of geographic contexts seems even to be a priority for some SIB proponents, rather than the aspect of saving costs. "[I]in our view, SIBs are primarily a vehicle for scaling up a preventive program that delivers significant social impact rather than a reliable source of cost savings" (McKinsey 1: 18).

The notions of 'best practice' or 'things that work' not only circulate in SIB discourses. Rather they are well-known terms in transnational policy discourse (Graefe 2006: 70) and particularly in the global anti-poverty policy discourses (Peck 2011: 166), which implies the "highly selective circulation of preferred programming technologies, 'models', and policy frames – which effectively become 'carriers' of ideologically sanctioned rationalities and logics" (Peck 2011: 174). Returning to the issue of entrepreneurialism, trial-and-error experimentation can be regarded as a means to identify 'best practice' solutions. As a result, they legitimize the use of Social Impact

Bonds particularly within the scope of alleged budget crisis. In order to find 'best practices' and 'things that work', experimenting and trialling taken together represent the claim for optimization of business enterprises, which can be found in the transformation of the social sector with increasing frequency.

7.2 The logic of social engineering

The imagery of flawed Keynesian institutions and practices as diametrically opposed to the more market-oriented practices encompassing private financing through Social Impact Bonds is flanked by a line of discourse that revolves around the logic of (social or behavioural) engineering, controllability and technocracy. In a nutshell, this discourse is based on the idea that behaviour of individuals or performance of institutions can be governed and planned in order to achieve certain results. A few important features of Social Impact Bonds point towards this logic which stands in a close relationship to discourses of market discipline and entrepreneurialism. In this context, the 'outcomes focus' and the rhetoric of 'prevention rather than remediation' of Social Impact Bond promotion represent key aspects of many argumentation strategies, while serving the denunciation of Keynesian welfare state institutions as well as supporting the progression of market logic. Additionally, a range of clinical metaphors used in the SIB architecture can be put in line with this discourse as they allude to a trial-and-error experimentation practice found in clinical studies or experimental economics. Therefore, these aspects can be assembled in a line of discourse that, to some extent, is opposed to the neoliberal rhetoric of individuality and liberty and instead indicates a sense of controlling and engineering.

7.2.1 Outcomes focus and positivistic evaluation design

As it is meant to trigger innovation and creativity, the focus on measurable outcome metrics is portrayed by many SIB promoters as one of the most important novelties of this tool (Bridges Ventures 2: 19). The usefulness of those outcomes is continuously contrasted to practices of Keynesian era where service providers were paid by governments according to inputs or activities (e.g. the number of people a service provider has worked with, or how many hours they have worked etc.). Social service delivery that is based on input or activity-focused approaches is considered as problematic, as this can "undermine the delivery of *effective* public services […]" (Social Finance 1: 14). Furthermore, a focus on outputs and activities could be a misleading incentive, pushing them to look for "*cost-effective* ways of achieving the agreed outputs without enough thought for the desired outcomes" (Social Finance 1: 14). Again, efficiency seems to be a strong discursive element that appears almost everywhere. As Social Finance suggests, admittedly a bit misleading, an output or activity focus prevents effectiveness in public service delivery and in turn incentivizes cost-efficiency in programme design. This, in turn, can lead to weakly elaborated services.

Contrariwise, the call for governments to change contracts to pre-defined outcomes is considered as the catalyst for innovative solutions in service provision and as a way to increase efficiency. It is stated that Social Impact Bonds can move "our government to be more evidence-focused, so we can pay for achieving desired outcomes rather than paying for service regardless of the outcome" (Forbes 1). SIBs allow evaluators to measure the outcomes of a project and the government no longer needs to pay for unsuccessful projects. By using outcomes, the performance of social service providers is meant to be increased. For some, this shift marks a new era of social service provision: "This approach is a radical shift from the usual way governments pay for social services. Today, governments […] rarely measure the outcomes that are achieved, allowing ineffective programs to endure" (Huffington Post 4). As a side effect of the outcomes focus, governments need not to be so prescriptive and can thus provide service providers with more flexibility. This is especially important when addressing specific local needs or individual cases, as flexibility "should allow the SPV and service provider evolve the nature of services to meet clients' needs" (Social Finance 8: 25). Another effect ascribed to the use of outcome metrics and the alleged flexibility is that innovative solutions and creativity are triggered: "Activities are left to service providers to design and deliver in pursuit of the outcomes set, encouraging innovation and creativity. […] SIBs' contractual focus on outcomes rather than activities can stimulate innovation, a key driver of the potential for better outcomes" (Bridges Ventures 2: 9, 19).

An aspect that was not mentioned often, but which, nevertheless, is likely to be the most important point in this section, is the consequence of the shift to measurable outcomes. Outcomes are an important milestone on the way to test intervention models in order to know 'what works and what not'. According to Liebman, "'the model will lead to more rapid learning about what works' […]" (Harvard Kennedy School 1). Principally, installing measurable outcomes entails a clear-cut result that only offers two options: success or failure. This is also indicated by the evaluation design that is guided along positivist principles (Warner 2013: 306). A guiding principle of Social Impact Bonds is the idea that social improvement can be expressed in numbers by the help of 'objective' experimentation. The discursive power of statistical robustness declares something as 'success or failure' with respect to a mere number resulting from the evaluation process. From the moment SIB developers 'know what works', actually the moment a SIB-funded project shows numeric results that exceed the benchmark, the question about which intervention to choose is obsolete and, thus, depoliticized: "But with a Social Impact Bond, there are strong incentives and sufficient freedom for the external organization to direct funds to approaches that work—and the process of doing so is 'depoliticized'" (American Progress 2: 6). Therefore, outcome metrics not only imply a desire for more efficient services, but, even more radically, the use of outcome metrics produces and triggers results, which, in light of their statistical reference and power, can hardly be challenged. This aspect is also mentioned, generally, by Barry (2002: 279) who suggests that the "increasing importance of measurement and information in the economy might be though to have anti-political effects."

7.2.2 Prevention, not remediation

In a second vein, SIB proponents recurrently blame traditional government practices to be based on remediation rather than prevention. Again, the most prominent reason is the financial crisis that prevents governments from investing in risky programmes:

> [A] significant amount of government resources are allocated toward remediation rather than prevention, […]. The recent recession has forced many governments to make tough spending cuts, often sacrificing investments in programs that produce long-term results to ensure sufficient funds for nearterm ends (Social Finance 3: 17).

A reason for this is seen in the fact that politically, investment in longer-term projects is not a very popular option because the "election cycle exacerbate this tendency to shy away from potentially risky, longer-term preventative investments" (Social Finance 2: 10). With a Social Impact Bond, this funding problem for preventive services is meant to come to an end because the financial burden as well as the risk of failure is outsourced to the private sector. SIBs bring along a shift that moves "resources from remediation to prevention: they focus on forward-thinking programs that anticipate and ameliorate problems before they arise rather after they've materialized" (McKinsey 1: 7-8). This is done by involving private investors, who absorb the risk of losing money when a programme fails and provide the necessary upfront capital in order to finance underfunded prevention programmes. Thus, SIBs are beneficial for "cash-strapped governments" as they can invest in prevention indirectly by incentivizing private investors to take the risk of this investment (Harvard Kennedy School 1). This seems to be a win-win situation for all participants, but first and foremost for the government. The government does not need to worry about wasting taxpayer money, but nevertheless can foster preventive services which have been underfunded due to the often mentioned budget crisis.

However, the emphasis on prevention in contrast to remediation is a recurrent part of a more profound legitimization strategy. The rhetoric of 'prevention, rather than remediation' implies that by the help of Social Impact Bonds, the 'root causes' of poverty, alcoholism, homelessness or, generally, social downturn can be eliminated. Prevention suggests that SIB-funded programmes identify social classes or sections of the population social problems might erupt in. In the words of SIB architects, target groups for SIB-funded projects are often described as: "vulnerable people in society" (Social Finance 5: 6) or "vulnerable and disadvantaged young people who are at significant risk of becoming long-term NEET in the future" (Social Finance 6: 11). For others, the importance of Social Impact Bonds lies in addressing "seemingly intractable problems, from child abuse to maternal health, among low-income or vulnerable populations" (Forbes 1). SIB prevention programmes seem to be preferably active in low-income classes where allegedly 'intractable' problems exist. Indeed, these social problems are recurrently described as the "most intractable problems" (Independent 6), the "thorniest problems" (Economist 7), or "chronic problems" (Forbes 2), to give a few examples. The persisting idea of SIB promoters is that the model is able to sustainably fund programmes that "tackle the root causes of homelessness, crime and other disabling economic and social conditions" (Social Finance 2: 10). A closer look at the different interventions reveals that projects aim at working individually on behavioural issues (e.g. DWP SIBs). This is also acknowledged by McKinsey which states that "SIBs seem especially well suited to scale interventions focused on behaviour change" (McKinsey 1: 12). Regarding these characterizations of social problems and typifications of what is conceived of as a vulnerable individual, the concept of prevention, implemented through interventions on individuals, focusses on the correction of individual behaviour. This, in turn, suggests that social problems are conceived of as failures of individuals and not as the result of a systemic, institutional deficit. As Joy and Shields (2013: 49) put it for Big Society, "intractable societal problems risk being framed too narrowly as an individual's lack of self-responsibility […]."

7.2.3 Clinical metaphors

A range of expressions that are used to explain the functioning of Social Impact Bonds bear resemblance to notions in clinical studies or in the ascending field of experimental economics. In the Global South, developmental politics increasingly draw on experimental economics in order to test what kind of intervention is the most effective (e.g. Banerjee & Duflo 2011). As presented in chapter 5, SIBs similarly use expressions like 'cohort' or 'intervention group' to describe the group of people who will be supported by the service provider, and 'comparison group' or 'control group' and 'counterfactual' to delineate a set of individuals that only serve for the evaluation model (Cabinet Office 2 – Case studies). Other notions that allude to experimental practices are used to describe intervention models as a specific "therapy" (like Multi-Systemic Therapy, Expert 4: 34) which is "received" by the "treatment population" (American Progress 1:

4). Moreover, the phrase "receiving a therapy", for example, carries another behaviouristic connotation indicating that the root of the problem will be tackled by 'therapizing' behavioural failures of an individual. Well established therapies, as Multi-Systemic Therapy, stand for the evidence basis that is required in the development of many SIB-funded programmes (Expert 2: 31). Moreover, not only the language stands close to practices in clinical studies, but also the modes of controlling and evaluating a project. Some SIB designs use Randomized Control Trials (RCT) to select individuals for the intervention group and the comparison group. As it ensures the statistical requirements that the groups are comparable, RCT is seen as a "gold standard" (Bridges Ventures 2: 17). Where this was not feasible, SIB developers used methods as Propensity Score Matching (PSM) to choose the target population (SSIR 1, Harvard Kennedy School 2: 19). After all, also the use of the expression 'prevention' fits in this medical style of language. The 'SIB-language' borrows many expressions of medical science, and by applying a trial-and-error experimentation strategy in order to find out what is best, SIBs also practically adapt themselves to experimental economics.

7.2.4 Performance management

The management of a Social Impact Bond, as stated in chapter 5, relies on what is called performance management by either an external institution or, in most cases, by a group of representatives of the investment consortium. Investors want to have a certain amount of control over the investment as the non-profit's performance determines the return rate: "Social investors and intermediaries may want some influence over the way the project is delivered, given that they're taking much of the risk" (Cabinet Office 3). Bridges Ventures reports that in most cases, "investors have engaged advisers, prime contractors or specialist fund managers to help assess and manage performance" (Bridges Ventures 2: 4). In some cases, the premise of increasing flexibility by the use of outcomes seems to become diluted when looking at calls stating that SIBs require "strong performance management systems to ensure that partners are on track to deliver the outcomes sought. This behavioural shift, once institutionalised within service providers, government and donors, could inform future commissioning and service delivery" (Bridges Ventures 2: 12). This means that the intervention model is constantly subject to an optimization process, which is, to some extent, induced by the control of a performance manager.

Additionally, not only the private investors through performance are interested and capable of influencing a SIB-funded project. Although productivity may be an important argument in the context of cost-efficiency for private investors, the government is interested in a certain degree of control over the service as well. One author stated with respect to a potential SIB design:

> [T]here will need to be a government project manager who tracks the performance of the private sector partners, trouble shoots unforeseen problems, oversees disbursements as performance targets are achieved, and participates in regular meetings of the coordinating council made up of representatives of the service provider, intermediary, and government (Harvard Kennedy School 2: 28).

The issue of government intervention did not appear many times throughout the analysed literature. Contrarily, most of the time descriptions and argumentations emphasized the advantage for governments to outsource public services to private institutions. Nevertheless, the commissioner, or the government in the widest sense, does not seem to be completely off the scene. As Warner (2013: 13), for example, demonstrates for the NYC Riker's Island SIB, the US government is interested in having more control over the project than is commonly stated in public: "[G]overnment program architects show more interest in government maintaining some control and less faith in ceding control to the outcome measurement and financial return process managed by the intermediary. In the NYC case, MRDC will be the manager/evaluator, but the city has retained more *control over provider selection and evaluation*" (Warner 2013: 13). In one of my interviews, this point was briefly mentioned as well. When I asked Expert 1 (working in a UK government department) whether they have special requirements or conditions towards a SIB, he said: "I think lots of times it's quite…they want to do this" (Expert 1: 26). Expert 1 is a representative of a UK government department that advises other government departments, like local authorities or the Department for Work and Pensions which is a big SIB issuer. According to Expert 1, the role of this department is to:

> […] get them think about through a SIB. So yeah, it's mostly a kind of an advisory kind of relationship. Almost like a *sales bro*. And we go to them and say, you are interested in this, you want to pay for outcomes rather than paying for activity? You got this problem that currently is not being solved, why don't you think about doing a Social Impact Bond? We can put you in touch with the investors, we could put you in touch with intermediaries, we can help you to set up…to *navigate* through the procurement problems, and also, in some cases, in providing some of our own money to make it worthwhile to do this (Expert 1: 25).

This government department seems to be quite influential, not only in terms of financial support, but also with respect to the claim of "navigating" local authorities, for instance, through procurement problems. The department actively promotes the scheme through monetary incentives and also advises the commissioner in terms of procurement. In terms of SIB design, a strong element of control is maintained by the government when the department of Expert 1 has the ability to influence the local commissioner's decision to work with the kind of institutions (investors, intermediaries) they propose. By putting monetary incentives, which are particularly important in times of local budget cuts, the government still has a substantial (probably a crucial) degree of control over design and procurement. Performance management can thus also happen from a certain distance.

7.2.5 Instances of social engineering

Although opposed to the stereotypically neoliberal rhetoric of individualism and liberty, the engineering and controlling features in a SIB reveal another aspect of "actually existing neoliberalisms" (Peck, Theodore & Brenner 2009). These features including trial-and-error techniques and the outcomes focus pretend to control and rationalize social service provision and introduce technical plannability to the sector. The logic of (social) engineering consists of the premise to have technical solutions for social problems, regardless of their political context. As "evidence [is] at the heart of the process" (Young Foundation 2: 13), the use of outcome metrics indicates this rationalization. In spite of the 'prevention rather than remediation' discourse, the solutions SIB-funded programmes offer are decontextualized, and due to this, the social problem itself is depoliticized. For SIB-promoters like Center for American Progress, this depoliticization is neither a secret nor a bad thing, but rather a positive aspect that helps to overcome political barriers and lobbyism (American Progress 2: 6).

The use of outcome metrics in order to find out what works and what does not as well as other technical metaphors seem to constitute a case of performativity. Analysing social problems from a technocratic and market-driven perspective tends to bring along economic assumptions which conceive of the social sector as deficient and uncontrolled, as opposed to the well-functioning capitalized market societies (Mitchell 2007: 246-247). More importantly, social policies under the flag of neoliberal assumptions tend to reshape this "other" by their performative design and 'ideas that work'. As Peck (2011: 176) phrases it, "outcomes are functionally secured through policy designs" and "solution[s] actually anticipated and foreshadowed the problem […]" (Peck 2011: 176). 'Best practice' approaches travelling through different geographies tend to "pre-empt" the roots of problems when arriving at a specific location and are "depoliticizing the policymaking processes through the circulation of prefabricated solutions" (Peck 2011: 178). The engineering logic of SIBs functions in a similar way. The imagery of controllability and plannability is not an illusion anymore, but becomes true by the fact that the achievement of results is primarily a question of the technical construction and policy design and not so much of a real improvement. SIBs can be depicted as a vehicle carrying a set of neoliberal principles (market assumptions, competition, privatization, localism) and technocratic, clinical metaphors promoted by powerful institutions and discursive figures. Thus, one can conceive of them as a "socio-technical agencement" (Callon 2007: 319) that, with the support of technical devices,

experimental style and clinical metaphors, performatively reshapes and economizes the social field according to market principles.
Another aspect which has important implications is the increased performance management, on behalf of the investors' and intermediaries' at-hand management and indirectly on behalf of the UK government, which seems to exert a certain amount of control from a distance. Performance management mechanisms can be put in line with New Public Management philosophies that put an emphasis on managing (increased efficiency, productivity, complex technologies) and controlling ("managing from a distance", "indirect control or centralised decentralisation", performance management, audit etc.) (Evans et al. 2005: 79). Consequently, performance management in SIBs indicates the strong focus on New Public Management approaches in policy development (Warner 2013: 306). Another part of this New Public Management approach is the "positivistic evaluation design" of Social Impact Bonds (Warner 2013: 307). As outcome payments are tied to performance, decision makers need clear-cut results about the success or failure of a programme. The SIB evaluation design provides them with such a numeric result, leaving "little room for critique and concepts that fall outside the model" (Warner 2013: 306).

For a discussion of neoliberalism, this has two further implications. Firstly, Social Impact Bonds correspond to the contradictive character of neoliberal rhetoric that promotes liberty, individualism and flexibility but practically relies on subtle controlling mechanisms and modes of social engineering, which seems to be rather paternalistic. A behaviouristic trait whereby individuals are seen as incapable of managing their own life and thus are in need of a guiding hand appears in this discussion. Authors as Thaler and Sunstein (2008) refer to this as soft paternalism or libertarian paternalism which gained growing importance in UK politics (Jones et al. 2011). With respect to a theoretical characterization of neoliberalism, this would be suitable to the 'roll out' of new forms of governance (Peck & Tickell 2007: 33). In particular, the emergence of New Public Management practices, not only visible with respect to the controlling modes outlined here, indicates a shift of traditional perceptions of neoliberalism.
Secondly, acknowledging the increasingly global character of Social Impact Bonds, the worldwide implementation represents "a technocratic replication fantasy – that both designs and outcomes are portable from place to place" (Peck 2011: 176). It should be noted, however, that the technocratic approach of technical plannability and problem solving is not exclusively tied to post-Keynesian regimes. The interplay between technical science and politics as a mean to achieve economic growth and to keep down social conflicts was also common in the "Keynesian technocratic state" (Thorpe 2008: 113). In other words, regardless of how devastating the critique against Keynesian institutions was, some aspects are continuously present nowadays. Such

continuities of Keynesian figures in times of 'neoliberalisms' help to intellectually overcome the clear-cut split between those two regimes and acknowledge the path-dependency of neoliberal implementations.

A concluding remark of this chapter is owed to the growing importance of soft paternalism and libertarian paternalism in UK and US politics (Jones et al. 2011: 54). Academic literature aligns the rise of behavioural economics, trial-and-error experimentation and the logic of engineering, prevalent in Social Impact Bonds as well, with third way politics that reflect a compromise between free-market individualism and state interventionism (Whitehead et al. 2012: 303). For some, traditional principles of neoliberalism (as compared to Thatcherite neoliberalism) have been gradually eroded and were replaced by the agenda of liberal paternalism, which redefines the role of state control (Whitehead 2012: 302). For a discussion of neoliberalism, the rise of libertarian paternalism in politics must be acknowledged, as some authors suggest that this new political agenda "is not just a version of neoliberalism" (Pykett et al. 2011: 302).

7.2.6 Entanglements of market discourse and the logic of social engineering

Chapter 7.1 (market logic) has reviewed certain phenomena that can be subsumed under an entrepreneurialism and market discourse which promotes market discipline, cost-effectiveness and business values. The underlying narrative of this discourse is the assumption that rather than Keynesian institutions, only private-financed firms or social enterprises which have the required skills in terms of business acumen are suitable to tackle prevailing social problems. Moreover, the notions of 'innovativeness', 'creativity' and 'best practice' around Social Impact Bonds imply a picture of the social sector that has gradually adapted to a competitive, market-driven mode of operation as well as a rhetoric that is common in entrepreneur circles. A special place in this transformative process is occupied by instances of social engineering. Social engineering is closely tied to the enthusiastic language of the innovative and creative social entrepreneur that finds new, convincing ways to solve social problems by using Social Impact Bonds. The ideas of controllability, plannability and predictability, materialized in mechanisms such as performance management, track records, clinical metaphors and the use of outcome metrics, seem to be serving the progression of market-oriented thinking and entrepreneurial values into the social sector. These mechanisms or features of SIBs exert, to some extent, a subtle sort of 'marketizing' power on social sector organizations by imposing a logic of markets and entrepreneurialism on them. Moreover, the inherent trial-and-error design of SIBs can be considered as not only an example for controlling, but also as an epitome for the (self)optimization-claims of the for-profit discourse.

8. The moral economy discourse – going beyond markets?

A third group of discourses can be characterized by its distance to logics of (financial) markets, social engineering and state-led interventions. This line of discourse stands for a legitimization strategy that depicts Social Impact Bonds as a way to move beyond the rationales and stranglehold of markets and capitalism, as well as overcoming authoritative, centralist forms of governance in favour of democratization and decentralization. For the first part, this is epitomized by the narrative of a 'new social economy' which holds that markets have an invisible heart and can be used for ethical actions. For the second part, the localism discourse is an interesting example of how SIBs have become instrumentalized for a political agenda (Big Society agenda) that suggests enhancing democracy, social cohesion and self-responsibility of local authorities. The discussion about SIBs as a democratic investment vehicle completes this chapter.

8.1 The 'new social economy' - the invisible heart of markets

Social Impact Bonds are often considered as the embodiment of a 'new social economy' that synthesises social and financial aspects in a fruitful way. SIBs consist of features and logic derived from the financial market and for-profit thinking, but also do they contain aspects of social responsibility and social awareness. The 'ethicalization' of markets and capitalism is not a novel discourse, but in the wake of the financial crisis and increasing social inequality a resurgent legitimization strategy. The different argumentation strategies referring to the implementation and promotion of SIBs reflect a line of discourse which is characterized in the commingling of curbed market approaches and social as well as ecological responsibility. This line of discourse is best represented by the emergence of trends such as 'impact investing', which is named by the Social Investment Taskforce[31] as "the invisible heart of markets" (SITF). The activation of ethical aspects in capitalism seems to experience an effective upgrade during the last few years: inventions such as Social Impact Bonds bear testimony of this development. In addition, a few argumentative lines follow a certain 'confession and penitence' strategy, which involves the acknowledgement that unfettered markets, unstrained financial capitalism and greedy bankers had devastating effects on our economies. Therefore, the banks are required to 'return something' to society. In what follows, I present different aspects of this 'new social economy' discourse that appears together with SIBs. The discussion starts analysing the ambiguous role of philanthropy in this context. A second part deals with different demarcation strategies that refuse practices of

[31] The Social Impact Investment Taskforce, chaired by Ronald Cohen, is an international and independent taskforce consisting of social investment experts from the G7 countries. Their aim is to catalyse "a global market in impact investment" (SITF IV).

pure profit-oriented financial capitalism on the one hand, and make a case for more social mindedness in investment banking on the other hand. Finally, part three revolves around the result of this demarcation strategy: the birth of the socially minded investor engaged in a 'real third way' economy reliant on the principles of a win-win argumentation.

8.1.1 The role of philanthropy in the wake of impact investing

Like the Anti-Keynesian state critique, SIB promoters' opinion about philanthropy is ambiguous and inconsistent. The Anti-Keynesian discourse revealed the existing repercussions against governmental and philanthropic grant-giving and, in contrast, prospected the 'investor ready' social enterprise as the ideal type of firm in the social sector. In terms of intervention and responsibilities, philanthrocapitalism is, however, consistent with Anti-Keynesian ideas of "devolving power to non-state actors" (Morvaridi 2012: 1194). Still, it is common for a sponsorship to be coupled with a certain influence on behalf of the sponsor. The best example in this context is the philanthropist Ronald Cohen. Cohen is constantly promoting the model of SIBs. He has founded, for instance, several organizations (e.g. Social Finance) and chaired institutions which are now established in the UK and US SIB market. Since he chaired, for example, the G8 Social Impact Investment Taskforce under the UK's presidency of the G8 (SITF) or had a seat in the advisory board of Big Society Capital (Ronald Cohen 2), his importance for British social politics and particularly for David Cameron is obvious. Cohen's influence and charisma seems to have an almost a religious character for the *Telegraph*: "The Moses figure throughout has been Sir Ronald Cohen, a legend in private equity and venture capital […]" (Telegraph 4). Not only is Cohen an influential SIB promoter, but also can he be said to be a crucial 'discourse generating engine' of the impact investing movement and an impulsive advocate of the 'ethicalization' of markets. He states: "Impact investment is emerging as a new unifying force […]. It harnesses the forces of entrepreneurship, innovation and capital and the power of markets to do good" (SITF). Markets, as has been outlined in chapter 7.1, are viewed not only from the perspective that they bring the business rigour needed to work effectively, but also include the chance for 'doing good'.

Although grant-giving is widely refused according to the Anti-Keynesian discourse, the role of philanthropy is to provide risk capital during the maturing process of SIBs before capital markets take the lead: "Philanthropy is wellsuited to help engage new capital, by peeling back the first layer of risk and developing the infrastructure for innovative finance to take root" (Social Finance 4: 3). This highlights the significance of philanthropists and their money for the kick-starting phase of Social Impact Bonds, during which commercial investors still shy away from investing due to its lack of proof: "Many viewed foundation engagement with SIBs as a natural outgrowth of philanthropy's traditional role as an 'idea shop' that may take on the risk of proving a concept before it can be scaled by the government" (Social Finance 4: 7). Again, with respect to philanthropy serving as a means to test approaches before mainstreaming them, the trial-and-error experimentation motive comes into play. After several years of testing, the role of philanthropy is suggested to be decreasing as the market takes over. Philanthropists' risk capital is seen as experimentation capital until the concept has proven to be suitable for mainstream investment: "Some argued that philanthropy should help to seed the nascent market, but should then seek to hand off SIBs to mainstream impact investors as the market matures" (Social Finance 3: 8).

However, in light of the financialized structure of some US SIBs, in which philanthropic funding plays a key role as a protecting layer, philanthropic foundations are unlikely to disappear from the scene in the near future. Philanthropic institutions are crucial players as their 'ethical' part, which helps mitigating risk for commercial investors, in the financial logic of SIBs suggest. Given the unusual risk-return-profiles, Social Impact Bonds, particularly in the US, involve de-risking strategies in the form of downside protection where philanthropists provide a grant-layer as a back-up for potential failure of the programme. This downside protection by a philanthropist makes an investment in SIBs attractive, even for mainstream investment banks (like the New York SIB with Bloomberg Foundation as a backup for Goldman Sachs' investment) (Bridges Ventures 1). Put differently, financialized and mainstreamed SIB structures reflect an unusual interplay of commercial investment banks and philanthropic institutions. For some authors, philanthropic foundations are indispensable:

> Given the amount of risk that private sector investors will be taking on, most initial SIBs will need at least some philanthropic backing. It is important to hold informal conversations with potential investors, both philanthropic and commercial, early in the development process to verify that there is sufficient investor interest […]" (Harvard Kennedy School 2: 15).

Thus, the role of philanthropy is not only seen as a catalyst and sponsor of early SIB development but in fact also as a constitutive player for the well-functioning of a project. SIB structures that involve philanthropists as a backup grant-layer are more likely to attract money from capital markets. The partnership of philanthropic organizations and capitalist businesses teamed up in Social Impact Bonds epitomizes how blurred the line between capitalist interest and altruistic endeavours in the course of the 'new social economy' has become.

8.1.2 Confession, penitence and redemption

The interplay of philanthropism and venture capitalism marks a trend whereby financial market practices have to be ethically sanctified. As mentioned earlier, a part of this discourse is the 'confession-penitence' strategy that legitimizes the use of SIB as a socially compliant tool to fund social services. The argumentation consists of two parts, the confession that unfettered capitalism is bad, and the penitence of giving something back to society.

The confession that financial market capitalism and unfettered markets had substantial influence on the current fiscal and social crisis is expressed by Ronald Cohen. In his understanding, this is an outcome of an asocial form of capitalism: "Broadly speaking, capitalism does not deal with its social consequences. Even as communities grow richer on average, so the gap between the 'haves' and the 'have-nots' increases" (Ronald Cohen 1). Consequently, also the market is perceived as being ignorant of important social aspects of life: "While the market deals with its financial and economic consequences, it does not deal with its social consequences in the same way" (Telegraph 2). Elsewhere, Cohen highlights the negative side effects of markets and capitalism: "As system leads to very high rates of growth, expansion of credit, taking of risk, and so on, there are divisions that are created in society where some people are left behind, a few completely left out, while others are doing so well at the other end of the scale that it seems inequitable in social terms" (Telegraph 2). Here, Cohen applies a remarkable anti-capitalist critique of the prevailing economic system in order to legitimize his visions and to demarcate social entrepreneurialism from capitalism. Keeping a distance from capitalism is intriguing, especially if it is done by a person like Ronald Cohen. Nevertheless, Cohen marks that the financial crisis also bears the chance of people learning a lesson: "[F]inancial crisis has made people aware of the crying need for the business world to help tackle inequality in society, which he once predicted could lead to 'rioting in the streets'" (Cohen, qtd. in Telegraph 2). Again, the idea of fiscal hardship being a catalyst for creativity and innovation appears in another context than in the entrepreneurial discourse. As Cohen has always been a venture capitalist, this discursive entanglement is not surprising. However, Ronald Cohen is not the only one in the SIB market that applies this kind of legitimization strategy. Similarly, Social Finance promotes an entrepreneurial new social economy as a response to the economic crisis and its causes: "A more innovative, entrepreneurial and sustainable social economy will build society's resilience and enable it to cope better with changes caused by the downturn, new technology and globalisation" (Social Finance 1: 23).

Critique of the traditional market system and capitalist behaviour is often followed by a desire for redemption. The 'new social economy' discourse is driven by the idea or the image of an investor that returns something to society. Social Impact Bonds are then a chance to do repent: "Given all the trouble caused by clever-clever bankers, social impact bonds might even represent some kind of payback" (The Independent 2). The same legitimization becomes evident in the case of

Goldman Sachs who engages with philanthropic activities for ethical reasons. With regard to an investment in a Social Impact Bond, *The New York Times* writes:

> Now Goldman executives say, the firm wants to give something back. But Goldman also has been trying to polish its reputation with ordinary Americans and politicians in Washington. 'Engaging wasn't just the right thing, it was necessary, especially in the wake of the financial crisis when people said we weren't doing enough,' said John F.W. Rogers (New York Times 1).

According to this statement, written in an article called *Goldman Sachs, Buying Redemption*, commercial banks tend to follow more socially responsible programmes and in doing so, overcome barriers between the social sector and finance.

Expert 6, although being sceptical of the engagement of large commercial banks in the SIB market, still appears to be optimistic concerning the dynamic mindsets of these banks: "Some people say, […] like the big impact is when we get commercial capital involved. I think the big impact is when we get commercial capital to think differently about what they are doing" (Expert 6: 17). Expert 6 is exemplary of a line of discourse that envisions an evolution of ethical standpoints within the finance industry with the result that they start "to think about all their other products and how do they really serve people" (Expert 6: 21). The intermingling of market aspects and generosity is also a subject relevant for the impact investing scene, parts of which are Social Impact Bonds. The Social Investment Taskforce is a prominent advocate of this movement, which draws on the imagery of the "invisible heart of markets" and the innovativeness of social entrepreneurs. Apparently, the notion of the 'heart of markets' alludes to the popular notion of the 'invisible hand of the markets'. In essence, at it is argued, this notions allude that markets possess an invisible heart that just needs to be activated in order to control the visible hand: "If we achieve our goal, in future the invisible heart of markets will guide the invisible hand to improve the lives of those who would otherwise be left behind" (SITF: 42).

The 'confession and penitence' strategy works as a strong discursive mechanism which implies that commercial banks and investors admittedly refuse their old practices as they see the gap between rich and poor is becoming larger. More importantly, it legitimates the use of Social Impact Bonds for a new category of 'social investors' or 'socially minded investors'.

8.1.3 The socially motivated investor and the win-win situation

The social investor and the social entrepreneur can be understood as the synthesis of a dialectic argumentation strategy that on the one hand refuses welfare state interventions in the shape of Keynesian institutions and on the other hand involves an unfettered market approach. The metaphor of the 'invisible heart of markets' is also an example of the discursive shift that encompasses the discussion around capitalism. Social Impact Bonds appear in this discourse as a proxy for this development as they allow benefiting in the form of financial and social profit. Therefore, SIBs are described as a 'win-win situation' since financial return and social impact is generated: "[M]oney is provided by social investors, so-called because they want their investment to do two things: enable positive, measurable social impact and generate financial return" (Social Finance 8: 20). Barrow Cadbury, a British trust, says that "it is a 'win-win' situation for them [social investors] as it means they can make an investment from their endowment and see a possible return, rather than just give a grant" (The Guardian 6). Concerns about possible abuses are repelled by Social Finance, quoted in *The Guardian*: "We are interested in aligning the social with the financial rather than finding a clever wheeze for making money. We are incentivised to work with the complicated and with those willing to change" (The Guardian: 6). In contrast, some commentators do not hesitate to announce the coupling of capital markets and social sector in the course of SIB development. An effective approach to tackle social issues needs capital markets as well as the social sector: "We need to harness the best of both the capital markets and the social sector to address problems we cannot solve inside the two silos" (New York Times 8). The 'silo thinking' is a typical argument that occurred throughout many lines of discourses and always served to legitimate hybrid solutions without providing real evidence.

Since SIBs are a new and relatively untested social investment tool, they are perceived as bearing higher risk than traditional investment vehicles and smaller profit margins. Therefore, SIBs require a type of investor which is different to traditional investors. Social investors are distinguished from conventional investors by their diverging risk aversion: whereas financial market investors prefer low-risk investments, socially minded investors are characterized by accepting disproportionate risks: "Both types [philanthropic funders and Impact First investors, MW] are investors interested in pioneering innovative approaches and motivated by the social impact SIBs could generate. They are willing to take a higher level of risk" (McKinsey 1: 39). For Bridges Ventures, the decision whether to invest in a SIB or not also lies in the ability to "price the risk" as they have a deeper knowledge about what specific target groups need in terms of service provision.

The claimed fusion of business and philanthropy, however, seems also to be thought of as being relatively normative. Critics from non-profit sector commented for SIBs: "It completely shakes our business-vs.-philanthropy mindset. Impact investing says, 'We can do both at the same time.' And the underlying assumption is that if we can do both, we should" (Nonprofit Quarterly 1). This statement expresses the normative perspective about what the social sector should do regardless of there being any evidence for its necessity. Another concern in this respect depicts investment banks still as being profit-oriented, rather than interested in a social change. For instance, the image of the socially minded investor as well as the philanthropic accounts of conventional investment banks like Goldman Sachs is contested by SIB critics. Ethical activities by investment banks raise doubts and are seen as a pretext for occupying another profitable field, in this case the one of social work like health care and, finally, human services and anti-poverty issues. This argumentation stands in line with the fear of privatization that is associated with the introduction of Social Impact Bonds. As one author put it:

> Yet, where conservatives formerly might have seen charity, Goldman Sachs and Morgan Stanley now see profit centers. […] A couple of decades ago, when the non-profit sector approached 5 percent of GDP, it was clear that the market would eventually find ways to peel off the potentially more profitable areas of charitable activity (PBS 1).

A widespread reproach of critics is reflected in the reproach that investment banks do not really care about improving social problems, but rather act rationally in terms of risk and return. Commercial investment banks, as it is argued, only invest if a successful outcome is highly probable, or the risk is low respectively (although a central principle of SIBs is that money is at risk): "Goldman […] pioneered the SIB concept here in the United States and is already asserting, without any evidence, that it will achieve positive outcomes for the participant […]" (PBS 1). In other words, this statement reflects the view that SIBs might not be as risky as they are publicly advertised. Regarding the de-risking strategies in US SIBs, the statements about the socially minded investor that accepts higher risk rates are indeed questionable. The premise of saving government money then seems to be a farce because wealthy people keep on enriching themselves by the help of government money for programmes that should be paid by tax dollars (PBS 1). The claims for higher yields on behalf of investors ("Goldman argued that it's important for returns to be substantial – or at least, not artificially low" (Washington Post 1).) could make governments finally pay more money for interest rates than if projects were financed by the government, critics believe (Sanchez 2014).

After all, the image of the pacified investment banker that accepts higher risk rates and lower profits seems to contradict statements of promoters claiming that SIBs are still too risky to be a considerable investment option for commercial banks. The best example for this is a guideline published by Bridges Ventures called "A De-Risking Toolkit for Impact Investment", which proposes several strategies for risk mitigation like downside protection, bundling, liquidity (Bridges Ventures 1). The proposed use of such practices, which are also widespread in the financial capital markets, clearly implies that risks need to be mitigated in order to attract commercial capital. Moreover, the claim of SIBs being a product for high risk-low profit investors also contradicts the controllability and plannability discourse that is implied by the strict use of measurable outcomes, performance metrics and track records, and which implies a certain predictability of results.

8.2 Localism and community empowerment

With the Big Society agenda, a strong emphasis on localism is dominating the UK politics. The promotion of Social Impact Bonds is not spared out in this respect. Localist arguments have a big share in the legitimization of Social Impact Bonds, as will be presented in this chapter. This investment vehicle appears as a key instrument for locality empowerment in the context of Big Society agenda, which can be briefly described as a tendency towards decentralization, a strong focus on the empowerment of local authorities and the reform of public service as a response to "deficits of efficiency, fairness, and democracy" (Clarke & Cochrane 2013: 13). This section consists of the identification of three aspects that can be grouped into the main tenets of localism. The first point deals with the romanticization of the local through the concept of "local solutions to local problems". Secondly, I present a set of argumentation strategies that connects SIBs to the empowerment of local authorities and small social sector providers. The third part provides a discussion of instances of Big Society logic such as community ownership, social cohesion and volunteerism with relation to SIBs. At last, the chapter is concluded by some thoughts about the localist imprint of SIBs and their relation to localism as a form of "spatial liberalism" (Clarke & Cochrane 2013: 13).

8.2.1 Local romanticism – local solutions to local problems

Within the Big Society agenda, Social Impact Bonds occupy an important position. Generally, localism discourse is marked by the idea that local problems need local solutions. This narrative is also made apparent in documents that explain the need for Social Impact Bonds since social problems throughout the UK have become more diverse and pressing and local solutions are required. In the context of SIB promotion, localism is especially evident when social problems are described as specific local problems that require local needs:

> As social needs become more diverse and, in places, acute there is increasing recognition that often the most effective services are those that are tailored to local needs. Solutions to unemployment, for instance, may be very different in former industrial cities like Hull, rural areas like Cornwall and areas with large immigrant communities like East London. The value of local solutions is recognised by all major political parties in the UK (Social Finance 1: 10).

The unique character of a local community is also considered as evidence for the local rootedness of social problems. Put differently, social problems arise out of local circumstances that are not directly understandable for outsiders. As a consequence, interventions from outside are deemed to be unrealistic due to the lack of local knowledge: "Local stakeholders understand their constituents' needs and the community's attitudes much more than outside groups that 'parachute in'" (McKinsey 1: 64). The metaphor of "parachuting in" refers to the image of localities as isolated and autonomous islands of self-help, whereas organizations from outside cannot grasp the complexity of problems. Interventions which are originating from a national level are meant to resign. Social Finance, for instance, highlights the diversity and independence of British communities:

> The diversity of British society means that drawing-up detailed social service delivery specifications at a national level can be fraught with difficulty. Individuals and their contexts vary so widely that tailored interventions are often best developed at a local level, where local cultures, needs and circumstances can be taken into account (Social Finance 1: 47).

The British geography is imagined as being extraordinary fragmented and overlain by a cultural mosaic. Social Impact Bonds are considered a model that suits these circumstances as it leaves room for flexibility in service delivery: "The Social Impact Bond contract with government specifies the desired outcome, but not the means of achieving it. This means that interventions can be tailored to local needs and can evolve over time as needs change" (Social Finance 1: 47). In this context, the alleged flexibility for service providers legitimates the introduction of SIBs because centralistic 'one size fits all' models are considered as incompatible with most of the local cases. Thus, the flexibility is not only advertised as an advantage for service providers, as described in the context of outcome metrics, but it is also considered as making a SIB an adaptive funding instrument: "In recognition of the fact that most social and community needs are complex, and rarely is there a 'one size fits all' solution, Social Impact Bond investment will fund a flexible portfolio of locally-tailored interventions that address the target outcome" (Social Finance 9: 2). Not only Social Finance is specific about that fact, but also the UK Ministry of Justice which stated that the Peterborough SIB "was perceived by investors to respond to a locally defined problem and to have been developed in collaboration with local agencies taking local context into account" (MoJ 2: 14).

In all of these examples, the promotion of Social Impact Bonds draws on the imagery of the 'local' or the community as an encapsulated entity in which problems are locally specific and solutions cannot be provided from outsiders that 'parachute in' to this field. Rather, local service providers with a smaller scale and smaller budgets are understood to have the right measures to solve these problems.

8.2.2 Empowerment of local authorities and small social sector organizations

Local authorities face severe budget cuts due to the austerity measures which forces them to reduce spending for public services (Clarke & Cochrane 2013: 12). Some proponents suggest that SIBs fit this era of austerity as they hand over more control over expenditure to local authorities. Expert 1 explained: "It empowers local authorities; it helps them to test new things and to try new things that otherwise they might not be able to afford […]" (Expert 1: 55). Thus, having more control allows delivering services more accurately tailored to local needs and in comparison with national programmes at much lower costs. One author highlighted the strategic advantages for local authorities: "These models have the potential […] to encourage a shift to more strategic commissioning at local level, with commissioning more directly linked to outcomes achieved" (They Young Foundation 2: 1).

Another issue concerns the potential effects the introduction of Social Impact Bonds can cause for the social sector on a local level. Consequently, SIB implementation is not only considered as a promising tool for large organizations, but also for smaller, local service providers since SIBs are portrayed as a great opportunity to receive funding and to win government contracts, regardless of the size of the organization. A good example for this view was given in one of the interviews. Talking about this issue Expert 1 said:

> Lots of organizations that are small and potentially could deliver a solution to these problems don't get a look in, basically, unable to compete with big corporate organizations. So a Social Impact Bond, by having the investors pay for the costs of the project, means that small organizations can now deliver the project and not have to worry for any of their own money to cover the cost of it (Expert 1: 45).

Expert 1 sees the social sector from a market perspective, from which the size of an organization is a reason for it to be spared on large contracts. Competitiveness in terms of financial ability is regarded as an essential requirement for being attractive for investors. According to the public transcript that encourages local solutions for local problems, smaller providers are preferred by SIB architects, rather than having a large organization under contract (Expert 1: 53). With respect to the relevance of Social Impact Bonds in the Big Society agenda, Expert 1 stated:

> The basic idea of Big Society is empowering local people and local organizations to deal with problems. Social Impact Bond is really in keeping with that philosophy, is trying to give small and local organizations the opportunity to deal with issues in their area, rather than having big contracts and big organizations. […] It empowers local authorities […] (Expert 1: 53).

Overall, SIBs are depicted as a win-win situation both for local governments that need to increase cost-efficiency and for local service providers because they can now receive government contracts and have better access to funding. However, regarding different statements from other experts earlier in this analysis, the promise of empowering small and locally-based service providers is called into doubt. Empowerment seems to be far away and bound to the implementation of entrepreneurial values, when we call into mind the discussion around the inadequate investor-readiness of traditional service providers or the different capacity building programmes as, for instance, the Investment and Contract Readiness Fund and BIG Potential an organizations need to accomplish.

8.2.3 Community self-help and voluntarism

Big Society's promise of empowering small service providers is also connected with the promise of empowering local people in general as well as the desire to reinforce social cohesion. One principle behind Big Society's philosophy, at least in the public transcript, is the idea that "community spirit can solve social problems better than the state" (Economist 3). Social Impact Bonds hold an important position in this respect, as was suggested in a 2009 White Paper on smarter government. In the named White Paper, Social Impact Bonds are celebrated as an innovative tool that allows to route loads of private money to underfunded non-profits (HM Government 2009: 9). Additionally, the self-help idea is persistent throughout the paper: "[C]ivic society can help deliver public services itself. Investment in local social enterprises has grown significantly over the last 10 years […]" (HM Government 2009: 31). Similarly, the idea of self-help and bottom-up work appears in a report about the Peterborough SIB: "An investor reported greater willingness to invest in interventions such as the One Service that have been developed in a 'bottom up' way, responding to a locally recognised need and tailored to a particular target group […]" (MoJ 2: 21).

The localism discourse does not exclusively promote community empowerment. Rather, it also resorts to forms of voluntarism for the goal of social cohesion. The work of voluntary organizations and volunteers is seen as an important feature of projects funded with SIBs: "[T]he UK is using SIBs to enable voluntary and community organisations to access government contracts" (Cabinet Office 2: 10). Especially 'One Service', the non-profit organization that is involved in the Peterborough SIB, is highly dependent on the work of volunteers who, in some cases, even were prisoners before:

> The One Service is delivered by voluntary, community and private sector organisations […]. Lay volunteers bring a range of experience that can be used to benefit and support cohort members; volunteers with

> previous experience of imprisonment or crime also play an important role, both in the prison and in the community […] (MoJ 2: 18).

Using volunteers is part of the project of increasing social cohesion. Volunteers share their knowledge with ex-inmates in order to provide first-hand motivation and success stories, and they also hold an intermediating role within society. In particular, first-hand experience is considered as an advantage, as the Ministry of Justice states: "Individuals with personal experience of offending can play a useful role in engaging offenders, and lay volunteers from a range of backgrounds brought useful skills and knowledge to the pilot" (MoJ 2: 3). Consequently, voluntarism is declared a central pillar in the Big Society concept as it epitomizes the philosophy of a community whose people are individually engaged in the name of social cohesion and assist citizens in need in an altruistic way.

Critics, however, are sceptical towards voluntarism because they conceive of it as a story with a short lifetime. *The Guardian* suspects that this practice could lead to exploitation:

> The same could be said of the social impact bonds, where successful schemes pay out to investors, and somewhere at the bottom is an actual volunteer, doing actual work, for free. My worry would be that if all compassionate activity is monetised at some point the volunteers will get sick of it (The Guardian 8).

Another interesting point was mentioned by Expert 6, who developed the idea of SIBs being more than a tool that encourages civic participation but rather a democratizing investment tool (see section 8.3).

8.2.4 Decentralization and "spatial liberalism"

The localism discourse around SIBs encompasses phenomena like community empowerment for social cohesion, volunteerism and the strengthening of local authorities and service providers. Apparently, these discourses are similar to the Big Society rhetoric. Again, the localism discourse shows entanglements with other discourses that were discussed so far. Some of them are complementary, whereas others would face difficulties to be reconciled. There are three aspects that need to be discussed in this context.

At first, the claim about community empowerment or communal self-help seems to be a middle course similar to the pretended compromise between market forces and state interventionism that SIBs offer in the 'new social economy' discussion. In this vein, community self-help and participation are anti-centralistic features and reflect the refusal of state interventions and scepticism towards pure market solutions. The voluntary sector, however, has already during the Thatcher era been used as an "alternative to public provision, subjecting it to quasi-market discipline through a competitive contracting regime" (Graefe 2006: 79). This is also the case for Social Impact Bonds, for which a competitive atmosphere is wanted. The vision of a self-

sustaining community is contingent upon the existence of markets. This, however, is related more closely with a guiding principle of neoliberalism rather than with a functioning 'sharing economy'. Secondly, the inherent local romanticism of the localism discourse is predicated on the idea of local non-profit organizations providing local solutions to local problems. The premise of problems being place-specific like their solutions, however, stands in opposition to the trial-and-error experimentation logic of SIBs to test interventions for their feasibility on a wider scope. The 'best practice' and 'what works' philosophy implies that interventions, once they have proven to be successful like Multi-Systemic Therapy, can be scaled and adopted by other projects regardless of geography. Mainstreaming 'things that work' and the claim for local solutions in the localism discourse can hardly be reconciled. After all, the view that social problems are endemic local problems and that solutions need to be 'locally tailored' requires scrutiny. As Clarke and Cochrane state, this view neglects the fact that the geography of regions is heterogeneous, which is, accordingly, also the case for their needs. The authors posit: "Localities are rarely autonomous such that effective solutions to local needs are found just at the local scale" (Clarke & Cochrane 2013: 13, 14). This means that the production of space is not disconnected from the environment Rather, the production of local space is contingent on the global and vice versa (Massey 2002).
Thirdly, empowering small service providers is another important promise of Social Impact Bonds in order to find appropriate solutions for local problems. Nevertheless, regarding the different investor-readiness programmes and requirements in terms of business acumen, it is questionable whether SIBs are an available funding source for small organizations. SIBs do not empower small organizations from the outset but only after they have completed a couple of 'readiness programmes', e.g. the Investment and Contract Readiness Fund. Empowerment may be possible, but only within the space of market guidelines and entrepreneurial values, which are a prerequisite for being investment-ready.

The view that social problems are rather due to individual failure, which is the underlying assumption of the prevention, social engineering and Big Society -rhetoric, is linked to the liberal or even libertarian image of community self-help discussed above. Literature on the interrelation of localist politics and neoliberalism, however, doubts that the narrative of self-help and self-control of local authorities and communities as a form of liberalization, democratization and decentralization is complete. On the contrary, Clarke and Cochrane describe localism as a form of "spatial liberalism" and point to the subtle mechanisms of "government at a distance", or soft paternalist technologies, which contradict the localist rhetoric of empowerment and decentralization (Clarke & Cochrane 2013: 13). It is stated, that localist agendas mean more liberty for individuals and local authorities only under the condition of behaving rationally and responsibly: "[R]ational and responsible action is to be achieved by freeing local actors from central control before governing their conduct through technologies of consumption" (Clarke & Cochrane 2013: 14). In light of the massive budget cuts UK local governments are facing nowadays, local authorities have few choices but to resort to a SIB in order to fund social services with the help of investors. Outcome payments funds (e.g. Social Outcomes Fund) act as additional incentives. As chapter 7.2 has shown, performance management is not only practiced by the investors but also by departments of central governments (to some extent). These contradictory effects of liberalization and democratization narratives on the one hand, and effects of mechanisms and techniques that represent a sense of control on the other are part of the localism discourse around Social Impact Bonds.

8.3 Social Impact Bonds as a democratizing tool?

A third example that can be subsumed under the discourse of a moral economy considers SIBs as an investment vehicle that has democratizing aspects. This view, clearly influenced by a financial logic, conceptualises democracy in terms of access to finance. The democratization of finance is a prominent term within the financialization literature because it analyses "broadening and deepening of access to the capital market for ordinary, moderate income individuals and households" (Erturk et al. 2007: 554). Even though the main argumentation lines about mainstreaming SIBs discussed the issues of large commercial banks and risk-return profiles, the idea of bringing SIBs to the retail market and households is not completely absent, though. Expert 6, for instance, raised the idea of household inclusion as a response to the frequently discussed topic of major commercial banks:

> What we haven't seen is retail investors getting involved in SIBs. Is this a democratizing investment? Is that something that we can also promote with this and do we miss that opportunity if we just go after big investment banks? (Expert 6: 27)

In light of the well-received activities of Goldman Sachs and Merrill Lynch in the US, the discussion about making SIBs available for retail investors and individuals, however, is still a minor subject. Expert 1 casts doubts on this as a way for individuals to invest: "I am not sure how attractive an investment it would ever be for someone only on the individual level" (Expert 1: 41).

In spite of this, the UK government seems to be interested in offering the possibility for households to start investing. The 2014 Social Investment Tax Relief (SITR) appears as a flanking policy to incentivize social investment with a substantial tax relief for individual investors and further enlarges the financial space for charities. The tax relief, which is also eligible for Social Impact Bonds, allows individuals to make "an eligible investment at any time from 6 April 2014 [deducting] 30% of the cost of their investment from their income tax liability […]" (Cabinet Office 2013b). The maximum investment sum eligible for a tax relief is £1 million while the minimum duration of investment is three years (Cabinet Office 2013b). For Nick O'Donohoe from Big Society Capital, this plan allows individuals to take on social investments: "Until now, social investment has been dominated by charitable foundations, the government and Big Society Capital, but these plans could open it up to thousands of individual investors" (Read 2013). To what extent this SITR policy empowers household investments in Social Impact Bonds remains to be assessed in a few years. But regardless of the predicted additional money flow to the social sector as a consequence of this policy, a clear tendency can be made out towards the financialization of people's households in connecting their "livelihoods more closely to financial markets" (Pike & Pollard 2010: 34). This example shows that the democratizing aspect of the moral economy discourse is somehow interrelated to the logic of financial markets and financialization.

9. SIBs as an illegible policy? A concluding discussion

The analysis in this master's thesis has revealed that Social Impact Bonds bear a high complexity in terms of its architecture and discourses. The manifold legitimization and argumentation strategies - often contradictory in its characters - and the diverse architectures of SIBs draw an imagery of an unstable, incoherent and heterogeneous policy. Do we need, therefore, to speak of SIBs as an illegible policy, particularly with respect to a contextualization with prevailing politico-economic conditions, often named as neoliberalism, which seem to be likewise diffuse and illegible? This concluding chapter addresses this question by synthesizing and discussing the findings of this master's thesis and referring to the research questions.

9.1 Do SIBs bear a financial logic?

The analysis in chapter 5 has examined instances of financial logic in Social Impact Bonds. The complexity of the SIB design is reflected in the fact that in most cases an intermediary is needed to structure and control the organization of contracts which constitute this funding instrument. For this, financial experts are needed. Therefore, SIBs do not only incorporate a financial language, which revolves around financial terminologies and the call for mainstream investors, but they also bear a financialized architecture. The structure of a Social Impact Bond incorporates financial intermediaries and special purpose vehicles, which both exert performance and financial control over the project. Outcome payments are structured according to equity investments where shareholders are paid out according to their share. In particular, de-risking strategies emerge as a crucial element from this analysis. From a financialization perspective, the risk-return discussion around SIBs is a showcase for the transformation of the uninsurable, incalculable (homeless individuals, delinquent adolescents, at-risk children etc.) into the insurable and calculable (the cohort) or the transformation into something that can be put in numbers and endowed with a prospect of profit, respectively, as this is the case for many practices in finance capitalism (Leyshon & Thrift 2007: 108). Importantly, this transformation of social problems into (sometimes even predictable) income streams is controlled by means of metrics, calculations and statistics in the process of risk-return assessment and the definition of measurable outcomes. Although some people argue with respect to allegedly 'finance-cultural' differences between the US and the UK, the introduction of de-risking mechanisms is becoming an issue of serious discussion in the UK as well. (Admittedly, regarding the investment values, types of investors and the existence of de-risking mechanisms, the US market seems to be more financialized than the

UK market.) This is probably not avoidable, since proponents unanimously agree upon the necessity for mainstream investors and, as a consequence, the need for more money in the market that needs to be secured against loss. Overall, these results suggest that Social Impact Bonds, with aid of calculative devices, risk-return assessments and de-risking strategies, help to transform social problems into asset classes which provide more or less stable and predictable income streams for their investors. Additionally, the tradeability of SIBs is based on this transformation of the uninsurable into the insurable, which means that processes of financialization are key aspects of the formatting and framing process in the course of marketization. If financialization can be defined as the "growing influence of capital markets, their intermediaries, and processes in contemporary economic and political life" (Pike & Pollard 2010: 30), Social Impact Bonds incorporate features that resemble this process.

9.2 The dichotomy of 'underperforming' and 'working'

Rhetorically, the reframing and restructuring of the social sector according to principles of markets, competition and entrepreneurialism draws on a legitimization strategy that points to a supposed dichotomy between the efficient, productive, marketized 'inside' and the insufficient, outmoded 'outside'. From a discourse analysis perspective, this strategy aims at normalizing entrepreneurial and market-oriented approaches epitomized by the use of Social Impact Bonds, and demarcates it from Keynesian approaches of social sector organization, which are deemed as outmoded. Accordingly, the new approaches are associated with positive technocratic and management notions, as for example 'efficient', 'working' or the 'norm'. On the contrary, the 'outdated' approaches, often associated with Keynesianism, are represented as 'insufficient' and 'underperforming'. The former approach represents technocratic plannability, predictability and systematic controlling, whereas the latter account implies chaos, irrationality, deficiency ('hand to mouth') and lack of control. This dichotomization alludes to the discourse analytical concept of the dominating and the dominated discourse, whereby it is obvious that market-oriented and entrepreneurial approaches represent the "sayable" while, for instance, grant-giving and remediation stand for the "unsayable" (Jäger & Jäger 2007: 26). SIB promoters emphasize expert knowledge (financial experts), sophisticated technologies (e.g. statistical models for defining cohorts and for evaluating performance) and scientific 'therapies' in service provision (e.g. Multi-Systemic Therapy) which showcases how the "acceptability" of a system is predicated on a knowledge-power nexus (Foucault 1992: 32f.). Table 9 is an attempt to grasp this complex dichotomy:

Table 9: The dichotomy of insufficient practices and efficient market-approaches.

	Financing		**Service provision**	
	Financing technology	**Financial literacy**	**Technology**	**Knowledge**
Insufficient, underperfor-ming, traditional	grants from government or philanthropist, public	inexistent, not capable of writing a business plan	"do whatever you want"; 'laisser faire'	local knowledge
"working", efficient, the norm	complex financing through SIBs, investors, market-based, private	expert knowledge, financial know-how through investors	proven, systematic therapies like Multi-Systemic therapy	performance management through twofold expert knowledge (social and financial)
	Implementation		**Social problems**	
	Controlling technology	**Targets**	**Intervention philosophy**	**Social problems**
Insufficient, underperfor-ming, traditional	list of outputs, activities	activities, inputs, outputs	remediation or "when it is too late"	are not really detected and are treated very superficially
"working", efficient, the norm	RCT, risk-assessment models, statistics etc.	measurable outcomes, performance targets	prevention, "early intervention"	traces back to the root of social ill and is able to fight it sustainably

Evidently, this table is not complete and could be extended with further research. More importantly, though, it reflects an overstated dichotomization that pointedly underlines the 'efficient' approach and denunciates the 'outmoded' one. This simplification, however, ignores contradictive aspects that are prevalent in the lines of discourses. For instance, localism discourse is based on the presumption of explicitly using local knowledge for SIB-funded projects to solve locally rooted problems. This contradicts the idea of applying SIB-tested 'best practice' interventions or 'ideas that work' in order to avoid an 'everything goes' conduct in social service provision. Therefore, SIB promotion is situated on the two poles of contextualization and de-contextualization, politicization and depoliticization respectively. Another inaccuracy appears, when high standard controlling techniques in SIB-projects are contrasted to supposedly uncontrolled, chaotic accounts of the Keynesian era. This view neglects the fact that already in post-war Keynesianism, technocratic interventions were a common way of regulating economy and society and that "the presentation of state policy as rational, efficient, and neutral" was already a reality (Thorpe 2008: 113).

Notwithstanding these contradictions, an analysis of this dichotomization revealed that discussions around SIBs are driven by processes of economization and marketization. In contrast, practices or traditions that did not fit into this spectrum of markets, competition and entrepreneurialism are denounced.

9.3 The old 'new social economy'

The proclamation of a 'new social economy' within the scope of the moral economy discourse indicates a legitimization strategy which addresses the ethical elements of SIBs. In times of fiscal hardship and austerity programmes, the narrative of a 'new social economy' is also an attempt to rhetorically overcome an unethical system marked by the dominance of market laws and capitalism which are portrayed as the cause for these crises. The proclamation of SIBs (also in the context of localism discourse) is a manifestation of this trend.

The contradictive position of philanthropists and philanthropic foundations as grant-givers and 'idea shops' in the 'kick-starting' phase of Social Impact Bonds and as a backup for commercial investment banks can be seen as an epitome of a revisited social economy where the border between for-profit thinking and altruism increasingly becomes blurred. Moreover, the strategy of 'confession and penitence' (see chapter 8.1.2) legitimizes new forms of investments like SIBs by blaming markets and capitalism for its failures, and by presenting (and sanctifying) the progression of new accumulation forms into the social field as an act of penitence. The notion of the socially-minded investor that 'gives something back' to society represents this kind of penitence strategy by the aid of which organizations like Goldman Sachs are 'buying redemption'.[32] Regarding the measures to mitigate risks in Social Impact Bonds, the picture of the socially minded investor which accepts higher risk rates for lower returns is yet unstable. Thus, the notion of the 'new social economy' has to be contextualized within the debate about (financial) capitalism, which has become an actual issue in the course of the financial crisis. Although many new aspects can be found in this line of discourse, entanglements and contradictions to other discourses are visible. The 'new social economy' discourse fundamentally

[32] In practice, US financial institutes can use Social Impact Bonds to increase their Community Reinvestment Act (CRA) rating which informs the civil society about the organization's performance in social fields. A good CRA rating is necessary for a bank which wants "to engage in transactions such as merger and acquisition deals" (Toonkel 2013). Therefore, the purchase of 'redemption' can also legitimize and enable further financial expansion.

consists of the entanglement of ethical motives, 'ethicalization' of capitalism, entrepreneurial for-profit visions and Anti-Keynesian state critique. The 'new social economy', therefore, can be understood as a discourse that dominates and influences social policies in the Northern and Southern hemisphere. Looking at the argumentation strategies in connection with SIBs, this discourse claims to be a middle course solution or the 'real third way': against unfettered markets and against "big government", for a "big society" (Conservative Party 2010) and social entrepreneurs. Despite this, marketizing mechanisms like track records, measurable outcome metrics as well as the intensification of financial market practices and the Anti-Keynesian rhetoric suggest that the alleged middle course is marked by a dominance of entrepreneurial for-profit thinking and a technocratic engineering logic. Moreover, de-risking strategies and commercial capital accounts around SIBs indicate the unevenness of this alleged middle course that may rudimentarily show a social mindset but remains within the limits of what the market dictates.
As indicated in the theoretical framework, the discourse of social economy as a "flanking for neoliberalism" (Graefe 2006: 69) emerged in the 1990s in the form of third way politics and the social investment state. At first, it was received by academics as neoliberalism and "the something else", but soon the flanking social economy was described as being incompatible with neoliberalism because tensions between market fundamentalism and measures against "anti-social consequences of neoliberal policies" are evident (Graefe 2006: 72). Nevertheless, it is owed to this time of fiscal crisis and austerity programmes that entrepreneurial solutions and market approaches regain importance in social policy development. Similarly to the SIB promotion today, ethical solutions against the problematic outcomes of neoliberalism at that time were promoted, particularly within the scope of market approaches and entrepreneurialism (Graefe 2006: 69). The surge of discussions around the contemporary 'new social economy' can, thus, be seen as a comeback of these restructuring processes (that consist of criticism of capitalism and the promotion of new, revisited market-accounts for solving social problems) against the background of the financial crisis. From this perspective, SIBs are instrumentalized as a tool by which systemic deficits of capitalism can be tackled because they give investors the possibility to invest in social issues (following the argumentation of Ronald Cohen, for example).

The circular process of crisis of capitalism, criticism and recalibration of institutions, exemplified by the construction of the 'new social economy' discourse, alludes to writings on the spirit of capitalism and the role of critique. Boltanski and Chiapello argue that "the spirit of capitalism is precisely the set of beliefs associated with the capitalist order that helps to justify this order and, by legitimating them to sustain the forms of action and predispositions compatible with it" (2007:

10). Elsewhere, they mention the importance of anti-capitalist critique in the life span of capitalism: "In fact, it is probably capitalism's amazing ability to survive by endogenising some of the criticism it faces, […] giving way to a triumphant version of capitalism" (Boltanski & Chiapello 2005: 163). Critics are important for capitalism to survive as "these are the people who provide it with the moral foundations that it lacks, and who enable it to incorporate justice-enhancing mechanisms whose relevancy it would not otherwise have to acknowledge" (Boltanski & Chiapello 2005: 163). Legitimization strategies within the context of SIB promotion that resort to a moral vocabulary in their critique of capitalism resemble those mechanisms. The cycle of critique assimilation is illustrated by the use of notions as 'confession' and 'penitence' when it comes to describe legitimization strategies that stigmatise capitalism and announce compensation in the form of impact investing. In the wake of the financial crisis, doubts about capitalism flared up again and a sort of self-critique emerged. Various statements by Ronald Cohen and others demonstrate this will to address moral criticism against capitalism in order to justify a new form of capitalism and equip themselves against new anti-capitalist critique (Boltanski & Chiapello 2007: 25). This indignation was instrumentalized as a legitimization for a new but only slightly different sort of accumulation regime, may this be in a constrained form, which incorporated this critique (the lack of a 'heart' or of a social mindset). The reality of SIBs, as has been shown several times throughout this master's thesis, remains predicated on profit imperatives (entrepreneurial and for-profit discourse, market discipline etc.) and accumulation (financial logic) although incorporating claims for more socially compatible practices. Additionally, 'confession and penitence' alludes to the religious character of this "set of beliefs" of capitalist order. As Boltanski & Chiapello (2007) or even Max Weber clarified, spirits of capitalism stood and probably still stand in close connection with religious metaphors (Boltanksi & Chiapello 2007: 9).[33]

Thus, this 'new social economy' discourse is neither something new nor does it really mark a transition. Instead, the argumentation and legitimization strategies in this discourse show parallels to what Boltanski and Chiapello would probably understand as digestion of critique. Nevertheless, the 'new social economy' discourse, as a part of the moral economy, has to be taken serious for an analysis of current political realities.

[33] Maybe it is not a coincidence that the *Telegraph* describes Ronald Cohen as "the Moses figure throughout" (Telegraph 4).

9.4 Social Impact Bonds as an example of the "real third way"

At first sight, the articulation of some of the discourses around Social Impact Bonds seems to be contradictory. On the one hand, some aspects in the architecture and discourses of Social Impact Bonds can be aligned with the vague principles of a neoliberal dogma which include "a preference for individualised, market-oriented approaches over collectivist and progressively redistributive ones" (Peck & Theodore 2012: 179). The entrepreneurial and pro-market discourse, for instance, has shown that SIBs are meant to bring business acumen and for-profit thinking to the social sector, or to transform it according to the principles of markets and competition, respectively. Particularly, SIBs are first and foremost an option for a special business type: social venture enterprises. Markets, entrepreneurialism and private capital, which is assumed to increasingly finance public service rather than governments, are described as a way to release the social sector from governmental ties and unleash creative ideas in fighting social problems. It is argued that private finance entails more flexibility and, thus, more freedom in service delivery for social sector organizations. Moreover, the discussion around the localist agenda of Social Impact Bonds and Big Society, in which SIBs are a key instrument, has shed light on the intention to empower local communities and local service providers. It further promotes decentralization as a means to enforce democracy and increase efficiency in service provision (Clarke & Cochrane 2013: 13).

On the other hand, the impression of enhanced freedom, flexibility and democratization is impaired by instances of control and technocracy, which are prevalent in marketization discourses, the (social) engineering logic and the dominance of soft paternalism in UK politics. First, with regard to marketization, the important role of calculative devices and formatting and framing mechanisms as a form of subtle coercion and transformative tools should not be neglected. In order to align social sector organizations to principles of markets, disciplinary techniques such as track records, contracts and performance management were introduced in the course of SIB development. The effects of reputational failure add a moral imperative to these mechanisms. Second, the logic of engineering, experimentalism and behavioural economics found way into the design of Social Impact Bonds and imply a technocratic philosophy. The technocratic vision of Social Impact Bonds is most clearly expressed by the focus on measurable outcomes and the clinical metaphors including the notion of prevention. As shown above, preventive interventions are associated with behavioural therapies and they probably imply, in a subtle way, that social problems are perceived of as originating from individual failure. Performance management, then, might also stand for a controlling mechanism whereby both a governmental authority can take influence on the SIB design and investors or special purpose vehicles can define working standards in order to enhance the predictability of outcomes.

Another instance of 'control at a distance' is indicated in the localism discourse. Against the public advertisement of enhancing democracy and decentralization, Clarke & Cochrane refer to localism as a "spatial liberalism" (2013: 13). Although the localism of the current Coalition Government promotes more self-responsibility for communities and more authority for local governments, the government retains "control over certain particularly sensitive policy areas e.g. taxation, economic development, and access to education and housing" (Clarke & Cochrane 2013: 14). Similarly, it might be the case that Social Impact Bonds represent such a "technolog[y] of 'government at a distance'" in order to assure that local authorities "behave rationally and responsibly" (Clarke & Cochrane 2013: 13). The narrative of self-regulation, enhanced empowerment and more democracy through SIBs as a new funding tool obscures that local authorities have few choices in light of budget cuts to localities (Clarke & Cochrane 2013: 12). Thus, SIBs are promoted in localities (and to some extent governed through performance management) by central government agencies such as the Cabinet Office and they exemplify what the Coalition Government perceives of as being responsible and rational: market-based solutions (Clarke & Cochrane 2013: 17). Nevertheless, localism in the discussion about SIBs does also bear an imprint of a moral economy discourse. The trend to localism stands for a feeling of unease, powerlessness and frustration towards centralist politics and the negative effects of markets and capitalism, anonymized through globalization. SIBs are meant to help in this respect. The proclamation of decentralization and the call for autonomous communities, as well as a sort of (subtle) rebellion against the heteronomy of markets and capitalism (at least on the surface) shows the libertarian traits of the moral economy discourse.

In essence, discourses structured around SIBs reflect, for the most part, the contradictive aspects of neoliberalism. This becomes visible in the entanglement of discourses that revolve around localism, controlling and engineering. The promise of more independence and liberty, articulated in the localism discourse, is tied to technologies of controlling and engineering which imply more governance and paternalism. With respect to British politics, this mixture of community empowerment, the focus on social issues and market-fetishism also reflects Cameron's "own brand of One Nation Conservatism" (Evans 2010: 328) that is based on the proclamation of freeing communities and enhancing self-responsibility and the promise to become more active in solving social problems (Evans 2010: 327).

The recognition of the contradictive logic of neoliberalism, which incorporates both new forms of governance structures and control, free markets, de-regulation and an emphasis on liberty and individualism (as some indications of the moral economy discourse show), is not a recent occurrence (Peck & Tickell 2007: 33). In the UK's case, it is important to put SIBs in context with the growing importance of soft paternalist policies. The Coalition Government, assisted by an important representative of the soft paternalist school, Richard Thaler[34] (Jones et al. 2011: 50), increasingly resorts to strategies of exerting subtle power in order to activate "of what may be defined as conducive social and economic behaviour" (Jones et al. 2011: 57). Its proponents depict soft paternalism as the "real third way", representing a middle course between unfettered markets and strong government: "This is a third way that is […] more interested in achieving a balance between the freedoms of the market place and a legitimate role for governmental interventions" (Whitehead et al. 2012: 303). Thus, the importance of engineering social behaviour is characteristic of soft paternalism, which means that traditional "liberal limitations on the role of government" are challenged (Whitehead et al. 2012: 303). Bearing in mind the contradictive aspects of Social Impact Bonds presented above, as well as legitimization strategies that put an emphasis on this middle course (e.g. presented in the 'new social economy' discourse), this policy tool could be aligned with other soft paternalist policies. From this perspective, SIBs work as a 'shaping' or 'nudging' tool on two levels. Firstly, local authorities are incentivized to use this tool as a measure to save costs as a response to budget cuts and to introduce a sense of market discipline and business acumen to the social sector. Phrased differently, Social Impact Bonds have, with the aid of techniques of social engineering and governing techniques in the tradition of soft paternalism, a crucial share in the economization or marketization of the social sector. Secondly, SIBs are actively used in fields where misbehaviour of certain groups of individuals is perceived as being the root of social problems (compare 9.5). SIB interventions are often touted as behavioural therapies.

The alleged middle course is still dominated by the dictate of markets and the economy. For theoretical approaches on neoliberalism, the role of social engineering in the process of economization is of utter importance.

[34] Richard Thaler, Professor of Behavioural Science and Economics at the University of Chicago, is co-author of the popular book *Nudge* (Thaler & Sunstein 2008) which figured on a recommended reading list for the Conservative Members of Parliament (Whitehead et al 2012: 302). Moreover, Thaler was present at the 2009 London Stock Exchange and stood next to David Cameron during his speech on the credit crunch and banking reform (Jones et al. 2011: 50).

9.5 Social problems as individual failure

Social Impact Bond promotion is based on the promise to solve 'intractable' social problems of society. However, conceptions about social problems and their origins diverge. Two distinct approaches for explaining the roots of social problems are provided in the documents and interviews.

The first conception, which rather serves as a legitimization strategy, overtly blames systemic deficits of capitalism to be the cause for increased social inequality nowadays (compare chapter 8). Most strikingly, criticism of capitalism and its negative effects was uttered by one of the most important promoters in the SIB scene: Ronald Cohen. SIBs are promoted as a tool that renders investors the possibility to invest in social issues and, in doing so, returning something to society, which suffered from the outgrowths of (financial) capitalism. By instrumentalizing and digesting anti-capitalist critique, proponents established a broad justification regime for SIBs, part of which is the 'new social economy discourse', in order to increase acceptance. But with regard to the financialization processes that affect the further development of Social Impact Bonds (e.g. de-risking), the constraints upon this new social economy (following from this specific critique) probably do not fundamentally question the current accumulation regime. Aspects of financialization, such as de-risking and risk-return calculations, increasingly influence SIB designs and undermine the importance of 'at-risk money' as an incentive for performance management. The circular process of crisis, critique and reconfiguration reflects the capacity of neoliberalism "to exploit these same crises in the course of its own adaptive reinvention" (Peck & Theodore 2012: 178).

Whilst the first conception of social problems refers to systemic causes (capitalism) and conceives of individuals as victims of unfettered markets, the second account is diametrically opposed to the first. It represents a legitimizing narrative that conceives of social problems as an instance of individual failure and misbehaviour and advertises Social Impact Bonds as a way to support projects that correct this misbehaviour. Particularly the Big Society agenda and the discourse of social engineering are predicated on the view that human beings cannot be left without guidance. This is also the stance libertarian paternalists represent by using the notion of "bounded rationality" (Jones et al. 2011: 53), which is taken as a reason for shaping the environment in order to nudge citizens to make rational and responsible decisions (Pykett et al. 2011: 302). Apparently, parallels can be drawn to SIB-funded projects. As discussed in chapter 7.2, what is problematic is the notion of 'prevention', together with an alleged identification of the roots of social problems by pre-empting or constructing "vulnerable" groups where problems are "chronic". The identification of problematic fields seems to stand outside of the political context. Moreover, it alludes to the perception that individual failure is the only explanation for social problems. There is a danger of stigmatising a certain group of society as being the reason for the 'broken society' that Prime Minister Cameron suggests (see chapter 2). SIB-funded projects typically work in fields where misbehaviour of (mostly young) individuals is seen as the main cause for problems (young re-offenders SIBs in New York, DWP SIBs on education and school performance in UK). Furthermore, they work with low-income target groups (e.g. Single Mothers SIB Saskatchewan) and mostly aim at achieving a change in behaviour. This practice reflects the concerns of critics of libertarian paternalism with respect to democracy. Soft paternalist agendas, it is argued, "would focus on persistently problematic social groups: namely those of lower incomes […]" (Jones et al. 2011: 58). The promise of solving the underlying causes may be honourable, but the approach is predicated on an anti-political view on the roots of social problems. The fact that the voices of individuals involved in SIB-funded projects are more or less absent is emblematic of this anti-political perspective. In most cases, they are treated as passive receivers of a correctional therapy.

This picture is further augmented by localist agendas in the UK. Social problems are regarded as locally rooted, and only local institutions are considered as being able to tackle them sufficiently with the aid of Social Impact Bonds. As Clarke and Cochrane suggest, the view of having autonomous localities, unaffected from influential centres such as London, and holding them responsible for problem solving, lacks political background (2013: 16).

9.6 Neoliberalism redefined?

How does the analysis of Social Impact Bond contribute to a characterization of neoliberalism? The most important finding of this master's thesis is probably that SIBs neither should be equated with a tight neoliberal policy of Thatcherite style, nor should the interventionist aspects of SIBs be overestimated because the dictate of markets still remains important. Similarly, it would be insufficient to conclude that SIBs are another 'money making wheeze' allowing investment banks to make fast money, or to create new, stable income streams out of social asset classes. Although some evidence of the analysis supports this claim, such an exclusive perspective on financial logic would neglect aspects as, for example, social engineering or other indications of soft paternalist designs. These aspects play a crucial role in spreading market discipline and in the monetization process of the social sector through the power of financial logic. These insights are important for a discussion of neoliberalism. Academic literature on libertarian paternalism states that, with the growing importance of soft paternalistic agendas, fundamental principles of neoliberalism have been gradually eroded (Pykett et al. 2011: 302). Others conclude that a period "after neoliberalism" is about to emerge (Jones et al. 2011) or that the 'new social economy' as a "flanking" policy indicates "the persistence of neoliberal forms of rule and the something else" (Graefe 2006: 72). Whether this 'real third way' is something that deserves to be called a post-neoliberal political agenda depends on the theoretical conceptualization of neoliberalism. An imagery of neoliberalization as a set of "strategies of restructuring" or as a project that is subject to permanent adjustment due to its "disruptions, dysfunctions and crisis tendencies" (Peck, Theodore & Brenner 2009: 55, 56) also helps to make sense of the manifold and contradictive lines of discourses structured around SIBs.

After all, the analysis of discourses and structures of SIBs has also shown which mechanisms and governance technologies help to further expand rationales of markets and capital, and which serve to roll back frontiers of non-marketized spaces and welfare state institutions. Instances of soft paternalism, behavioural engineering, 'controlling at a distance' and technocratic controllability, call for more attention to the dimension of governmentality (the role and interaction of different technologies and ways of governing (Collier 2009: 98-100)).[35] With regard to different implementations and architectures of SIBs and their flexible character in different places in the world, they epitomize to some extent a characterization of neoliberalism as a flexible and modifiable set of practices of rationalization (Collier 2012: 193). Taking into account governmentality literature on neoliberalism, this also reflects on the logic of neoliberalism conceptualized as "a migratory technology of governing that interacts with situated sets of elements and circumstances" (Ong 2007: 5). SIBs seem to represent a mobile vehicle of assumptions which stands in an interdependent relationship with local circumstances in which they are implemented.

Whether Social Impact Bonds can be seen as a manifestation of this shift to increased soft paternalist influence needs further investigation. If the moral economy discourse turns out to be more than just a legitimization strategy for advancing a marketizing policy, in other words, if its libertarian character (the support of self-government, self-responsibility and self-regulation) is standing on solid ground, then the picture would become further complicated. However, an intensified discussion about how the laws of markets and of neoclassical economy, by the help of modes of governance, are spread into previously 'unmarketized' spaces seems to be more important than a characterization of neoliberalism. Moreover, as a reference to SIBs exemplifies,

[35] I use this term in this way although acknowledging its limitations and problematics (Collier 2009: 100).

this progression coincides with a depoliticization of social problems, which is at the same time effect of economization and pre-condition for it. With respect to these processes, literature on soft paternalism provides helpful analytical tools for examining Social Impact Bonds.

9.7 Conclusion and look-out

Social Impact Bonds, although emerging in various forms and contexts throughout the Global North, share a few fundamental principles in their structure and implementation. Further, the debate around Social Impact Bonds comprises a variety of discourses and legitimization strategies. Argumentation strategies involve a strong refusal of Keynesian welfare state institutions and bear anti-statist traits. Other discourses are reflected in the promotion of market-oriented approaches and entrepreneurial values as being the solution for underperforming and underfunded social sector organizations. However, a third influential legitimization strategy, labelled here as the moral economy, alludes to a 'more-than-market' narrative and is represented by discourses of the 'new social economy' and localism. Localism, although advertised as standing for a receding state and more political autonomy, bears traits of interventionism and soft paternalism though. Therefore, SIBs symbolise a development in politics and (social) economy that shows features of soft paternalist thinking. As a result, these findings suggest for a discussion of neoliberalism that concentrates more on the question of how different techniques and strategies are applied (and by whom) in order to expand market-oriented solutions and policies.

Whether SIBs can be considered as a viable and "attractive political alternative" (Collier 2012: 194), as Ferguson suggests for some neoliberal anti-poverty policies in the Global South (Ferguson 2009), remains to be seen. Trends of an 'ethicalization' of capitalism reflected in the 'new social economy' discourse seem to function as a legitimization strategy for the further economization and marketization of social services instead of being a substantial paradigm shift. Nonetheless, SIBs are still in their infancy and, compared to other financial market vehicles, still a small phenomenon. After all, the intention to trigger innovative approaches in poverty alleviation should not be refused from the outset. Whether the social sector is negatively or positively affected, or whether it remains relatively unaffected in case the SIB-scene turns out to live one's own life, can only be answered when more work in this field has been done.

Further research on Social Impact Bonds might explore, for instance, the aspects of social engineering and behavioural economics, and the relationship between the central government and local authorities. In this paper, the role of the state in governing and designing Social Impact Bonds was only briefly mentioned. It was stated that the central government provides financial support and plays the role of an important intermediary and advisor for local governments and other commissioning bodies. Consequently, future research could focus on an analysis of central government's influence on SIB design, addressing questions like: How do SIBs relate to state interventions and what role do central government departments play in the promotion, design and implementation of SIBs? This is also important with respect to the politics of localism and instances of 'controlling at a distance'.

Moreover, a detailed analysis of the various intervention programmes of SIB-funded projects and its implementation on the cohort remains to be carried out. It is still unclear how interventions of SIB-funded projects relate to behavioural economics and soft paternalist technologies. As was stated in this work, a majority of SIB-funded projects focus on behavioural issues and behavioural change (compare McKinsey 1: 12). As SIBs seem to bear aspects of behaviouristic thinking and social engineering, this would possibly be an interesting contribution to critical studies on behavioural economics and libertarian paternalism.

Another possible area for future research would be the risk-return assessment of investment banks in the SIB market. The current thesis was unable to provide a detailed demonstration, how, on the basis of calculations and statistics, a risk-return profile is established or, in other words, how an intervention group or a social problem is transformed into an asset class with a (stable) income stream.

10. References

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IV. List of analysed documents

List of analysed documents and articles sorted by types of sources.

1) Reports and documents of think tanks, social investment banks, commercial investment banks, financial intermediaries and foundations:

American Progress 1	**Liebman**, Jeffrey (2011): *Social Impact Bonds. A promising new financing model to accelerate social innovation and improve government performance*. Center for American Progress – Issues, 9.2.2011, <https://www.americanprogress.org/issues/open-government/report/2011/02/09/9050/social-impact-bonds/>, [29.3.2015].
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Nicholls & Tomkinson 2013	**Nicholls**, Alex; Tomkinson, Emma (2013): *The Peterborough Pilot Social Impact Bond*. Oxford: University of Oxford (Retrieved from: <https://emmatomkinson.files.wordpress.com/2013/06/case-study-the-peterborough-pilot-social-impact-bond-oct-2013.pdf>, [2.4.2015].).

5) Expert interviews:

Abbreviation	**Institution**	**Location**
Expert 1	UK government department	London
Expert 2	Social Investment Bank 1	London
Expert 3	Social Investment Finance Intermediary.	London
Expert 4	Social Investment Finance Intermediary	London
Expert 5	Social Investment Bank 2	London
Expert 6	SIB analyst, former: government department, now: independent blogger	Sydney (Skype)
Expert 7	Researcher on SIBs	Glasgow (Skype)

V. Appendix

V.I List of currently operating Social Impact Bonds

<table>
<tr><th>N °</th><th>Country</th><th>Name</th><th>Region</th><th>Start</th><th>Duration [y]</th><th>Investment</th><th>Government payments</th><th>Cohort size</th><th>Cohort characteri-zation</th><th>Govern-ment fund?</th><th>Social issue</th></tr>
<tr><td>1</td><td>UK</td><td>One Service Peterborough SIB</td><td>Peterborough</td><td>2010</td><td>7</td><td>ca. £5.1m</td><td>max. £8m</td><td>3'000</td><td>>18y/male</td><td>-</td><td>recidivism</td></tr>
<tr><td>2</td><td>UK</td><td>Action For Children</td><td>Essex</td><td>2012</td><td>5</td><td>£3.1m</td><td>max. £7m</td><td>380</td><td>11-16y</td><td>-</td><td>children at risk going into care</td></tr>
<tr><td>3</td><td>UK</td><td>GLA Rough Sleeping SIB</td><td>London</td><td>2012</td><td>3</td><td>*</td><td>£5m</td><td>831</td><td>-</td><td>-</td><td>homelessness</td></tr>
<tr><td>4</td><td>UK</td><td>APM UK</td><td>West Midlands</td><td>2012</td><td>3</td><td>£3m</td><td rowspan="6">max outcome payments: £30m</td><td rowspan="6">up to 17'000</td><td rowspan="6">14-24y</td><td>DWP Innovation Fund</td><td>children/adole-scents at-risk becoming NEET</td></tr>
<tr><td>5</td><td>UK</td><td>Links4Life</td><td>Stratford/ East London, UK</td><td>2012</td><td>3</td><td>£1.3m</td><td>DWP Innovation Fund</td><td>children/adole-scents at-risk becoming NEET</td></tr>
<tr><td>6</td><td>UK</td><td>Living Balance</td><td>Perthshire & Kinross</td><td>2012</td><td>3</td><td>£0.5m</td><td>DWP Innovation Fund</td><td>children/adole-scents at-risk becoming NEET</td></tr>
<tr><td>7</td><td>UK</td><td>Employer Hub</td><td>Nottingham City</td><td>2012</td><td>3</td><td>£3m</td><td>DWP Innovation Fund</td><td>children/adole-scents at-risk becoming NEET</td></tr>
<tr><td>8</td><td>UK</td><td>Think Forward</td><td>Shoreditch</td><td>2012</td><td>3</td><td>£3m</td><td>DWP Innovation Fund</td><td>children/adole-scents at-risk becoming NEET</td></tr>
<tr><td>9</td><td>UK</td><td>Triodos New Horizons Ltd. (SPV)</td><td>Greater Merseyside</td><td>2012</td><td>3</td><td>£4.5m</td><td>DWP Innovation Fund</td><td>children/adole-scents at-risk becoming NEET</td></tr>
</table>

N°	Country	Name	Region	Start	Duration [y]	Investment	Government payments	Cohort size	Cohort characterization	Government fund?	Social issue
10	UK	Prevista	West London	2012	3	£3m	max outcome payments: £30m (DWP SIBs)	up to 17'000	14-15y	DWP Innovation Fund	children/adolescents at-risk becoming NEET
11	UK	Energise Innovation	Thames Valley	2012	3	£3.7m				DWP Innovation Fund	children/adolescents at-risk becoming NEET
12	UK	Teens & Toddlers Innovations	Greater Manchester	2012	3	£3.3m				DWP Innovation Fund	children/adolescents at-risk becoming NEET
13	UK	3SC Capitalise Programme	South Wales	2012	3	£2m				DWP Innovation Fund	children/adolescents at-risk becoming NEET
14	UK	It's all about me - Adoption SIB	multiple sites	2013	10	£2m	£36.6m	ca. 650	>4y	-	adoption
15	UK	Well Connected Programme	Worcestershire	2014	4	*	£2m	ca. 3'000	>50y	-	loneliness/Social Isolation
16	UK	Outcomes for Children	Birmingham	2014	4	*	*	60	11-15y	-	children at risk going into care
17	UK	Manchester Children in Care	Manchester	2014	5	£9m	*	min. 95	11-14y	-	children at risk going into care
18	UK	Home Group	Newcastle, Northumberland etc.	2014	3	*	max. outcome payments £15m*	over 2000	18-24y	Fair Chance Fund	youth homelessness
19	UK	Local Solutions	Liverpool, Knowsley	2014	3	*					
20	UK	P3	Gloucestershire etc.	2014	3	*					
21	UK	The Y	Leicestershire	2014	3	*					
22	UK	St Basil	Birmingham/ Coventry	2014	3	*					
23	UK	Depaul - Fair Chance, Your Chance	Manchester/ London	2014	3	*					

N°	Country	Name	Region	Start	Duration [y]	Investment	Government payments	Cohort size	Cohort characterization	Govern-ment fund?	Social issue
24	UK	Fusion Housing SIB	West Yorkshire	2014	3	*	*	*		Fair Chance Fund	youth homelessness
25	UK	Unlocking Potential Ltd.	Greater Merseyside	2015	3	£1.35		4'040			children/adole-scents at-risk becoming NEET
26	UK	Prevista Ltd.	London	2015	3	*	max. outcome payments £16m	1'000	14-17	Youth Engagement Fund	children/adole-scents at-risk becoming NEET
27	UK	Futureshapers Sheffield	Sheffield	2015	3	*		1'319			children/adole-scents at-risk becoming NEET
28	UK	Teens&Toddlers Engagement LLP	Greater Manchester	2015	3	£3m		1'680			children/adole-scents at-risk becoming NEET
29	UK	Ways to Wellness	North East	2015	7	*	£1m	8'000			health issues
30	UK	Social Finance	??	2015		*	£1.3m	2'250	no specification	Social Outcomes Fund	health issues
31	UK	Evidence Based Soical Investments Ltd.	??	2015		*	£188'000	*			health issues
32	USA	Rikers Island SIB	New York	2012	6	US $9.6m	US $11.7m	10'000	16-18y/male	-	recidivism
33	USA	Pre-School Education in Utah	Utah	2013	7	US $7m	*	3'500	low income 3-4y	-	early childhood education

N°	Country	Name	Region	Start	Duration [y]	Investment	Government payments	Cohort size	Cohort characterization	Government fund?	Social issue
34	USA	New York State SIB - Reducing Reoffending	New York	2013	5.5	US $13.5m	US $23m	2'000	-	-	recidivism
35	USA	Juvenile Justice Pay for Success	Massachu-setts	2014	7	US $18m	US $27m	929	17-23y	-	recidivism
36	USA	Massachusetts Alliance for Supportive Housing SIB	Massachu-setts	2014	6	US $3.5m	US $6m	800	-	-	homelessness
37	USA	Partnering for Family Success SIB	Ohio	2014	5	US $4m	US $5m	135 families	-	-	children/adole-scents at-risk becoming NEET
38	USA	Chicago Public Schools	Chicago	2014	4	US $17m	US £34m	2620	low-income 4y	-	early childhood education
39	Canada	Saskatchewan Single Mothers SIB	Saskatoon	2014	5	CAN $1m	*	22	-	-	children at risk going into care
40	Netherlands	Buzzinezzclub	Rotterdam	2014	2	€680'000	*	160	17-27y	-	children/adole-scents at-risk becoming NEET
41	Belgium	Actris SIB	Brussels	2014	3	€234'000	*	180	18-30y	-	migrant unemployment
42	Germany	Juvat	Augsburg	2013	2	*	*	100	<25	-	children/adole-scents at-risk becoming NEET
43	Australia	Newpin SIB	New South Wales	2013	7	AUS $7m	max. AUS $55m	700 families	-	-	children at risk going into care
44	Australia	Social Benefit Bond	New South Wales	2013	5	AUS $10m	*	300 families	-	-	children at risk going into care
45	Portugal	Code Academy Jr	Lisbon	2015	1	€ 120'000	*	65	3rd and 4th grade students	-	informatics, education

N°	Country	Name	Region	Start	Duration [y]	Investment	Government payments	Cohort size	Cohort characteriz-ation	Govern-ment fund?	Social issue
46	South Korea	Seoul Social Impact Bond	Seoul	2014	3	US$ 9.4m	*	*	*	-	children at risk going into care

*) limited information available

This table is complete to the best of my knowledge (as at March 2015). Data are retrieved from a variety of sources including government policies, newspaper articles, blogs etc. The most important sources for this table are listed below. However, a 100% guarantee that all data is accurate cannot be given.

-Finance For Good – SIB tracker (<http://financeforgood.ca/social-impact-bond-resources/social-impact-bond-tracker/>, [2.4.2015].)
-Cabinet Office 2013: Social Impact Bonds. Case Studies (<http://data.gov.uk/sib_knowledge_box/department-work-and-pensions-innovation-fund>, [2.4.2015]).
- Emma Tomkinson (<http://emmatomkinson.com/>, [2.4.2015].)

V.II Interview guidelines

Interview 1; Expert 1

First of all, thank you very much to be here with me and share your expertise.

The aim of my master's thesis is to shed light on the financial architecture of social impact bonds, the logic of this new financial instrument and what they signify for the social investment sector in the UK.

Would it be ok for you, if I record the interview? This would help me a lot, since it is not easy to conduct an interview in a foreign language and writing notes simultaneously. Of course the recording will be anonymized. Do you agree with that?

INTRO

For the introduction of this interview, can you briefly introduce yourself, the [redacted] and what your job is in [redacted].

Information about the informant (if not already mentioned)

Date, Location,

How long have you been working for the [redacted]

What did you do before coming to the [redacted] Social or financial background?

→sheet of paper, draw the main financial flow (generalized) as you conceive it.

SIBS AND THE MAKING OF A NEW ASSET CLASS, SIB AS A FINANCIAL INSTRUMENT

1. Can you explain how from the initial planning phase of an SIB it comes to a project? What are the most important steps in the planning of a project?

2. What role does the [redacted] play to make a SIB going?
-to what extent is the government able to influence the realisation of a programme?

3. What are the conditions or the requirements a project has to meet on behalf of the [redacted], so that you say this is a good thing, let's get started?

4. What are the key partners you work with? Who is going to ask for your support?

- [redacted] often works in partnership with [redacted] [redacted]. Can you explain why exactly these three players are so strongly represented?
- What percentage of funds approximately comes from big investors?
- Can you characterize the relationship between these institutions (more informal, contractual, financial, personal, advisory etc.?)

5. To what extent is the emergence of practices that make SIBs globally tradable (like a secondary market, a credit rating of Sibs, speculation, securitization) realistic?

APPEARANCE OF SIBS IN UK, TRANSFORMATION OF SOCIETY AND THE SOCIAL SECTOR

6. Do you think that SIBs have changed the social sector? Is this a good or bad development? - Does the social sector need private capital?

7. SIBs are part of the government's policy "growing the social investment market". Why do you think has the Government actively pushed for this instrument?
-What are the advantages of social impact bonds for the government and for the society besides financial aspects?
-Austerity
-belief in the market…?

8. Where would you situate the Government in questions of control and decision-making?
- How does the relationship between service providers or NGOs and the state or local authorities look like? Active interventions or only providing the legal framework with no actual decision-making power?

9. To what extent can SIBs contribute to the empowerment of local authorities and communities?

10. Goldman Sachs created a $250m social impact fund in the United States. This drew criticism: where GS invests such sums, secured profits are not far away, it was stated (in an article of the Washington Post). How do you perceive this development?
10.1 Will we see increasing amounts and conventional investment banks in the UK SIB industry when global capital markets become more involved?

11. UK wants to be a global hub for social investment markets and it also wants to tap global financial capital markets. What do developers of SIBs expect from scaling up through connecting with global capital markets?
-What does the government have from connecting with global capital markets?
- social entrepreneurs ask the governments for regulations, changing laws and fiscal incentives for their mission. How far will the Government go?

12. We are nearly at the end of my interview; I thank you again for giving me this information. Do you want to add something particular, an aspect that was not mentioned during the interview that needs to be spoken about? (without recording if you wish?)

→ Do you know other persons or colleagues (also from other institutions) who might be interested in having a chat or an interview with me?

RESERVE

11. What are the main challenges at the moment for attempts to finance services with SIBs?

Interview 2, Expert 2

First of all, thank you very much to be here with me and share your expertise.

The aim of my master's thesis is to shed light on the financial architecture of social impact bonds, the logic of this new financial instrument and what they signify for the social investment sector in the UK.

Would it be ok for you, if I recorded the interview? This would help me a lot, since it is not easy to conduct an interview in a foreign language and writing notes simultaneously. Of course the recording will be anonymized. Do you agree with that?

INTRO

For the introduction of this interview, can you briefly introduce yourself, your company, [redacted] and what your job is at [redacted]?

Information about the informant (if not already mentioned):

Name, Date, Location

How long have you been working in this sector?

What did you do before coming to [redacted]?
Social or financial background?

→ I brought along a sheet of paper, could you please draw for me, in a generalized way, the money flows that surround a SIB project.

SIBS AND THE MAKING OF A NEW ASSET CLASS, SIB AS A FINANCIAL INSTRUMENT

1. Could you briefly describe which steps are the most important in the development of a project?

2. Does [redacted] have certain criteria in terms of social problems, measurability, target group, service provider etc. to get started with a SIB?

3. Why does [redacted] only invest in social impact bonds that operate with a financial intermediary?

4. RISK: Do you believe SIBs are risky in comparison to other, conventional financial instruments?
- Is there such a thing as average return? How do investors evaluate this risk?
- How do you make projections about income streams? (How predictable is the outcome of a project?

5. How do you analyse how likely it is that social welfare schemes are successful?
-how much knowledge or expertise does this require? Do you have employees with social bg
-is any of this expertise transferred to the service providers?
(Is there kind of an intern monitoring or intern rating agency for the bonds?)

6. What are your key partners in SIB projects?

- [redacted] often works in partnership with [redacted]. Can you explain why exactly these three players are so strongly represented?
- Can you characterize the relationship between these institutions (more informal, contractual, financial, personal, advisory etc.?)

7. The so called Merlin banks gave £200m to Big Society Capital Bank. How is their relation towards the SIB-market?
- are they involved to some extent? (What are their expectations, pressure for performance?)

8. To what extent is the emergence of practices that make SIBs tradable (like a secondary market, a credit rating of Sibs, speculation, securitization) realistic?

APPEARANCE OF SIBS IN UK; TRANSFORMATION OF SOCIETY AND SOCIAL SECTOR

9. Do you think SIBs have changed the social sector? (Is this a good or bad development?)
-why does the social sector need private capital?

10. SIBs are a part of the government's policy "growing the social investment market". Why do you think has the Government actively pushed for this instrument?
-Austerity
-belief in the market?

11. Goldman Sachs created a $250m social impact fund in the United States. This drew criticism: where GS invests such sums, secured profits are not far away, it was stated (in an article of the Washington Post). How do you perceive this development?
11.1 Will we see increasing amounts and conventional investment banks in the UK SIB industry when global capital markets become more involved?

FINANCIAL ARCHITECTURE AND INTERMEDIARIES

12. UK wants to be a global hub for social investment markets and it also wants to tap global financial capital markets.

- What role do global capital markets play currently?
- What do developers of SIBs and particularly [redacted] expect from scaling up through connecting with global capital markets?
- (What would this mean to social investors like [redacted]

13. We are nearly at the end of my interview; I thank you again for giving me this information. Do you want to add something particular, an aspect that was not mentioned during the interview that needs to be spoken about? (without recording if you wish?)

Interview 3, Expert 3 and 4

First of all, thank you very much to be here with me and share your expertise.

The aim of my master's thesis is to shed light on the financial architecture of social impact bonds, the logic of this new financial instrument and what they signify for the social investment sector in the UK.

Would it be ok for you, if I recorded the interview? This would help me a lot, since it is not easy to conduct an interview in a foreign language and writing notes simultaneously. Of course the recording will be anonymized. Do you agree with that?

INTRO

For the introduction of this interview, can you briefly introduce yourself, your company, [redacted] and what your job is [redacted].

Information about the informant (if not already mentioned):

Name, Date, Location

How long have you been working in this sector?

What did you do before coming to [redacted]?
Social or financial background?

→sheet of paper, draw the main financial flow (generalized) as you conceive it.

SIBS AND THE MAKING OF A NEW ASSET CLASS, SIB AS A FINANCIAL INSTRUMENT

1. So can you explain how from the initial planning of a SIB it comes to a project? What are the most important steps in the planning of a project (when possible)?
- Why is mediation needed in your opinion?

2. Do you have criteria in terms of social problems, measurability, target group, service provider etc.?)

3. RISK: Do you believe SIBs are risky in comparison to other, conventional financial instruments?
- Is there such a thing as average return? How do investors evaluate this risk?

4. How do you evaluate the likelihood of success of a program?
- How much expertise does this require
- is any of this expertise transferred to the service providers?
- is there a kind of monitoring or an internal rating agency for the bonds?

5. What are your key partners in SIB projects?

- [redacted] often works in partnership with [redacted]. Can you characterize the relationship between these institutions (are they more informal, on the basis of contracts etc.?)
- (Can you explain why exactly these three players are so strongly represented?)

6. To what extent is the emergence of practices that make SIBs tradable (like a secondary market, a credit rating of Sibs, speculation, securitization) realistic?

APPEARANCE OF SIBS IN UK, TRANSFORMATION OF SOCIETY AND THE SOCIAL SECTOR

7. From your perspective, what have SIBs done to the social sector in the UK?
- Why does the social sector need private capital?
- Is this scheme suitable for the whole social sector?

8. SIBs are a part of the government's policy "growing the social investment market". Why do you think has the Government actively pushed for this instrument?
-Austerity
-belief in the market?

9. What role does the state play in the organisation and implementation of a project funded through a SIB?
- How does this role look like on the national and local level?
(Or: What role does the state play in the organisation and implementation of Social Impact Bonds on the whole, and on the local level?)

10. What are the main challenges at the moment for attempts to finance services with SIBs?

11. Goldman Sachs created a $250m social impact fund in the United States. This drew criticism: where GS invests such sums, secured profits are not far away, it was stated (in an article of the Washington Post). How do you perceive this development?
(Will we see increasing amounts and conventional investment banks in the UK SIB industry?)

FINANCIAL ARCHITECTURE OF SIBS AND SOCIAL FINANCE AS AN INTERMEDIARY

12. UK wants to be a global hub for social investment markets and it also wants to tap global financial capital markets.

- What role do global capital markets play currently?
- What do developers of SIBs and particularly [redacted] expect from scaling up through connecting with global capital markets?

13. Will [redacted] have a leading role still in the near (and further) future? Why, Why not?

14. Do you want to add something particular, an aspect that was not mentioned during the interview that needs to be spoken about?

Interview 4, Expert 5

First of all, thank you very much to be here with me and share your expertise.

The aim of my master's thesis is to shed light on the financial architecture of social impact bonds, the logic of this new financial instrument and what they signify for the social investment sector in the UK.

Would it be ok for you, if I record the interview? This would help me a lot, since it is not easy to conduct an interview in a foreign language and writing notes simultaneously. Of course the recording will be anonymized. Do you agree with that?

INTRO

For the introduction of this interview, can you briefly introduce yourself, your company, [redacted] and what your job is at [redacted]?

Name, Date, Location

How long have you been working in this sector?

What did you do before coming to [redacted]?
Social or financial background?

→ sheet of paper, draw the financial flow (generalized) as you see it

SIBS AND THE MAKING OF A NEW ASSET CLASS, SIB AS A FINANCIAL INSTRUMENT

1. So can you explain how from the initial planning of a SIB it comes to a project? What are the most important steps in the planning of a project (when possible, if not enough information, just go ahead with a general answer)

2. What role does [redacted] play in the social impact bond industry in the UK?

3. Does [redacted] have certain criteria in terms of social problems, measurability, target group, service provider etc. so that you get involved in a SIB?

4. [redacted] only invests in social impact bonds that operate with a financial intermediary. Does [redacted] have similar guidelines, if yes/no: why, what is different?

5. RISK: Do you believe SIBs are risky in comparison to other, conventional financial instruments?
- Is there such a thing as average return? How do investors evaluate this risk?
- How do you make projections about income streams? (How predictable is the outcome of a project?

6. How do you analyse how likely it is that social welfare schemes are successful?
-how much knowledge or expertise does this require? Do you have employees with social bg
-is any of this expertise transferred to the service providers? (Do you have connections to service providers besides money?)
(Is there kind of an intern monitoring or intern rating agency for the bonds?)

7. What are your key partners in SIB projects?

- [redacted] often works in partnership with [redacted] and [redacted]. Can you explain why exactly these three players are so strongly represented?

- What percentage of funds comes from big investors?
- Can you characterize the relationship between these institutions (more informal, contractual, financial, personal, advisory etc.?)

8. The so called Merlin banks gave loans to BSC. How is their relation to the SIB-market? (expectations, pressure for performance)

9. To what extent is the emergence of practices that make SIBs tradable (like a secondary market, a credit rating of Sibs, speculation, securitization) realistic?

APPEARANCE OF SIBS IN UK; TRANSFORMATION OF SOCIETY AND SOCIAL SECTOR

10. Do you think SIBs have changed the social sector? (Is this a good or bad development?)
-why does the social sector need private capital?

11. SIBs are a part of the government's policy "growing the social investment market". Why do you think has the Government actively pushed for this instrument?
-Austerity
-belief in the market?

12. Goldman Sachs created a $250m social impact fund in the United States. This drew criticism: where GS invests such sums, secured profits are not far away, it was stated (in an article of the Washington Post). How do you perceive this development?
12.1 Will we see increasing amounts and conventional investment banks in the UK SIB industry when global capital markets become more involved?

FINANCIAL ARCHITECTURE OF SIBS AND INTERMEDIARIES

13. UK wants to be a global hub for social investment markets and it also wants to tap global financial capital markets.

- What role do global capital markets play currently?
- What do developers of SIBs and particularly [redacted] expect from scaling up through connecting with global capital markets?
- (What would this mean to social investors like [redacted]?)

14. We are nearly at the end of my interview; I thank you again for giving me this information. Do you want to add something particular, an aspect that was not mentioned during the interview that needs to be spoken about? (without recording if you wish?)

Interview 5, Expert 6

So thanks again for having this interview with me. Is it ok when I record the interview, because I am not an English speaker and making notes simultaneously would be a bit difficult. Of course I am going to anonymize the recording. Do you agree with that?

1. Just for introduction, can you briefly introduce yourself, the work you do and how you came in touch with social impact bonds?

2. When you compare the SIB market in the very early steps with where it stands now, what can you say has changed?
- How would you explain the recent rise in numbers of SIBs (in UK and the rest of the world)? Or why SIBS are emerging exactly at these times?
(What do you think about arguments like state austerity, social sector performance, market ideology?)
- What is the reason for the intensive promotion of impact investing through the state?
(falls unklar: I mean SIBs are only a part of a big package of innovations concerning the social sector, there is for example the social investment tax relief, social outcomes fund, social incubator fund, BIG Society Capital etc., what does this development or phenomena signify?)

3. How do you perceive the development that the social impact bond market becomes more and more connected to global capital markets? About that the market is more and more boosted with money?
- Mainstream investment banks have entered the market in the US, for example Goldman Sachs. What do you think about this? Are SIBs suitable for them?
- Will we see increasing amounts and conventional investment banks in the UK SIB market when global capital markets become more involved?
- What do you think of projections that see billions of dollars flowing into the social impact investing market?
-does the market need this increasing in money?

-Conventional investment banks in the sector probably also signifies something about the risk profile of new SIBs. Are SIBs still risky? Or are they more and more constructed in a way that they achieve its outcomes anyway?

5. To what extent is the emergence of practices that make SIBs tradable (like a secondary market, a credit rating of SIBs, speculation etc.) realistic?

6. Ronald Cohen, founder of many socially minded financial institutes, is promoting social entrepreneurship and social capital markets quite intensive. How much entrepreneurialism and investor-mindedness can the social sector bear?

7. Why does the social sector need private capital? Does the whole sector need this scheme?

8. What can SIBs bring to the social sector, what to the local communities?

9. What are the main challenges at the moment for attempts to fund projects with SIBs?

Interview 6, Expert 7

First of all, thank you very much to be here with me and share your expertise.

The aim of my master's thesis is to shed light on the financial architecture of social impact bonds, the logic of this new financial instrument and what they signify for the social investment sector in the UK.

Would it be ok for you, if I recorded the interview? This would help me a lot, since it is not easy to conduct an interview in a foreign language and writing notes simultaneously. Of course the recording will be anonymized. Do you agree with that?

1. For the introduction of this interview, can you briefly introduce yourself and what your research interest consists of and why you wrote about SIBs?

2. When you compare the SIB market in the very early steps with where it stands now, what can you say has changed?
-How would you explain the recent rise in SIBs? Why are they emerging exactly at these times more often? (What do you think about arguments like state austerity, inefficiency of the social sector, market ideology etc.?)

3. SIBs are only a part of a big package of innovations concerning the social sector (e.g. the social investment tax relief, the social outcomes fund, the launch of Big Society Capital bank", a G8 taskforce).

What is the reason for this intensive promotion of impact investing and the kind of construction of a market? What do you think does this development signify or represent, generally?
-What role does Cameron's plan or program of the "Big Society" play?

(Refusal: Why should the social sector/public sector not fall in the hands of the private sector?) (value of public sector/social sector, who is responsible for its provision and funding?)

FINANCIAL ARCHITECTURE OF SIBS

4. UK wants to be a global hub for social investment markets and it also wants to tap global capital markets. How do you perceive the development that the SIB market in the UK becomes more and more connected to global capital markets?

-Mainstream investment banks have entered the SIB scene in the US, Goldman Sachs or Merrill Lynch for example. What do you think that about that? Are SIBs suitable for them respectively for big business?

-Will we see increasing amounts and conventional investment banks in the UK SIB market when global capital markets become involved?

-what do you think are the consequences then? (for the social sector, for social issues?) Consequences for who is going to be treated as vulnerable? Because I think sometimes a social issue or a social outcome has to match with the investors ideals when a SIB is created, isn't it?

5. How does the SIB architecture compare to any other investment vehicle on the financial sector? Can they be compared?

bei Nachfragen: We have investment banks, commissioners, special purpose vehicles respectively financial intermediaries and independent firms that evaluate the bond. Can SIBs be put in line with conventional financial tools/practices (like typical bonds), but now rhetorically moderated/mitigated? Is this new discourse of "doing social things and making money at the same time" just a pretext, or just talking and clapping hands?

6. You talked about potential secondary markets in your article. Keeping in mind the arrival of global finance capital, to what extent is the emergence of practices that make SIBs tradable (like a secondary market, a credit rating of Sibs, speculation) realistic?

7. The financial architecture of many SIBs is dominated mainly [redacted]. All of these three institutions were fundamentally shaped by [redacted] and they are also linked with each other (financially and personally). Why is this combination of players [redacted] so strong in the British social investment market?
(In fact, the whole social investment market as well as impact investing is created around [redacted]. What factor does he play in this story?)

8 SIBs are represented as an investment that bears a high risk and therefore brings a lot of profit. But how risky are SIBs really?
(Ronal Cohen already speaks of the social sector as a new asset class, put in other words: social problems as a new asset class. Can we speak of Sibs as an instrument that generates a new, predictable income stream?)

V.III Personal declaration

I hereby declare that the submitted thesis is the result of my own, independent work. All external sources are explicitly acknowledged in the thesis.

Zurich, 19.4.2015

Manuel Wirth