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New financial mechanisms for enhancing the impact of social enterprises: the case of SIBs

PhD dissertation submitted by

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"In my life there have been interminable, desolate empty Sundays in which I desperately wanted to write something that would console me for my loneliness and boredom, so that I could be calmed and soothed by phrases and words. But I could not write a single line. My vocation has always rejected me, it does not want to know about me. SUCH is my vocation. It does not produce much money and it is always necessary to follow some other vocation simultaneously in order to live. When I write something I usually think it is very important and that I am a very fine writer. But there is one corner of my mind in which I know very well what I am, which is a small, a very small writer. I can see that if I am asked "a small writer like who?" it would sadden me to think of the names of other small writers. I prefer to think that no one has ever been like me, however small, however much a mosquito or a flea of a writer may be. As you see, it is quite a difficult vocation, but it is the finest one in the world."

(Natalia Ginzburg, My Vocation)

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Introduction

a) Preface

"My mom works in a *cooperativa sociale"*. I was eight years old, in 1995, when the concept of *impresa sociale* entered my life. With different backgrounds and experiences and quite far from the conventional job market, a group of women decided to create a multi-stakeholder cooperative providing social service, particularly to elderly and disabled people. "*We do what the municipality should do, but they are not able to do it*." My mom always explained to us (me and my sister and brother) her job. I have different memories about my mom's work in a social cooperative, but one that influenced me so much. My mom and her colleagues always struggled for achieving financial stability. The payment for the services provided was always late (also one year), and the banks were not available to offer loans for working capital or other instruments. They put in their "*cooperativa sociale*" all their savings, efforts, hopes and hard work. But then, 12 years later, all these sacrifices were not enough: the financial crisis and public budget constraints were too violent for them.

This dissertation is not a guide or a blueprint on how to receive funding. This dissertation wants to offer a specific overview of social enterprise funding, explaining how it works their financial management and then presenting a case study about a recent innovative financial scheme. This dissertation recognises the powerful role of social enterprises in our community and the challenges these organisations face. To date, social enterprises cannot be considered a "new typology of business activity" anymore, so we cannot accept their systematic challenges in accessing "*the appropriate type of capital"* for their growth, for their survival.

b) Background

Social enterprises, operators of the social economy whose main objective is to have a social impact, exist as a solution to injustices. Social enterprises exist to support the local communities. Social enterprises exist to improve the lives of the collectivity.

Especially in these long months between the beginning of 2020 and today, social enterprises have demonstrated to be crucial for addressing old and new needs. Bynner, McBride, and Weakley (2021) documented those social organisations during the COVID -19 crisis provided a supplementary role to the state, addressing the demand for public goods unmet by the public actor. Furthermore, Thiery H. et al. (2021:6) stressed the fact that the COVID-19 pandemic enabled the voluntary and charity sector[1] "*to re-find its collective voice.*" At the same time, the IV Report on the State of Social Enterprise in Italy (Borzaga C., Musella M., 2020) points out the sector's resilience during the pandemic, adjusting and re-orienting their action. Borzaga and Musella (2020) stressed the factors allowing Italian social enterprises to resist during the pandemic crisis:

- patrimonial solidity;
- the motivation of staff and volunteers;
- strong connections with the community of reference;
- flexible internal structure;
- presence of young people in the middle team;
- relationship with the public actors.

Like Rasheda L. Weaver (2020), other scholars noted that the impact of the COVID-19 pandemic on the social enterprise sector is currently unexplored.

Nevertheless, one of the most significant challenges faced by social enterprises has been related to finance. As Macmillan (2020) represented, social enterprises experienced a

[1] "The 'voluntary sector' refers to organisations whose primary purpose is to create social impact rather than profit. It is often called the third sector, civil society or the not-for-profit sector" For further information see the web site of Reach Volunteering https://reachvolunteering.org.uk/guide/what-voluntary-sector

contraction in their funding sources in a relatively short time. In the UK, social enterprises expected a decline in annual income of 31% (Macmillan, 2020). In Italy, 15% of social enterprises have to reduce their staff due to financial reasons (Borzaga C., Musella M., 2020). At the EU level, a survey carried out by Social Economy Europe[2] showed that 88% of the respondents had been financially affected by the pandemic, while 71% suffered from employment issues within their organisations. Also, the survey stressed that despite different national measures - such as temporary unemployment schemes and financial support – social enterprises highlighted as those measures were not truly designed for them or appeared as not accessible due to requirements. In the end, social enterprises still struggle for accessing funding.

Accessing finance was an issue before the COVID-19 pandemic, but it is important to note that today remains one of the most significant challenges for social enterprises. Although this research is dated in the years from 2016 and 2018, the social enterprise funding landscape is still the same: same challenges, same problems, some gaps. Unfortunately, the COVID-19 pandemic has reduced resources worsening the funding issues.

Before the pandemic, social enterprise financing gained *momentum* amongst scholars, practitioners, and entrepreneurs (Kickul and Lyons, 2015). Specifically, in the last few years, several initiatives and solutions emerged to supply resources for social enterprises. Nevertheless, it persists a scarce understanding of the "*appropriate type of capital*" (Nicholls, Paton, and Emerson, 2015: p.1) for social enterprises. On the one hand, solutions based on traditional finance may not suit the financing needs and the specific features of social enterprises (Nicholls and Emerson, 2015; Emerson et al., 2007; Nicholls, 2010a, 2010b; Nicholls and Pharoah, 2007). On the other, new requirements-like social impact measurement – are adding further tension in social enterprise funding.

[2] For more information about the survey please see the specific website https://www.european-microfinance.org/sites/default/files/document/file/SEE-Report-The-impact-of-COVID-19-on-Social-Economy.pdf

As well explained by the authors of "Social enterprises and their ecosystems in Europe – Comparative synthesis report" (European Commission, 2020:89), the lack of financial resources is not the result of a shortage of supply, rather than other factors.

"*In several countries, the major barriers to obtaining the necessary external resources are not directly linked to the lack of supply but rather to a general lack of understanding of social enterprise models, a deficit of social enterprise assessment instruments, and the absence of collaboration and agreements between regulatory institutions from the financial, economic and social sectors. Difficulties in accessing finance also result from insufficient knowledge of the existing supply of finance, a lack of investment skills and a poor ability amongst social enterprises to develop adequate business project proposals*"

Back to the funding supply, the last years were fertile in terms of new instruments and solutions for social enterprises. In this sense, the emergence and the (partially) institutionalisation of the so-called social finance and impact investing offered tailored-made resources for these organisations. Moreover, the introduction of the payment by results schemes in social services – due to public budget constraints - had relevant changes in the funding relationship with public actors as well as the emergence of private investments and investors in the delivery of public goods and services.

The significant changes that occurred in the financial landscape had an impact on what and how to finance. The rise of impact investing, green and social finance, and the EU efforts to fund sustainable growth had and still have implications on the behaviour of market participants and the resources available. In this sense, it is interesting to note how the regulatory financial and banking EU framework is changing towards economic activities that have genuine long-term benefits for society[3].

Notably, the advent of social investors in the funding of social services and social organisations introduced a new (private) logic and new (competitive) schemes. Social Impact Bond (SIB) represents the novelty in this framework: private investors occupying

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[3] For further information on the EU Action Plan on Sustainable Finance please see the website https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance_en#documents

the social policy field. This product, genuinely rooted in the Anglo-Saxon world, entails funding measurable and preventive social services through private investments. The opponents of SIBs stressed this scheme's ideological limitations and the danger for third sector movement and users more in general. SIB is the expression of liberalisation and marketisation of the welfare state. The idea of having a financial return from social welfare opens the door to transforming social services into commodities. Moreover, private actors' presence in the public sphere allows private financiers to marketise the welfare state to decide what deserves to be funded.

Despite these critical steps and advancements in the financial landscape, funding is still a sensitive issue for social enterprises. Nicholls, Paton, and Emerson (2015) highlighted the presence of limited literature and knowledge on social finance[4] and appropriate resources for social organisations. As the authors mentioned above noted, social finance has not yet been recognised as a normative field of study. Nonetheless, the current debate on financing social enterprises and social finance is still characterised by vagueness. Although social finance has been recognised "*as a distinct and legitimate field of research*" (Nicholls and Emerson, 2015, page 6), the academic literature is at the very early stage of development (Nicholls and Emerson, 2015). More academic research and debates are needed to overcome the mismatching between (social) financial products and social enterprises' needs (Barraket, 2015; Nicholls, 2016). The existing literature is predominantly focused on social finance and impact investing as a whole; yet, little attention has been dedicated so far to specific instruments and contexts or the interaction with social enterprises.

Currently, the social enterprise literature presents a variety of topics and themes. De Bruin ad Teasdale (2019) recognised that the social enterprise field had reached maturity. The authors stressed that different disciplinary approaches had enriched the field in the last ten years. Nevertheless, there are still several themes under-explored. Gupta et al. (2020) noted that the issues most discussed in the literature are social enterprise impact, innovations, business models and strategy, value creation and dissemination, and challenges. In this sub-set fall also accessing funding, it is interesting that this topic was developed in the first decade of the 2000s (see Gupta et al. 2020, pages 12-13) while

[4] It is intended as the set of resources available for social enterprises.

today is currently unexplored. Despite a growing interest in social finance and impact investing, these two topics are little represented in social enterprise literature (Secinaro et al., 2021). Relatively little consideration has been given to actors' interactions, assessment of tools and practices, contexts, and scholars of the field are calling for more theoretical knowledge and empirical studies (Dees and Battle Anderson, 2006.; Moore, Westley, & Nicholls, 2012; Nicholls, 2009).

Beyond the coverage of the topic in the literature debate, the funding aspect is today more crucial than ever, considering the post-pandemic era and the evolution in the banking and financial sectors. Social enterprise funding is not just a matter of economic resources; instead, it is the generation of robust initiatives through the participation of several stakeholders. Making available the appropriate resources means reinforcing and consolidate social enterprise actions. Understanding the effects of the different financial schemes and services means to help the social enterprise in performing their role at their best.

c) Research Aims and Questions

This dissertation explores social enterprise funding by focusing on a concrete instrument, the Social Impact Bonds. As noted early, the financial landscape available for social enterprises evolved in the last few years. New mechanisms and initiatives emerged, such as SIBs, for example. Although most EU funded sectorial study on social enterprise funding presents SIBs as a possible option to finance these organisations, limited academic and practitioner debate focuses on the issue. Thus, given the paucity of the academic discussion on the topic above mentioned and considered the call for more theoretical knowledge and empirical studies (Battle Anderson and Dees, 2006; Nicholls, 2009; Moore et al., 2012), this work will bridge the gap between practice and academic theory offering the experience of three social enterprises involved in SIBs projects.

Thus, the overall three main objectives of this dissertation are:

1) What is the demand for social enterprise funding?
2) What are the current initiatives aiming at funding social enterprises?

3) How does SIB work for social enterprises? What is the social enterprise perspective under SIBs?

While the first two research questions aim to describe the demand and supply of social enterprise finance, the third one seeks to voice social enterprises involved in SIBs in Europe. Currently, the SIB debate occurs in the Anglo-Saxon world, characterised by a different welfare state approach, social services funding, social enterprises role and definition and civil society organisation than the European one. As Wilson et al. (2020) stressed, there is a need to "widen the perspectives" on SIBs, including different national and international voices, comparing academic and practitioner insights.

The third part of the dissertation presents the exploratory case study to document and examine the motivation and implications of SEs participating in SIBs in Continental Europe.

The main research questions of the qualitative study are:

1) What are the motivations and the implication for social enterprises in participating under SIBs?

2) What are the implications for social enterprises in participating under SIBs?

3) How do social enterprises in the Netherlands use SIBs as a tool to fund their organisations?

4) In what ways can SIBs spur on how social enterprises measure and scale their impact?

The case study offers a robust understanding of social enterprises' involvement in this scheme. On the other, it shares insights into a political and cultural context – the Netherlands - different from that in the United Kingdom (UK) and the United States (US), which has focused on much of the research SIBs.

d) Methodology

This dissertation applies a qualitative methodology due to the topics' novelty and the scarcity of reliable data-set.

The subject and the unit of analysis of this research is the social enterprise. The term "social enterprise" covers various legal forms, movements, and experiences developed in Continental Europe. Thus social enterprise in this dissertation is a label that includes non-profits and voluntary entities, the co-operative movement, third sector organisations, social-oriented businesses and pure social enterprises as legally defined by the EC (see the first Chapter for more reference). Indeed, this study is deeply rooted in the EU and European traditions of social enterprise.

The first and second parts are dedicated to the demand and supply of social enterprise funding and apply a desk-based review of the academic and practitioner literature. While the third part presents the exploratory case study on social enterprise and SIBs (more details on the case study are available in Chapter 5)

Given the research topics' characteristics and exploratory nature, I have conducted a pilot study selecting a case study methodology. The case-study method is the most famous in social sciences studies (Khan, Samia & VanWynsberghe, Robert, 2008), especially for exploratory, descriptive, and explanatory research (Yin, 1994). The case-study methodology seems to be the perfect approach to reveal and retain managerial and organisational processes, especially in the study's social entrepreneurship field (Dana & Dana, 2005). Generally, the case study is the appropriate methodology for the research questions about "How" and "Why". In this sense, a case study can also provide interesting insights for policymakers by offering contextual and concrete evidence.

e) Dissertation Outline

This dissertation is divided into three parts to address the topics related to social enterprise funding comprehensively. In fact, the dissertation focus on three particular aspects of the funding process:

- The demand perspective of social enterprise funding This analysis explores the characteristics and structure of social organisations and presents their financial needs and theory beyond their funding behaviour.
- The supply-side of social enterprise funding. This analysis describes the resources available for social enterprises and the new financial landscape.
- A tentative to put together demand and supply perspective. Specifically, the analysis through a case study shows the effects of a specific financial product on social enterprises. Interestingly, the analysis applies a user approach.

Each part is composed of a Preface, a brief introduction of the chapters presented in the unit, and a conclusion remarking on the crucial aspects addressed in the section.

The first section, titled Social Enterprise Funding, offer a demand-side analysis of social enterprise funding is composed of two chapters:

- Chapter 1, called “Social Enterprise: an innovative model of business”, address the concept and definition of social enterprises, presenting the literature's evolution and the various approaches' differences. As this dissertation is rooted in the EU context, an analysis of the legal framework and recognition in the EU will be provided. Then, social impact measurement and social scaling will be analysed, given the importance of these two topics in the current social enterprise debate.
- Chapter 2, titled “Social Enterprises: accessing financial resources” explores the social enterprises' funding process. Firstly, such a process's theoretical perspective will be analysed using framework threes theories based on nonprofit and management literature, namely dependence theory, resource-based view, and benefits approach. The operational aspects will then be addressed, like financial management, the type of finance sources, and the challenges in accessing finance. As this study is firmly rooted in the EU context, the last part is focused on the EU financial ecosystem.

The second part, namely "Innovative mechanisms for funding social enterprises: when the impact counts", addresses the demand side of social enterprise funding. Two chapters from this part:

- Chapter 3, namely "Innovation in social enterprise funding: a new landscape". Remarkably, the purpose of this chapter is to map out the innovation in social enterprise funding. The aim is to present the innovative funding landscape currently available for social enterprises. This chapter proceeds as follows: first, it will briefly explain all current terms when addressing the innovative financial landscape. The objective of this paragraph is to bring clarity to the discussion. Second, social finance will be introduced as a topic and presented in all its elements. Third, it will be mapped out the innovative financial forms that are encompassed in the definition of social finance. Fourth, the challenges and limitations of social finance will be pointed out.
- Chapter 4, titled "Social Impact Bonds: a new tool for enhancing social impact". This chapter aims to provide a description of SIBs and present the current academic debate. While in the first paragraph, the SIB is analysed under different aspects, representing the scholarly debate currently available. Currently, the discussion on SIBs is pretty polarised. On the one hand, practitioners, and some scholars (especially those from management studies) stressed the advantages of SIBs in improving the efficiency of service delivery, creating savings for governments, and introducing innovative interventions for societal challenges. On the other, scholars from different disciplines (such as social policy) argued the multiple challenges posed by this tool. The result is a debate highly polarised with limited evidence about the efficiency and efficacy of SIBs. Given the little knowledge and understanding of SIBs, the last part of the chapter introduces a conceptual framework to conceptualise SIBs better.

The third and last part is titled "SIBs as a financing tool for social enterprise". This part explores what happens to social enterprises when using one "innovative and powerful" scheme, the SIB in this case. This part accepts the theoretical call Nicholls, Paton and Emerson (2015: p.1) launched in creating a solid understanding of the "appropriate type of capital" for social enterprises.

This section is structured as follows:

- Chapter 5, titled “The research strategy: Methodology and Methods”. This chapter describes the research strategy applied. Five paragraphs compose the chapter: the first one is about the research subject and questions of the study; the second about the methodology and the ethical approach applied; then I will present the method used and lastly, the data analysis process.
- Chapter 6, with the title, Mapping SIBs in Continental Europe: it is a matter of welfare regime. This chapter presents the worldwide and European mapping exercise from 2013 and 2017, that is the year when the first SIBs was introduced in Continental Europe. The result of European mapping allows further investigation on the welfare regime and political support to the social enterprises and impact investing movements. The aim is to identify the country most representative of these phenomena in Europe.
- Chapter 7, “The ecosystem in the Netherlands: Social enterprises as a tool for achieving a participating society”. This is a background chapter aiming to describe the context of the first and most developed SIBs in Europe. This work is preparatory for the setting of the case study presented in the next chapter. The purpose of this brief is to introduce the political, social, cultural, and legislative framework, which led to the establishment of 7 Social Impact Bonds (SIBs) from 2013 to 2017. The introduction of this new type of financial mechanism is strictly related to decentralising social services delivery, especially regarding social security and assistance (EP, 2016). In this sense, this reform opened the doors to social enterprise organisations as actors entitled to support (and fill) public authorities in addressing social needs.
- Chapter 8, “SIBs and social enterprises: insights from the Netherlands”. This chapter presents the exploratory study carried out in the Netherlands in 2018. It documents and examines the motivation and implications of SEs participating in SIBs in Continental Europe. It offers a robust understanding of social enterprises' involvement in this scheme. The case study presented in this chapter serves for exploring SIBs as funding instruments for social enterprises. Specifically, the chapter covers SIB perspectives by adding voices and experiences of social enterprises from the Netherlands. This chapter presents the findings and discusses the motivations and implications for social enterprises involved in SIBs. The first

part of this research addressed how the case studies identify themselves with the third sector/social enterprise discourse and their financial management. Then, the study focused on their experience of SIB participants by highlighting both the positive and negative aspects. Finally, it presents the overall feedback of the experience. Beyond documenting the social enterprise experience, this chapter discusses the results and share some lessons learned and suggestions for further involvement. This chapter contributes by adding social enterprise experience to SIB literature and presenting a different context from UK or US.

The initial chapter, “Introduction”, offers a background of the dissertation presenting the research aims, the research objectives, the methodology applied and the outline. Lastly, the final chapter, “Conclusion”, discusses the case study's main implications against the demand and supply perspectives presented in the first two parts. The chapter also presents the main contributions of this dissertation and the main limitations.

Part I – Social Enterprise Funding

Preface

The social enterprise phenomenon is growing interest and attention from many sectors and actors. This organisation type increasingly attracts policymakers, scholars, citizens, donors, and investors. Such fascination is because social enterprises drive social change, transform society addressing the population's unmet needs, and create value for all.

Although social enterprises combine the best from (pure) nonprofit and profit sectors, they still struggle to access finance. In the last years, the number of financial resources available for social enterprises has increased. Nevertheless, there are still gaps in the funding process.

This first part of the dissertation explores the funding process starting from the definition and social enterprises concept. Understanding these organisations' real nature, features, and issues makes it possible to provide solutions and knowledge for the funding gap. This part goes beyond and provides a theoretical explanation for social enterprises' funding behaviours.

This first part of the dissertation is focused on social enterprise funding, which is the process of demand and acquisition of financial resources. Specifically, this part is divided into two sections.

The first one, titled “Social Enterprise: an innovative business model, " aims to present the social enterprise concept's evolution in literature and practice. In short, the section introduces the idea and the definition of social enterprises (i), and the topics highly discussed in the current debate (ii), such as the social impact measurement and scaling process. These two topics will be fundamental to understand the successive parts of the dissertation better.

The second section of this part is titled “Social enterprises: accessing financial resources”. This section aims to explain why and how social enterprises access financial resources. To do that, different theoretical frameworks from nonprofits and management literatures will be applied. The theoretical frameworks serve as lenses through which it is possible to approach and understand the social enterprise demand for finance. To sum up, the section explains the financial management and resources acquisition process s(i) and then presents the financial instruments and actors available for social enterprises (ii).

As conceptual research, this part applies to a desk and literature reviews primarily.

1. Social Enterprise: an innovative model of business.

"Apparently unable to find agreement on what it means to be a social entrepreneur, to start a social enterprise or to write on social entrepreneurship" (Alegre, 2013).

"Two little words, interpreted in many different ways" (Young, 2009, p 22).

1.1. Introduction

These challenging years, characterised by the welfare system's crisis, limited political representation and budget austerity, have led to the recognition of businesses' role, not, as usual, the so-called "social enterprises". However, the social enterprise phenomenon emerged more than forty years ago in Europe and had the first legal recognition with the Italian law, n.381 on "*cooperative sociali*" in 1991.

Despite a long tradition and presence in our society, the social enterprise concept is still scarcely understood, affecting this organisation's legitimacy process. As a concept deep-rooted in national contexts, different social enterprises' meanings emerged depending on specific internal logic and influential factors. Especially towards the end of the 20th and early years of the 21st century, confusion and poor clarity characterized the field (Defourny, Hulgård and Pestoff, 2014). Due to the lack of a standard definition and universal theoretical framework, existing theories have not captured the rationale and social enterprises' diversity (Dufays & Huybrechts, 2013).

In 1996, different scholars from fifteen European Union countries established the European Research Network trying to examine and develop a theory for social enterprises. EMES efforts resulted in a set of indicators for identifying and clarifying social enterprises rather than a concise and elegant definition (Defourny & Nyssens, 2012:15).

Social enterprises are currently recognised as actors whose main objective is to have a social impact. Scholars, policymakers, and donors recognise this type of organisation's transformative role. By combining resources and input, social enterprises improve individuals' lives (Emerson et al., 2000). Thus, social impact measurement is, currently, the hot topic in the social enterprise debate. Therefore, social enterprises are more and more required to give evidence of the changes that occur in society because of their actions. Social impact measurement has been converted into a fundamental practice for social enterprises (Ebrahim and Rangan, 2014).

Beyond providing evidence about the value generated, social enterprises are increasingly required to serve many beneficiaries to scale and replicate the value created (Dees et al., 2003). Scaling does not mean merely growing the size, but it is about expanding social enterprise action's effectiveness and magnitude (Dees et al. 2008; Bacq & Eddleston, 2016; Han & Shah, 2019).

This first section will address the concept and definition of social enterprises, presenting the literature's evolution and the various approaches' differences. As this dissertation is rooted in the EU context, an analysis of the legal framework and recognition in the EU will be provided. Then, social impact measurement and social scaling will be analysed, given the importance of these two topics in the current social enterprise debate.

1.2. Social Entreprises: concept & definitions

Social enterprise (SE) has gradually become an important field of research (Dacin et al., 2010; Fayolle & Matlay, 2010; Short et al., 2009) due to the potential in addressing social, economic and environmental issues. Generally, social enterprises range along with different areas of intervention (such as social services, finance, work integration, circular economy, etc.) using additional economic resources (earned income, grants, public procurement, impact investing, venture philanthropy, crowdfunding, etc.) moving in various sectors (public, private, volunteer). However, defining social enterprise has not been an easy task. As a concept deep-rooted in national contexts, different social enterprises' meanings emerged depending on specific internal logic and influential factors. Especially towards the end of the 20th and early years of the 21st century, confusion and poor clarity characterized the field (Defourny, Hulgård and Pestoff, 2014). Due to the lack of a standard definition and universal theoretical framework, existing theories have not captured the rationale and social enterprises' diversity (Dufays & Huybrechts, 2013). Nevertheless, some scholars (Defourny, Hulgård and Pestoff 2014) pointed out that social enterprise is a recognized and homogenous concept nowadays. Undoubtedly, legal recognition in several countries has played a role in facilitating its clarification (Galera & Borzaga, 2009).

The starting reference for social enterprise theoretical conceptualisation is in two distinct contributions between the end of the 1990s and the start of 2002. Expressly, the EMES European Research Network and the British government set a milestone in the theoretical and empirical analysis of such phenomenon (Defourny, Hulgård and Pestoff, 2014:24). The EMES conceptualisation represents a methodological tool that helps organizations position themselves in social enterprises' galaxies. Simultaneously, the British definition is the result of the UK government in clarifying social enterprise.

Different scholars from fifteen countries of the European Union established in 1996 the EMES[5] European Research Network trying to examine and then, develop a theory for social enterprises. EMES efforts resulted in a set of indicators for identifying and clarifying social enterprises rather than a concise and elegant definition (Defourny & Nyssens, 2012:15). Based on Weber's ideal types, the indicators described both the economic and the entrepreneurial dimensions and the social and governance ones (Defourny & Nyssens, 2012). Remarkably, each category (economic, social and governance) incorporates three indicators that are not conditioned to deserve the label of social enterprise but provide a tool for identifying social enterprises (Defourny & Nyssens, 2012).

The economic and entrepreneurial dimension encompasses three criteria:

a) A continuous activity producing goods and/or selling services;
b) A significant level of economic risk.
c) A minimum amount of paid work.

The social dimension of social enterprises:

d) An explicit aim to benefit the community.
e) An initiative launched by a group of citizens or civil society organizations.
f) A limited profit distribution.

The participatory governance of social enterprises:

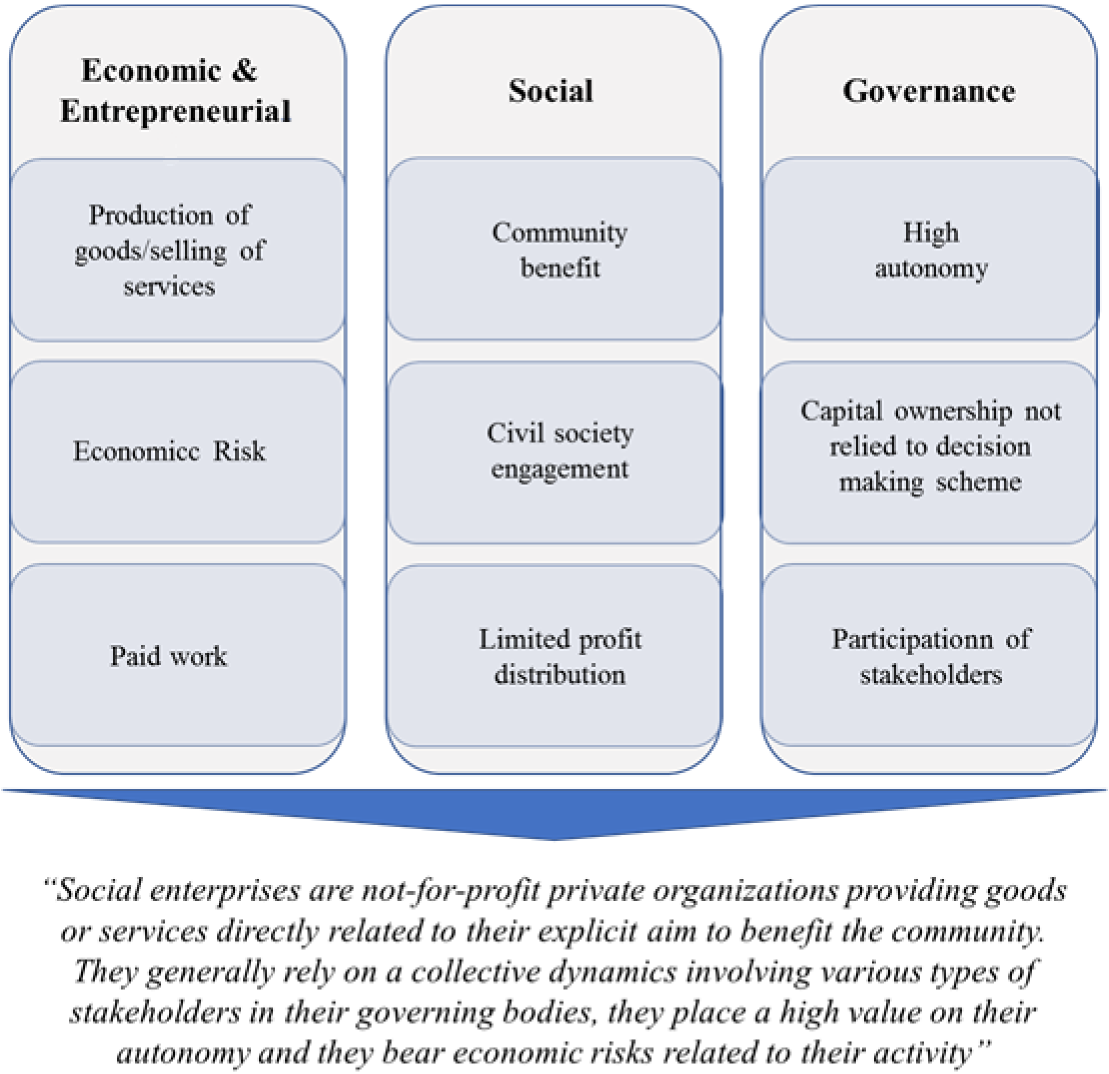
g) A high degree of autonomy.
h) A decision-making power not based on capital ownership.
i) A participatory nature, which involves various parties affected by the activity.

[5] EMES stands for *Emgergence des Enterprises Sociales en Europe;* the acronym designed the researcher’s network project funded by the DG Research of the European Commission. Then, the researcher’s network decided to retain the name also for others project in the field of social enterprise and social economy.

The set of indicators elaborated by EMES have been summarized in the following definition:

"*Social enterprises are not-for-profit private organizations providing goods or services directly related to their explicit aim to benefit the community. They generally rely on a collective dynamic involving various types of stakeholders in their governing bodies, they place a high value on their autonomy and they bear economic risks related to their activity*." (Defourny & Nyssens 2008: 204).

Figure 1: Dimensions of social enterprises, based on Defourny & Nyssens (2008)



Source: Elaborated by the author

On the other hand, the British contribution in developing a definition for social enterprises has been part of a national strategy to re-brand the third sector movement (Defourny, Hulgård and Pestoff, 2014). Published in 2002 in the position paper "Social Enterprise: A Strategy for Success", the Secretary of State for Trade and Industry and the Social Enterprise Unit provided the following definition:

"*A social enterprise is a business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners*" (DTI, 2002: 6)

Although the government's definition has been a fundamental milestone for recognising social enterprises, it lacked clarity and consistency, making its operational translation hard. As reported in "Guidance on Mapping Social Enterprise" (, breaking down the definition into a set of indicators (Defourny, Hulgård and Pestoff, 2014: 24) would have facilitated its understanding. Within this framework, the Social Enterprise Coalition[6] provided three criteria for improving social enterprise definition. Beyond the market orientation and the social objective, the Social Enterprise Coalition introduced the governance and the ownership structure as a must dimension for social enterprises. The government's definition was the reference for Social Enterprise London in launching "Social Enterprise Journal" as place for improving the research agenda around social enterprise concept.

Over the years, scholars have offered various definitions and many social enterprise archetypes to clarify its conceptual discussion over the years. Mainly, Dees & Anderson (2006) and, Defourny & Nyssens (2010) provided a map of the debate around social enterprise and social entrepreneurship in the United States and Western Europe (Defourny, Hulgård and Pestoff, 2014), introducing the leading "schools of thought" approach.

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[6] The Social Enterprise Coalition is the UK's national body for social enterprise, representing a wide range of social enterprises, regional and national support networks and other related organisations. For further information, http://www.socialenterprise.org.uk/

As Dees and Anderson argued, the US conceptualisation is rooted in two different groups: the social enterprise or earned income school of thought and the social innovation one (Defourny & Nyssens, 2010a). The first school refers to the use of commercial structures by nonprofit organisations to achieve their social mission. Due to financial constraints such as cutbacks in public funding or lack of private credit, social enterprises develop commercial activities to generate reinvested revenues for their social objectives. The earlier version of this school, called the "commercial, nonprofit approach" (Defourny & Nyssens, 2010a), focused on nonprofits organizations. In contrast, the latter, known as the "mission-driven business approach", embraces all organizational models, both profits and nonprofits. Defourny and Nyssens (2012:12) also include social business in this thought school. As a "non-dividend" and "no-loss" organization with a social purpose (Yunus, 2007; Yunus, 2010), social business offers products and services to a new segment of the market: the so-called bottom of the pyramid. However, the earned income school of thought raises some unsolved key issues around the social objective supremacy and the role of profits (Defourny, 2014). On the other hand, the social innovation school of thought puts the focus on the entrepreneur. Its theoretical foundation is in the Schumpeterian perspective of entrepreneurship, and then Young (1986) enriched the debate developing such conception with his explorative work. In 1998 Dees defined social entrepreneur, presenting the latter as a change agent in the social sector motivated to create social value by stimulating innovation processes (Dees and Anderson, 2006). Social innovation represents a critical element of social entrepreneurship, especially for the potential to tackle the root of societal challenges. Since the beginning, organisations like Ashoka supported this approach towards social entrepreneurship, encouraging the professionalization of social entrepreneurs (Dees and Anderson, 2006). As Defourny and Nyssens noted, recently, social entrepreneurs have been described as modern and heroic individuals (2010: 12). This approach presents some hidden issues such as the fact that innovation does not characterize all social enterprises and, as Defourny (2014) pointed out the collective dynamic of social entrepreneurship are not taken into consideration. Despite these two schools of thought dominate the US scenario, a third view emerged as synthesis between the income-earned approach and the social innovation one. Emerson (2006) designated social enterprises those organisations profits or no-profits which using market and managerial resources seek for social value creation implemented through processes of social innovation.

Conversely, in Europe, the concept of social enterprise was introduced into the academic debate only in the second half of the 1990s. Despite the Italian social cooperative law passed in 1991 represented a source of inspiration for the movement in Europe, scholars started to theorize social enterprises only in 1996 with EMES European Research Network. As previously noted, EMES European Research Network offered the first theoretical conceptualization on social enterprise (Borzaga & Defourny, 2001), introducing a set of indicators for three distinct dimensions. Together with the economic and social aspects, the EMES approach stressed governance as the critical element for describing social enterprises. Social enterprises can reactivate democratisation processes at the local level (Defourny & Nyssens, 2012). Undoubtedly, the EMES network has provided precious contributions to the debate over the years. The EMES approach to social enterprises is still an absolute starting reference for understanding the field.

Since the beginning, several scholars have enriched the debate providing different theoretical explanations and definitions around social enterprises' concept. Relevant the work of Young (1983) about innovation in entrepreneurship processes; then the analysis of no-profit organizations in adopting a business approach for achieving their social objectives (Skloot, 1987). Then, as previously stressed, in 1998, the analysis of Dees laid the foundations for deciphering what social entrepreneurship is, where it comes from and how it is defined. In the early 2000s, EMES and the British government added two significant elements in describing social enterprise: governance and profits. In the same years, several scholars contributed to delineate social enterprise as a distinct theoretical domain adding elements for its conceptualization (Defourny, Hulgård and Pestoff, 2014). Thus, the contribution of Bacchiega and Borzaga (2001) focused on the innovative features of social enterprises; or the work of Evers (2001) on social capital as an explicit objective pursued by social enterprise, or the further development of “ideal-type” theory for social enterprises (Laville and Nyssens, 2001b) must be understood in the general effort to build a theory of social enterprise.

Nevertheless, misconception about social enterprises persists also amongst scholars. Thus, as Defourny and Nyssens (2017:3) pointed out, the ambition of delivering a complete and definitive meaning about social enterprise should be replaced with an academic effort to link social enterprise conceptualization to different models present in reality. With the international research project “International Comparative Social

Enterprise Models" (ICSEM), which has involved 200 researchers from 50 countries, four social enterprises have identified four models of social enterprises addressing the social, economic and governance aspects of EMES Network conceptualization. In order to capture the "institutional trajectories" (Defourny & Nyssens, 2017a) which led to various models of social enterprises, the ICSEM study based on the "principle of interest" or public interest theory developed by Gui (1991) and the resource mixes Applying Guy's framework, the general interest, the mutual interest and the capital interest appear as the dominate behaviours of economic actors. On the other hand, economic organizations mobilize various financial resources, such as public funding, market income, private finance, and philanthropy. Additionally, the governance dimension is captured by the decision-making power and profits allocation. By combing these elements, the following models have been identified (Defourny & Nyssens, 2017a):

- The entrepreneurial nonprofit (ENP) model encompasses all nonprofit organizations to carry out earned-income activities as a means for achieving their mission. Under this category, we can find any type of nonprofit organisation (NPOs), especially associations but also work integration social enterprises (WISEs) interested in general interest activities.
- The social cooperative (SC) model involves cooperative enterprises that go beyond the traditional cooperative model to reconcile the mutual interest with the general one.
- The social business (SB) model: under this archetypal fall, all those enterprises carry out business activities with a social purpose. In pursuing economic and social goals, these enterprises create "blanded-value" (Emerson, 2006) and use a hybrid business model.
- The public-sector social enterprise (PSE) model: this model incorporates public-sector spin-offs. Notably, public authorities can transfer or externalize public services management to private actors like social enterprises.

These models' emergence and institutionalization result from essential changes in the social economy sector level. In this sense, social enterprise has been a cornerstone in evolving the new form of solidarity and collectivism in the social economy realm (Defourny, Hulgård and Pestoff, 2014: 81). The transformation occurred to cooperative movement with the shift from pursuing a mutual to the general interest that led to creating a social cooperative and social businesses (Defourny and Nyssens, 2017). Additionally, the processes of marketization and "privatization of public responsibility for welfare" (in Defourny Hulgård and Pestoff, 2014: 80; Pestoff, 2009; Gilbert, 2002) facilitated the emergence and the consolidation of social enterprises as an alternative to public welfare (Defourny Hulgård and Pestoff, 2014). Within the marketization process, nonprofit organizations are entitled to deliver public services receiving resources from public authorities (through grants or subsidies) or private actors involved in philanthropy. It is worth notice that beyond filling the gap in welfare services on behalf of public authorities, social enterprises are fundamental in shaping institutions, facilitating public policies, promoting policies schemes and legal frameworks (Defourny & Nyssens, 2012:25).

Table 1: Based on Defourny & Nyssens, (2017, 20:26)

	The entrepreneurial non-profit (ENP)	The social cooperative (SC)	The social business (SB)	The public-sector social enterprise (PSE)
Social Mission	Work integration, social and heaths services, social and financial inclusion; fair trade	Work integration, social and heaths services, social and financial inclusion; fair trade	Work integration, social and heaths services, social and financial inclusion; fair trade	Work integration; social and health services
Allocations of profits	Prohibited	A cap on distribution of profits + asset lock	No limitations/a cap on distribution of profits	Prohibited/a cap on distribution of profits + asset lock
Governance	Democratic	Democratic	Independent/Capitalist	Bureaucratic

Source: Elaborated by the author

1.3.The legal recognition of social enterprises: the EU perspective

As previously stated, social enterprise's legal recognition has facilitated its understanding (Borzaga and Galera, 2009) and spread globally, especially in Europe. Notably, the political and legislative EU framework evolved by taking into account the different schools of thought, the vibrant scholar debate, and each Member States' peculiarity (Defourny & Nyssens, 2012; Enciso, Gomez and Mugarra, 2012:70). With the 2011 European Commission Communication on Social Business Initiative (SBI), a social enterprise is defined as follows (EC, 2011:3):

"*A social enterprise is an operator in the social economy whose main objective is to have a social impact rather than make a profit for their owners or shareholders. It operates by providing goods and services for the market in an entrepreneurial and innovative fashion and uses its profits primarily to achieve social objectives. It is managed in an open and responsible manner and, in particular, involve employees, consumers and stakeholders affected by its commercial activities*"

As Enciso, Gomez and Mugarra (2012) pointed out, the definition provided by the EU commission is not only in line with the international debate on social enterprise, but it is not a "definitive" definition relatively a concept in progress. In addition, the EU commission goes beyond the national legal frameworks proposing a description easily translated in different contexts.

The SBI had a significant impact on adopting different legal and political recognition models at the EU Member States level. In the last mapping exercise carried out by the EU Commission about the social enterprise in the EU (Carlo Borzaga, Giulia Galera, Barbara Franchini, Stefania Chiomento, 2020), the authors identified two groups of countries. In the first group, there are countries where proper legal and political frameworks were introduced. Here we can find countries like, for example, France, Italy, Spain, Belgium, and Luxembourg. Conversely, the EU Member States like Austria, Netherlands, and Germany present a low degree of legal recognition. However, the authors stressed that the legal recognition of social enterprises has scarcely affected the degree of development and “emergence” of social enterprises (Carlo Borzaga, Giulia Galera, Barbara Franchini, Stefania Chiomento, 2020).

Different forms of legal status exist and co-exist at the EU level to date. Some countries have institutionalised social enterprises through *ad hoc* legal frameworks. As pointed out by Fici, all the legal definitions of social enterprises emerged presently three common elements:

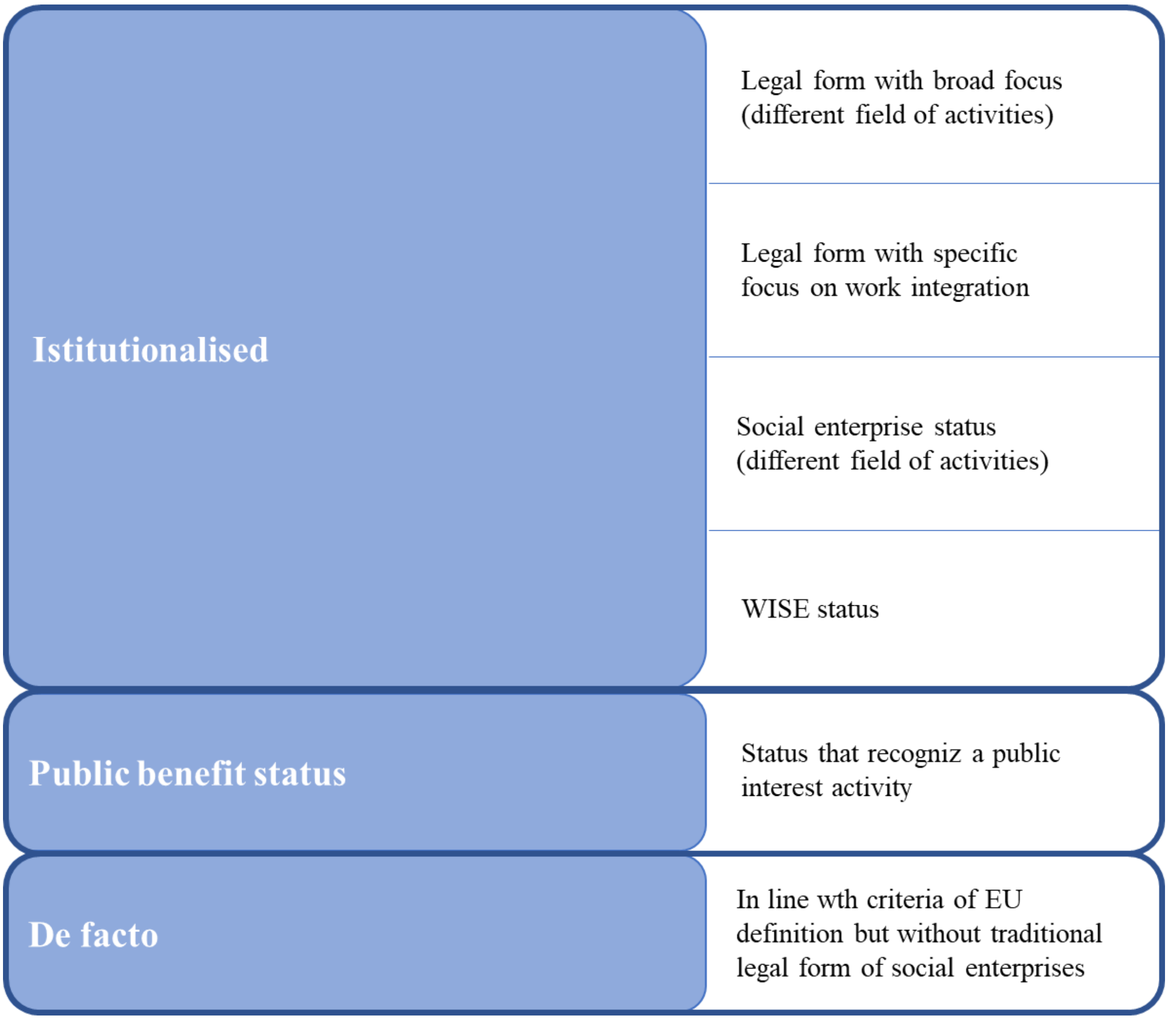
1. the nature of “private legal entity”(Fici, 2015);
2. The presence of a community interest purpose and social activity.
3. The ban on profits distribution.

Figure 2: Common elements of social enterprise definition, based on Fici (2015)

Source: Elaborated by the author

Other Members States have introduced a legal status, while others have awarded social enterprises with a legal status only if carrying out certain activities. The majority of Member States have adopted a public benefit status. Generally, in all Member States, social enterprises are using legal forms not explicitly designed for them.

Figure 3: Overview of the current legal framework available in the EU Member states, based on Borzaga et al. (2020)



Source: Elaborated by the author

1.4.Social enterprise impact: a challenging game

The starting point for understanding the meaning of social enterprise impact is the concept of "social value". In the seminal work on social entrepreneurship, Dees (1998) states that the core activity of social entrepreneurs is to "*sustain social value*"; where social values refer to the "*social lasting improvement that cannot be reduced to creating private benefits for individuals*". In this sense, the concept of "*blended value*" (Emerson, 2003). The concept elaborated by Emerson stresses the fact that all organisations create economic, social, and environmental value. Years later, the European Commission (2011) states in the SIB initiative: "*A social enterprise is an operator in the social economy whose main objective is to have a social impact rather than make a profit for their owners or shareholders*".

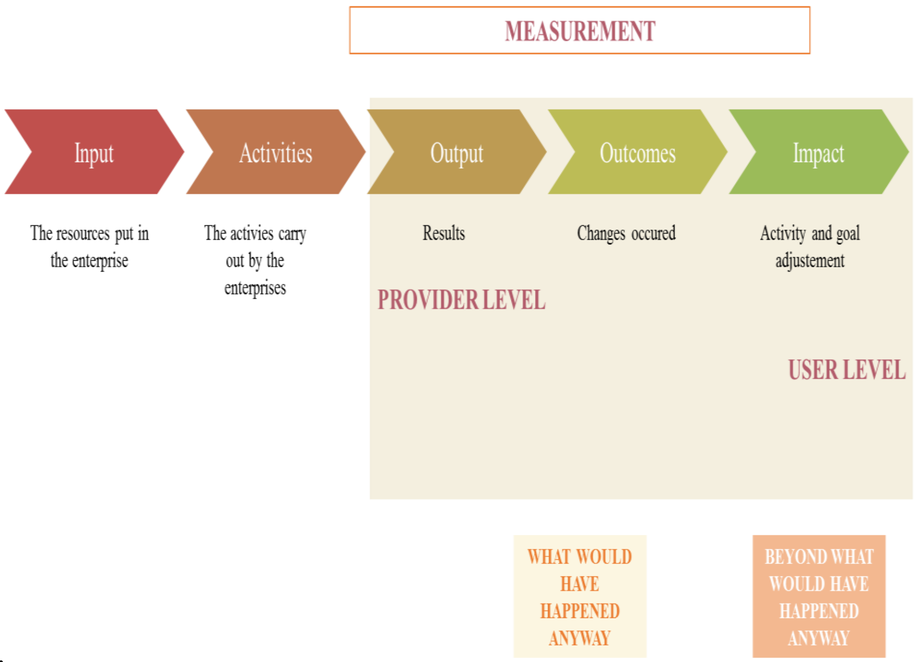
Thus, both scholars and policymakers recognise the transformative role of social enterprises. By combing "*resources, inputs, processes or policies"* (Emerson et al., 2000), social enterprises improve "*the lives of individuals or society as a whole* (Emerson et al., 2000).

1.4.1. Social Impact: Definition and concept

Today, the term "social impact" is part of our lexicon, and it is a social construction (Arvidson & Lyon, 2014a), but what is understood by social impact? And impact?

The concept of impact is part of the evaluation literature. In the OECD website, the impact is referred to "*The extent to which the intervention has generated or is expected to generate significant positive or negative, intended or unintended, higher-level effects*." Generally, the definition of impact refers to the impact logic chain of results where the different combinations of inputs and activities result in different outputs, outcomes, and impacts. In this sense, Alnoor Ebrahim and V. Kasturi Rangan (2010) identified the impact as the final result in the chain of social value creation. Within this framework, the impact is understood as the changes that occurred in the society where the organisation is working.

Figure 3- Impact Logic Chain based on Clark et al. (2004)



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Source: Elaborated by the author

Using the Impact Logic Chain framework, Clark et al. (2004) defines social impacts as "*the portion of the total outcome that happened as a result of the activity of an organisation, above and beyond what would have happened anyway.'* It is essential to differentiate the factors of the impact logic chain, stressing the differences between outputs and outcomes and impact. While outputs and outcomes are related to the providers, the impact is associated with the final user or beneficiary. (Maas & Liket, 2011). On the other hand, the International Association for Impact Assessment (IAIA) defines impact as “the difference between what would happen with the action and what would happen without it.”

In the Policy Brief on Social Impact Measurement (2015:3), the OECD reviews the different concepts of social impact, offering a more comprehensive perspective about it. According to this review, the social impact can be defined as a reference to:

- the economic and social value created (Emerson *et al*., 2000);
- the value experienced by people affected (Kolodinsky *et al.*, 2006);
- the changes, positive or negative, occur in the short or long term (Wainwright, 2015).

At the EU level, the Group of Experts of the European Commission on Social Entrepreneurship (GECES, 2014) defines social impact as ‘*the reflection of social outcomes as measurement, both long-term and short-term, adjusted for the effects achieved by others (alternative attribution), for effects that would have happened anyway (deadweight), for negative consequences (displacement) and for effects declining over time (drop off)’*.

1.4.2. Social impact measurement

Social enterprises are required to give evidence of the changes that occur in society because of their actions. Social impact measurement has been converted into a fundamental practice for social enterprises (Ebrahim and Rangan, 2014). On the one hand, social impact measurement helps social enterprises be more accountable, improve operations, gain legitimacy and attract funds (Nguyen, Szkudlarek, & Seymour, 2015). On the other, from funders and policy-makers perspectives, social impact measurement serves as a “control measure” (Arvidson & Lyon, 2014a). In this sense, funders and policymakers can indirectly control social enterprises' performance by measuring the changes created.

Social impact measurement is the process of “*identifying the future consequences of a current or proposed action*” (IAIA, 2009). On the other hand, Clifford et al. (2013)

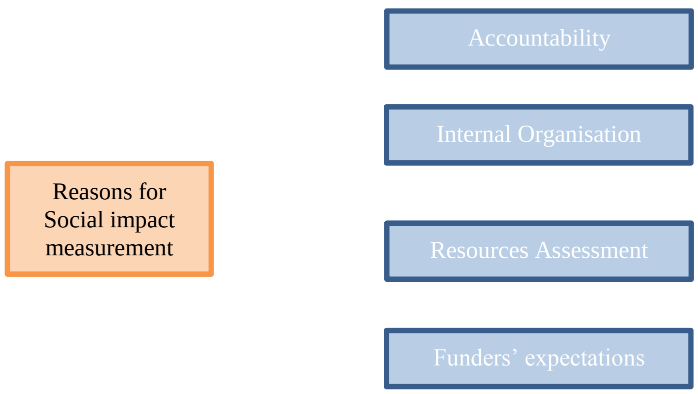
defined impact measurement as "*the measurement of the impact of changes (outcomes) intentionally achieved in the lives of beneficiaries as a result of services and products, delivered by an organisation, for which the beneficiary does not give full economic value* (Clifford, Markey, & Malpani, 2013). Maas & Grieco (2017) noted that the ultimate goal of impact assessment is to capture the changes generated in "*the lives of beneficiaries and all stakeholders*". Recently, Stephan et al. (2016) defined social impact as the "*beneficial outcomes resulting from prosocial behavior that are enjoyed by the intended targets of that behavior and/or by the broader community of individuals, organizations, and/or environments*".

The emergence of social impact measurement results from different changes in the public and private sectors in the last years. In the US, the advent of venture philanthropy was presented as a way to overcome the limits and inefficiencies of traditional philanthropy in solving major social issues. In order to make effective the "donation", philanthropists started to consider this "charitable giving" as an investment (Thümler, 2014). Thus, new logic and processes appeared to validate the investment. From the initial due diligence to final impact measurement, the whole philanthropic actions come around the achievement of social impact (Thümler, 2014). Concurrently, new trends in the social sphere and public policy realm were introduced in the US and UK and then in all Europe and the rest of the world. The emergence of so-called "*financialisation*" brought in the social sector the idea that business practices could have improved its performance and efficiency (Nicholls, 2009). In this new context, nonprofit organisations' evaluation obtained a greater emphasis. Both public and private funders started to ask "evidence" to social enterprises in order to allocate better-limited funding (Arvidson & Lyon, 2014a). At the EU level, with the Single Market Act II (2012) the European Commission stressed the importance of developing a methodology for measuring the impact generated by social enterprises.

Social enterprises are moved by different motivations to measure their impact. External accountability, internal organisation and assessment of the resources are the main reasons (Nicholls, 2015)

Nicholls (2009) pointed out that impact measurement is a tool for enhancing social enterprises' social mission given the context of resources limitations. In this sense, social enterprises apply interpretative flexibility to social impact measurement, trying to address the several stakeholders claims and, at the same time, to select the right way for presenting their value (Lumpkin et al., 2013). This has been confirmed by the research conducted by Molecke & Pinkse (2017), showing that social enterprises apply "*bricolage*" methodologies for impact measurement, where the concept of bricolage "*refers to making do with at-hand resources*" (Molecke & Pinkse, 2017: 552). As pointed out by the two authors, the bricolage serves to re-orient the impact assessment process towards the idea of impact developed by a social enterprise, going beyond each stakeholder's expectations. On the other hand, Harlock (2013) stressed that social impact measurement is a way to gain more legitimacy. In this sense, Arvidson & Lyon (2014) noted that social enterprises, through impact measurement, try to balance the needs of legitimacy and survival and "*resist the power and control*" exercised by funders and donors. This means that there is also an internal driver for carrying out impact measurement beyond external pressures for accountability and legitimacy. Data and information resulting from impact measurement may be used for improving efficiency, internal organisation, staff motivation and assessing internal resources (Arvidson & Lyon, 2014a). Furthermore, Nguyen et al. (2015) showed that an additional reason for carrying out impact evaluation is to comply with funders expectations.

Figure 4: Reasons for social impact measurement



Source: Elaborated by the author

Nevertheless, social impact measurement is a complex and contested practice for different reasons creating pressures and challenges for social enterprises.

The absence of a clear definition of social impact creates discomfort and make challenging the process of measuring. In this sense, as Rawhouser et al. (2019) noted, social impact has been conceptualised in several ways. From the concept of social value to social performance to social accounting, social impact has been addressed from different perspectives. Moreover, the lack of a common framework and methodology makes it harder to carry out the measurement (Maas and Grieco, 2017; Grieco, Michelini, and Iasevoli, 2015; Ney et al., 2014; Porter et al. 2012) and creating an additional burden for social enterprises.

The choice of measurement may raise tensions between social enterprises and funders who require proof of the impact created (Molecke & Pinkse, 2017). Several scholars stressed that the process of measurement is the result of "*power structure and normative social pressure*" (Brunsson & Olsen, 1993; Meyer & Rowan, 1977; Suchman, 1995; Nicholls, 2009). Social impact measurement serves as a requirement for funders to evaluate their investments (Ebrahim & Rangan, 2014;)(Nguyen et al., 2015). In this sense, the process of measurement is understood as a means of "*control*" by social enterprises from funders creating discomfort in social enterprises (Arvidson & Lyon, 2014).

1.4.3. Approaches and methodologies

To date, a wide range of approaches to measuring social impact is used, and none of these can be considered as the "gold standard"(European Commission & OECD, 2016). One reason for the proliferation of a wider number of methodologies is that social impact cannot be summarised in "*one single measure*" (European Commission, 2014). As pointed out by OECD (2016), the scholarly debate is polarised between who suggests applying a set of fixed indicators to all social enterprises and who, on the contrary, proposes developing tailor-made solutions.

Stefano Zamagni et al. (2015) conducted a literature review of the most significant scholar categorisation of impact measurement approaches. The starting point is the contribution of Nicholls (Nicholls, 2015b), who groups the current approaches in three categories; specifically:

1. Positivist Methods focused on the Impact Logic chain where the rationale behind is that social impact "*proceed in a linear way from inputs to outputs and outcomes*".
2. Critical Theory Method centred on *positive and intentional* outcomes.
3. Interpretive Methods focused on outcomes achieved by involving the different relevant stakeholders in the impact measurement process.

Zamagni et al. (2015) present also the classification provided by Grieco et al. (2015). Starting from a review of the impact assessment tools internationally available, the authors determine four different approaches:

1. Simple social quantitative approaches that are, methodologies based on quantitative indicators;
2. Holistic complex approaches, that is, methodologies based on both quantitative and qualitative variables.
3. Qualitative screening approaches, based on qualitative variables.
4. Management approaches, applying both qualitative and quantitative variables measuring impact for management purposes.

On the other hand, Bengo et al. (2016) point out three approaches:

1. Synthetic Measures approaches based on the calculation of a synthetic indicator/metrics to provide a measure of the performance of a social enterprise.
2. Process-Based Models, focused on "the process of 'production' of a social service/product, articulating indicators and metrics into inputs/outputs/outcomes and impacts"(Bengo et al., 2016);
3. Dashboards and Scorecards that identify a set of indicators and metrics to cover different performance dimensions representative of the organisations.

The following section will describe some of the most famous methodologies and approaches for social impact measurement.

Social Accounting and Auditing (SAA)

The Social Accounting and Auditing (SAA) methodology was elaborated and introduced by Pearce (2001) at the beginning of the 2000s, specifically designed for the social economy-based organisations.

Pearce, in his seminal work, defines social accounting as: "*a framework which allows an organisation to build on existing documentation and reporting and develop a process whereby it can account for its social performance, report on that performance and draw up an action plan to improve on that performance, and through which it can understand its impact on the community and be accountable to its key stakeholders*"(Pearce, 2001, p. 9).

SAA allows social enterprises to express the impact made within the community enabling the involvement of the stakeholders. These methodologies are based on eight fundamental principles, such as:

- Clarify Purpose
- Define Scope
- Engage Stakeholders
- Determine Materiality
- Make Comparisons (benchmarking)
- Be Transparent
- Verify Accounts
- Embed the process.

Over the year, SAA methodology was replaced by other methodologies of impact measurement like the Social Return on Investment (Pearce & Kay, 2005)

Social Return on Investment (SROI)

The Social Return on Investment (SROI) is an approach helping organisations understand and account for their impact. SROI "*seeks to reduce inequality and environmental degradation and improve wellbeing by incorporating social, environ- mental and economic costs and benefits*" (Nicholls et al., 2012)

SROI is a structured process with the aim to understand, determine and manage the value social of the social, economic, and environmental outcomes generated by an activity or an organisation. The calculation of the SROI starts by offering a monetary evaluation of the benefits and costs, of any adverse consequences of an activity, along with an impact report of the activity (Zamagni et al., 2015)

As SAA, SROI is based on a set of principles (Fujiwara, 2015):

1. To Involve stakeholders
2. To Understand what changes
3. Value the things that matter
4. Only include what is material
5. Do not over-claim
6. Be transparent.
7. Verify the result

This methodology is applied on a large scale throughout the world, and it is a valuable management tool used for strategic planning.

Social Impact Assessment

The International Association for Impact Assessment (IAIA) defines on its website Social Impact Assessment (SIA) as "*the process of analysing, monitoring, and managing the intended and unintended social consequences, both positive and negative, of planned interventions (policies, programs, plans, projects) and any social change processes invoked by those interventions*"

The SIA, applying SROI guidelines, monitors and analyses three primary outcomes. The main steps of the SIA process are:

1. identification of the value proposition through the theory of change.
2. identification of the three leading indicators which will be used in monitoring the three primary outcomes.

3. Quantitative identification of the social value that the organization intends to create in the next ten years.

In order to be successful, the SIA methodology must be applied from the inception of the intervention (Maas & Liket, 2011).

Table 2: Synthesis of the most famous approaches for social impact measurement

Methodology	Description	Advantages	Limitations
SAA	It is a methodology evaluating the performance of economic, social, and environmental objectives.	This approach can give back detail's information in combination with other techniques.	It does not allow comparison among different organisations
SROI	It is an approach helping organisations to reveal the economic value of social and environmental outcome.	Helping decision-making and communication.	Monetisation social impact.
SIA	It is a process of providing evidence that an organisation is providing a real and tangible benefit to the community or the environment (Grieco et al, 2014)	It can be applied to a wide range of activities and interventions.	For being successful, it needs to be applied from the inception of the intervention planning.

Source: Elaborated by the author

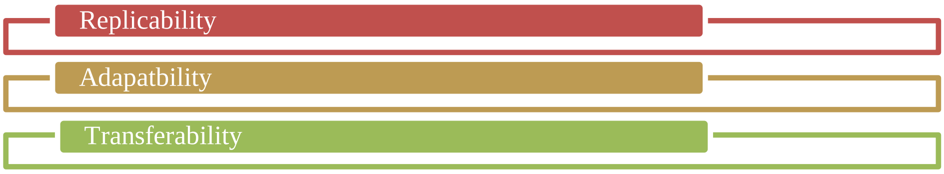
1.5.Social enterprise scaling

Nowadays, the concept of scaling is a fundamental topic in the social enterprise debate (Bradach, 2003; Dees, Anderson and Wei-Skillern, 2004; Nicholls, 2010). As stressed above, the social enterprise *raison d'être* is the community's unmet needs because of public sector inefficiencies or limited private sector interest (Borzaga & Defourny, 2001). Beyond providing evidence about the value generated, social enterprises are increasingly required to serve many beneficiaries to scale and replicate the value created (Dees et al., 2003). Scaling does not mean merely growing the size, but it is about expanding social enterprise action's effectiveness and magnitude (Dees et al. 2008; Bacq & Eddleston, 2016; Han & Shah, 2019).

The scaling topic is quite discussed in the social entrepreneurship literature. The majority of the definition is about organisational growth: expanding beneficiaries, geographic targets or interventions (Han & Shah, 2019). In a certain way, corporate growth is considered the outcome of the scaling process (Han & Shah, 2019). Some scholars (Bradach, 2003:19; Bloom and Smith (2010: 127) stressed the qualitative dimension of scaling. In this sense, scaling is how to reproduce the successful program results, making broader and deeper its impact on society.

Weber et al. (2012) defined scaling as the most effective and efficient way to increase a social enterprise’s social impact. The scaling components identified in the social entrepreneurship literature are replicability, adaptability and transferability (Weber et al., 2012). While replicability refers to the capacity to replicate processes, interventions, structures of an enterprise, adaptability is the aptitude to change processes, systems, interventions according to the new circumstances. Finally, transferability sums up both replicability and adaptability (Weber, 2012).

Figure 5: Features of the scalability process, based on Weber et al. (2012)

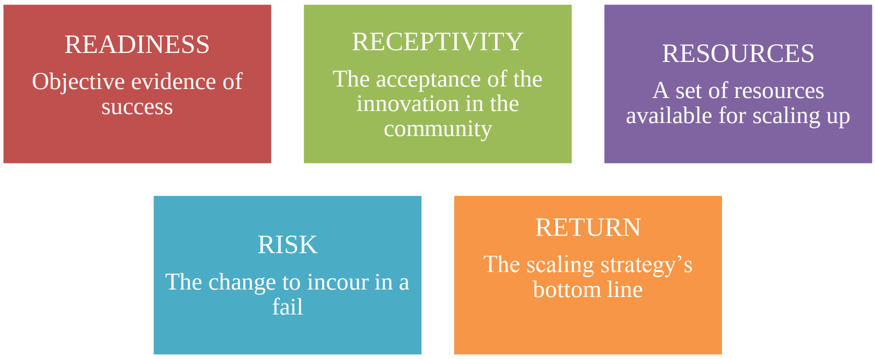


Source: Elaborated by the author

Over the years, the academic debate has elaborated frameworks for suggesting how to scale and maximising the impact. One of the first research works covering the issue has been Dees et al. (2004) about the guiding factors for scaling elaborated "The Five R's" framework to help social enterprises assess the best path for scaling up their impact. Specifically, the Five Rs refer to Readiness, Receptivity, Resources, Risks and Returns.

The following figure presents and explains the elements of the Five R's.

Figure 6: The Five R's, Adapted from Dees et al. (2003)



Source: Elaborated by the author

Similarly, in 2009 presented the SCALERS model identified seven potential scaling social impact drivers. These drivers are Staffing, Communicating, Alliance-building, Lobbying, Earnings-generation, Replicating and Stimulating market forces, and form the acronym, SCALERS.

Figure 7: SCALERS model, based on Bloom and Chatterji (2009)

Source: Elaborated by the author

Staffing is the capacity of an enterprise to have skilled human capital while communicating is developing social capital, convincing key stakeholders. Alliance-building is the capacity to set up partnerships, lobbying this to be persuasive. Earning-generation refers to the ability to create financial value while replicating is the capacity to scale the organisation. Finally, stimulating market forces mean the ability to convince others to "*pursue private interests while serving the public good*" (Bloom and Chatterji, 2009).

To date, the existing literature recognises organisational factors, like funding, administrative capacities and strategies as crucial factors for scaling (El Ebrashi, 2017; Han & Shah, 2019; Lunenburg, Geuijen, & Meijer, 2020).

Table 3: Key factors of scaling

	Key factors for scaling
Funding	Set of resources of different types, ranging from grants to impact investing and so on, it is considered the "*fuel for scaling social impact*" (Han & Shah, 2019). It is amongst the critical drivers recognised in the literature (Bloom and Chatterji 2009; Bloom and Skloot 2010; Grant and Crutchfield 2007; Taylor, Dees, and Emerson 2002; Bloom and Dees 2008; Bloom and Smith 2010; Ratliff et al. 2004; Moore, Westley, and Nicholls 2012; Geobey, Westley, and Weber 2012; Bacq and Eddleston 2018); the absence of financial sustainability is listed as challenge for achieving scale (European Commission & OECD, 2016)
Organisational Capacity	It is intended to set human and social capital plus knowledge resources (El Ebrashi, 2017). Human resources, alliances, partnerships, values, team experience and strategic internal and external relationships are essential for the success of social enterprises and for accessing tangible resources as funding (El Ebrashi, 2017).
Strategy	The set of forms, drivers and tactics used for scaling (Han and Shah, 2019). For example, a social enterprise can scale using different forms as affiliation, branching, franchising, or licensing (Bradach, 2003; Dees et al, 2004; Uvin et al. 2000). Or combining in a different way the drivers (Dees et al, 2004; Bloom and Chatterji, 2009; Lyon and Fernandez, 2012; Weber, Kr€oger, and Lambrich, 2014).

Source: Elaborated by the author

Going beyond the extant literature, El Ebrashi (2017) proposes linking social enterprise resources with scale strategies. While, both Han & Shah (2019) and Lunenburg, Geuijen, & Meijer (2020) have also suggested systemic level factors, such as institutional infrastructure and government policy, in the framework explaining how to scale.

1.6. Conclusion

This section has presented the various definitions and concepts of social enterprises that emerged globally. As the geographical framework of this study in Europe, the definition adopted is provided by the EMES approach. In this sense, the social enterprise is understood as an organisation "*providing goods or services directly related to their explicit aim to benefit the community. They generally rely on a collective dynamic involving various types of stakeholders in their governing bodies, they place a high value on their autonomy and they bear economic risks related to their activity*." However, the concept of social enterprise is strictly rooted in the context where it emerges, and, for this reason, legal recognition helps to have more coherence and clarity. In this sense, at the EU level, starting from 2011, there has been a set of initiatives aiming at having a more favourable environment for social enterprises. The EU Commission provided the operational definition of social enterprises and initiatives to improve legal recognition, visibility, access to funding and market.

Despite the legitimacy and recognition of social enterprises being different at the international and European levels, two topics seem to be predominant when discussing social enterprises worldwide. The social impact measurement and social scaling are strictly interconnected between them. On the one hand, social enterprises are required to prove their transformative role by changing individuals' lives. On the other, social enterprises are needed to reproduce successful programmes, making a broader and more profound impact on society.

2. Social Enterprises: accessing financial resources

"Think of a social purpose organisation as a ship at sea. The compass has two dimensions: North-South and East-West. North is the direction of positive social impact. East is the direction of the financial reward or surplus"

(Dennis R. Young, 2016)

2.1. Introduction

Social enterprises intermediate state and private market, connecting different resources and goals (Defourny & Nyssens, 2010b). The role played in the economic and social spaces affects how social enterprises access (financial) resources. In this sense, financial resources are vital for achieving the social enterprise mission. The nature and the type of financial resources are the keys to understand how social enterprise create impact and scale it. Despite growing recognition in social enterprise finance, the academic literature exploring this issue is still scant. However, understanding how social enterprises access resources and the preference about the type of instruments given the "supply" are fundamentals for effective management, future strategies, and understanding of the social enterprise business model.

As stressed by scholars, social enterprises experience under-resourcing and under-capitalization (Hynes 2009). Generally, the funding aspect is still a significant constraint for social enterprises development and growth. Although the proportions of social enterprises considering access to funding a challenge are lower than in the past years, the percentage is higher than traditional businesses (Social Enterprise UK, 2017). The 2017 Social Enterprise UK report shows that funding is the major obstacle to sustainability and growth for the fourth survey in a row. The same trend is confirmed by the SI-DRIVE Comparative Analysis (2016), based on empirical data of more than 1.000 social innovation cases, which revealed the funding is still the primary constraint. Although the availability of financial resources is not considered the main driver for social innovation, its scarcity affects initiatives' development. Significantly, the results suggest that the lack of finance is in quantitative terms and qualitative ones.

Thus, this section is dedicated to exploring the funding process from social enterprises' perspective. Firstly, such a process's theoretical perspective will be analysed using framework threes theories based on nonprofit and management literature, namely dependence theory, resource-based view, and benefits approach. The operational aspects will then be addressed, like financial management, the type of finance sources, and the challenges in accessing finance. As this study is firmly rooted in the EU context, the last part is focused on the EU financial ecosystem.

2.2. The financial management: a theoretical perspective

The "*centrality of the social mission*" in social enterprises (Dees, 1998) has implications for both the economic and funding relations. As a type of organisation deeply rooted in achieving a social objective, social enterprises access a multitude of (financial) resources (Huybrechts, Mertens and Rijpens, 2014). This resource hybridisation means balancing market, non-market, and non-monetary relations (Laville and Nyssens, 2001). While the first relation refers to the market exchange mechanism between supply and demand, the latter refers to the economy's redistribution and reciprocity poles (Borzaga & Defourny, 2001). From trading activities, public subsidies, voluntary resources, or lending actors, all these resources - coming from different external and internal providers - result from the social enterprise members' efforts to secure adequate economic means for securing the social enterprise's social mission. In a certain way, it is worth noting that social enterprise resources are linked with the social mission of these organisations. In conclusion, social enterprises need to acquire and combine the necessary resources and manage relationships with external resource providers to achieve their social mission.

Nevertheless, to access these resources, social enterprises are required to implement innovative and different strategies (Jayawarna et al., 2018). Thus, this section introduces three theories to understand social enterprise funding better.

The Resource-Based View of the Firm Theory offers an analysis of why it is crucial to access resources and understand the different approaches adopted by social enterprises.

The Resource dependence theory provides the first explanation of social enterprises' potential resource providers. Finally, the Benefit Approach tells us how social enterprises are financed by linking the social enterprise outputs to the financial resource.

2.2.1. The Resource-Based View of the Firm Theory

Although the Resource-Based View (RBV) is scarcely applied to the social enterprise field of study, this theory can serve as a theoretical framework for explaining social enterprise's resources and growth (El Ebrashi, 2017). This assumption is that as commercial ventures, social enterprises also require a set of resources and capabilities to gain legitimacy and success strategies. As stressed by Akingbola (2013), the capacity of a social enterprise to access resources affects its growth and sustainability.

Within the framework of the strategic management literature, the RBV explains how resource mobilisation and management serves as a means to attain competitive advantage (Meyskens and Colleen 2008:3; Wernerfelt, 1984). Mainly, business organisations result from their resources and capabilities (Penrose, 1959; Wernerfelt, 1984), which determine the firm's performance. Tangible and intangible resources and capabilities (Wernerfelt, 1984; Barney, 1991) are firmly attached to firms affecting their level of development and growth. In this sense, tangible resources include marketing, human, technological, and financial resources. Indeed, intangible resources such as social capital and knowledge resources (Greco et al., 2013) help acquire some tangible resources, like funding, and better manage the growth and scale-up phase (Vesper, 1980; Moore, 1986; El Ebrashi, 2017). In this sense, the financial resource allows acquiring other resources in order to secure the organisation's life (Stacey, 2011). Nevertheless, if resources are essential, it is critical to use and combine them (Akingbola, 2013).

Social enterprises acquire financial resources applying two distinct behaviours: the bricolage and bootstrapping approaches. With the bricolage approach, social enterprises "*utilise their governance and stakeholder networks to access and construct resources, and they deploy persuasive tactics to build legitimacy and financial sustainability*" (Sunley & Pinch, 2012: 119). In this sense, bricolage is '*making do, a refusal to be constrained by limitations, and improvisation*' (Baker & Nelson, 2005). According to the bricolage approach, social enterprises do not seek conventional business credit because they can reconfigure redundant resources (Sunley & Pinch, 2012). Conversely, with bootstrapping behaviour, social enterprises "*avoid the need for external financing through reducing overall costs of operation, improving cash flow, or using financial sources internal to the company*" (Ebben & Johnson, 2006: 851-2). Bootstrapping is a behaviour implemented as a response to a lack of resources for the enterprises, especially during the early stage of development (Jayawarna et al., 2018; Winborg and Landstrom, 2001), and helps to reduce the risks (Jayawarna et al., 2018).

2.2.2. The Resource Dependence Theory

Resource dependence theory, introduced in the last years of '70 by Pfeffer and Salancik (1978), explains how resources and dependency relationships with external providers affect organisations' strategy and survival. The two authors define dependence as '*the product of the importance of a given input or output to the organization and the extent to which it is controlled by relatively few organizations*'' (1978: 237). Over the years, resource dependence theory has also been used as a framework for understanding how nonprofit organisations survive and perform (Hodge & Piccolo, 2005). Remarkably, given the fact that funding is one of the primary resources of interest, resource dependence theory can serve as an adequate framework for social enterprise funding (Hodge & Piccolo, 2005)

The resource dependence theory considers organisations as groups moved by different goals and interests that interact and exchange to survive (Hodge & Piccolo, 2005; Rasmussen, 2013). Notably, some of these organisations hold control of critical resources, having the power to create "control situations" (Pfeffer and Salancik, 1978). Control means that an enterprise must manage its dependence on external groups (Hodge & Piccolo, 2005; Pfeffer and Salancik, 1978). The external context and environment play a fundamental role because, generally, organisations depend on their external context; if the external environment is "*vulnerable*" (Huybrechts, Mertens and Rijpens, 2014), organisations are forced to adjust and revise their activities. Thus, enterprises are required to make strategic choice trying to manage and reduce the external dependence (Huybrechts, Mertens and Rijpens, 2014).

To better manage these relations, organisations can decide to develop inter-dependences relations with external providers to facilitate control resources (Rasmussen, 2013). Scholars from nonprofit and social entrepreneurship fields of studies (see, for example, Mitchell, 2012; Rasmussen, 2013; or Huybrechts, Mertens and Rijpens, 2014) have tried to list a set of strategic responses to resource dependence.

To sum up, social enterprises can implement three different behaviours:

- Adaptation means that organisations decide to conform to the requests of resources providers (Pfeffer and Salanick, 2003). This happens when there is an asymmetric dependence because the resource provider controls critical resources (Khieng & Dahles, 2015).
- Avoidance or altering, within a context of asymmetric dependence, the organisations decide to alter the external environment by maintaining alternative resource providers or diversifying the resources (Mitchell, 2012; Rasmussen, 2013; or Huybrechts, Mertens and Rijpens, 2014).
- Embedding or shaping, when enterprises build and develop inter-organisational mechanisms. Generally, the mutual dependence with resources provider(s) improves "*the resource flow for and value creation of both actors in the relationship*"(Khieng & Dahles, 2015). Organisations can decide to facilitate the relationship through a strategy of coalition or co-optation (Huybrechts, Mertens and Rijpens, 2014). In the first case, organisations can develop joint ventures or set up a platform of coordination. In the second case, enterprises can appoint external resources providers to position the organisation (Huybrechts, Mertens and Rijpens, 2014).

Within the nonprofit literature, the resource dependence theory has been applied to the impact of revenue diversification (Froelich, 1999). As pointed out above, social enterprises are described as "multiple-resource organisations" (Huybrechts, Mertens and Rijpens, 2014), relying on different funding sources and revenue. This "*multitude of resources*", citing Huybrechts et al. (2014), helps enterprises to be less dependent on a provider or a resource and manage better uncertainty (Froelich, 1999). Thus, revenue diversification reduces dependence and improves stability, mitigating financial risk (Berrett & Holliday, 2018).

2.2.3. The Benefit Approach

The benefit theory, conceptualized by Dennis R. Young in 2007, provides a framework for understanding how nonprofits and social enterprises are financed. Basically, the theory explains how social enterprises diversify the financial sources according to the mix of public and private benefits produced. The benefit theory is both positive and normative theory (Young, 2016). While it describes how social enterprises actually behave, it offers a guide on social enterprise funding.

According to the theory, social enterprises are effectively funded by the income sources generated from their services. Social enterprises, by nature, act as "multiproduct firms" (Young, 2016;), generating services coming from the combination of different types of goods (private and public). Then, they use that revenue of income for funding other services or products, more mission-related (Young, 2016). The different types of goods, because of their nature, are associated with varying sources of income. Following a classification elaborated by Young, it is possible to connect social enterprises goods, beneficiary groups and sources of income

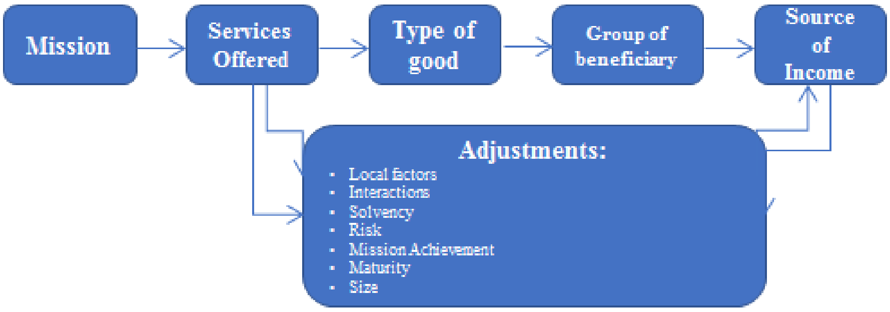
Table 4: Social enterprise goods, group of the beneficiary and sources of income – based on Dennis R. Young (2016)

Type of Good	Group of Beneficiary	Source of Income
Private good – a good with the following characteristic: excludability and rivalry.	Consumers	Earned income
Public good – non rival and non-excludable goods	General public	Public funding
Group good - non rival and non-excludable goods but limited for a specific group.	Specific communities	Philanthropy
Redistributive good – private group, but essential	Needy consumers	Earned income + public funding/philanthropy
Exchange good – private good but for specific groups	Specific groups	Volunteering

Source: Elaborated by the author

Thus, the financing strategy of a social enterprise is the result of the mixture of public and private benefits generated by its mission. Of course, adjustments and additions to services may be needed in order to address financial challenges that may arise.

Figure 8: The Benefit Approach, based on Young (2007)



Source: Elaborated by the author

This framework allows for exploring each financial source's “role and place” (Young, 2007). Dennis R. Young categorised the financial resources into two groups: one provides operational funds, and capital finance adds the innovative financial schemes recently developed. A key lesson from the theory is that funding and economic resources are different from a social enterprise typology to another, given the multiple forms of social enterprises. Moreover, each source of income requires a set of skills and know-how in order to be exploited.

2.3.The financial management of social enterprises

Social enterprises are often seen as hazardous and with a lower degree of sustainability. The shortfall in financial management may lead to challenges in the enterprise's survival. Hence, social enterprises have to implement financially sustainable strategies in order to secure their mission and be viable (Szymańska, Puyvelde, & Jegers, 2016). In this sense, the capital structure and revenue diversification of social enterprises and, more in general, nonprofit organisations, are recognised as fundamental metrics about the financial sustainability (Yan, Denison & Butler, 2009), but also in the independence of an organisation (Tirumalsety & Gurtoo, 2019).

A social enterprise's capital structure is a mixture of equity and debt (Szymańska et al., 2016), indicating their basket of financial liabilities from different financial sources (Tirumalsety & Gurtoo, 2019:1). The capital structure can be operationalised in two ways, as suggested by Szymańska et al. (2016) and Jegers and Verschueren (2006);

(1) Total debt ratio = Total debt ÷ Total assets

(2) Financial debt ratio= Financial debt ÷ Total assets

While the equity of a social enterprise has internal and external sources such as grants, donations, earned income, investments, and subsidies, the debts range from market and non-market debts (Szymańska et al., 2016; Tirumalsety & Gurtoo, 2019). The capital structure reflects borrowing decisions. Thus, social enterprises choose which type of source to raise the finances necessary for carrying out the activity. Nevertheless, this choice is part of the decision-making process affecting the organisation's growth and survival.

In the literature of nonprofit and social enterprises, two theories have been applied for explaining the capital structure, namely the trade-off and pecking order theory (Calabrese, 2011; Szymańska et al., 2016; Yan et al., 2009).

The Trade-Off Theory is an approach suggesting that organisations evaluate the pros and cons of debt, deciding on an optimal amount of debt (Szymańska et al., 2016; Tirumalsety & Gurtoo, 2019). The theory states that an enterprise enjoys debt in its capital structure as long as the tax deduction is higher than the potential bankruptcy costs (Szymańska et al., 2016). As a result, the optimal amount of debt is a balance between the benefits of interest cost deductions from using debt finance and the cost of distress resulting from debt (Calabrese, 2011).

On the other hand, the Pecking Order Theory is based on asymmetric information between insiders, like managers, and outsiders, like the firm's investors or donors (Myers and Majluf, 1984; Myers, 1984; Szymańska et al., 2016). The pecking order theory argues that organisations prefer internal to external finance and debt to equity (Stuart et al., 2007). Because of this information asymmetry between borrowers and lenders, investors/donors face an adverse selection problem demanding a return rate on external capital (Stuart et al., 2007). On the other hand, organisations prefer internal finance sources, but when it is necessary to use external funding, the preference goes to the less risky debt. To explain social enterprise behaviour of social enterprises when seeking external finance, Calabrese, 2011 elaborated a Modified Pecking Order Theory. This theory stresses the fact that social enterprises seek a limited amount of external funds through debt.

In nonprofit organisations' literature, several factors explain and affect the capital structure: growth, size, the tangibility of assets, liquidity, industry, profitability, agency challenges and borrowing preferences (Calabrese, 2011; Szymańska et al., 2016; Tirumalsety & Gurtoo, 2019).

In order to support their activities, social enterprises diversify their income portfolios. From grants to private contributions or income earned or external investments, social enterprises try to diversify the forms of funds and the actors from which these resources are taken. This mixture and balance of diverse revenue sources is a choice to increase stability and reduce the financial risk of a social enterprise (Yan et al., 2009)

It is worth noting that revenue diversification is a strategy implemented to achieve greater autonomy and independence (Froelich, 1999). As a result, this strategy leads to income stability, significant control and less dependence on external providers and stakeholders. Ultimately, revenue strategy helps maintain the focus on the social mission gaining more legitimacy and recognition (Froelich, 1999). Szymańska & Jegers (2016) pointed out that legal form and industry may affect revenue strategy and diversification.

2.4.Finance for social enterprises

Social enterprise finance is nowadays more complex and articulated than thirty years ago. The traditional social enterprises' finance, like grants, earned income and contracts from the public, are no longer critical as in the past. The landscape and the resources available are changed and social enterprises are transformed. In this sense, social enterprises raise financing from many (new) sources.

2.4.1. Traditional Income Sources

As seen above, the non-profit and social enterprise literature identified three primary financial sources: earned income, donations, and public contributions.

- **Earned income**

The earned income is the result of the market-based activity of a social enterprise (Defourny & Nyssens, 2010b; Dees and Anderson, 2006). This source of funding coming from commercial activity has begun more and more critical for social enterprises. On the one hand, it is because of the progressive decrease of grants and public contributions; on the other hand, in order to have access to grants and public funds, social enterprises are required to demonstrate to have commercial revenues. Undoubtedly, the commercial activity carried out is coherent with the social mission of the organisations.

There are various typologies of earned income, like fees, membership, rental income, commercial income, and special events (Young, 2016). Nevertheless, all these earned income types have in common that social enterprises charge a price to individuals or organisations in exchange for a private benefit (Young, 2016:87).

Table 5: Typology of Earned Income based on Young (2016)

Typology of Earned Income	Source	Nature
Fee	Individuals Organisations	External
Membership	Individuals Organisations	Internal
Commercial income	Individuals Organisations	External
Rental income	Individuals Organisations	External
Special events	Individuals Organisations	External

Source: Elaborated by the author

- **Donations**

For many years, gift income has represented the principal source of income and finance for nonprofits and social enterprises. Over the years, it has been a profound change in nature and donations. In this sense, new articulated forms of philanthropy have emerged in these current years. The motivation behind donors is that individuals and institutions believe in social enterprise mission and are willing to support it.

This type of income source is provided as non-repayable subsidies for specific programs or activities (Wilkinson et al., 2014). It has always been considered an exciting finance source because it allows having an income without any control or voting rights (Spiess-knafl & Achleitner, 2012). Gift income includes direct and indirect contributions from individuals and institutions towards social enterprises. Furthermore, private donations can range from monetary gifts such as grants and in-kind donations (Young, 2016).

Despite gift income being an essential element for capital projects and operating income, social enterprises are today more oriented towards other sources of income (Young, 2016). In this sense, gift income presents diverse social enterprises' challenges

(Achleitner, Knafl, & Volk, 2014). Firstly, it is always related to covering specific projects or activities. Then, grants are time and resources demanding for social enterprises, requiring high fundraising costs.

- **Public Contributions**

Social enterprises involved in the production or service of redistributive and public goods are highly reliant on public contributions (Young, 2016). However, it is a hard task to establish to what extent public support contributes to social enterprises. Furthermore, the public contributions to social enterprises have changed a lot over the years in terms of the amount and type of relationship.

Froelich (1999) stressed that public contributions could be categorized into two blocks: fee income and payments for services or grants. The author emphasised that nonprofit and social enterprise highly reliant on government contribution presents low revenue volatility. On the other hand, the public actor can influence the program to carry out final users. Moreover, public contributions mean sticking to details, monitoring and reporting requirements, affecting its internal structure (Froelich, 1999).

Table 6: State funding effects on social enterprises, based on Froelich (1999)

State funding	
Revenue Volatility	Low
Goal displacement effects	Moderately strong
Process/Structure effects	Strong

Source: Elaborated by the author

Recently, government funding has decreased because of budget constrained. This has led to new phenomena like the presence of private resources in the sphere of public policy; and the emergence of an "innovative" system for delivering social services.

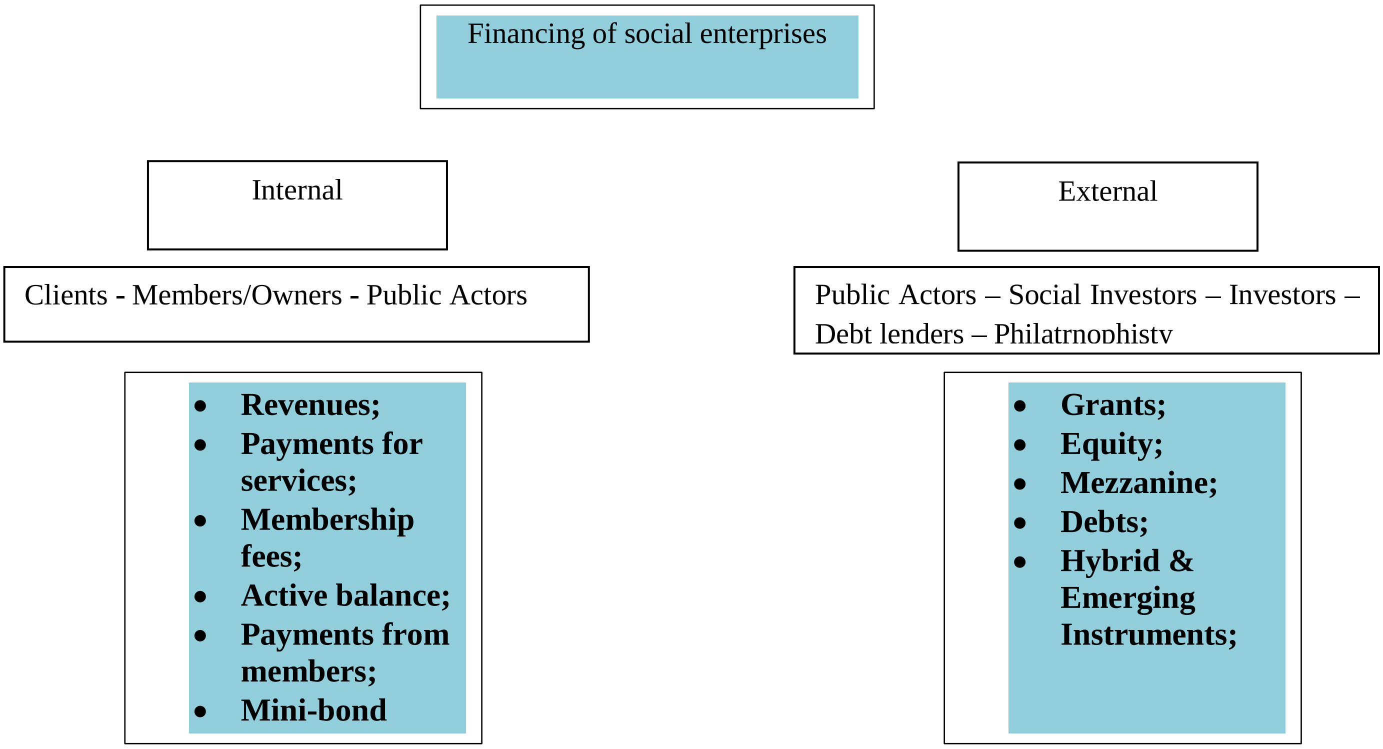
Within this framework, the process of social procurement started to be applied at the global level in order to support policy outcome and social enterprise development(Barraket, and Weissman, 2009). Social procurement is the process of "*generating value through the purchase of goods and services"* (Barraket et al., 2016) and represent the major source of income for social enterprises (Barreket et al., 2016). Especially in countries like the UK, social enterprises have delivered public social services in several service areas (Barraket and Weissman, 2009). In the literature review carried out by Barraket and Weissman (2009) about the relationship between social procurement and social enterprise, emerged two benefits for this practice. Firstly, the social procurement process has the potential to stimulate and foster social innovation.

Nevertheless, some scholars (Aiken 2006; Spear & Bidet 2005) suggest that reliance on a single source of government contracts can inhibit social enterprises from being innovative and disruptive. The second benefit associated with social procurement is the ability to create social value added in the community. The rationale behind is that social enterprises are the only organisation able to generate and disseminate social value in the economic system (Barraket, and Weissman, 2009).

2.4.2. Financing instruments for social enterprises

Social enterprises have access to two types of financial sources: internal and external. In this sense, the internal sources are those related to the revenue generated from the trade activity or service payment for delivering public services and those from the members and owners. External funds are usually dedicating to cover shortfalls in the cashflows or investments in human and social capital or for physical and technological infrastructure (Achleitner et al., 2014).

Figure 9: Financing of social enterprises based on Rago (2017) and Achleitner et al., (2014)



Source: Elaborated by the author

While the sources of internal instruments are clients, beneficiaries, public actors, members and owners, the external ones have a range of possible funders. From traditional investors to specialised ones, from debt lenders to public actors or philanthropists, the social enterprise financial providers are improved over the years.

The variety of external financial instruments, ranging from loan guarantees, quasi-equity debt, pooling funds, and hybrid instruments, have gained more popularity in the last few years (Bugg-Levine et al., 2012). Besides, external forms can be classified according to the nature of the providers: public, private and community-based (Serrano, Bodini, Roy, & Salvatori, 2019).

Table 7: External financing instruments, based on Serrano et al., (2019)

Forms of external financing	
Debt	*"Lending provides social enterprises with funding in exchange for repayment of this funding along with interest, based on pre-determined timeframes and interest rate terms. The provision of funding might require guarantees"*
Equity	*"Equity investments provide a critical capital base for a company or project to grow its operations, access other sources of finance, and reduce investment risks faced by other project/company investors, especially debt investors who are repaid before equity investors"*
Mezzanine	Mezzanine capital combines elements of debt and equity instruments. The debt character is the fixed interest rate and a repayment obligation; while the equity feature is the additional variable performance-related interest rate
Hybrid and Emerging instruments	Hybrid capital combines elements of debt capital, equity capital and donation. This covers a variety of instruments that are not pure equity. Emerging instruments are innovative and new financial tools.
Grants	A grant is a financial award in order to facilitate a goal or incentivise performance. Grants are essentially gifts that under most conditions do not have to be paid back.

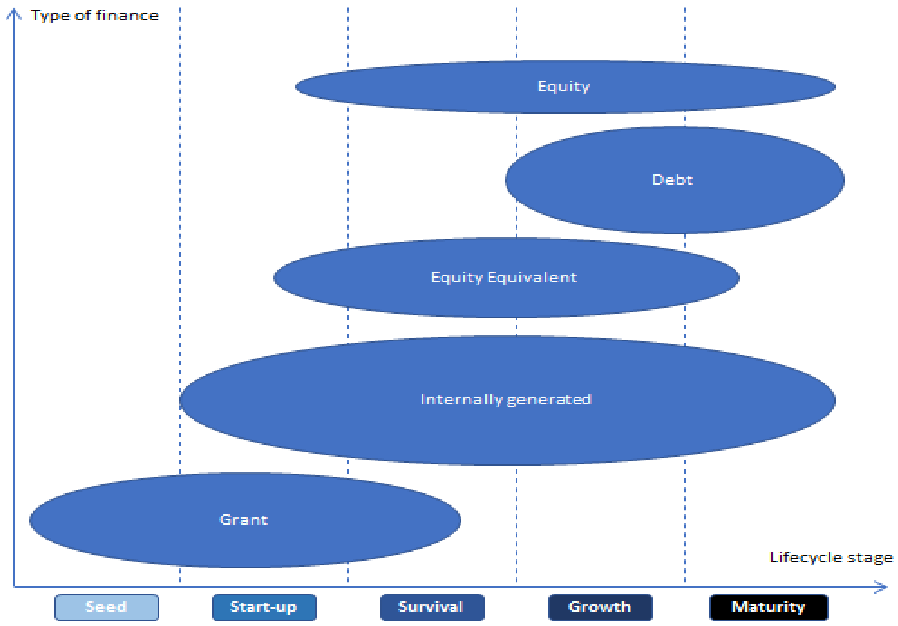
Source: Elaborated by the author

Serrano et al. (2019) proposed two further classifications regarding the external sources of finance for social enterprises, namely, according to the stage and the organisation's risk.

Given the enterprise's life-cycle stage, it is possible to distribute the appropriate financing instrument. While grants, self-financing and philanthropy are the most suitable tools at the initial phases, debts and hybrid tools later appear more adapted for scaling and consolidation. In this sense, at the beginning of the life cycle, the availability of a few internal resources and the organisations' high risk do not allow for repayable instruments.

The debt and equity instruments are appropriate once the enterprise has achieved stability and the revenue flow increase. Social enterprises can demand more articulated and hybrid finance during consolidation and scaling.

Figure 10: Classification of financial sources according to the life-cycle stage

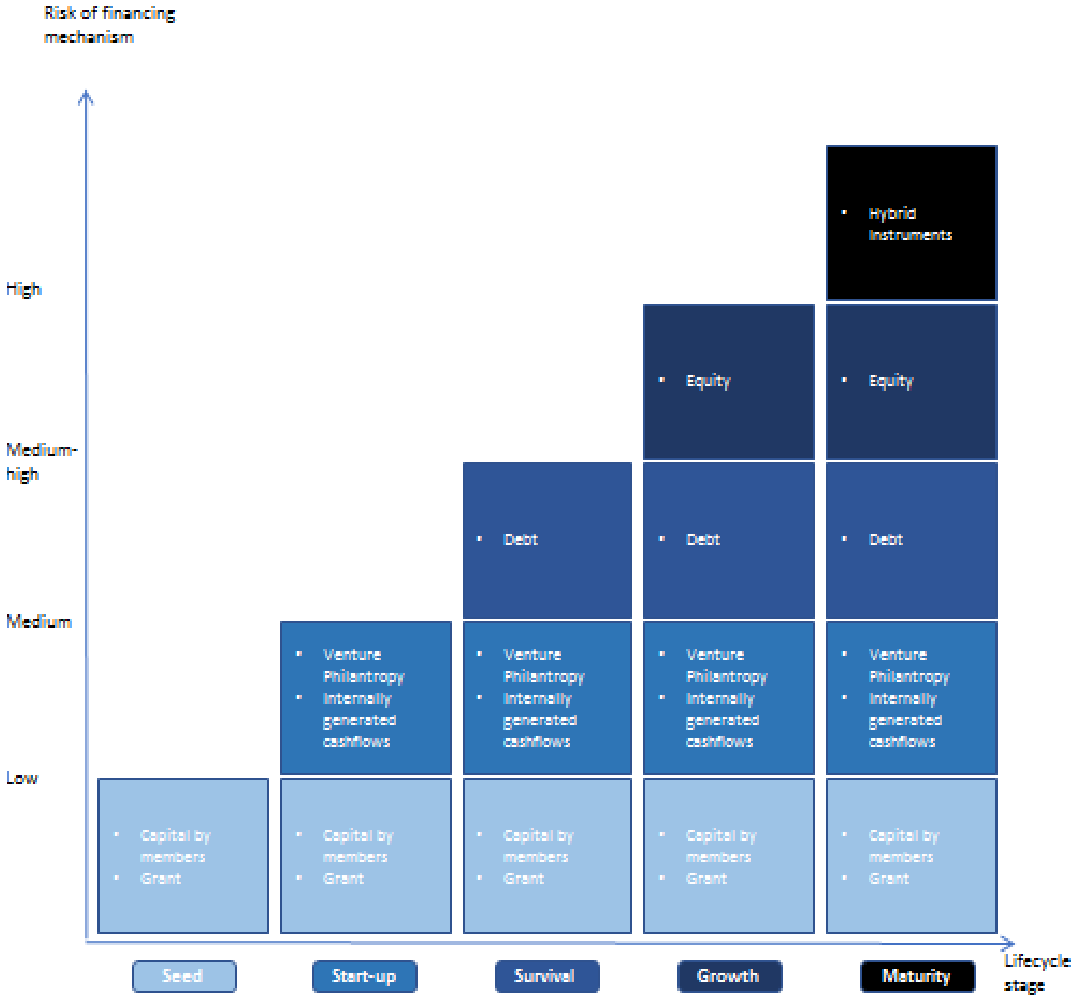


Source: Elaborated by the author

Risk is another aspect against which it is possible to classify financial instruments. Social enterprises are perceived as risky high organisations, and, as a result, investors tend to demand high returns. Generally, an enterprise with a high debt financing ratio is more dangerous from a financial point of view because the possibility of not paying its debts is higher. Serrano et al. (2019) proposed a classification showing the level of risk of a social enterprise according to the most used source of finance. Based on donations and grants, organisations have access only to financing instruments with a low-risk level. On the contrary, a complete marketised social enterprise can benefit from a wide range of tools.

In this case, the stream of funding is addressed for covering operational costs and scaling and innovating.

Figure 11: Classification of financial instruments according to the financial risk



Source: Elaborated by the author

2.4.3. Financial providers and intermediaries for social enterprises

The supply of finance for social enterprises is provided by three groups: individuals, institutions, and governments (Nicholls, Paton and Emerson, 2015).

Table 8: Providers of the supply of finance, based on Nicholls, Paton, and Emerson, (2015:16)

Providers of finance	
Individuals	Philanthropists, Social/Ethical Investors, Retail Investors, Traditional Investors, Savers, Co-operative, and Mutual Members.
Institutions	Corporations, Charitable Foundations, Philanthropic Entities.
Governments	Public funds, Commissioner, taxpayers.

Serrano et al. (2019:20) stressed that social enterprises could tap various finance and suppliers of financial resources because of their nature. The authors detect a list of main suppliers, such as:

- Private citizens: small groups of citizens or individuals can provide donations or small scale donations; this form has been made possible through crowdfunding and crowdlending platforms in the last years.
- Members and Shareholders: owners and members of social enterprises can provide a wide range of financial means such as shares, memberships fees, donations.
- Charitable and Philanthropic Foundations and Entities: charitable and philanthropic donations constitute an essential component of social enterprises' revenue mix. However, the recent trend in philanthropy has changed how these

entities approach social enterprises. They currently provide debt, grant and equity instruments requiring both a social and a financial return.

- Financial intermediaries: In the banking providers' realm, it is possible to find a wide range of actors. On the one hand, a specialised block constitutes social and ethical banks, community banks, and solidarity finance. On the other, commercial banks have dedicated department on social enterprise and nonprofit funding.
- Public Sector: specialised agencies or department of the public sector; or programme providing grants and non-financial supports. The emergence of public-private partnerships and initiatives for local development contributes to social enterprise funding.

Despite the availability of different resources and suppliers, social enterprises can face some challenges in accessing finance. Borzaga et al. (2020:89) pointed out that the "*availability of resources is often dispersed through a large number of financial providers with limited lending capacity*".

2.5. Access to finance: in between obstacles and needs

As business organisations just recently recognised, social enterprises face several obstacles, including limited or challenged access to resources (Young, 2017). Beyond the condition of "liability of newness" (Stinchcome, 1965) affecting social enterprises in approaching resources and gaining legitimacy, there is a scarce understanding about the appropriate type of actions to be implemented for supporting social enterprises. It is especially true for social enterprise funding.

Accessing financial resources is more complicated than other enterprises because social enterprises - which can distribute limited profits to their funders and owners – appear less attractive for external investors looking for significant financial returns (Borzaga et al., 2020). The complexity results from the type and nature of goods and services provided by social enterprises. In this sense, these types of goods and services' specificity lead to accurate identification of the funding needs (Borzaga et al., 2020).

Information asymmetries, high transaction costs of small loans, and poor credit ratings affect social enterprises similarly for small and medium companies accessing finance (Burkett, 2010; Bruton, Khavul, Siegel, & Wright, 2015; Bellavitis, Filatotchev, Kamuriwo, & Vanacker, 2017). Because of the information asymmetry, social enterprise funders require significant requirements to enforce the contract, claims on recovering the funds, collateral or public guarantees, and high returns (Tirumalsety & Gurtoo, 2019). Mainly, credit-rationing is even worse because collateral requirements are lacking (Lupoli, 2017). As public contributions or grants primarily fund social enterprises, these donations cannot be considered collateral (Lupoli, 2017:8), contributing to their credit rationing. Furthermore, due diligence activities are relatively high due to social enterprises' nature; beyond financial aspects, financial providers must command social metrics for screening and understanding social enterprises.

The funding challenge is genuine for the growth and expansion of social enterprises. Because of this organisation's nature, it isn't easy to raise capital for consolidation (Borzaga et a., 2020). Or, accessing banking credit, as seen above, can be more complicated than other enterprises.

Generally, the limited understanding of their financial needs or the appropriate type of products for meeting their needs and the lack of knowledge on measuring their performance make it difficult to attract external finance. The nature of social enterprises is very often contested and scarcely understood. Besides these, the hybrid business structure raises legitimacy and legal challenges.

However, the ecosystem for social enterprises is improved, and consequently, access to finance. On the one hand, social enterprises have been shown to be more stable and reliable because of the ban on profit distribution. This characteristic has led to a fundamental capitalisation level (Borzaga et al., 2020). On the other, there is a general favourable political and financial environment recognising the role and value of social enterprises.

2.6. The EU social enterprise financial ecosystem

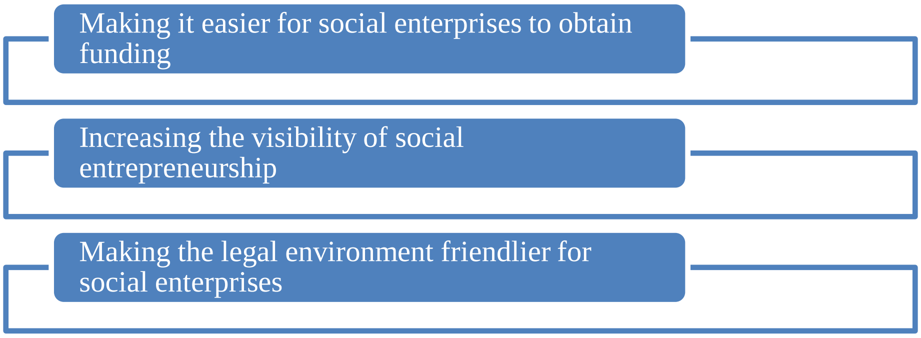
The recognition of social enterprise potential led various European countries to emerge financial schemes and initiatives focused on their start-up and scaling phase. The adoption of the Social Business Initiative (SBI) in 2011, as extensively argued in the first part of the chapter, was a boost for social enterprise viability and access to resources in all the EU Member States. Before analysing the EU framework for such type of support, it is worth noting the motivation behind the efforts of the EU Institutions for social enterprises. The approximate 2 million social enterprises operating in Europe represents 10% of all business in the EU, giving occupation at 8% of the EU's employees[7]. Furthermore, on the one hand, social enterprises contribute to creating jobs and increasing the level of entrepreneurship; on the other, they provide support to various social problems.

2.6.1. EU initiative for boosting access to funding

The Social Business Initiative (SBI) has been an important shift in the European Commission's political agenda regarding social enterprises. The 11 key agenda measures identified by the SIB were organised around three themes. One of these is to improve private and public funding for social enterprises.

[7] These data are available on the website of the European Commission. For further reference, please see https://ec.europa.eu/growth/sectors/social-economy_en

Figure 12: Axes of the SBI



Source: Elaborated by the author

Remarkably, the theme dedicated to access to funding was composed of four actions:

1 Put forward a European regulatory framework for social investment funds.

In order to enhance the interest of private investors in social enterprises, the European Parliament and the Council adopted Regulation 346/2013 on European Social Entrepreneurship Funds (EuSEF). The EuSEF regulation aimed to establish a European label for social enterprise funds. In the same year, the GECES sub-group on Social Impact Measurement was mandated to develop a methodology for measuring social enterprises' impact under the EuSEF. The establishment of criteria and methods was fundamental to guide the social funds' managers' decisions in selecting the social enterprises in which to invest and to be accountable to investors and citizens.

2 Encourage the development of microcredit in Europe by improving the related legal and institutional framework.

Access to the banking system can be complicated for vulnerable groups, start-ups, or non-traditional enterprises like social enterprises. Thus, in order to make it easy to access finance, the EU decided to support microcredit and microfinance schemes. The rationale behind this is that microfinance providers play an important role in channelling the EU support to (social) entrepreneurs.

Microcredit is a loan up to EUR 25.000 00 granted to existing and potential micro-entrepreneurs at risk of social and financial exclusion within the EU framework. At the same time, the EU Commission adopted a European Code of Good Conduct for Microcredit Provision intending to set out useful practise guidelines that will enable the sector to face the challenges of accessing long-term finance[8].

3 Set up an EU financial instrument to provide easier access to funding.

The EaSI regulation set the EU funding programme rules for Employment and Social Innovation. The programme introduced in 2014 and managed directly by the EU Commission had a total budget for 2014-2020 of EUR 919,469,000.

It brought together three EU programmes managed separately between 2007 and 2013: PROGRESS, EURES and Progress Microfinance, that starting from 2014, constituted the three axes of EaSI. As a matter of fact, EaSI focused on:

- the modernisation of employment and social policies with the PROGRESS axis.
- job mobility with the EURES axis.
- access to micro-finance and social entrepreneurship with the Microfinance and Social Entrepreneurship axis.

Under the social entrepreneurship axis, the EU Commission makes available EUR 86 million in grants, investment and guarantees for those social enterprises able to show that they have a measurable social impact (Commission & Directorate-General for Employment, 2014). Thus, for this reason, the GECES sub-group on Social Impact Measurement elaborated guidelines for measuring the impact created by the social enterprises awarded by the financial support.

The instruments available under the social entrepreneurship axis are mainly repayable financial instruments such as loans and equity, but also grants and technical assistance to support the finance providers' capacity and the investment readiness of social enterprises (Carlo Borzaga et al., 2020). In fact, Under EaSI, the European Investment Fund (EIF)

[8] For further information on European Code of Good Conduct, please refer to https://ec.europa.eu/growth/content/european-code-good-conduct-microcredit-provision-0_en

has been entrusted by the European Commission to manage the following financial instruments:

- the EaSI Guarantee Instrument,
- the EaSI Capacity Building Investments Window,
- EaSI Funded Instrument.

Remarkably, the guaranteed instrument had a more significant impact in facilitating the social enterprises' access to loans (Borzaga et al. 2020). The guarantee, provided by the EIF, offers partial credit risk protection for social enterprises' financial providers improving access to debt instruments also for social enterprises.

By December 2019, as shown by the EIF Report on EaSI Implementation Status[9], were singed 114 guarantees, covering 29 countries, supporting more than 2,000 social enterprises, and providing them with EUR 809.5 m of finance. Italy, France, and Spain are the countries that mainly were applied for the guarantee. 70,7% of the social enterprises that benefit from this instrument have more than three years of activities.

4 Make social enterprises an investment priority of the European Regional Development Fund and European Social Fund.

Concerning public funds, the goal of *'promoting social economy and social entrepreneurship'* was transferred to the European Social Fund (ESF) and the European Regional Development Fund (ERDF). Under the thematic objective "*promoting social inclusion and combating poverty*"[10], the Commission proposals for the ESF and ERDF regulations for 2014-2020 respectively contain investment priorities specifically dedicated to promoting the social economy and social enterprises.

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[9] For further information, please refer to the EIF webpage https://www.eif.org/what_we_do/microfinance/easi/easi-guarantee-instrument/index.htm. Last access 1st May 2020.

[10] For further information, please refer to https://ec.europa.eu/regional_policy/sources/docgener/informat/2014/guidance_social_economy.pdf

2.6.2. Financial initiatives managed by the European Investment Bank Group

The European Investment Bank Group, namely the European Investment Bank (EIB) and the European Investment Fund (EIF), has contributed to the EU policy on social and enterprise development through lending and equity schemes.

Notably, under the European Investment Plan umbrella, the European Commission and the EIB group created the European Fund for Strategic Investments (EFSI). EFSI aims to overcome the investment gap in the EU by mobilising private financing for strategic investments. In this sense, this facility provides finance. Within the framework of EFSI, the EIF launched the EFSI Equity Instrument[11] aiming at:

- facilitating access to financing for the EU SMEs, Small Mid-caps, Social Enterprises and Social Sector Organisations during their entire lifecycle.
- contributing to the market development of technology transfer, business angels, social impact, venture capital, and fund-of-funds.
- catalysing private investments into the private equity and venture capital market to develop the European equity ecosystem.

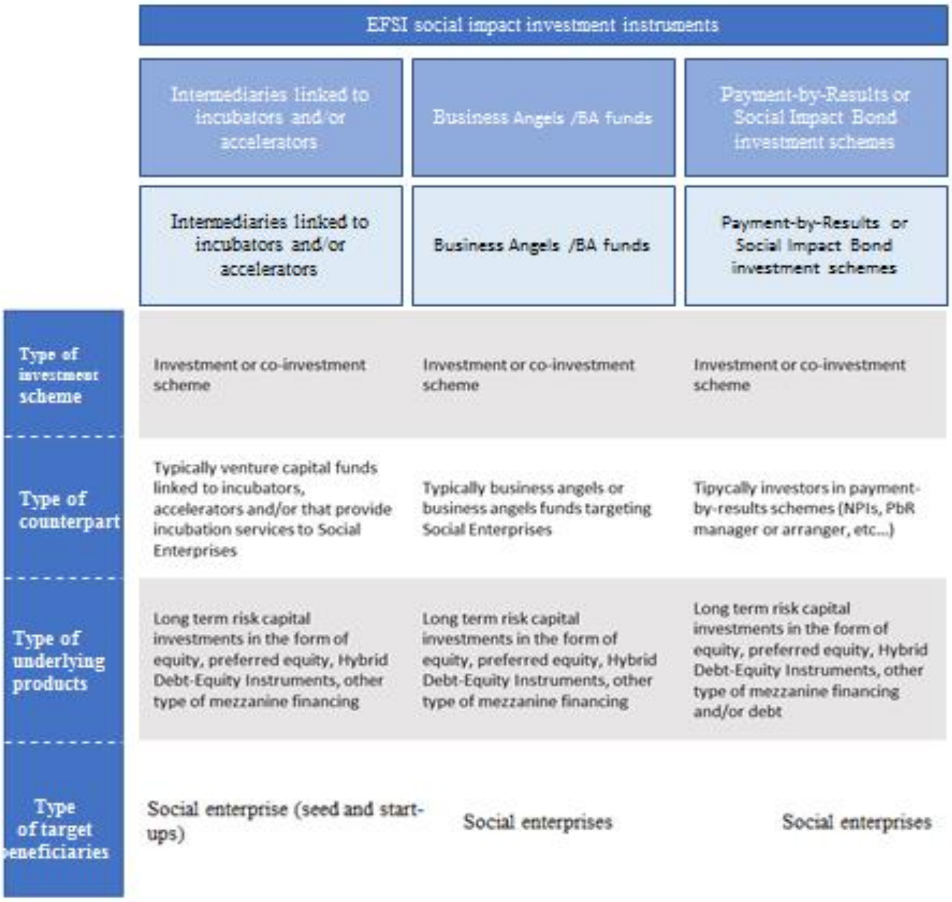
Under the EFSI Equity Instrument, the EIF has developed three types of innovative financial mechanisms belonging to the so-called social impact investment (that will be addressed in the second part of this dissertation), such as:

[11]For further information, please refer to https://www.eif.org/what_we_do/equity/efsi/index.htm

- Investments in or alongside financial intermediaries linked to incubators, accelerators, and that provide incubation services.
- Investments alongside Business Angels or investments in BA Funds.
- Payment-by-Results/Social Impact Bond investment scheme.

The three instruments complement all needs emerging in the different stages of the social enterprises' life cycle. Following, it is a short overview showing these instruments.

Figure 13: EFSI social impact investment instruments, based on the information provided by EIF



Source: Elaborated by the author

The EIB Group was a pioneer in the impact investing realm introducing in 2013 the Social Impact Accelerator[12] (SIA), the first pan-European public-private partnership addressing the need for equity finance for social enterprises. SIA operates as a fund of funds managed by the EIF and social impact funds targeting EU social enterprises. The funds financed by SIA must define between 1 and 5 social impact indicators per Portfolio Company and set objectives for each indicator.

2.6.3. Beyond finance: building a favourable ecosystem for social enterprise

As argued by Nicholls et al. (2015), in order to have a supportive environment for developing and supporting social enterprise funding, other types of initiatives are essential:

- Creating legal conditions to make it easier for social enterprises to access finance.
- Enabling funding.
- Enabling the demand for finance.

Thanks to the SIB, several efforts and initiatives have been undertaken at the EU level to reinforce the visibility and recognition of social enterprises, facilitate access to funding, and build a friendly legal environment.

Borzaga et al. (2020) carried out the previous mapping study on the state of social enterprises in the EU, pointed out significant remarks in terms of challenges:

- Social enterprises have gained visibility over the years and compared to the last EU report in 2014. Nevertheless, there is still limited information, low awareness and little knowledge about social enterprises amongst the general public.

[12] For further information please refer to http://www.eif.europa.eu/what_we_do/equity/sia/index.htm

- Social enterprise gained relevance, but the conceptual confusion around their role and the fragmented debate makes them vulnerable and depending on the national and local policy.
- Access to finance is still scarcely understood. On the one hand, several initiatives have been implemented; on the other, there are doubts about the type of financial schemes and instruments functional and in line with social enterprises.

2.7. Conclusion

The "*centrality of the social mission*" in social enterprises (Dees, 1998) has implications for economic and funding relations. As a type of organisation deeply rooted in achieving a social objective, social enterprises access many (financial) resources (Huybrechts, Mertens and Rijpens, 2014).

This section has introduced three theoretical frameworks: the resource-based view, the resource dependence theory, and the benefit approach to better understand the social enterprises funding. The Resource-Based View of the Firm Theory offers an analysis of why it is vital to access resources and understand the different strategies adopted by social enterprises. The Resource dependence theory provides the first explanation of social enterprises' potential resource providers. Finally, the Benefit Approach tells us how social enterprises are financed by linking the social enterprise outputs to the financial resource.

From grants to private contributions or income earned or external investments, social enterprises try to diversify the forms of funds and the actors from which these resources are taken. This mixture and balance of diverse revenue sources is a choice in order to increase stability and reduce the financial risk of a social enterprise (Yan et al., 2009). In this sense, social enterprise funding has evolved over the years. Donations, income, and public contributions are no more the only types of finance available for social enterprises. Furthermore, the actors providing finance for social enterprises have changed significantly in the last few years.

Despite all the social enterprises' strategies or enlargement of financial instruments and actors providing finance for social enterprises, accessing finance is still a challenge. The limited understanding of their financial needs or the appropriate type of products to meet their needs and the lack of knowledge on measuring their performance make it difficult to attract external finance. The nature of social enterprises is very often contested and scarcely understood. Besides these, the hybrid business structure raises legitimacy and legal challenges.

However, starting in 2011, the EU Commission started to build a friendly and enabling environment for social enterprises. In this sense, in the last years, several initiatives have been implemented by the EU Commission and the EIB Group for providing debt, grants and equity instruments.

Part I – Conclusion

This part has shown as the nature of the social enterprise affects the funding aspect. The centrality of the social mission cannot be separated when accessing resources. Social enterprises are organisations deeply rooted in the context where their role is to create benefits for their communities.

Over the year, the funding ecosystem has rapidly evolved. Thus, today's social enterprises have a wide range of actors providing resources and instruments less or more helpful in addressing their needs. Despite all these initiatives, actors and tools, social enterprises still face challenges accessing resources.

One reason can be found in the fact that this type of enterprise is scarcely understood, and for this, the financial products designed do not meet the financial needs. Another possible explanation is offered by the theoretical frameworks presented in this first part. First of all, social enterprises are multiple-resource organisations (Huybrechts, Mertens and Rijpens, 2014) relying on different funding sources and revenue. This means they put different financial strategies in place, combining various actors and resources based on the goods/services provided and the mission to achieve.

Remarkable is the efforts developed by the EU Commission for the visibility, legal recognition, and funding of social enterprises.

Part II – Innovative mechanisms for funding social enterprises: when the impact counts

Preface

Social enterprise funding has evolved rapidly, encompassing innovative instruments, for-profit finance, and public and charity finance (Phillips and Hebb, 2010). New forms of finance have emerged in different countries, allowing the social enterprise to have greater capital access. Social finance is a practice appearing for served social enterprises, excluded from the traditional banking system, and depending on public aids.

Nonetheless, the current debate on financing social enterprises and social finance is still characterised by vagueness. Although social finance has been recognised "*as a distinct and legitimate field of research*" (Nicholls and Emerson, 2015, page 6), the academic literature is at the very early stage of development (Nicholls and Emerson, 2015). More academic research and debates are needed to overcome the mismatching between (social) financial products and social enterprises' needs (Barraket, 2015; Nicholls, 2016). The existing literature is predominantly focused on social finance and impact investing as a whole; yet little attention has been dedicated so far to specific instruments and contexts.

Thus, this section of the dissertation has a double aim by filling this gap. First, it is intended to provide a comprehensive description of the innovative financial landscape for social enterprises. Secondly, it offers a detailed analysis of one of the most innovative and recent tools developed under the label of social finance, the so-called Social Impact Bonds (SIBs).

The first part of this section, titled "Innovation in social enterprise funding: a new landscape", describes the current and available financial landscape. The chapter will provide an analysis of social finance, offering details about the several forms of finance under this umbrella term. The chapter will also sum up the issues affecting social finance practice and development. This chapter is preliminary to the successive.

The second part of the section, namely "Social Impact Bonds: a new tool for enhancing social impact", is focused on the description of this innovative instrument. SIB is the most recent and debatable scheme that emerged under social finance and impact investing. The fourth chapter will offer a depth analysis of this tool to understand better the case study developed in the third section of this dissertation.

3. Innovation in social enterprise funding: a new landscape

"If You Don't Let Us Dream, We Won't Let You Sleep" (Anders Lustgarten, 2013)

3.1. Introduction

Finance emerged as a critical topic in the debate about social enterprise, polarising it. On the one hand, some argue that finance represents the boost for scaling up social enterprises; on the other, there is the opposite argument arguing that we live progressive financialisation of social enterprises.

In continuity with the first part of this dissertation, this chapter adds a further analysis of social enterprise funding. Remarkably, the purpose of this chapter is to map out the innovation in social enterprise funding. After discussing the concept of social enterprise and the theoretical foundation of social enterprises funding, this work offers an additional piece. The aim is to present the innovative funding landscape currently available for social enterprises.

Recently, the concept of social finance and impact investing has captured several players' attention in the social enterprise arena: from policymakers to investors, from entrepreneurs to scholars. Social finance emerged for filling the capital gap suffered by social enterprises and social-based organisations (Nicholls and Schwarts, 2014; Nicholls and Emerons, 2015) by constituting a new niche in the financial market.

Social finance encompasses various forms and approaches ranging from impact investing, mobilising private capital, and venture philanthropy supporting social enterprises. In any case, all these approaches have in common the mission to mobilise resources (from private and public sectors) boosting social enterprises impact.

This chapter proceeds as follow:

- First, it will be offered a brief explanation of all terms currently when addressed the innovative financial landscape. The objective of this paragraph is to bring clarity to the discussion.
- Second, social finance will be introduced as a topic and presented in all its elements.
- Third, it will be mapped out the innovative financial forms that are encompassed in the definition of social finance.
- Fourth, the challenges and limitations of social finance will be pointed out.

3.2. From ethical finance to impact investing: the evolutionary path of alternative forms of finance

Impact investing, sustainable finance, social investment, social and ethical finance entered into the financial debate as an alternative to mainstreaming finance. Even though each term results from a specific ideology and context, confusion and misconception characterize their usage. Thus, this paragraph will deliver a brief but comprehensive clarification for each term. Showing the terminological evolution over the years will acquire a better understanding of these new financial fields.

The attempt to reconcile financial activities with human values dates back to the past, with the Cristian community condemning the practice of "*usura*". In the 1970s, alternative economic actors emerged (Burlando, 2001) due to a new customer awareness towards transparency and ethics in business affairs. Thus, ethical banks appeared for funding the Fair-Trade movement and initiatives in development cooperation (Burlando, 2001). Only in the 1990s ethical finance expands throughout the whole of Europe and the US. Indeed, ethical investments provided the investors with an allocation able to satisfy their financial needs by guaranteeing an ethical use of their money (Buralando, 2001; Cowton, 1999).

Ethical funds applied a set of positive and negative criteria for screening companies where invested in. For example, negative criteria may include production of weapons, tobacco, alcohol, pornography, nuclear plants, cooperation with dictatorship and other cases like these; on the other hand, positive criteria range from human rights support to protection of biodiversity or initiatives for addressing societal challenges. At the same time, ethical banks started to support social and ethical oriented activities persistently excluded from the traditional banking system. Compared with conventional providers, ethical banks focus their activity on transparency and accountability principles offering more guarantees to their clients. Furthermore, since the beginning, clients' participation has been an essential feature of ethical banks, increasing their diffusion.

The first ethical bank established in Europe was the Dutch Triodos Banks in 1980 (Burlando, 2001), and today the movement is deeply rooted in all European countries. In fact, in 2001 a group of ethical-oriented financial providers, such as Crédit Coopératif (France), Caisse Solidaire du Nord Pas-de-Calais (France), Crédal (Belgium), Hefboom (Belgium), Banca Etica (Italy), TISE (Poland) and La Nef (France), established the European Federation of Ethical and Alternative Banks (FEBEA – Fédération Européenne des banques Ethiques et Alternatives) for promoting the development "*of ethical and solidarity-based financial models in the European economic and political area* [13]" (FEBEA, 2001). Despite the concept of ethical finance evolved over the years, changing the name or assuming a commercial orientation more than in the past, the banking sector is still using this label. Moreover, some countries have acknowledged the activity of such alternative providers. As a result, at the end of 2016, the Italian Parliament passed a law to define and support ethical providers for the first time in the EU. Article 111 of the Testo Unico Bancario [14]– TUB offers a definition of "ethical and sustainable financial operators" as actors whose activity is conforming to the following principles:

a) "Evaluate the loans granted to legal persons under internationally recognised ethical rating standards, with particular attention to their social and environmental impacts.

[13] For futher information, please visit the website https://www.febea.org/en

[14] For further information, please see here
https://www.bancaditalia.it/compiti/vigilanza/intermediari/Testo-Unico-Bancario.pdf
https://www.gazzettaufficiale.it/atto/serie_generale/caricaDettaglioAtto/originario?atto.dataPubblicazioneGazzetta=2014-12-01&atto.codiceRedazionale=14G00184&elenco30giorni=false

b) Give public evidence, at least annually, also via the web, of the loans described in subparagraph, taking into account the protection of the privacy of personal data.

c) Dedicate at least 20 per cent of their loan portfolio to nonprofit organizations or social enterprises, as defined by law.

d) Do not distribute profits and reinvest them in their activities.

e) Adopt a system of governance and an organizational model with a solid democratic and participatory orientation, characterized by a diffuse shareholding.

f) Adopt remuneration policies that put severe limits on the difference between the higher remuneration and the average in the bank. In any case, such ratio cannot exceed the value of 5."

As previously noted, the ethical finance concept changed over the years due to new ideologies and perspectives worldwide. Thus, the term was progressively equated with sustainable finance. In fact, the Brundtland Report [15]in 1989 showed the urgency of aligning economic growth with social development (Lauesen, 2015). The term "sustainable" enters into the political discourse encouraging the adoption of measures for reducing the impact of economic activities on the environment and community. Furthermore, some years later, international organizations like the UN and the OECD launched initiatives to increase a sustainable or ethical approach to business affairs (Lauesen, 2015).

More recently, the European Commission (EC) is exploring integrating sustainability issues into its financial framework by creating an EU strategy for sustainable finance.[16] The aim is to build a robust framework for supporting the EU transition to a low-carbon, more resource-efficient and sustainable economy. Last October 2016, the EC established a High-Level Expert Group (HLEG) on Sustainable Finance to advise developing a

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[15] For further information, see the report here http://www.un-documents.net/our-common-future.pdf

[16] For further information and reference, please see the webpage dedicate https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance_en#documents

comprehensive EU strategy on sustainable finance. The HLEG delivered last July 2017 an interim report providing a definition of sustainable finance as a comprehensive approach that brings together different strategies for improving the financial system's social, economic, and environmental performance (HLEG on Sustainable Finance, 2017). In 2019, the European Parliament approved the legislative package about the Taxonomy of Sustainable Finance. Nevertheless, the European Commission launched in 2020 a revision of the Strategy of Sustainable finance.

Beyond the political and ideological framework focused on sustainability as a broader approach, ethical finance also attracted mainstream finance in the 90s because of its positive performance. Specifically, ethically oriented investments showed that it was possible to reconcile portfolio performance with the social return. Reputation and sound financial performance encouraged traditional investors in applying the so-called ESG criteria for screening investment portfolios. The practice to integrate environmental, social and governance criteria into decisions dates back to the ‘80s, with South African investments screened out from portfolios because of apartheid (Fullwiler, 2015). Socially responsible investing (SRI) was also encouraged by the United Nations Environment Programme Finance Initiative (UNEP FI). In fact, in 2005, UNEP FI set out the legal duty for incorporating ESG-criteria into investor portfolios with the Freshfields report (UNEP PI, 2005[17]). One year later, the UN created a spin-off from UNEP FI, and UN Global Compact called Principles for Responsible Investment (PRI).

The 2008 financial crisis and its consequences demonstrated that the economic growth mantra could not create value for society. In a certain way, the financial crisis highlighted the welfare crisis in addressing and mitigating social issues (Chiapello, 2015). Specifically, new financial practices emerged for filling the gap created by the absence of states, charities, and traditional finance in supporting community wellbeing projects (Brandstetter and Lehner, 2015: 91; Chiapello, 2015). The so-called “*financialisation*” of the public interest (Chiapello, 2015) implies the presence of financial market actors without expertise in evaluating social elements but investing in social and public activities (Chiapello, 2015). Within this political context, the concept of social finance emerged.

[17] For further information, please see https://wedocs.unep.org/handle/20.500.11822/183

Defined as the practice of investing capital to generate a positive social and environmental impact while also developing a financial return (Task Force on Social Finance, 2010[18]), social finance encourages solutions highly impact oriented. As Moore et al. (2013) noted, social finance can be an innovation in itself, or it can be a means by which social innovation can be financed (Moore et al., 2013). Social finance reconciles social and economic return by incorporating several socially oriented financial initiatives and approaches, such as impact investing or microfinance (Moore et al, 2013).

Within the umbrella of social finance, impact investing gained momentum and is defined as "*the allocation of repayable capital*", taking into account the investor perspective (Nicholls, 2016), impact investing concerns how capital can create impact (Deggers and Nicholls, 2016: 69). Its first appearance was in 2007 when the Rockefeller Foundation coined the term. Then it was defined by the Global Impact Investing Network as "investments made into companies, organizations, and funds to generate measurable social and environmental impact alongside a financial return" (Martin, 2013). The concept of impact investing is deeply rooted in two principles: the blended value and the sustainable financial return (Geoby & Weber, 2013). While the former aligns with an economic and social return, the latter concerns social finance institutions (Weber, 2015:85).

Despite the confusion and misconception about different practices and initiatives, impact investing differs from SRI and social investment. While SRI appears more as an investment strategy focusing on integrating ESG criteria into portfolio decisions, impact investing is intended to achieve environmental/ social impact while having a financial return (Weber, 2015: 86). Impact investing differs substantially also from social investment. As Nicholls noted, impact investing and social investment are pretty different but are usually overlapped (2016). In particular, social investment refers only to the supply of repayable capital (Daggers & Nicholls, 2016:69) for supporting social purpose organizations that address public and environmental challenges as their first strategic objective. Daggers and Nicholls (2016) pointed out that social investment is a term coined

[18] For further information, please see https://mcconnellfoundation.ca/wp-content/uploads/2017/07/FinalReport_MobilizingPrivateCapitalforPublicGood_30Nov10.pdf

mainly in Europe far from the financial field. It was referred to as public interventions in health and education (Daggers and Nicholls, 2016). Over the years, the term Social Impact Investing (SII) emerged by incorporating different features and meanings. Unfortunately, the term is often interchanged with impact investing and social investment or equated to social finance. On the contrary, SII should be understood as an umbrella for impact investing and social investment activities and initiatives.

3.3. Understanding social finance

Social finance appeared to drive more capital to social-based organisations, such as social enterprises, using a broad spectrum of financial tools, adopting an innovative approach in the lending process (Lall, 2017) and establishing a new marketplace structure. Social finance generally implies using market resources to address social issues or public failure (Ono, 2016). Thus, social finance can be linked and incorporate many alternative forms of finance presented in the previous paragraph.

As above discussed, there is no clear and unique definition of social finance (Langley, 2020) due to the confusion and variety of concepts and terms recently entered in the debate. If Harji & Hebb (2010) defined social finance in 2010 as "*the deliberate and intentional application of tools, instruments, and strategies to enable capital to achieve a social, environmental, and financial return*"; Nicholls and Emerson (2015:6) define social finance as an '*emerging market [...] that has yet to develop clearly defined epistemological boundaries and institutional structures*. Andrikopoulos (2020) defines social finance as "*processes, decisions and institutions that finance production of public goods with the participation of the private sector, a fusion often called the "third sector" of the economy*". Social finance is generally intended as a set of instruments dedicated to social enterprises balancing social impact and financial return (Langley, 2020).

Social finance is established with the concrete mission to help organisations change the world or, at least, to impact society positively. Nicholls and Pharoah (2007: 2) pointed out that social finance is more than capital for social and environmental goals. It is more *discourse* around an alternative way to consider the financial system's role and extent. Because of this clear orientation, two implications emerge:

1. the social finance marketplace is an open, democratic and interconnected structure, where the different actors involved try to change the rule of the mainstream economy (Andrikopoulos, 2020).
2. in the social finance practice, investment decisions are based on criteria such as solidarity, trust, and altruism (Andrikopoulos, 2020).

As with any financial market, also social finance market is characterised by the presence of actors who supply capital, organisations that demand financial resources, rules of the game and instruments. The so-called social finance ecosystem helps reinforce and develop the sector by channelling and facilitating the exchange of resources and know-how.

So, following it will be described the forms and instruments of social finance, actors who characterised this field, the infrastructure, and the rule of this market's functioning.

3.3.1. Forms and instruments of social finance

Social finance can be considered an “umbrella term” (Nicholls, Paton, and Emerson, 2016), including different forms of finance and a wide range of schemes and mechanisms. Private capital's presence allowed it to range from more conventional and traditional instruments (like debt, grant, and equity) to innovative hybrid products. The *file rouge* amongst all these different instruments is to provide capital for achieving a social return.

The following table summarises the variety of schemes available under the label of social finance. As represented in the table, each typology falls into a specific form of finance.

Table 9: Forms of Social Finance, elaborated by the author

Form of Social Finance	***Conventional (finance)instrument***	***Impact Investing***	***(Venture)Philanthropy***	***Innovative instruments***	***Ethical Finance***
Private grant			X		X
Public grant	X				
Debt	X				X
Unsecured Loan (Microfinance)				X	X
Equity		X	X		X
Quasi-Equity		X	X		X
Crowdfunding				X	X
Patient Capital		X	X		X
Hybrid Finance (like SIBs)				X	X

Source: Elaborated by the author

As table 1 shows, under the umbrella of social finance, it is possible to find four types of forms of instruments:

- Conventional and traditional forms of finance.
- Impact Investing and Socially Responsible Investments;
- Venture Philanthropy.
- Innovative schemes
- Ethical Finance.

On the contrary, mapping the instruments according to their nature and finding a wide range of solutions is illustrated in the table below. Specifically, the table briefly describes different financial and non-financial instruments currently available for social-based organisations. The tools listed are grouped according to their nature (for example, credit, debit, or hybrid).

Table 10: Financial and non-financial social finance tools, based on Febea position paper "CREDIT AND BEYOND - How Ethical Finance works for inclusive and climate-sustainable growth" (2020)

Tools	Definition
	Lending
Loans	An agreement which obliges the lender to make available to the borrower an agreed sum of money for an agreed period of time and under which the borrower is obliged to repay that amount within the agreed time"
Crowd-lending platforms	Crowd-lending is a type of crowd-based finance, where private lenders can offer small loan amounts to borrowers. Crowdlending is also known as debt crowdfunding, crowdfunding of loans or P2B and P2P lending.
Convenient conditions	Conditions, less than average market rate, to specific projects or groups (for ex. projects with a social or environmental impact).
Alternative Guarantees	Alternative systems that partially support risk in loans to projects or entities (for ex. through external foundations or dedicated funds) or any alternative guaranteed system which enables the financial institution to provide loans to entities with financial exclusion problems (for ex. through social guarantees or other innovative systems).
Microfinance	All those activities oriented to provide access to financial services of individual amounts normally more limited than the EU per capita GDP, to socially or financially excluded people (generally without collateral nor credit history), lacking access to traditional sources of finance, with a social and financial inclusion objective, on terms adapted to the analysed financial capacity and coupled with access to high-quality financial education and/or business development services.
	Equity

Equity	Provision of capital to a firm invested directly or indirectly in return for total or partial ownership of that firm. The equity investor may assume some management control of the firm and may share the firm's profits. Traditional equity is often unsuitable for social economy organizations due to their legal structure. In any case, it is essential to share the same values and objectives via strong partnerships which allow participants to risk.
Quasi-equity/Subordinated loans	A type of financing ranks between equity and debt, having a higher risk than senior debt and lower risk than common equity. Quasi-equity investments can be structured as debt, typically unsecured and subordinated and in some cases convertible into equity, or as preferred equity.
Social Venture Capital	It is a method of financing using a venture capital strategy model and instruments known from the capital market to finance non-governmental organisations, social enterprises or activities that generate a significant social impact. The traditional financing model is mainly based on loans or guarantees, but also equity and quasi-equity.
Venture Philanthropy	A high-engagement and long-term approach whereby an investor for impact supports a social purpose organisation to help it maximise its social impact.
Hybrid Financing	An instrument combines the characteristics/features of at least two of the three financing instruments, grant, debt, and equity.
Social Impact Bonds	Introduced in 2009, this type of payment by results combines private resources with a risk-sharing mechanism for funding welfare programmes. Social organizations receive working capital for delivering the social interventions to the target group. If the programme achieves the pre-fixed social outcome, the public authority will pay back private investors.
Non-financial support	

Capacity building	Any input, advice, or support intended to enhance the ability of the enterprise to attain long-term sustainability and increase its impact.
Investment readiness support	Services aimed at increasing the capacity and capability of a social enterprise to seek and utilise investment (in particular debt, equity or other kinds of repayable finance). Key elements that help to make a social enterprise investment-ready include effective leadership; business planning and strategy; methods and capability to articulate, measure, assure and report on social and environmental impact; risk assessment; and quality management.
Coaching	A set of activities aimed at overall improvement and increased personal and job satisfaction for entrepreneurs or teams.
Networking with other actors of the local ecosystem and investors	A set of activities aimed at fostering cooperation, exchanging best practices, and developing visibility and promotion of the projects supported by the financial institution.
Innovative Partnerships	Development of collaborations among public, private, and civil-society actors to design better solutions for the communities.

3.3.2. Actors

The social finance ecosystem is composed of four key players:

1 Social based-organisations (like social enterprises or impact-driven businesses)
2 Public actors
3 Social Investors
4 Intermediaries

Social-based organisations - such as social enterprises, third sector organisations, cooperatives, impact-driven businesses and so on - represent the demand-side of social finance. As discussed in the first part of this dissertation, social-based organisations are no longer reliant on grants. On the other hand, accessing finance from traditional sources may be a challenge. In this sense, in all its forms, social finance represents a win-win solution for social-based organisations allowing them to access a wide range of instruments by owns values and missions.

Public actors facilitate the development of the social finance market, enabling and improving the current ecosystem (Tekula & Andersen, 2019). In this sense, the public actor (municipality, government, and so on) can provide different resources ranging from capital to social infrastructure, from rules of the games to the political framework. Social finance can be an attractive concept for policy-makers and, generally, public actors. From a public actor perspective, social finance can be considered a public policy tool. By combing innovation and private resources, social finance can support public actors in improving social services.

Social or Impact investors represent the supply side of this ecosystem. The many actors are corporations, banks, institution investors, angel investors, pension funds, development funds, foundations and so on investment capital in social-based organisations (Phillips & Johnson, 2019).

As seen above, the emergence of social finance and impact investing is strictly related to the appearance of a new category of actors, the so-called social investors. Nevertheless, players interested in allocating resources for a social return are nothing new (Nicholls, Paton, and Emerson, 2016). In this sense, the cooperative and mutual sector activity could be considered the "*precursor*" of social investors (Nicholls, Paton, and Emerson, 2016:8).

Social investors or Impact investors (if acting in the impact investing market) act by balancing their preferences with social and financial returns. In a certain way - given their motivations - social investors may renounce to obtain a determined level of financial return in exchange for social return (Harji and Hebb, 2010). The practitioner literature of impact investing identifies three typologies of impact investor:

1 Return first, that is investors who are focused on financial return; this type of investors require a full market rate of return and its investment decisions are made after a business due diligence and screening;
2 Impact-first, interested in impact; this type of investor "*is willing to accept below-market financial returns in exchange for greater social/environmental returns*" (Harji and Hebb, 2010:4).
3 A mix of both, investors who balance impact and financial returns.

Intermediaries, those actors who connect investors and investees through a variety of services, like:

- Pooling and providing capital
- Capacity building, Investment Readiness e Scaling support
- Technical assistance;
- Social impact measurement;
- Lobbying and Advocacy;
- Partnership and Networks.

These actors' role is fundamental because they make possible the proper functioning of the social finance market. As noted by different scholars (Harji and Hebb, 2010; Nicholls, Paton, and Emerson, 2016; Phillips & Johnson, 2019), the number and variety of intermediaries have increased in the last years. The intermediation is always characterised by a high level of "*innovation and experimentation*" (Nicholls, Paton, and Emerson, 2016:18)

3.3.3. Infrastructure – Rules of the game

In order to work, the social finance market needs infrastructure and rules of the game as well as other ecosystems. This means to have a set of factors like regulation, market and culture enabling the whole social finance ecosystem.

Regulation: an appropriate legal framework, as well as tax incentives and a specific environment of law, encourage the development and the scale of social finance. Specifically, the regulatory dimension helps:

- to (re)align the interests of different actors involved;
- to define standards, models and a common language;
- to establish a specific legal form for social finance recipients;
- to offer fiscal incentives both for demand and supply-sides;
- to promote retail products;
- to facilitate policy and programmes for social enterprises and social finance.

Market: the degree of openness and accessibility of the market affects the demand side of social finance. In this sense, it is fundamental:

- to reinforce fragile market and sustain the market size of social enterprise;
- to improve the quality of existing markets;
- to provide a wide range of access to finance by adopting specifics policies;
- to sustain the intermediaries.

Culture**:** the cultural context affects the development of the social finance ecosystem. The presence of history and tradition of collaboration between public and private actors, or the co-operative and social enterprise movement, the civil society activism and a culture of giving are factors that enable the social finance ecosystem. Mainly, the cultural dimension helps to:

- enhance the capacity of social enterprises in having access to innovative instruments;

- to spur on the innovation and the impact of social finance ecosystem;
- to raise awareness and knowledge about social finance;
- to fill the knowledge and the skills gap in the actors involved.

3.4.Mapping the current innovative landscape

In the last year, the finance landscape for social enterprise has evolved, including new finance forms. This paragraph provides a short overview concerning impact investing, venture philanthropy, innovative instruments, and ethical finance.

3.4.1. Impact Investing

Impact investing is a recent trend within the framework of social finance. Its appearance is related to the evolution of socially responsible investments (SRI). The rationale behind it is that private capital can intentionally create a positive social and financial return.

The term was introduced in 2007 by the Rockefeller Foundation and defined by the Global Impact Investing Network (GIIN) as *"investments made into companies, organisations, and funds with the intention to generate measurable social and environmental impact alongside a financial return*."[19] In a certain way, impact investing offers a win-win solution for both investors, social enterprises, and society. On the one hand, providing capital to social enterprises pursues a social and environmental benefit for the entire community. On the other, it promises investors to receive a social return and a financial one. "intentionality" is a crucial characteristic when describing impact investing. And it is the intentionality to differentiate impact investing from SRI. While SRI integrates ESG criteria into portfolio decisions, impact investing intentionally selects

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[19] For further information, please see the website of GIIN at this address https://thegiin.org/impact-investing

investments intended to create social and/or environmental impact (Clarkin & Cangioni, 2016).

In order to provide more clarity to the movement, in 2019, the GIIN published the document called "The Core Characteristics of Impact Investing"[20]. This document, as suggested by the title, lists the four characteristics of impact investing, such as:

1. Intentionality;

2. Use Evidence and Impact Data in Investment Design;

3. Manage Impact Performance;

4. Contribute to the growth of the Industry.

As explained above, impact investors make investments to create an impact and receive a financial benefit. This peculiarity is transferred in the investment process steps by explicating this goal and selecting organisations in line with this orientation. Regarding characteristics number 2 and 3, it is possible to state that all the discourse around the use of metrics and measurement is essential in impact investing. In fact, it is under the label of impact investing that two initiatives were developed like the Impact Reporting and Investment Standards (IRIS) and the Global Impact Investing Ratings System (GIIRS). The IRIS is a catalogue of standardised metrics that investors can use to measure the impact of investments within their portfolios (GIIN 2011). Following the evolution of the market and the needs of investors, to date, the GIIN released the IRIS + "*a comprehensive, metrics-based system that enables impact data comparisons across an impact investment portfolio, in order to drive better investment results*" (GIIN, 2016[21]). On the other hand, the GIIRS system offers a standardised rating methodology dedicated to investment funds. Finally, all impact investors are engaged in improving and evolving the impact investing market.

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[20] It is available at this web address
https://thegiin.org/characteristics

[21] For further information about the study, please see here
https://sptf.info/images/Annual_Meeting_2016/Documents/IRIS-Background.pdf

Thus, it is clear that impact investments are expected to create social benefits and private financial returns for investors. In this respect, the financial return can range from below-market-rate to risk-adjust market rate. Besides, the instruments fall under the impact investing label range from equity to debt according to the preference of investors (Oleksiak, Nicholls, and Emerson 2015).

For the first time since the emergence of this practice, GIIN estimated the market's total size at USD 715 billion, managed by 1.720 organisations. The study[22] showed that the market is in its growth phase composed of different actors across other countries with a wide range of instruments and financial return rates.

3.4.2. Venture Philanthropy

Venture Philanthropy is a relatively new practice within the framework of philanthropy. As discussed in part of this dissertation, philanthropy and gift-based finance represented essential social enterprise funding. However, as seen previously, significant evolution and innovation emerged in the last years.

Venture Philanthropy appeared in 1997 in the United States due to an article of Harvard scholars Letts, Ryan, and Grossman (1997), incorporating philanthropy and venture capital. Then the concept spread in Britain and Europe. It can be understood as the evolution of philanthropy mixed with some practices of venture capital such as due diligence, risk management, impact measurement, relationship management and exit strategy (Andrikopoulos, 2020; Ono, 2016) In fact, venture philanthropy applies a market-based to support innovative projects with a societal impact. Going beyond the gift-based finance's inefficiency for social enterprises, venture philanthropy offers equity

[22] For further information about the study, please see the dedicate web page here https://thegiin.org/research/publication/impinv-survey-2020

investments for social enterprises focusing on efficiency and economic sustainability (Scarlata, Gil, & Zacharakis, 2012).

In this sense, Venture Philanthropy can be described as a "*high-engagement and long-term approach whereby an investor for impact supports a social purpose organisation (SPO) to help it maximise its social impact"* (EVPA website). The instruments used by venture philanthropists can include grants, debt/loan, equity, and hybrid financial tools that are the most suitable social organisations scheme. Along with tailored financing, venture philanthropy provides non-financial support such as coaching, mentoring, business development support, etc.

Venture philanthropy aims to make "financially sustainable" organisations with a societal impact. Once the organisation achieves its independence, the venture philanthropist can decide to exit from the capital. In order to achieve this goal, social impact measurement is at the centre of this approach (Andrikopoulos, 2020). According to the European Venture Philanthropy Association (EVPA), impact measurement clarifies the investment process and maximises the relative impact. In order to provide support to the sector, EVPA published a report stating the steps of the impact measurement process for Venture Philanthropy. EVPA (2015) proposed a five-step procedure for measuring social impact:

- Setting Objectives: that is the scope, the level and the outcome of the analysis;
- Analysing Stakeholders: that is listed and understanding all the potential actors involved in the creation of the impact;
- Measuring Results: that is measure the output, the outcome and the impact;
- Verifying & Valuing Impact: verifying that the impact.

Bonassié, Coletti, & Sansone (2019) pointed out that the relationship between social enterprises and venture philanthropy organisations is scarcely analysed. Nevertheless, it is possible to detect three main factors explaining how venture philanthropy organisations manage their investments (Bonassié, Coletti, & Sansone, 2019:4):

- The social mission pursued by the social enterprises (Scarlata et al., 2012);
- The level of resources available for the social enterprise and the relative processes (Scarlata et al., 2012);

- The level of possible collaboration and cooperation between the social enterprise and the venture philanthropy organisation (Gordon, 2014).

Undoubtedly, Venture Philanthropy has changed the game of philanthropy and Foundations. As Gordon (2014), many scholars stressed that the Venture Philanthropy can be intended to express neoliberal ideologies, adopting the same managerialism and the result-based orientation (Isserman, 2018). According to Andrikopoulos (2020), others remark the challenge and perverse effects of Venture Philanthropy relying on measurable outcomes.

3.4.3. Innovative Schemes: hybrid finance

In the last years, a new set of schemes appeared to fall into hybrid finance that combines different logics and aims at other goals. This paragraph will focus on three specific schemes: Microfinance, Crowdfunding and Crowdlending and Result-based financing.

3.4.3.1. Microfinance

Globally, a particular interest in Microfinance (MF) as a tool for enabling un-bankable business activities emerged over the last years. Since the 2000s, MF has gained the attention of policy-makers and scholars. Based on the rationale that access to financial services allows poor people to manage their household cash flows (Armendáriz & Labie, 2011; Morduch, 1999a), MF has been considered the silver bullet to eradicate poverty and foster financial inclusion.

Over the years, MF evolved differently according to the context, target groups and services offered. While in the so-called developing countries, Microfinance Institutions (MFIs) served primarily poor people without labour alternatives, then setting up a self-employment activity; in the western world, MFIs offer their products and services to the most vulnerable groups of society un-bankable groups according to the traditional banking criteria. Beyond targeting the bottom of the pyramid, MFIs started to serve small and medium (informal or formal) enterprises (SMEs) segments (CGAP, 2012). MF is acting for filling the credit gap suffered by SMEs worldwide.

Despite the good intentions and the political support, the MF industry faced a wave of criticism due to some unethical practices such as, among others, high-interest rates, mission drift, and intense commercialisation. Thus, MFIs are focusing on social performance issues for demonstrating their role. Described as translating an institution's mission into practice (CGAP, 2004), social performance management encompasses different indicators such as outreach, portfolio size, average loan size, diversification and variety of products and services delivered (Navajas et al., 2000). Thus, complying with social performance criteria and improving the impact, MFIs started to target other types of subjects and enterprises like those aimed at producing a social change in the community.

Regarding Europe, MF is intended as a tool for supporting innovative ideas tackling societal challenges. Within the EU framework, a microloan is a loan provided for business or personal purposes under EUR 25 000, 00 (Regulation EU No 1296/2013). Under the EaSI Programme, the European Investment Fund (EIF) is managing the EaSI Guarantee Instrument - aimed at increasing the access to finance for social enterprises, micro-enterprises and vulnerable groups - and, the EaSI Capacity Building Investments Window to build up the institutional capacity of micro-credit and social finance providers. These schemes partially cover the financial providers' portfolio credit risk in the microfinance and social entrepreneurship segments by providing capped guarantees and counter-guarantees. Beyond the EaSI programme, EIF offers other products as pilot equity investments under the European Fund for Strategic Investments (EFSI) Equity instrument, via funds linked to incubators/accelerators and co-investments with social Business Angels targeting the Microfinance and social enterprises.

3.4.3.2. Crowdfunding and crowdlending

Crowdfunding is part of the more comprehensive revolution called Fintech (Jenik, Lyman, and Nava, 2017), characterized by transforming the financial system, providers, and users due to technological innovations (European Commission, 2016a). Crowdfunding emerged as alternative finance for funding small businesses and innovative enterprises that face problems in accessing credit.

Despite its popularity, the concept is scarcely understood and explored. Initially, it is the result of the emergence of two distinct concepts: crowdsourcing and microfinance, by gaining over the years and own identity. As Hossain and Oparaocha (2015) pointed out, 17 different definitions of crowdfunding are available in the current academic and grey literature. Generally, crowdfunding is defined as "*an open call, essentially through the Internet, for the provision of financial resources either in the form of donation or in exchange for some form of reward and/or voting rights in order to support initiatives for specific purposes*" (Lambert a Schwienbacher, 2010: 6) Thus, large audience, small-scale amount of donation and digital technology characterize crowdfunding from other lending instruments.

Crowdfunding is categorised in different typologies, such as:

- Donation-based crowdfunding: Individuals can make their donation without requiring or expect any financial return (Mollick, 2014). This type of crowdfunding is often used for supporting activities located in the third sector. As noted by Jenik, Lyman, and Nava (2017), the platform's revenues stem from the fees of each donation.
- Reward-based crowdfunding: Individuals can make donations receiving back a non-financial reward such as a gift or the actual invention. This type of crowdfunding is often used to fund artistic projects or the development of innovation. Furthermore, this model is also called pre-selling crowdfunding because through the campaign, the project/invention is tested from potential customers who send their feedback (Jenik, Lyman, and Nava, 2017).
- Equity-based crowdfunding: individuals or institutional investors are allowed to invest in legal and unlisted entities receiving a share in the entity. In this type of crowdfunding, individuals are looking for a financial return (Jenik, Lyman, and Nava, 2017)
- Lending-based model: individuals (called funders or lenders) are allowed to lend or invest in debt obligations directly (Jenik, Lyman, and Nava, 2017), receiving their funds back with an interest rate applied. Generally, the platform performs a

coordinator and intermediary role by providing the contractual terms and conditions or supervising the payments and repayments. This type of crowdfunding implies different sub-categories such as peer-to-peer lending, peer-to-business lending and, business-to-business lending.

Crowdfunding is rapidly emerging as alternative finance because able to fund projects that, despite a low level of maturity for the traditional market, are highly disruptive and innovative. Furthermore, as some researches reveal, crowdfunding may reduce administrative costs for enterprises, act as a catalyst for financial inclusion and foster innovation (Jenik, Lyman, and Nava, 2017; Hossain and Oparaocha, 2015)

3.4.3.3. Results based financing

Result-based financing (RBF) is a broader term encompassing different approaches such as Outcome-based finance, Payment by results or Pays for performance. The RBF is a funding model where the payments are subordinated to the achievement of pre-fixed outcomes. Thus, the outcome-based approach is a form of finance using the outcome as a proxy of performance (Lowe, 2013). In fact, the full payment is only received when the pre-agreed metrics, after the measurement, are achieved. The RBF approach is, usually associated with a lower implementation risk and budget savings for the public authorities. This is possible because of the presence of a new category of actors, the aforementioned social investors who share with the public actor the risk of failure.

This approach has received increasing interest in the last few years. Specifically, it emerged as a solution for the principal-agent problem (C. Eldridge & Palmer, 2009). The principal-agent theory was developed in the 1970s by Michael Jensen of Harvard Business School and William Meckling of the University of Rochester. The agency dilemma occurs when the agent is motivated to act in their own best interest instead of the principal one. Thus, the dilemma for the principal is to design a contract that allows the agent to act in the way they desire (Eldrige &Palmer, 2009). By solving – also – this problem, RBF appeared as a way to align the objectives and motivations of both principal and agent.

Besides this aspect, RBF also emerged as a tool able to improve the efficient and effective use of public resources, especially for delivering social services. Remarkably, the RBF approach finds its justification in the New Public Management (NPM) reform. The NPM rose in the 1980s and based its theoretical foundation on the public choice theory and the agency theory. This new movement, by replacing the "Weberian" approach to the organisation of the public administration, aims to "*implement management ideas from business and private sector into public services*"(Lapuente & Steven Van de Walle, 2020:463). The concept of the NPM can be summarised by the three Ms (Ferlie et al. 1996) like market, manager, and measurement. In this sense, the NPM promotes the establishment of a quasi-market for the public services, the creation of management group and management ability inside the public sector and the measurement of the performance achieved. Thus, the concept of the RBF can be associated with the NPM reform and its consequences (both positive and negative):

Lastly, the RBF (more precisely, one of its forms, namely the Social Impact Bond) is strictly related to increasing social innovation and social enterprises (Albertson et al., 2018). The RBF can facilitate innovation in several ways:

- To design new programmes and interventions;
- To diversify the types of actors involved in the provision of social services;
- To develop new contractual forms and arrangements;
- To deliver in a new way social services.

As previously highlighted, the RBF is a broader term that includes several schemes. In fact, the different combinations of the type of actors, type of results, timing and results lead to various RBF schemes (M. Eldridge & Tekolste, 2016). The table below shows a non-exhaustive list of different RBF schemes.

Table 11: Different types of RBF schemes based on M. Eldridge & Tekolste (2016)

Name of the scheme	Type of results	Type of investors	Timing	Recipient
Social/Development Impact bond	Outcomes	(private) social investors/providers	Up-front	Service providers
Outcome based finance	Outcomes	Public actors/ philanthropist	Reimbursed	Service providers/
Conditional cash transfer	Outcomes/ output	Public actors	Up-front	Individuals
Performance liked payments	Outputs	Public actors	Reimbursed	Service Providers
Revenues-based debt/equity	Output	Private investors	Up-Front	Organisation

Source: Elaborated by the author

3.4.4. Ethical Finance

Ethical finance can be added to the recent debate of social finance and impact investing. In fact, ethical finance meets two basic requirements identified by the framework proposed by the OECD (2015) in the report entitled "*Social Impact Investment (SII), Building the Evidence Base*". Specifically, ethical finance operates both on loans for social purposes (i.e. with a social return and financial rate lower than the market rate) and on impact investments with financial returns in line with market rates. This last consideration serves to clear the field of any misunderstandings that would like ethical finance as a charitable activity: referring to Article 2 of the "Manifesto of Ethical Finance":

"*Ethically oriented finance: (...) considers efficiency a component of ethical responsibility. It is not a form of charity: it is an economically vital activity that intends to be socially useful. The assumption of responsibility, both in making one's savings* *available and in making use of them that allows them to preserve their value, is the foundation of a partnership between individuals with equal dignity."*

The tradeoff between risk and return, while not disappearing, is not the decisive element in investment decisions. In some cases, ethical finance can support initiatives with higher risk profiles or do not have the guarantees required by the traditional banking process but intend to positively impact the community. In such circumstances, ethical finance makes use of alternative financing instruments, such as microcredit, which, relying on public guarantee instruments or those belonging to the ethical finance institution (think of ad hoc funds) give credit to financially weaker organizations but capable of great social and/or environmental "returns."

In the absence of a global regulatory framework, the binomial "ethical finance" does not give rise to a univocal and definitive solution. The phenomenon has therefore taken on different names according to the distinct civic movements that have given impetus to alternative finance experiences in various parts of the world, which, despite their specificities, asked their credit institutions to use more responsible savers and supported respect for values and principles such as transparency, participation, and sobriety.

In Italy, the principles of ethical finance are collected in the Manifesto of ethical finance, drawn up in 1998 by the Ethical Finance Association (AFE). The manifesto lists the seven principles that characterize ethically oriented finance, which:

1. The credit, in all its forms, is a human right;
2. Efficiency is a component of the ethical responsibility: ethical finance it is not a form of charity;
3. The interest rate is different from zero but must be kept as low as possible, based on economic, social, and ethical evaluations.
4. It is transparent: the financial intermediary must treat the information on savers confidentially;
5. It is characterised by democratic and open governance;
6. It has social and environmental responsibility as its principal reference:
7. Sobriety in the remuneration and incentives for the management board.

Therefore, the first distinctive feature of ethical finance is the exclusion from financial support of those economic activities that, even indirectly, hinder human development and contribute to violating the person's fundamental rights. To this indispensable but not sufficient requirement is added the allocation of resources to those sectors capable of producing the positive change from a social and environmental point of view, in particular welfare systems, energy efficiency and renewable energies, environment, organic agriculture, cooperation international, education, culture, fair trade etc.

Table 12: Differences between impact investing and ethical finance. Table elaborated by the author.

Features Impact Investing	Features Ethical Finance
Intentionality in generating the social impact	Maximization of the common good
Economic return expectation	Efficiency and Flexibility
Flexibility	Participation
Variety of tools	Variety of tools
Social impact measurement	Assessment of the socio-environmental impacts throughout the credit process: from the ex-ante to the ex-post phase.

Source: Elaborated by the author

3.5. Challenges and limitations in social finance

The emergence and development of social finance and impact investing are characterised by several tensions coming from the context, the instruments, and the actors of these practices.

As point out at the beginning of this chapter, social finance and impact investing offer a new revenue opportunity for actors coming from financial sectors. Many scholars (Joy & Shields, 2013; McHugh et al., 2013; Dowling, 2017) pointed out that social finance and impact investing are linked to two phenomena: the financialisation of the public interest and the marketisation of the social sector.

The concept of financialisation refers to "*the increasing dominance of financial actors, markets, practices, measurement and narrative at various scale, resulting in a structural transformation of economies, firms, states and households*" (Aalbers, 2019:4). While marketisation is intended, privatisation and competition affect the social sphere and the third sector movement (Joy & Shields, 2013). Thus, social finance and impact investing apply financial logic and rules to the social sphere. This means that social needs and social policy goals have to get through the financial market assessment and judgment. In this context, social finance and impact investing are understood as products connecting investors - interested in a return- with a specific social issue – with a certain degree of risk.

In the current debate, financialisation and marketisation are presented as the result of neoliberalism and, more generally, as the result of the welfare state crisis. Harvie & Ogman (2019) suggest locating social finance in these years' "multifaceted crisis". The two authors pointed out that social finance, social entrepreneurship, the New Public Management, and social services' privatisation appeared with several promises. They promised to solve social issues while putting financial resources in the system. They promised to solve welfare and fiscal crisis while encouraging civil society and private sector responsibility. They promised to solve the social and financial situation. Nevertheless, these promises seem to be broken, as analysed by the authors.

Another scholar, Chiapello (2015), stressed the language and finance devices are incorporated into social policies. Notably, the author refers to the practice of financialised valuation that is "*forms of reasoning and calculating combined with an investors' viewpoint"* applied to the social sector organisations. This means that social-based organisations are considered a new class of assets, and their value is defined by the social impact measured by applying investors' logic and instruments.

Beyond these criticisms, other challenges are affecting social finance and impact investing development that can be summarised in (Andrikopoulos, 2020):

- Metrics and measures, to date the process of measurement and valuation misses of a coherent framework that includes all the aspects of the social value creation and ethical considerations of the investment;
- Legal framework that is providing the enabling conditions for making it easier to attract capital for social-based organisations or convenient to invest for social investors;
- Risk and return, the investment decisions in the social finance market depend on the combination of risk and (social and financial) return. While the risk and financial return are very well defined, there are problems in measuring and quantifying the social return generated.

To conclude, social finance requires further conceptualisation and in-depth analysis. In this sense, there are two final considerations regarding the limitations and challenges affecting social finance and impact investing development. The first is related to the definition of social finance. The second consideration is connected with the ethical mission and vision alignment with the social finance recipient. To date, under the umbrella of social finance are encompassed several forms of finance; some of these are also very different in values and mission. It would be helpful to understand what are the boundaries and the limit of social finance. What are the characteristics of social finance? What type of the relationship between social finance and social enterprises? And what is the type of relationship with the other forms (less "attractive") of social-based organisations?

3.6. Conclusion

This section offered a picture of the current landscape of new finance dedicated to social enterprises and other forms of social-based organisations. The concept of social finance has been presented and analysed in all its forms and characteristics.

While social finance and impact investing gained *momentum*, this chapter provided a brief historical *excursus*. The starting point for understanding its emergence is in the mutual and cooperative movement. Of course, the welfare crisis and the 2008 financial crisis helped to "institutionalise" what we called today impact investing.

Under the concept of social finance, it is possible to detect significantly different forms of finance. From venture philanthropy to innovative schemes, all these forms are focused on supporting social-based organisations and creating social impact. As discussed in this section, social finance can be understood as an innovation itself and a way to finance innovation and innovative social-based organisations. It is more than the provision of financial resources. Instead, it is a discourse around how to offer finance by introducing new modalities and a new culture around intermediation.

At the heart of this discourse, there is the concept of social impact. The credit due diligence and the final decision to offer social finance resources depend on the social impact created by the recipient/client. Thus, social impact measurement becomes the metric in the hand of the funders to "select" who finance and "control" the performance created.

After having presented and described all forms of social finance, this section served as an overview of the actors, tools, and rules of the social finance market game. Successively, this chapter presented the significant challenges and limitations related to this practice. The financialisation of the public interest and the marketisation of the social policy and organisations have been the biggest criticisms of social finance. However, as Nicholls, Paton, and Emerson (2016) pointed out, social finance needs further understanding and conceptualisation as a research subject.

4. SIB, a new tool for financing social change

"The Social Impact Bond: it's a terrible terminology" (Paul Brest, 2015 Stanford Graduate School of Business Entrepreneur Symposium)

4.1. Introduction

The welfare crisis and the austerity emerged over the years due to the financial and economic crisis of 2008 – 2011. Consequently, governments faced a severe cut in welfare services. While the public spending on these services decreased, more complex societal challenges appeared. Despite the importance of their role in solving societal needs, social enterprises and, more generally, the third sector movement was negatively affected by the cutting of budget for social services. Until then, most of these organisations were depending on the public money coming from the payments for delivering welfare services. Simultaneously, in the financial world, a new class of actors – a sort of philanthropist willing to receive a financial return – entered with their money in the community services' funding process.

This context facilitates the development of commissioning and result-based finance, especially in the Anglo-Saxon world. The rationale behind this was to provide efficient public services with the few public resources available. This approach's novelty focused on the outcome rather than the prescribed activities, giving the provider more freedom to develop the proper intervention. However, small, and less organised providers (such as social enterprise and third sector entities) were penalised in this form of finance due to a lack of economic resources to provide upfront capital and a less developed internal structure.

The above is the context that explains why and how appeared Social Impact Bonds (SIBs). Introduced in 2009 in the UK by the Young Foundation and developed by Social Finance UK, SIB is an attractive concept still in its experimental phase.

SIB is described as an innovative financial scheme belonging to the family of outcome-based finance but positively related to the impact investing movement. Despite the name, SIB is not a bond, and it appears risky for those who bear the financial risk. Actually, this aspect is what characterised SIB. That is the entrance of a new third party in the commissioning relationship between the public actor and the provider, bearing the intervention's financial risk. However, SIB is more than a commissioning form of finance. It can catalyse and polling money from different investors putting together several stakeholders around societal challenges. At least, this is how SIBs have been presented to the world.

The opponents of SIBs stressed this scheme's ideological limitations and the danger for third sector movement and users more in general. SIB is the expression of liberalisation and marketisation of the welfare state. The idea of having a financial return from social welfare opens the door to transforming social services into commodities. Moreover, private actors' presence in the public sphere allows private financiers to marketise the welfare state to decide what deserves to be funded.

It is clear that the debate around SIB is quite polarised and controversial. Nevertheless, the reality is that to date, 202 SIBs are being implemented, touching the lives of more than 842 k users around the world.

Thus, this chapter aims to provide a description of SIBs and present the current academic debate. While in the first paragraph, the SIB is analysed under different aspects, representing the scholarly debate currently available. As remarked above, to date, the discussion on SIBs are pretty polarised. On the one hand, practitioners, and a subset part of scholars (especially those from management studies) stressed the advantages of SIBs in improving the efficiency of service delivery, creating savings for governments and introducing innovative interventions for societal challenges. On the other, scholars from other disciplines (such as social policy) argued the multiple challenges posed by this tool. The result is a debate highly polarised with limited evidence about the efficiency and efficacy of SIBs. Given the little knowledge and understanding of SIBs, the last part of the chapter introduces a conceptual framework to conceptualise SIBs better.

4.2.Definition of SIB

SIBs were introduced in 2008 by The Young Foundation[23], a UK-based think tank specialized in social innovation. Social Finance further developed the term[24], a not for profit organization working with public bodies, private actors, and social sectors in the UK.

The UK Cabinet Office in 2013 defined the SIBs as a "*commissioning tool that can enable organisations to deliver outcomes contracts and make funding for services conditional on achieving results*" (Centre for Social Impact Bonds, 2013). Years later, the academic research centre for outcomes-based contracting and impact bond, namely The Government Outcomes Lab (GO Lab), describes SIBs as a form "of outcome-based contracts" where private funding from investors allows providers to implement a social service. "*The service is designed to achieve measurable outcomes specified by the commissioner* (that is, the government or local authority). *The investor is repaid only if these outcomes are achieved."*

As stressed in the two definitions, the SIB is a mechanism belonging to the family of result-based and commissioning finance. Usually, the SIB is a contract between an outcomes payer (usually a public actor) and a service provider intending to improve a pre-fixed outcome. An investor who agrees to be paid back when the outcomes are proven and validated by an external validator offers the financing for implementing the interventions.

Thus, the SIB scheme is conceived as an arrangement with the following features (UK Cabinet Office, 2013; Emma Tomkinson, 2013[25]):

1. a contract between a commissioner and a legally separate entity (i.e., delivery agency or service provider);

[23] For further information please see the website https://www.youngfoundation.org/
[24] For further information please see the website https://www.socialfinance.org.uk/
[25] Please see the webstite of Emma Tomkinson here https://emmatomkinson.com/sib-definition/

2. a particular social outcome or outcomes, which, if achieved by the delivery agency, will activate a payment or payments from the commissioner;
3. at least one investor that is a legally separate entity from the delivery agency and the commissioner;
4. and some or all of the financial risk of non-delivery of outcomes sits with the investor(s).

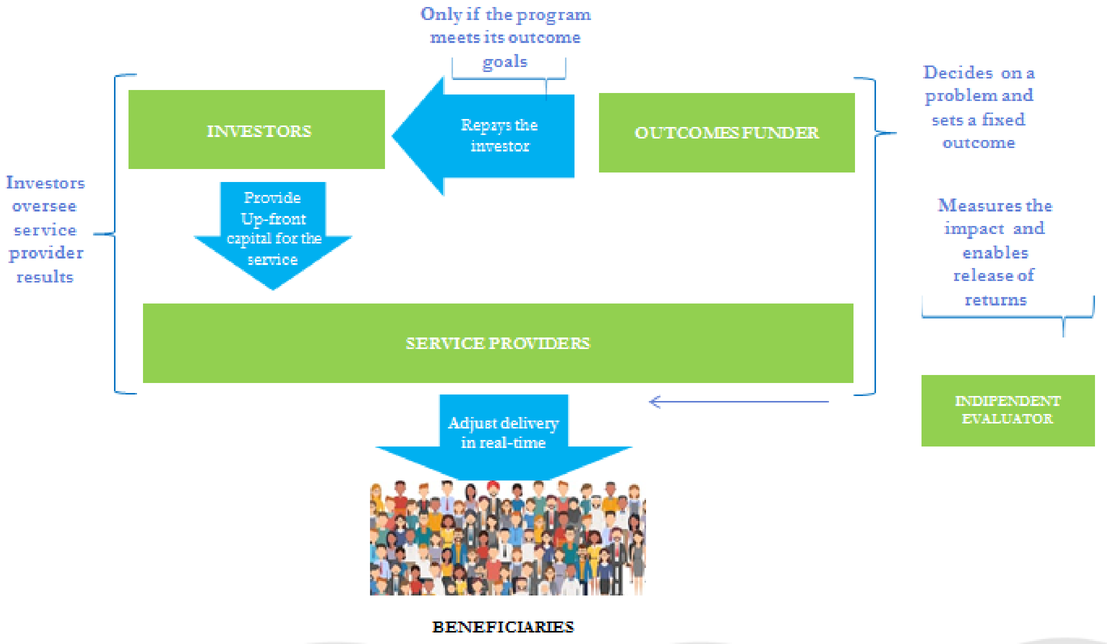
Table 13: Essential features of SIBs

Essential features of a SIB	a contractual relationship between a commissioner and a social service provider
	a pre-fixed social outcome
	the presence of at least one investor different from the commissioner and the social-service provider
	the investor bears the financial risk

Source: Elaborated by the author.

Under a SIB, a social provider receives long-term funding commitments from private (impact) investors to implement or expand social intervention with the support of a public commissioner targeting measurable outcomes (Dagher, 2013). If and how much investors are repaid depends on the intervention results. Typically, SIB contracts establish specific thresholds that must be achieved to pay back investors. The repayments include an interest rate because the outcomes achieved will generate cost savings or social improvement, creating substantial economic and social values.

Figure 14: Description of a SIB



Source: Elaborated by the author.

As described in the figure above, SIBs involve different actors. The commissioner contracting SIBs is usually a central or local government body. The involvement of a public actor in this type of scheme is related to the possible social cost savings associated with the social intervention. In this sense, only in cases of successful programs, the public commissioner repays the investor. Failures in meeting the agreed outcomes will negatively affect the financial actor, who will bear the partial or total loss. Although the public actor sets the desired social outcome, the investor provides financial resources to the social provider to ensure the intervention's deliverance for the specific social need. By offering a mixture of work and risk capitals (Young, 2017), SIBs allow social organizations acting as social providers to enjoy stable, long-term funding (Dagher, 2013: 3,503). The social provider involved is the actor that delivers the intervention to the final user. Usually, the social provider is a socially-oriented organisation. However, it can also be a for-profit enterprise. Apart from traditionally outcome-based commissioning schemes, upfront working capital is provided by investors who bear the risk of non-performance. After the contract, governments can decide to fund the directly involved service provider through another SIB, wherein investors will only receive a return if the fixed outcome is achieved.

Then, the external evaluator monitors and assesses the agreed outcomes' achievement. Lastly, the beneficiary or the target group is the population who received the intervention.

4.2.1. SIBs models and configurations

To date, there is no blueprint of a SIB model and configuration (Rotheroe & Obe, 2014; D J A Smeets, 2017). As noted by (Mulgan, Reeder, Aylott, & Bo'sher, 2011), the SIB delivery structure depends on the primary actors involved. In this sense, Rotheroe & Obe (2014) present two predominant models:

- the commissioner-led SIB, which is the prior model in the UK, the initiator is an outcome payer (usually a public authority) who is in charge of all preparatory work;
- the provider-led SIB is the delivery organisation (the service provider) that has the leading role.

Despite there is no "one size fits all" structure, it is possible to identify three approaches to SIB delivery models (Goodall, 2014):

- Direct in which the contract is signed between the commissioner and the service provider; in this structure, the service provider is responsible for the implementation and the performance management (Giguere, Bonaglia, & Noya, 2015)
- Intermediated in which the contract is signed between the commissioner and a special purpose vehicle (that is a separate legal entity created by an organisation to isolate financial risk); here, it is the intermediary who selects the service provider and checks all steps of implementation and performance management (Giguere et al., 2015)
- Managed in which the contract is signed between the commissioner and an intermediary or an intermediary managed special purpose vehicle; the main

difference with the intermediary structure is that in this last one, the intermediary does not invest in the SIB (Giguere et al., 2015)

In the seminal working paper of Mulgan, Reeder, Aylott, & Bo'sher (2011), the authors classified the SIBs according to the source of finance:

- Philanthropic social impact bonds: where the source of finance comes from philanthropy and then invested through a special purpose vehicle. This model of SIB is the one used for the pilot in Peterborough. As stressed by the authors, this form allows for experimentation and innovation due to the fact the philanthropist is willing to accept high levels of risk;
- Public sector social impact bonds', where the National Government set up specific Funds making available resources for local authorities interested in SIBs;
- Commercial social impact bond's; where the source of funds come from banks, pensions fund and other financial actors;
- Hybrid approaches, characterised by a mixture of sources of funds.

These are just some of the possible options: SIBs are very flexible with several structures and configurations.

At the scholars level, two distinct works have investigated this aspect. On the one hand (Arena, Bengo, Calderini, & Chiodo, 2016) identified the SIBs features that allow a characterisation by reviewing the academic and practitioners literature.

The authors carried out a comparison between the experiences identified and the "prototypical SIB structure" presented in the literature, with the following characteristics:

- Innovative and preventive interventions;
- Outcome-based contract,
- Presence of a commissioner and a delivery agency;
- Presence of an investor different from the commissioner and the delivery agency;
- Risk transferred to the investor.

The results of this exercise revealed the three types of configuration:

- fully compliant SIBs;
- partially compliant SIBs;

- marginally compliant SIBs.

So, eight dimensions of analysis were captured by this study:

1. Coverage of a social issue: that is how the public sector addresses the current societal challenges;

2. Innovation of the program: this dimension explores the degree of novelty and innovation of the SIB intervention;

3. Target area: it is intended for the geographical location targeted by a SIB;

4. Nature of the promoter: namely the leading and promoter actor of the SIB programme;

5. Involvement of the commissioner: that is the role undertaken by the public actor;

6. Flexibility of the delivery structure: namely the interactions between the service provider and the other stakeholders in terms of service delivery;

7. Risk allocation: this dimension is about the allocation of risk within the stakeholders involved in the SIB programme;

8. Distribution of potential savings: it represents the connection between the potential savings and the commissioner's payments.

The review of SIB experiences, in fact, has pointed difference between the experiences implemented and the reference model. Besides, also within the class of group emerged relevant differences. From this study, it is pretty clear the absence of a typical SIB structure.

While Jim Clifford and Tobias Jung (2016) elaborated a multi-dimensional conceptual typology of SIBs. This typology combines three dimensions: social, financial, governance and structure, with eight categories identified within these dimensions. The categories are:

- cohort selection,
- counterfactual,
- corporate,
- control/measured,

- accountabilities,
- capital, income,
- intervention.

4.2.2. Geography and scope of SIBs

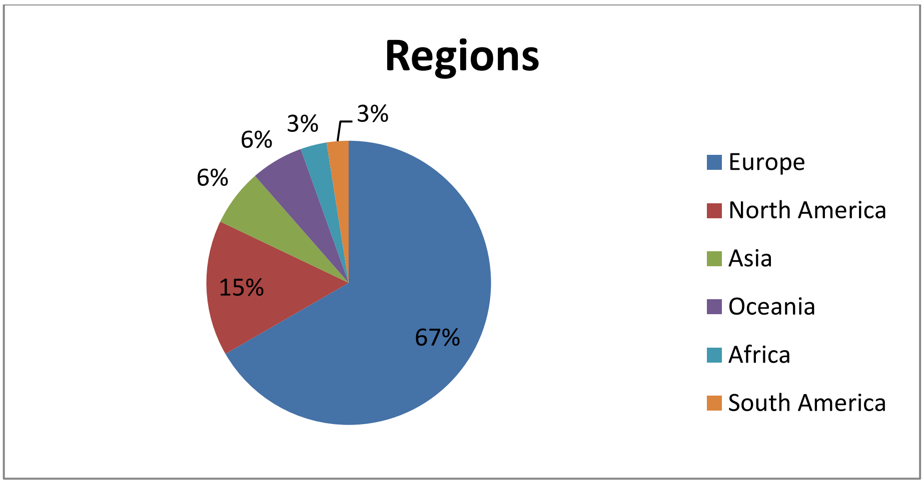
The UK was a pioneer in adopting and implementing SIBs. In fact, in 2010, the UK Ministry of Justice collaborated with Social Finance Ltd to launch the first SIB focused on reducing prisoner recidivism. Ten years after the pilot project, the UK has developed 87 projects [26](INDIGO[27] initiative, 2021), confirming the initial trend. Nevertheless, SIBs are a growing global phenomenon with a worldwide distribution. The second biggest market of SIBs is the US, with 25 projects, and the third country is Portugal, with 13 projects (data from INDIGO dataset[28]).

[26] For more information about the data please see GOLAB website: https://golab.bsg.ox.ac.uk/knowledge-bank/indigo-data-and-visualisation/impact-bond-dataset-v2/?query= (last access 24th January 2021)

[27] "The International Network for Data on Impact and Government Outcomes (INDIGO) is a community of peers with an interest in sharing data about the design, implementation and evaluation of outcome-based projects. INDIGO's objective is to support the use of quality data by policymakers who are addressing complex social problems." For more information please see the website https://golab.bsg.ox.ac.uk/community/peer-learning-groups/indigo/INDIGOHackandLearn/ (last access 24th January 2021)

[28] For more information please see the website https://golab.bsg.ox.ac.uk/knowledge-bank/indigo-data-and-visualisation/impact-bond-dataset-v2/ (last access 24th January 2021)

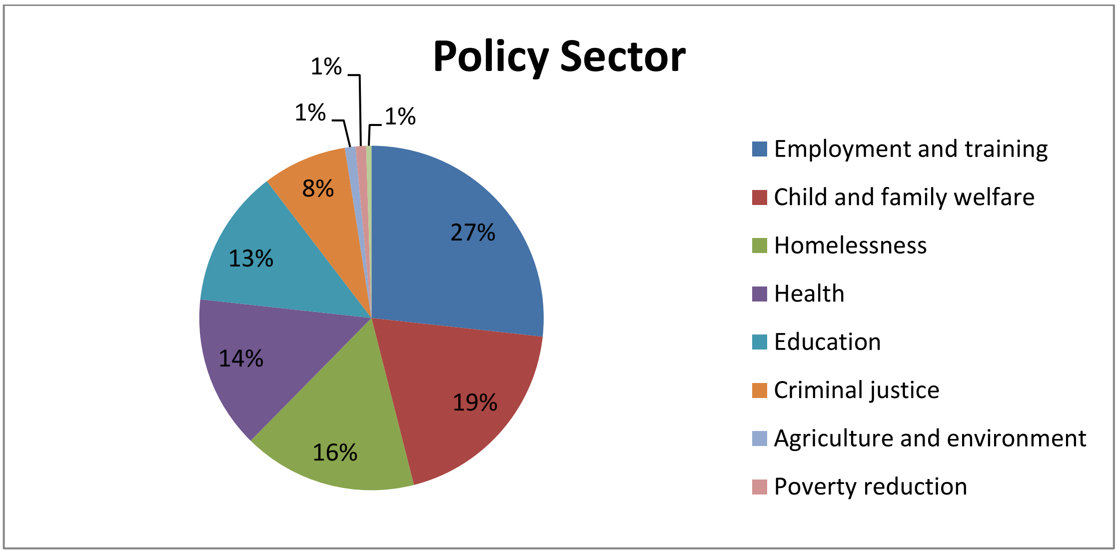
Graph 1: about the distribution of SIBs



Source: Elaborated by the author on the date available on Indigo Dataset (2021)

The scope of SIBs ranges across different policy areas; however, employment and training collect the54 projects developed (INDIGO dataset, 2021)

Graph 2: about the Scope of SIBs



Source: Elaborated by the author on the data available on INDIGO Dataset (2021)

4.2.3. Application of SIBs

SIB has been designed to catalyse private money for funding communities' services while generating savings for the government, returns for investors and more funding for delivery agents (usually a non-profit and social enterprise organisation).

Although SIBs are at an experimental phase and several aspects and mechanisms are still unknown or little explored, it is possible to drown some lessons from the cases already implemented.

The 2015 Report of the Brooking Institute (Gustafsson-Wright, Gardiner, & Putcha, 2015) represents the first global study to review and evaluate the potential and limitations of SIBs. Remarkably, the study contributed to assess the ten common claims about the impact bonds:

- Crowd-In Private Funding: despite SIBs, proponents stressed that this scheme encourages crowd-in from private investors (Mildred E Warner, 2013). The rationale is that as a form of impact investing, SIBs represent a new class of assets attracting a new typology of investors, the so-called social investors. These investors are characterised to be equally interested in obtaining back both a financial and social return. Thus, these social investors may be interested in providing resources for social services. Nevertheless, this claim has not been sufficiently demonstrated. SIBs may represent a form of additionality by pooling resources from different actors; it is also true that a growing number of commercial investors seem more oriented in SIBs than ever. However, it is not true that SIBs can represent a class of assets leading a shift in sector investment.
- Prioritise Prevention: SIBs are widely designed for preventive interventions, services preventing the worsening of a specific condition. The current budget constraints in social policy oblige the public actor to cut the expenditure for early and preventive interventions. So, SIBs appear as a tool for opening up a new source of funds to finance those services. By focusing on early and preventive interventions, SIBs help tackle the root cause of a social challenge. Thus, it contributes to save money for remedial interventions (So & Jagelewski, 2013).

- Reduce Risk for Government: the SIB model offers the chance to transfer the risk associated with social services from government to private actors. The most relevant, SIBs facilitate to share the financial risk of performance to the private investors (Milfred E Warner, 2013). Beyond the financial risk, the impact bonds may tackle other typology of risks as the budget management risk, the execution risk and the innovation risk associated with the design services (Gustafsson-Wright et al., 2015). Caré (2019) identifies three risks: the macro-level group, including political and policy risks; the micro-level, the partnership risks and the mesolevel group ranging risks not strictly associated with the interventions. In this sense, given the presence of this variety of risks, it isn't effortless for the government to transfer them to investors and providers.
- Shift Focus to Outcomes: as a form of outcome-based and result-based finance, the assumption behind the social impact bond is shifting the focus on outcomes, preferably on activities. In comparison, the social service sectors felt frustrated about not achieving the results; SIBs promise to offer more flexibility to adjust interventions and reach the social goal. Suppose it is true that SIBs allow more flexibility to providers in designing and implementing their interventions without useless constraints. In that case, this focus on outcomes requires the capacity to link results with the interventions. As stressed by Fox & Albertson (2012), this black box approach poses several challenges. Firstly, the process of outcome selection can be tricky and controversial. How can the SIB stakeholders select the appropriate outcome? How can the outcome be attributed to the specific intervention? All these questions are still unsolved and contribute to enriching the criticism towards SIBs.
- Driven Performance Management**:** this claim is strictly related to the previous one; the potential of SIB, as argued by its proponents, is to enforce accountability and measure performance. Of course, SIBs help providers improve their activities by applying different approaches and metrics. At organisation the level, an increase of efficiency and awareness about the internal structure and performance are possible. Nevertheless, as stressed above, there are several difficulties attributing outcomes to specific interventions. So, if this attribution seems complicated, how can one reward a service provider for its performance? (Sinclair et al., 2014).

- Build a Culture of Monitoring and Evaluation**:** as the prior claims, also this is based around the capacity of SIBs to allow providers to focus on outcomes improving efficiency and performance. So, this implies for providers a shift toward a data-driven organisational culture. To evaluate the success of SIBs, providers are required to collect data, monitor the progress, evaluate their activities, and assess if the pre-agreed outcomes have been achieved. On the other hand, the public actors are also required to change providers' approaches. Data from service delivery can help policymakers gather insights, improve existing policy strategies, and monitor and manage activities adapting to communities' needs.

  However, as Sinclair (2014) stressed, the data-driven approach is entirely developed in evolution policy literature. There is no evidence confirming SIBs as tools able to build a culture of monitoring and evaluation.
- Achieve Scale**:** SIB is presented as a financial mechanism to grow and scale impact. However, suppose that SIBs help expands interventions targeting a growing number of users or geography delivering the services in multiple areas. In that case, it is not clear if this tool can improve and expand the social impact.
- Foster Innovation in Delivery**:** Among the most quoted advantages around SIBs, this tool's ability to foster innovation in the delivery of social services. Unfortunately, as noted in the 2015 Brooking Report, they appear scarcely innovative by analysing the intervention so far. The motivation may be related to the presence of private investors that harness the experimentation of innovative and risky interventions.
- Stimulate Collaboration: To work, SIBs require the involvement and cooperation amongst all the actors in the programme. Cooperation and collaboration mean building a trustful relationship based on shared values and objectives. As reported by the 2015 Brookings, each actor can bring a specific attitude and perspective to the SIB, improving the overall result.
- Sustain Impact**:** SIBs are presented as a tool for supporting and sustain social impact. To date, there is no evidence about this claim; of course, SIBs stimulate the adoption of impactful initiatives, and the results could come in the following years.

To sum up, SIBs is a tool for funding early and preventive social interventions with the following features (Marks, M. B. and Weaver, 2017; Liebman, 2011):

- Interventions for which it is possible to identify measurable outcomes;
- A robust intervention model;
- Well-defined target groups/service users,
- Interventions already tested and able to scale up in a shorter time.

4.2.4. SIB vs commissioning and PBRs finance

Over the last few years, commissioning finance has gained relevance due to the public service system's transformation. Under the commissioning finance umbrella falls several types of schemes and forms, amongst which Payment by Results (PBRs).

The PBRs describe a specific class of outcomes-based commissioning where payments depend on pre-fixed targets' achievement. In this commissioning class, economic resources are usually provided partially before, during and after the intervention. The PBR is deeply rooted in the New Public Management approach.

Social Impact Bonds are described as a form of outcomes-based commissioning finance. As with PbR schemes, SIBs also receive resource commitments from public authorities; these may only be used for successful social programs (Dagher, 2013). However, the SIB context involves different forms of commissioning. The upfront working capital is provided by (social) investors who bear the risk of non-performance (Schneider and Trope, 2017). After the contract, governments can fund the directly involved social organisations through another SIB, while investors only receive a payment if the fixed outcome is achieved.

SIBs are configured as multi-year and multi-stakeholder partnerships, including commissioning and funding innovations (Albertson and Fox, 2018:2). On the one hand, SIBs introduce a new (funding) structure in the relationship between the government and third-sector organisations (McHugh, Sinclair, Roy, Huckfield, & Donaldson, 2013; Milfred E Warner, 2013). On the other, SIBs are the expression of new logic, actors, and financial movements that have been developed in the last few years, including impact investing and social finance. Thus, the private investor who provides up-front capital for SIB results from these innovations in the public and social spheres.

4.3. SIBs as part of the social finance and impact investing movement

SIBs are often associated with social finance and the impact investing movement. As social finance, SIBs can be understood as an innovation itself or as a way to finance innovative interventions. While as impact investing, SIB is characterised by the presence of social investors looking for a financial and social return.

In this sense, SIBs share essential elements with the impact investing movement (Berndt & Wirth, 2018), such as:

1. Intentionality; all the actors involved in the SIB programme have the objective and the core mission to tackle specific social needs and make an impact.

2. Use Evidence and Impact Data in Investment Design; the core of SIBs projects measures the impact provided. In order to pay back investors, the impact created must be evaluated and quantified. This means that SIB intervention is designed to start taking into account if, what and how to measure. The data available represents the base for payments and the project's success.

3. Manage Impact Performance; SIBs represent the ideological and concrete shift in the service provision, from activities to outcome. The implication is to focus on what is achieved, no matter how it is implemented. Thus, it is fundamental to have a performance management system, allowing service providers to assess their work. Moreover, measuring and managing impact means handling intended and spill-over effects.

The elements of continuity of impact investing are two: the presence of a new class of investors, the social ones, and the importance of the metrics developed (Berndt & Wirth, 2018; Roy & Mchugh, 2017). These aspects, however, are the most controversial and ambiguous. The spectrum of social investors ranges from mainstream investors to impact investors. This means that most of those (or a significant number) applied traditional financial logic when investing in projects with societal implications. The risk is to focus only on social needs, easy to target and return to satisfy investors. In addition, the welfare system of services is more than the delivery and provision of activities (Roy & Mchugh, 2017). What are the implications of private logic in this system? Furthermore, the centrality of metrics and impact measurement creates burden and complexity in social providers and contributes to mistakes in attributing outcomes. The majority of these questions and considerations are still unsolved due to limited evidence about SIBs.

As noted above, SIBs can also be considered – more broadly - as a tool within the context of social finance. In this sense, impact bonds emerged to provide additional funding for innovative interventions. Thus, the flow of resources channelled by SIBs is directed to social enterprises and social-based organisations (charity and voluntary sector, social economy actors and third sector movement more in general) committed to solving social needs with a limited amount of economic resources. The rationale behind SIBs is to provide additional capital – beyond the public money – for tackling big and complex community issues. Through the cooperation and collaboration of several actors – different but united in diversity – SIBs can facilitate social value creation. The collaboration element is not new in the social finance form. Social and ethical banks are characterised by a high level of collaboration and cooperation with the ecosystem. The innovative element of SIBs is the toolbox provided: the logic and instruments of private sectors nuanced with social sectors' details.

4.4.The literature debate on SIBs

The scholarly debate on SIBs is predominately conceptual, presenting the different narratives (Fraser, Tan, Lagarde, & Mays, 2016). Few relevant studies have used empirical methods (like for examples Arena et al. 2016; and Edmiston & Nicholls, 2018), there has been criticism regarding the unclear effects of the mechanism (Roy & Mchugh, 2017) thus challenging the overall instrument as an appropriate tool for achieving social benefits and cashable savings (Whitfield, 2015a). Other studies have examined the so-called "financialisation" of the "public interest" (Chiapello, 2015) or have focused on the welfare state (Dowling, 2017). On the other hand, a small subset of the literature has investigated the roles, behaviours, and effects of SIB actors in addition to the transaction costs and specific risks incurred by involved parties (Pandey et al., 2018). Some studies have also discussed how different interests align among various actors (Maier & Meyer, 2017;)

Broccardo, Mazzuca and Frigotto (2020) work is the most updated review on the SIB scholar debate. Their work highlights that SIBs is a nascent field of research growing but still looking for legitimisation. As remarked by the authors, a large subset of contributions are about commentaries on the pros and cons of adopting SIBs.

In this sense, several authors have provided a general critical assessment of SIBs, like the already quoted work of Roy & Mchugh (2017). Others have stressed specific challenges such as high administrative and transaction costs (Fox & Albertson, 2012; (Fraser et al., 2016; Maier & Meyer, 2017; Warner, 2013; Whitfield, 2015b; Williams, 2018; Tan et al. 2015; Tse and Warner 2018). Or others like McHugh, Sinclair, Roy, Huckfield, & Donaldson (2013) stressed the fact that the SIB implies a worsening of the principal-agent dilemma and information asymmetries amongst the stakeholders involved. Others, like Arena et al. (2016), doubted that the innovative potential of SIBs had not been realised, nor it may be realised.

Some scholars highlighted as the SIB model can create distortive incentives on the non-profit service providers (Edmiston & Nicholls, 2018; Fox & Albertson, 2012; Joy & Shields, 2013; Loxley, 2015; McHugh et al., 2013; Warner, 2013; Williams 2018; Tse and Warner 2019). Furthermore, the debate has focused on the risk of “creaming and parking” of the beneficiaries (Edmiston & Nicholls, 2018; Lowe and Wilson 2017; Tse and Warner, 2019). While creaming is intended to include only the beneficiaries easy to reach in the target group, parking refers to precluding from the interventions to the hardest to reach (Carter &Whitworth, 2015).

A significant part of the SIB literature refers to the ideology and the context in which SIBs emerged. Several scholars have suggested that SIBs are the results of neoliberalism and austerity and represent the so-called process of financialisation (Chiapello, 2015; Dowling, 2017; Harvie & Ogman, 2019; Joy & Shields, 2018; Lilley, Harvie, Lightfoot, & Weir, 2019; Loxley, 2015).

The seminal work of Fraser et al. (2016) introduces the different narratives around the SIBs. The authors identify three streams of narratives in the literature debate: the public sector reform narrative, the private financial sector reform narrative, and the cautionary one.

The public sector reform is associated with the idea that the private-sector approach benefits the public and third sectors in the design, delivery, and accountability of social services. Thus, incentives and market attitude would boost performance measurement in third sector organisations and accountability with the public actor (Mulgan, Reeder, Aylott, & Bo'sher, 2011; Fraser et al., 2016). Hence, SIBs would come with a great opportunity for both the public and third sectors. On the one hand, the so-called third and social enterprise sectors have the chance of setting up collaboration and accessing more funding resources. On the other, public sectors can introduce more accountability mechanisms in the relationship with the service provider, improving the whole service. Furthermore, the public actor enjoys other benefits coming from SIBs, such as, for example, the risk-shifting from the public to private investors and the budget savings of the operation. This last argument is solid and appealing, especially in the UK system – characterised by a liberal welfare state system.

The private sector reform empathises the role of the private sector in the social domain. The logics and instruments of the private and financial sector foster collaboration and efficiency amongst the different stakeholders involved in the social services delivery. In this sense, SIBs are seen as the result of a vast movement called impact investing or social finance. This movement has the power to overcome the negative aspects of capitalist and anti-social mindsets aligning the players' interests. As Maier & Meyer (2017) stressed, both the public and private sector narratives highlight that SIBs are presented as a "win-win-win" option in the austerity context.

Unlike the positive attitudes of the first two narratives, the cautionary narrative expresses doubt about the "*the appropriateness of 'private sector' values and mechanisms in the field of public services"* (Fraser et al., 2016:9). In fact, this debate stream highlights many unsolved issues around the SIBs, such as those presented above in this review. However, as Fraser et al. (2016) stressed, this narrative is not against applying outcome-based structure in the SIB Rather, it challenges the side-effects caused by SIBs and is neglected by its advocates.

In the scholars' debate, SIBs are theorised and understood differently. The first approach is to locate the SIB within the New Public Management (NPM) and New Public Governance (NPG) theories; the other is to understand SIB as a form of social innovation (Albertson, Fox, O'Leary, & Painter, 2020).

The NPM is the theoretical paradigm used to explain the emergence of SIBs. NPM is a broad concept applied to the public sector reforms implemented in the last 40th/30th years. Basically, this approach proclaims the importance of using private-sector techniques in public service management (Hood, 1991). Ferlie (2017) has described the NPM approach with the 3 Ms: 'markets'; 'management'; and 'measurement'. In this sense, SIBs are considered an extension of the NPM because the SIB involves all the 3Ms promoted by the NPM paradigm (Dowling, 2017; McHugh et al., 2013). Over the years, the NPG paradigm has overcome the NPM approach. While the NPM focused on using business attitude in the public service delivery, the NPG is oriented to improve the internal public administrations and service delivery through inter-organizational coordination between governments and other actors (Osborne 2006).In this sense, SIBs can fit in the NPG due to the presence of multiple players interacting with the public actor to add value in social delivery. However, as Albertson et al.(2020) noted, neither NPM nor NPG approaches offer a solid theoretical base for understanding SIBs.

On the one hand, SIBs are not totally aligned to the logic of the NPM. For example, starting from the name, the term bond, as explained by Albertson et al. (2002), is misleading because it implies an involvement from the private market through investors. The bond is fixed-income security that can be intended as loans made by investors to an issuer, with the promise of repayment of the principal amount at the established maturity date, as well as the interest. On the contrary, in the SIBs, the social investors involved are agreed to receive back their money only if the pre-fixed outcome is achieved. On the other, creating a partnership and inter-governmental relationship is neither a B-side effect of SIBs nor the principal purpose of the scheme.

As the purpose of setting up SIBs is to deliver a social change, too often, SIBs are associated with social innovation. Moore, Westley, & Nicholls (2012) are amongst the first scholars addressing the centrality of appropriate financial resources in stimulating and delivering social innovation. The emergence of social finance, an umbrella term where we can find SIBs, tries to address the gap in social innovation funding. Moore and

Westley (2011) describe social innovation as a transformation "*any initiatives, products, processes, or programs that change basic routines, resource and authority flow, or beliefs of any social system*". This definition implies that social innovation is concerned to go to the root causes of societal challenges; in doing so, it offers "*unique combinations of the conventionally disparate logics of the private, public, and civil society sectors in new, hybrid types of action*" (Moore, Westley, & Nicholls, 2012: 120). In this sense, SIBs appear both as an innovation itself and a way to fund innovation (Moore, Westley, & Nicholls, 2012).

On the one hand, SIB proponents stress the potential of such a tool to address the obstacles to innovation (Liebman, J. B, 2011), such as financial resources or ineffective interventions. By collecting money from the private market and shifting the focus on the impact, SIBs help spur innovation. On the other hand, it represents a new class of assets supporting social enterprises and social investors in their financial decisions. However, as stressed by Sinclair, McHugh, and Roy (2019) and reported by Albertson et al. (2020), it seems that SIBs fail to be theorised using the lens of social innovation. In a certain sense, this scheme is not as transformative as it should be. For example, SIBs fail to empower the social intervention's final users, who are treated as "clients" or involve the community where the intervention is rooted.

Nevertheless, as predominantly expressed by different scholars (see, for example, Clifford and Jung, 2016 or the last call from Broccardo, Mazzuca and Frigotto, 2020; or generally the work done by GO Lab in terms of research of SIBs), SIBs as research subject needs more analysis and understanding.

4.5. A Framework for a better conceptualisation of SIBs

From the literature review available on social impact bonds, it is hard to find a general and adequate definition capturing this instrument's essence. On the one hand, the term social impact bond is misleading. Despite the name, SIBs are not bond paying fixed coupons rather multiparty contracts with incentives and safeguards. On the other, its effects are still unclear, contributing to criticism. Clifford and Jung (2016) pointed out a strong need for a better conceptualisation and understanding of this scheme.

This paragraph offers a framework connecting nature with the scope of this tool to have a deeper understanding of SIBs. The aim is to develop a more satisfactory comprehension of the social impact bond. Beyond that, this paragraph provides a guideline for a more inclusive classification of SIBs, which considers its nature and scope.

The starting point of this framework is to recognise both the instrument's complexity and flexibility. SIB is a multi-purpose tool (Pasi, 2014) able to adapt to different contexts and serve multiple strategies. This is possible because of its manifold nature; in fact, a SIB is a:

- Financial scheme: a SIB is a hybrid financial instrument par excellence; like a derivative, the value of a SIB depends on the occurrence of a particular event, specifically on the achievement of social impact. However, unlike in a derivative, the investor has to provide up-front capital covering all or a large part of the projected costs. Like debt, the investment has a fixed term, the maximum return is capped, and the capital may be partly or fully secured. Alternatively, like equity, the capital may be fully at risk.

- Contract: a SIB is a multi-stakeholder arrangement amongst several actors. Unlike traditional contracts, the "obligation" of repayment comes when the pre-fixed outcomes are achieved. Furthermore, differently from the regular commissioning contracts, the finance needed comes from a third-party the so-called social or impact investors in an SIB arrangement.

- Public policy tool: emerged as a scheme for funding community services. SIBs allow to (re)direct the (scarce) public and private resources towards specific target populations to achieve specific policies objectives. In this sense, SIBs are often perceived as a public policy tool.

Each aspect of SIB nature is associated with a specific scope, and a SIB can be structured for achieving:

- a funding scope: the scheme allows to collect of resources for social interventions, helping the social provider to enjoy a stable cash flow and the public actor to save social costs;

- a collaborative/partnership scope: SIBs are innovative and complex partnerships that require actors from different sectors to act beyond their institutional boundaries to co-create and co-design services closer to the needs of beneficiaries;

- a social scope: SIB allows to tackle social issues.

As a financial instrument, SIB performs a funding scope for all the actors involved. Particularly:

- public administrations have access to additional funding for financing preventive services, especially in these times of budget constraints;
- social enterprises and, more generally, third sector organisations received working capital for scaling up their activities;
- social investors invest their money in socially-driven investments with double returns.

SIBs may be considered social innovation, especially in terms of the partnership structure, coordination amongst actors, and social impact. The collaborative scope of SIBs allows:

- all actors working for societal developments to have more chance to reach the target fixed;
- social enterprises to achieve better and faster their mission;
- social investors to mitigate the agency risk.

Beyond their funding and collaborative scope, SIBs are pay-by-results schemes. A government pays for improved social outcomes delivered by intervention with essential consequences in cost savings and welfare services. This type of tool facilitates a shift of the policy focus from outputs to outcomes increasing the transparency, accountability and cost-effectiveness of public spending (Giguere et al., 2015)

If considered as a public policy tool, SIBs help the public decision-maker:

- to determine and focus on preventive and early interventions;
- to create public value;
- to save public money and reduce financial risk.

The table shows how nature and scope are connected and the consequences for the stakeholders involved.

Table 14: Nature and Scope analysis and consequences for the actors involved

Nature	Scope	Consequences for the actors involved
Financial Scheme	Funding Scope	• Delivery of (preventive) social services (PA); • Working capital for scaling-up the impact and innovative projects (SEs); • socially responsible investment with low-risk security & the potential for double returns (Social Investors)
Contract	Collaborative Scope	• Essential for achieving their mission (SEs); • Key for achieving societal developments (PA, SEs, Social Investors) • Mitigation of agency risk (Social Investors)
Policy Tool	Social Scope	• Creation of public value; • Future savings & reduction of financial and political risk; • Preventive & early interventions;

Source: Elaborated by the author

The framework suggests considering the SIB complexity carrying out more qualitative analysis around its triple nature. Thus, to contribute to elaborating a more sophisticated SIB configuration classification, the framework above is enriched by adding the dimensions of analysis for each nature/scope.

The first step is to reconcile the nature and the scope previously identified. Hence, it has been assumed that nature and scope can match:

- the financial nature fits together with the funding scope, so SIB is understood as a financial scheme;
- the contracting aspect matches with the collaborative scope, so SIB is intended as a contract;
- the social scope goes with the policy nature, so SIB is considered as a policy tool.

For each of these aspects, it is identified the dimensions of analysis, such as:

- Financial Scheme: Risk Management & Sharing mechanisms; Outcome metrics and payment schedule; Investment size & capital structure; Nature of Investor.
- Contract: Legal Structure; Contractor structure; New partnership & incentives structure; Partnerships outside SIBs
- Policy Tool: Sector of intervention; Target population; Politically risk issue; Type and novelty of intervention.

Lastly, to explore each dimension of analysis, some variables are identified. To conclude, the framework proposed is shown in the table below.

Table 15: Framework for a better configuration of SIBs

Aspect	Dimension of analysis	Variable(s)
Financial Scheme	- Outcome metrics and payment schedule; - Investment size & capital structure - Nature of Investor - Risk Management & Sharing mechanisms	- Baseline/counterfactual; - Small, Big; Equity etc; - Private/Public/Social; - Yes/No/ which type of mechanisms are developed
Contract	- Legal Structure - Contractor structure - New partnership & incentives structure; - Partnerships outside SIBs	- Direct vs Intermediary; - Social provider, SPV, intermediary; - Yes / No/Partially; Risk premium for investors and social providers; - Yes/No/Partially
Policy Tool	- Sector of intervention; - Target population; - Issue addressed - Type and novelty of intervention:	- Type of sector; - Size of at-risk population; - Risky; Political/Financial - Proven, pilot; Preventive, early;

Source: Elaborated by the author

4.6.Conclusion

Emerged between 2009 and 2010 in the UK, SIBs are considered a new financial scheme pooling private sector welfare services funding. The rationale behind SIBs is to offer resources – within a context of budget constraints – for the social services while providing a double return rate to investors, savings for the public actors and funding the social-based organisation involved in the delivery of welfare services.

Almost ten years after its appearance, there are several issues still open. Firstly, the name is quite misleading, creating confusion and prejudice. SIBs is not a bond, but nor equity or derivative instruments. It is a contract between several actors, namely the public actor, the so-called commissioner, the service provider, and the social investor. Under this contract, a service provider is committed to delivering a social intervention addressing a pre-fixed societal challenge. If the pre-agreed outcome is achieved only, the public actor repays (with interest) the social investor who provides up-front capital for the service provider. Secondly, despite the development of more than 200 SIBs, there is no blueprint or unique configuration. SIBs are strictly related to the place where they are developed. The context, actors, and typology of societal challenges strongly affect the type of SIBs to create. Thirdly, the academic and practitioner debate are pretty polarised. The advocates of SIBs highlight this collaborative partnership's positive effects amongst public, private, and social sectors. On the contrary, the opponents stress the capitalistic ideology at the base of SIBs and its dangerous consequences of having the private sectors provide social services.

The chapter has provided a first overview of SIBs. The aim is to offer a broader description of this scheme's salient aspects until touching the debate. The landscape that emerges is necessary to understand and conceptualise this tool—starting from the effects on the actors involved.

Part II – Conclusion

This section offered a picture of the current landscape of new finance dedicated to social enterprises and other forms of social-based organisations. Notably, a specific tool under the umbrella term of social finance has been presented, namely the SIB.

The welfare and financial crisis is the starting point for understanding the emergence of social finance and impact investing (and SIBs). The scarcity of resources for addressing social issues pushed the appearance of alternative forms of finance and instruments.

Under the concept of social finance, it is possible to detect significantly different finance forms. One example is result-based finance, a form of commissioning finance, among which SIB is the most controversial and innovative instrument. SIBs, as social finance, can be both understood as a form of innovation or a way to fund innovative interventions.

Also, for SIBs, as for other forms of social finance, there is the concept of social impact measurement at the heart of this discourse. After achieving the pre-agreed outcome, the investors will receive the capital invested and the financial return. So, the impact measurement is the metric around which built the programme.

This section offered a desk review of social finance and SIBs developing a framework for better conceptualising this tool.

Part III –SIBs as a financing tool for social enterprises

Preface

The third part of this dissertation accepts the theoretical call launched by Nicholls, Paton and Emerson (2015: p.1) in creating a solid understanding of the "*appropriate type of capital*" for social enterprises.

Despite social enterprise funding being a very talked-about and explored topic, the reality is far from the expectations. To date, limited academic production focuses on a punctual evaluation of the different financial and non-financial products and services and how they impact these organisations. Beyond specific theory developed on the non-profit finance, like one of Dennis R. Young and presented in the first part of this research, no others theoretical contributions are currently available. Moreover, the financial landscape is full of initiatives aiming at "boosting social enterprises' potential" with low impact and no results in terms of long-term effects in social improvements.

Thus, this third part of the dissertation explores what happens to social enterprises when using one "innovative and powerful" scheme, the SIB in this case.

Why SIBs? First of all, because it is the one more controversial and debatable. Simultaneously, it is an attractive tool for policymakers and social investors looking for saving money, the first one, and making money, the second while creating social value. Second, even though SIBs provide funding and know-how to projects aiming at tackling urgent social problems, the voices of the who implement (social enterprises) these projects are neglected in the academic discourse. Third, SIBs are anyway presented as a funding option for social enterprises. Fourth, all the SIBs debate and results are predominately related to the Anglo-Saxon world.

With this exploratory research, I would like to produce insights and knowledge about social enterprise funding and, consequently, about SEs and SIBs in Continental Europe.

The first chapter of this part is about the Methodology and Methods applied, and then the Mapping exercise will be presented. It follows the study setting, the case study, the findings, and the results of the investigation.

5. The research strategy: Methodology and Methods

"if you want to understand what a science is, you should look in the first in-stance, not at its theories or its findings, and certainly not at what its apologists say about it; you should look at what the practitioners of it do."

— *Clifford Geertz, The Interpretation of Cultures*

5.1.Introduction

This research aims to expand knowledge and develop new insights to understand social enterprise funding and SIBs better. This research's starting point is dated back to 2014 when I was investigating Microfinance and Social Enterprises in Morocco. At that time, I was lucky enough to meet and share insight with Morrocan social entrepreneurs' new generation. Thanks to them, I had the opportunity to approach the attractive and controversial world of impact investing for the first time and discover this new scheme, called Social Impact Bond. Once back in Italy, I started to work in a social bank dedicated to social enterprises. I had the chance to learn that social enterprises need various funding instruments besides debt banking products and services. Thus, when deciding and setting the proper perimeter of my PhD, I had no hesitation in defining to use the research to reveal unexplored phenomenon in the social enterprises' field and give the voice to unrepresented subjects.

But what does this entails? It entails defining an approach, designs and methods fitting the purpose above. In this sense, this research journey had followed some specifics rules and procedures as all researches. When I started defining the research strategy, the starting point was to recognise the investigation's aim and the proper knowledge for this dissertation. Then, the second issue was to find a way to have access to it. Since the beginning, I have faced some challenges with the limited data available. The topic appeared undervalued and underexplored. Given the lack of prior theory and investigation in the academic literature concerning social enterprise and SIBs, I used an inductive approach in this dissertation. For this, it has been natural to choose a qualitative methodology.

This chapter describes the research strategy applied to solve the gap presented at the beginning of the dissertation. This dissertation's research approach is qualitative because it addresses the “why”, the “what”, and the “how” typology of research questions. To give this story's principal actors the voice, I have decided to conduct case study research.

Five paragraphs compose the chapter: the first one is about the research subject and questions of the study; the second about the methodology and the ethical approach applied; then I will present the method used and lastly, the data analysis process.

5.2. Research Subject and Research Questions of the qualitative study

This dissertation, in its entirely, explores social enterprise funding by focusing on a concrete instrument, the well-known Social Impact Bonds. The financial landscape available for social enterprises evolved in the last few years. New mechanisms and initiatives emerged, such as SIBs, for example. Although most EU funded sectorial study[29] on social enterprise funding presents SIBs as a possible option to finance these

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[29] Please see here a selection of these reports:

- Handbook - Financial Instruments for Social Impact Supported by ERDF and ESF, available on https://www.european-microfinance.org/sites/default/files/document/file/handbook.pdf (last access on 5th April 2021)
- Promoting social enterprise financing- Presentation and discussion of three models bringing together government, foundations and private investors to mobilise financing for social enterprises, available on https://www.siceurope.eu/sites/default/files/field/attachment/promoting_social_enterprise_financing.pdf (last access on 5th April 2021)
- Social enterprises and their ecosystems in Europe – Comparative synthesis report, available on https://ec.europa.eu/social/main.jsp?catId=738&langId=en&pubId=8274 (last access on 5th April 2021)
- Financing the social economy, available on

organisations, limited academic and practitioner debate focuses on the issue. Thus, given the paucity of the academic discussion on the topic above mentioned and considered the call for more theoretical knowledge and empirical studies (Battle Anderson and Dees, 2006; Nicholls, 2009; Moore et al., 2012), this work will bridge the gap between practice and academic theory offering the experience of three social enterprises involved in SIBs projects.

The subject and the unit of analysis of this qualitative study is the social enterprise. The term “social enterprise” covers various legal forms, movements, and experiences developed in Continental Europe. Thus social enterprise in this dissertation is a label that includes non-profits and voluntary entities, the co-operative movement, third sector organisations, social-oriented businesses and pure social enterprises as legally defined by the EC (see the first Chapter for more reference).

Nevertheless, to date, limited empirical evidence and pieces of scholarly work focus on social enterprises in SIBs. In most cases and especially in Continental Europe, social enterprises play the service provider's role under a SIB. Besides, as Ormiston et al. (2020) argued, the service provider is often marginalised in the SIB narrative, especially at the beginning of the project. Nevertheless, the demand for SIB schemes from SEs can contribute to this market's development (Bengo and Calderini, 2016).

In brief, the study ambition is to give a voice to social enterprises involved in SIBs in Europe. Currently, the SIB debate occurs in the Anglo-Saxon world, characterised by a different welfare state approach, social services funding, social enterprises role and definition and civil society organisation than the European one. As Wilson et al. (2020) stressed, there is a need to “widen the perspectives” on SIBs, including different national and international voices, comparing academic and practitioner insights.

The choice to locate the study in the Netherlands results from the mapping exercise that I will present in the next chapter. In sum, the Netherlands in 2018 is the European country with the high numbers of SIBs developed. Besides, its welfare system presents features

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https://www.ficompass.eu/sites/default/files/publications/casestudy_ESF_Financing_the_socialeconomy.pdf (last access on 5th April 2021) between the Anglo-Saxon and the European tradition and growing attention for social enterprises and impact investing more generally.

This exploratory study, presented in the second part, aims to document and examine the motivation and implications of SEs participating in SIBs in Continental Europe. On the one hand, it offers a robust understanding of social enterprises' involvement in this scheme. On the other, it shares insights into a political and cultural context – the Netherlands - different from that in the United Kingdom (UK) and the United States (US), which has focused on much of the research SIBs.

The main research questions of the qualitative study are:

1) What are the motivations and the implication for social enterprises in participating under SIBs?
2) What are the implications for social enterprises in participating under SIBs?
3) How do social enterprises in the Netherlands use SIBs as a tool to fund their organisations?
4) In what ways can SIBs spur on how social enterprises measure and scale their impact?

The rationale behind these research questions is to consider and evaluate SIBs as social enterprise financial instruments. The first research questions address social enterprises' motivations behind the choice to participate in a SIB project. The aim is to identify the drivers that encourage social enterprises' participation. While the second aims to discover what are the actual consequences of participating in SIBs. In the end, the last two questions explore if and how social enterprises consider SIBs as a financial tool and the implications on the social impact measurement and scalability.

5.3. The Methodological and Ethical Approach

The methodology is at the core of the research journey to succeed with the pre-fixed research objective(s). The type of research gap(s), the research objective(s) and the nature of the research process are the elements that identified the proper methodological approach to follow (Collis and Hussey. 2003).

According to Bowling (2002), methodology refers to the research structure involving the methods, data collection design and tools, and analysis process. Creswell (2003) defined methodology as a set of methods with the scope to achieve the research's aim. While Polit and Beck (2004) describe the methodology as the process of "obtaining, systematising and analysing data". Other scholars (see Schwardt, 2007; Creswell and Tashakkori, 2007; and Teddlie and Tashakkori,2007) pointed out that methodology helps express the research problem and find an adequate framework for investigating this problem. All these definitions capture essential features. Seale (1999) stressed the philosophical and political implications of selecting specific methods.

This research work applied a qualitative methodological approach, that is:

"*the techniques associated with gathering, analysing, interpretation and presentation of narrative information*" (Toddlie and Tashakkori 2009: 6).

A qualitative approach enables identifying intangible factors and capturing the human side of the research issues. Denzin and Lincoln (2000) defined qualitative methodology as a set of interpretative practices that make the world visible. According to the preliminary results, qualitative research explores phenomena by applying an iterative research design that continuously adjusts data collection and research questions.

The primary motivation for choosing a qualitative methodology is to enjoy flexibility in exploring complex issues during the research process. As Creswell (2013) stressed, a qualitative approach is the most suitable when investigating complexity through the case experiences. Then, I was interested in interpreting the phenomenon focusing on the research process instead of the research output (Cassell and Symon, 1994),

Thus, given all the aforementioned reasons combined with the exploratory nature, I elected a qualitative methodology with a holistic ad inductive approach. This methodology is the most suited because it explores, understands, and describes a social phenomenon. In the context of this research, the qualitative approach is the best choice for:

- Capturing and adding different voices in the scholarly debate: to date, social enterprises' voice in SIBs is under-represented and vice-versa.

- Describing and analysing an underrepresented phenomenon: currently, there is limited evidence about the motivation and effects of social enterprise working under SIBs. Furthermore, SIBs are scarcely explored as a funding tool for social enterprises. Or no information on the impacts of SIB participation for social enterprises.
- Exploring a particular setting: the significant research about SIBs focuses on the Anglo-Saxon world while limited evidence from Continental Europe.

Patton (2002) pointed out qualitative methods' ability to analyse phenomena as part of a specific context. Hence, this dissertation aims to gain a fuller picture of social enterprises and SIBs in a particular and different setting than the "as-usual" research about SIBs. Furthermore, this investigation finds its nourishment from the participants' experiences and perspectives. The qualitative approach is the best in capturing the various meanings of a social phenomenon.

Remarkably, the involvement of people and organisations - behind these cases - emphasises the research participants' well-being. Thus, research ethics is a fundamental key in the qualitative approach; this means considering the needs and concerns of the people and organisations who are the subject of our study (Mack et al., 2005). Ethics in the research process means to apply the three principles articulated in The Belmont Report[30] that are the universal basis for research ethics:

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[30] The Belmont Report was written by the National Commission for the Protection of Human Subjects of Biomedical and Behavioral Research. The Commission, created as a result of the National Research Act of 1974, was charged with identifying the basic ethical principles that should underlie the conduct of biomedical and behavioral research involving human subjects and developing guidelines to assure that such research is conducted in accordance with those principles. Informed by monthly discussions that spanned nearly four years and an intensive four days of deliberation in 1976, the Commission published the Belmont Report, which identifies basic ethical principles and guidelines that address ethical issues arising from the conduct of research with human subjects. For more information please visit the website here https://www.hhs.gov/ohrp/regulations-and-policy/belmont-report/index.html (last access on 27th February 2021)

- Respect for persons involved in the study points to avoid treating participants as a means to achieve the research objectives(s) (Mack et al., 2005)
- Beneficence that is minimizing all the risks involved with the research;
- Justice involves a fair distribution of the risks and benefits resulting in the study.

In this sense, in this research process, I have followed the Deusto Ethics guidelines. Notably, as a Deusto PhD researcher, I attended a mandatory course on Ethics in Research that allowed me to learn how to address ethics aspects[31]. This seminar's essential goal was to review and discuss the formal criteria, requirements, and ethical integrity procedures in research activities.

Given the methodology of my research, I have had access to confidential information. To guarantee the correct usage of this data, I have followed specific privacy and personal protocol. Thus, the easiest way to protect this information is by collecting and using anonymous or anonymised data without any reference to unique identifiers. Then, I have kept raw and processed data locked with a password.

To ensure a certain degree of sensitiveness and confidentiality, I sent a letter of informed consent to all stakeholders involved in this qualitative study. In this letter, I have described the research's purpose and explained the potential risks and benefits of participation. The letter's language and vocabulary – available in Annex I - is basic and straightforward to guarantee maximum clarity and understanding.

[31] The doctoral seminar on Research Ethics was held on April 6 and 7 2017 (15:30 to 19:30, CRAI Aula 3, Campus Bilbao) by the professor Dr. Susana Carro-Ripalda.

Table 16: The draft of the letter of informed consent

TITLE OF STUDY
[Name of the study]
PRINCIPAL INVESTIGATOR
[Name][Department][Address][Phone][Email]
PURPOSE OF STUDY
You are being asked to take part in a research study. Before you decide to participate in this study, it is important that you understand why the research is being done and what it will involve. Please read the following information carefully. Please ask the researcher if there is anything that is not clear or if you need more information.
The purpose of this study is to … (brief explanation and main objectives)
RISKS
The researcher expects that any risks, discomforts, or inconveniences will be minor and we believe that they are not likely to happen. You may decline to answer any or all questions and you may terminate your involvement at any time if you choose.
BENEFITS
There will be no direct benefit to you for your participation in this study. However, the researcher hopes that the information obtained from this study may improve the state of the art and the understating of the topic.
CONFIDENTIALITY
Any information that is obtained in connection with this study and that can be identified with you will remain confidential and will be disclosed only with your permission or as required by law.
Participant data will be kept confidential except in cases where the researcher is legally obligated to report them.
CONSENT
I have read and I understand the provided information and have had the opportunity to ask questions. I understand that my participation is voluntary and that I am free to withdraw at any time, without giving a reason and without cost. I understand that I will be given a copy of this consent form. I voluntarily agree to take part in this study.

Participant's signature ______________________________ Date __________

Investigator's signature _____________________________ Date __________

5.4. Case study

Given the research topics' characteristics and exploratory nature, I have conducted a pilot study selecting a case study methodology. The case-study method is the most famous in social sciences studies (Khan, Samia & VanWynsberghe, Robert, 2008), especially for exploratory, descriptive, and explanatory research (Yin, 1994). The case-study methodology seems to be the perfect approach to reveal and retain managerial and organisational processes, especially in the study's social entrepreneurship field (Dana & Dana, 2005). Generally, the case study is the appropriate methodology for the research questions about "How" and "Why". In this sense, a case study can also provide interesting insights for policymakers by offering contextual and concrete evidence.

Yin (1994:13) defined a case study as:

"*an empirical inquiry that investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not evident…[and] relies on multiple sources of evidence*".

As stressed by Rashid et al. (2019) case study allows an in-depth investigation of a specific phenomenon, highlighting the context. Furthemore, Yin (2003) noted that the case study methodology allows the deconstruction and the reconstruction of a phenomenon.

Rashid et al. (2019) review the essential books on case-study methodology, namely Merriam (2002), Stake (1995) and Yin (2011), providing details and the necessary knowledge for approaching this methodology. The authors offer step-by-step guidance for researchers coming to this method. The first phase is the Foundation phase, and then there is the Prefiled phase, which follows the Field phase and concludes with the Reporting phase.

Here an outline of the four stages (Rashid et al. 2019):

- **Foundation phase**

a. Philosophical consideration

b. Inquiry techniques consideration

c. Research logic consideration

- **Prefield phase**

a. Decide

b. Case study protocol

- **Field phase**

a. Contact

b. Interact

- **Reporting phase**

a. Case study reporting

The first phase sets the research's philosophical base, selecting the three common paradigms: positivism, critical theory, and interpretivism (Guba & Lincoln, 1994). By applying quantitative and measurable approaches, positivism aims to understand reality accurately. In contrast, the critical theory purpose is to describe the societal contradictions by analysing the power dynamics. Lastly, interpretivism intends to understand reality by adding the voices of participants through qualitative methods. In this phase, researchers make some considerations choosing between deductive and inductive logic. The pre-field stage is about the operational details helpful in conducting the case study, such as the protocol. In this sense, the protocol should include the research questions and the method applied, ethical consideration and participants permission, criteria for interpretation and evaluation. The field phase is about contact and interaction with the research participants. The reporting phase is the transcription and analysis of all information collected during the case study.

Within this research project framework, I have opted for multiple cases study to explore the research question and contrast results (Eisenhardt & Graebner, 2007; Yin, 2003). Multiple cases enrich the academic debate on a specific issue adding contrasts and similarities and building a more reliable theory grounded in the empirical evidence (J. Gustafsson, 2017). This approach implies comparing cases classifying multiple case studies as comparative research (Bryman and Bell 2007: 64).

The comparison between the different cases presented in the study facilitates generating and articulating hypotheses and theories. Thus, this dissertation applies a cross-case analysis to explain the differences, find similarities, and build new concepts or theories. Nevertheless, the primary motivation for selecting a cross-case analysis has been to compare cases from different settings and groups.

Specifically, this research dissertations focus on and compare three case study sites - belonging to the social enterprise movement – and involved in SIBs projects. The cross-case analysis highlights convergence and differences in the three organisations about structure, motivations in participating in SIBs, and overall experience. One of the primary reasons for studying multiple organisations is detecting the narrative around their being "social enterprises." Each narrative identified is associated with a specific typology of SEs. Thus, the second motivation to undertake a cross-case comparison is to reveal the reason and the experiences of being under a SIB. The multiple cases helped to discover different patterns and build a comprehensive understanding of social enterprise funding.

The pre-field phase focused on analysing the context by contacting relevant stakeholders representing the SEs movement, impact investing and SIBs area, banking system and public administration. Furthermore, appropriate grey and literature reviews helped to identify trends and topics. The desk-based mapping of the Dutch SIB ecosystem and the interviews allowed identifying all relevant stakeholders and SEs.

It follows an overview of the participants involved and their role:

- Four social enterprises replied to my initial email and were involved in this step (ID: SE);
- One public administration participated in this first phase (ID: PA);
- Three social investors decided to reply to questionnaires (ID: SI);
- Three external experts were involved in this preliminary phase (ID: EX)
- One intermediary (ID: INT).

Table 17: Overview of the stakeholders involved in the pre-field phase

ID	Position
SE 1	Founder
S1 1	Expert SIBs and SEs
SE 2	Responsible for the SIB project at SE 2
SI 2	Director of the SI 1
SI 3	Officer at SI 2
EX 1	Founder EX 1
SE 3	Director SE3
EX 2	Expert
PA	Officer
EX 3	Expert
INT	CEO
SE 4	Director

Source: Elaborated by the author

The analysis of the pre-field phase facilitates the selection of the cases study of this research. So, from the list of the relevant stakeholders, I chose three SEs involved in SIBs. The three cases were selected due to the following features:

- Acting as the social provider under a SIB;

- Representing the variety of the Dutch SEs;
- Operating in different sectors and geographical areas;
- Existing before the SIB design.

The following table sums the characteristics of the organisations selected.

Table 18: Characteristics of the organisations selected

Organisation	Type	Target	Number of employees	Year of foundation
1	Municipal-basis	NEETs (young not in education, employment or training)	23	2013, but starting operative since 2009
2	National Basis	Vulnerable groups	160	2007
3	Municipal/cross border basis	Unemployed groups	6	2012

Source: Elaborated by the author

This case-study methodology applies triangulation to ensure the reliability and validity of the research process. Triangulation is a process where data from different sources are verified to enhance an in-depth understanding of a specific topic (Atkinson and Delamont, 2005; Creswell, 1998). Thus, this practice implies several primary and secondary data methods offering more clarification and revealing covered aspects.

5.5.Research Methods

Research methods refer to a wide range of tools and techniques applied to doing the research. The most common methods used in the qualitative methodology framework are participants observations, interviews and focus groups:

- Participant observations: in this method, the researcher actively observes a specific group or sub-group. Participant observations imply continuous interactions between researcher and participant. Unlike direct observations where the researcher is outside the facts and the group, the research performs a proactive role in this method. The techniques used to perform participant observations include direct observations, collective discussions, informal interviews, and document analysis.
- Interviews: this method is amongst the most widely used in social science. Interviews can be structured, semi-structured and unstructured **(**Bryman 2001, May 1997). While structured interviews are more quantitative because they follow a sequence of questions, they try to obtain specific information; semi-structured and unstructured allow research to enjoy flexibility and naturality. These last two typologies of interviews are applied mainly in the qualitative study. They have particular commonalities, such as the dialogue with the participants, the narrative topic, and the context's centrality (Mason J.,2002). In this sense, semi-structured and unstructured interviews facilitate the interaction and the co-production of knowledge (Mason J., 2002)
- Focus group: it is a social, semi-public, and group interview (Grudens-Schuck & Allen, 2004). The difference between a group interview and a focus group is that the latter involves people engaged in a collective discussion around a specific topic/issue. A focus group aims to obtain broader insights and reveal what is behind a concern to the groups represented.

Particularly, case study research allows applying several techniques to obtain an in-depth analysis (Creswell, 1998). These include documentation, archival records, interviews, direct observations, participant observation, and physical artefacts. Thus, I elected a mix of qualitative methods like observations, semi-structured and unstructured interviews.

The initial literature review and mapping exercise allowed me to understand the overall problem and select the country where located the case studies. After this initial step, I determined the relevant stakeholders in the pre-field phase through desk research and expertise exchange during sectorial conferences. So, I conducted semi-structured conversations (n=12) to have more information about the national context and the SEs and SIBs state of the art.

I contacted the participant via email, asking for a face-to-face or skype/phone interview. The mapping exercise lasted from October 2017 to January 2018, while the fieldwork took place between February 2018 and May 2018. As I spent my pre-field and field phases in the Netherlands, I conducted almost every interview in person. I wrote a mini-case format with all relevant information available online or in previous research for each participant. Furthermore, I developed a semi-structured guide to conducting interviews with the following typology of questions as shown in the table below.

Table 19: Typology of questions posed during the pre-field interviews

Typology	Example
Personal Information	• Peronsal data of ther participant; • Personal experience in SIBs sector, SEs movement; • Self-identification with a specific narrative; • Context and actors; • Factors influencing her/his/its job.
Experience in SIB projects	• Details of the involvement; • Motivation; • Process; • Actors involved; • Personal evaluation of the experience, • Personal judgement about internal of external factors affecting SIB success; • National ecosystem supporting SIB development or hindering SIB potential.
SE movement and funding	• Recognition of SE; • Political support; • Accessing credit: state of the art; • Traditional funding schemes vs Innovative ones; • Elements that improve SE development and scaling.

Source: Elaborated by the author

This step has facilitated understanding relevant social enterprise funding aspects and social enterprises' experience in SIBs projects within a particular context. The analysis of the pre-field phase enables the selection of the cases study of this research.

During the field phase, I have applied unstructured interviews to the three selected organisations to obtain information while staying open to explorations and personal narratives. All the questions posed ranged from introductory information to personal motivation in participating in SIBs. It follows the list of the topics discussed during unstructured interviews :

- organisational structure,
- motivations,
- identification with the social enterprise narrative,
- entrepreneurial strategy,
- networking activity and context,
- social performance management,
- financial management, and income sources.

Then, in the in-depth interview, these aspects were developed and linked to the SIB participation.

In addition to personal interviews, I applied direct and participant observations and group interviews through sectorial conferences and meetings or informal talks. To verify the reliability and integrity of the data collected during the interview phase, I have opted to triangulate the information using secondary data methods such as reviews of publicly available documents, interviews, and observation of relevant stakeholders outside the case studies.

5.6.Data analysis approach

This research's data analysis approach is inductive reasoning. The main reason is the lack of prior investigation in the scholarly literature on SIBs and social enterprises and the study's exploratory nature. So, I started with specific observations by adding themes and data identified through the analysis, which allowed me to establish hypotheses and discover findings. The inductive approach facilitates interrelating topics coming out from the observations. Furthermore, it seems to be the best approach for highlighting personal experiences and motivations from the interviews.

The data collection and analysis have followed an iterative process around the development of categories and themes. Thus, throughout the research journey, I kept several research diaries to capture the insights and feedback of observations and informal talks. These diaries helped me link all information available and build a more solid understanding while connecting the dots and re-starting with the iterative process. In this sense, the data analysis took place in several steps during all the research activities.

As disclosed in the consent letter form and after receiving explicit consent, I recorded the conversations through the ATLAS.ti app for mobile while conducting the anonymised interviews. According to the situation and the discussions' level of confidentiality, I have taken down the notes in a personal journal. As new topics emerged, I have introduced further questions or changed the questions posed during the interviews. In this sense, each participant received a list of possible questions or topics around which to develop the discussion one week before the meeting. The level of familiarity and freedom of expression has been guaranteed, especially for the three organisations involved in the case study.

The information and data collected during the interviews and the observations helped me identify patterns and motivations and shape a theory. I created a data repository where a secret code protected each transcript and recording. Furthermore, I associated a number to each interview and saved the preliminary interviews analysis and emerging themes in a specific data analysis repository. I transcribed and analysed the anonymised interviews using ATLAS.ti[32] as a tool for coding mind mapping to highlight topics.

ATLAS.ti is a workbench for the qualitative analysis of large bodies of textual, graphical, audio, and video data. As with other computer-assisted software for qualitative research, ATLAS.ti assists the researcher in storing and manipulating data, allowing a

[32]For further information please visit the website here https://atlasti.com/product/what-is-atlas-ti/

comprehensive approach in the data analysis process. Beyond coding, ATLAS.ti enables the link and visualisation of findings in a meaningful way. I selected this software after having participated in training offered by the University in 2017[33].

The case-study data analysis started by reading the notes, listening to the recordings, and comparing them with each interview transcript. This process allows to emerge themes and categories and adjust the subsequent interviews. At the end of the interview phase, I compared each case's different respondents' views and responses. The data analysis process took place in the following steps:

- Before the interview: I sent the consent letter form to explain the projects and ask permission to use the recordings/transcripts. I also sent the list of possible questions and the topics touched during the interview with the consent letter form.
- After each interview: transcription of the conversation, readings of the notes, listening to the recordings,
- Before each new interview, I adjusted the questions according to the last interview's themes and topics.
- At the end of all interviews: cross-comparison and analysis of the themes and topics emerged through the lens of the pre-field phase results (literature review and mapping exercise).

At the end of the data analysis process, I performed data triangulation by combining different evidence sources such as public documents, participation in specific events, informal chat, and interviews with relevant stakeholders. Lastly, I tried to connect the data analysis process results with literature reviews and pre-field phase themes.

[33] I attended the course called "Qualitative analysis with ATLAS.ti" lasting from 12th to 21st December 2017.

5.7. Conclusion

The chapter presents the methodology and method applied in the study. Given its exploratory nature, I have decided to use an inductive and qualitative approach. This methodology is the most suited because it explores, understands, and describes a social phenomenon.

In the context of this research, the qualitative approach is the best choice for three reasons:

1) Capturing and adding different voices in the scholarly debate: to date, social enterprises' voice in SIBs is under-represented and vice-versa.
2) Describing and analysing an underrepresented phenomenon: currently, there is limited evidence about the motivation and effects of social enterprise working under SIBs. Furthermore, SIBs are scarcely explored as a funding tool for social enterprises. Or no information on the impacts of SIB participation for social enterprises.
3) Exploring a particular setting: the significant research about SIBs focuses on the Anglo-Saxon world while limited evidence from Continental Europe.

I have opted for multiple case studies within this research project framework to explore the research question and contrast results (Eisenhardt & Graebner, 2007; Yin, 2003). Multiple cases enrich the academic debate on a specific issue adding contrasts and similarities and building a more reliable theory grounded in the empirical evidence (J. Gustafsson, 2017). The comparison between the different cases presented in the study facilitates generating and articulating hypotheses and theories. Thus, this dissertation applies a cross-case analysis to explain the differences, find similarities, and build new concepts or theories. Nevertheless, the primary motivation for selecting a cross-case analysis has been to compare cases from different settings and groups.

The chapter offers details about the case study selected and its data collection and analysis method. This study is located in the Netherlands, and the subjects are three social enterprises representing the variety of the Dutch SE movement, involved in three distinct SIB projects. The aim is to detect the motivation and the implication of SIB participation. The rationale behind this research is that SIB is an innovative financial scheme offering a stable flow of money for community and welfare services. These services are, for the majority of the cases, designed and implemented by social enterprises.

6. Mapping SIBs in Continental Europe: it is a matter of welfare regime

"The welfare state is not really about the welfare of the masses. It is about the egos of the elites." - *Thomas Sowell, 2013*

6.1. Introduction

One of this research project's essential tasks is to identify relevant European country case studies to evaluate the effects of SIBs on social enterprises.

Mainly, country case studies had to be selected in such a way that they are representative of:

- the variety of existing SIBs programs across continental Europe, in terms of data availability;
- the combination of the geographical regions of entire Europe, including non-EU areas;
- the public and social policy programs or civil society initiatives implemented at the national level foster social enterprise and impact investing sectors.

Thus, the mapping exercise helped classify the SIB experience developed in Europe, understanding the key drivers and political and social context where they expanded. This research focused on the connections between the introduction of SIBs and the adoption of specific welfare regimes and public policies within the European countries.

As pointed out by (Maduro, M., Pasi, G., Misuraca, G., 2018), the European Union faces structural challenges related to the welfare policies domain. At a Member State level, different countries started to reform their financial and social system. While in 2013, the European Commission launched the Social Investment Package (SIP) to "*reorient*

Member States' policies towards social investment where needed, with a view to ensuring the adequacy and sustainability of social systems" (European Commission 2013). The EC stressed the importance of social enterprises as the agent of social transformation and the innovation in the financial schemes to fund public services. Mainly, the EC communication linked the social investment strategy as beneficial to social enterprise development. The rationale behind it is to expand the funding available for social enterprises or improve the partnership between public and private actors in social services delivery.

This chapter presents the worldwide and European mapping exercise from 2013 and 2017, that is the year when the first SIBs was introduced in Continental Europe. The results of European mapping allows further investigation on the welfare regime and political support to the social enterprises and impact investing movements. The aim is to identify the country most representative of these phenomena in Europe.

6.2.Method: defining parameter for selecting country case study

Mainly, country case studies had to be selected in such a way that they are representative of:

- the variety of existing SIBs programs across continental Europe, in terms of data availability;
- the combination of the geographical regions of entire Europe, including non-EU areas;
- the presence of public and social policy programs implemented at the national level fostering social enterprise and impact investing sectors.

To identify a country case study that meets the requirements mentioned above, I first defined a set of 9 selection parameters to have a map of the SIB projects in Continental Europe from 2013 -2017[34], namely:

1. Stage in SIBs development: that is if the project is in implementation or design phase;
2. Year of implementation: the starting year of its design or implementation depending on the type of phase;
3. Geographic regions: the name of the European Country and the level of coverture of the SIB;
4. The topic addressed: the societal challenge addressed;
5. Outcome payer (if available): the actor who will repay the investors
6. Type of Service Provider (if available): the actor who delivers the intervention;
7. Max outcome payment: the maximum amount of money for the achievement of the results;
8. Investment needed: the number of economic resources required for the projects.

[34] The mapping has been carried out in 2017.

9. Contract duration: the length of the time.

I applied these parameters to the SIBs worldwide list (see Table 20) from 2013 – 2017 filtered out those regions outside Continental Europe.

The results of the mapping and filtering exercise are shown in Table 21.

Table 20: Worldwide SIBs list

Country	Location	Social Issue	Outcome Payer	Launch	Stage	Max Outcome Payment (in millions)	Investment (in millions)	Contract Duration (years)
Argentina	Buenos Aires	Employability of vulnerable young people	Government of the City of Buenos Aires		Design			3
Australia	New South Wales	Children in out-of-home care	New South Wales Department of Family and Community Services	2013	Implementation	19.5 AUD	10 AUD	7
Australia	New South Wales	Children in out-of-home care	New South Wales Department of Family and Community Services	2013	Implementation	18.2 AUD	7 AUD	7
Australia	New South Wales	Elderly care			Design			
Australia	South Australia	Homelessness	Government of South Australia	2016	Implementation	17 AUD	9.0 AUD	8
Australia	New South Wales	Mental health	The Government of NSW acting through the Health Administration Corporation (HAC)	2017	Implementation	21.7 AUD	7 AUD	8
Australia	Queensland	Out-of-home care for aboriginal children	Government of Queensland	2017	Implementation	Undisclosed	6 AUD	7
Australia	New South Wales	Recidivism & criminal justice	New South Wales Department of Corrective Services	2016	Implementation			5
Australia	New South Wales	Transition to independence - vulnerable young people, particularly care leavers.	Government of New South Wales		Design			
Austria	Upper Austria	Female victims of domestic violence	Federal Ministry of Labour & Social Affairs & Consumer Protection	2015	Implementation	0,82 EUR	0,80 EUR	3
Belgium	Brussels	Unemployment among youth migrants	Brussels Employment Agency	2014	Completed	0,29 EUR	0,23 EUR	3
Brazil	Ceará	Deshospitalization of chronically sick patients	Not defined		Design			5
Brazil	Sao Paolo	Secondary education dropout and completion rates	Sao Paolo State Government		Design			4
Cameroon	Yaounde	Avoidable blindness from cataract	Conrad N. Hilton Foundation, Fred Hollows Foundation, Sightsavers		Design	2,50 USD	2 USD	5
Cameroon	Littoral, Centre, North, Adamaoua and Southwest regions	Child and maternal health	Camerron Ministry of Public Health, World Bank, GCC, Nutrition International		Design	3,60 USD	3 USD	4
Canada	Toronto and Vancouver	Health: hypertension	Public health Agency of Canada	2016	Implementation	Undisclosed	2 CAD	3,5
Canada	Saskatchewan	School Performance and Graduation	Government of Saskatchewan	2016	Implementation	1.16 CAD (est by SF)	1 CAD	5
Canada	British Columbia, Ontario, Saskatchewan	Skills levels of unemployed or displaced Canadians	Government of Canada: Employment and Social Development Canada	2016	Implementation	0.3 CAD	0.3 CAD	5
Canada	Saskatchewan	Supported living home for at-risk single mothers	Government of Saskatchewan (Ministry of Social Services)	2014	Implementation	1.3 CAD	1 CAD	5
Colombia	Bogotá, Cali, Pereira	Unemployment among vulnerable populations	Prosperidad Social (Government of Coilombia), SECO	2017	Implementation	0,76 USD		1,5
Ecuador	Coastal Regions	Earthquake rehabilitation			Design			

Ethiopia	Country-wide	Newcastle Disease (poultry) prevention	TBD		Design	15 USD	5USD	3 to 5
Finland	Country-wide	Migrant and refugee employment	Ministry of Economic Affairs and Unemployment	2017	Implementation	11 EUR	10 EUR	7
Finland	Helsinki	Workplace absenteesim	Public sector employers: South-West Finland Magistrate; Savo Consortium for Education; Municipality of Nurmijavi Aleksia	2015	Implementation	Undisclosed	0,70 EUR	3
France	Country-wide	Job creation in deprived areas	The Ministry of Economy and Finance	2017	Implementation	1 EUR		10
France	Country-wide	Rural Employment	The Ministry of Economy and Finance	2017	Implementation	1,50 EUR		6
Germany	Nordrhein Westfalia	Reduced referrals to social care system			Design			
Germany	Düsseldorf	Unaccompanied minor refugees			Design			
Germany	Augsburg	Youth unemployment	Bavarian State Ministry of Labour and Social Affairs and Family and Integration	2013	Completed	0,30 EUR	0,30 EUR	2
India	Rajasthan	Child and maternal health	USAID, Merck for Mothers, Government of Rajasthan	2017	Implementation	8 USD	4 USD	3
India	Rajasthan	Education	The Children's Investment Fund Foundation	2015	Implementation	0,31 USD	0,27 USD	3
India	Rajasthan	Education	Michael & Susan Dell Foundation		Design	10 USD	2.4 - 3 USD	4
Israel		Increased participation in higher levels of high school maths			Design			
Israel		Recidivism			Design			
Israel	Haifa & Tel Aviv	Reducing drop out rates from higher education	Haifa University; Tel Aviv Yaffo Academic College	2015	Implementation	3 USD	2,10 USD	8
Israel	Country-wide	Reducing Type II Diabetes in high-risk pre-diabetics	Two Israeli health maintenance organizations (Clalit and Leumit) and the National Insurance Institute	2016	Implementation	Undisclosed	5,50 USD	3
Israel		Workforce development for Arab citizens of Israel			Design			
Israel		Workforce development for ultraorthodox Jews			Design			
Japan		Cancer screening		2017	Implementation			Undisclosed
Japan		Dementia prevention		2017	Implementation			Undisclosed
Japan		Diabetes prevention		2017	Implementation			Undisclosed
Jordan, Lebanon, Turkey		Syrian refugee employment			Design	10 - 30 USD		2 to 4
Kenya, Uganda	Rural areas	Poverty graduation	USAID DIV, Anonymous donor	2017	Implementation	4,40 USD	TBD	4

Mali, Nigeria, DR Congo	Mopti, Maiduguri, Kinshasa	Comprehensive physical rehabilitation services in conflict and post-conflict countries	Government of Belgium, Government of Switzerland, Government of the United Kingdom, Government of Italy, Government of the Netherlands, and la Caixa Foundation	2017	Implementation	27,60 USD	N/D	5
Mexico	Jalisco	Poor female household heads	Government of the State of Jalisco, Global Innovation Fund		Design	65 MXN		3,2
Mozambique	Maputo Province	Malaria, public health	Goodbye Malaria, underwritten by Nandos and other corporates		Design	Undisclosed	4 USD	3
Netherlands	Country-wide	Recidivism and employment	Ministry of Security and Justice	2016	Implementation	1,30 EUR	1,20 EUR	2,5
Netherlands	Enschede	Regional unemployment	Municipality of Enschede	2016	Implementation	1,40 EUR	1,10 EUR	2,5
Netherlands	Rotterdam	Youth unemployment	Municipality of Rotterdam	2013	Completed	0,85 EUR	0,70 EUR	2
Netherlands	Eindhoven	Youth unemployment	Municipality of Eindhoven	2016	Implementation	Undisclosed	1,70 EUR	3
Netherlands	Rotterdam	Youth unemployment	Municipality of Rotterdam	2015	Implementation	Undisclosed	3 EUR	5
Netherlands	Utrecht	Youth unemployment	Municipality of Utrecht (Gemeente Utrecht)	2015	Implementation	Undisclosed	2,10 EUR	6
Netherlands	Utrecht	Youth unemployment	Municipality of Utrecht (Gemeente Utrecht)	2015	Implementation	Undisclosed	0,73 EUR	4
New Zealand	Auckland	Employment service to people with mental health conditions	New Zealand Ministry of Social Development	2017	Implementation	Undisclosed	1.5 NZD	5
Palestine	Ramallah, Al-Bireh	Type II Diabetes	Not defined		Design	TBD	0.1 - 0.12 USD	3
Palestine	West Bank and Gaza	Workforce Development	World Bank Group		Design	5 USD	N/A	3 to 4
Papua New Guinea	NCD, Central Province, Morobe	Gender violence	Not defined		Design	TBD	TBD	TBD
Peru	Ene River Basin, Junin Region	Climate smart agriculture	Multilateral Investment Fund - IDB		Design	3,05 USD	3,05 USD	4
Peru	Peruvian Amazon Region	Cocoa and coffee production	Common Fund for Communities (CFC)	2015	Completed	0,11 USD	0,11 USD	1
Portugal	Porto	Children on the edge of care	Not defined	2017	Implementation	Undisclosed	0,50 EUR	3
Portugal	Lisbon	Computer literacy	Municipality of Lisbon	2015	Completed	Undisclosed	0,12 EUR	1
Portugal	Fundao	Youth unemployment	Not defined	2017	Implementation	Undisclosed	0,70 EUR	3
Portugal	Porto	Youth unemployment	Not defined	2017	Implementation	Undisclosed	0,40 EUR	3
South Africa	Western Cape	Early Childhood Development - Health	Provincial Department of Health, Discovery Fund		Design	1,38 USD	1,10 USD	3,5
South Africa	Western Cape	Early Childhood Development - Social Development	Department of Social Development, ApexHi Charitable Trust		Design	2,20 USD	1,10 USD	3
South Africa	Gauteng Province	HIV prevention and treatment	Department of Science and Technology		Design	5 - 6 USD	1.5 - 2.5 USD	3 to 4
South Africa	Cape Town	Workforce development	Enterprise and Investment Department		Design	1,26 USD	N/D	3
South Korea	Seoul	Education and care	Seoul Metropolitan Government	2016	Implementation	1430 KRW	1110 KRW	3
South Korea	Gyeonggi Province	Workforce development	Not defined	2017	Implementation	Undisclosed	0 USD	Not defined
Sweden	Norrköping	Early Childhood Development	Municipality of Norrköping	2016	Implementation	12 SEK	10 SEK	4

Switzerland	Bern	Migrant and refugee unemployment	Canton of Bern Department of Health and Welfare	2015	Implementation	0.29 CHF	0.27 CHF	5
Tajikistan	N/A	Acces to safe drinking water	Bilateral donors, Tajikistan state government		Design	Undisclosed	7,50 USD	5
Uganda	Select coffee-growing areas	Empowering of women and youth to participate in the coffee value chain	TBD		Design	0,11 USD	0,11 USD	3
Uganda	Country-wide	Sleeping sickness	Not defined		Design	Undisclosed		TBD
United Kingdom	Country-wide	Adoption	Local authorities and Social Outcomes Fund	2013	Implementation	Undisclosed	2.4 GBP	10
United Kingdom	Birmingham	Children in care	Birmingham City Council, Big Lottery Fund Commissioning Better Outcomes Fund, Cabinet Office Social Outcomes Fund	2014	Implementation	Undisclosed	1 GBP	4
United Kingdom	Essex County	Children in care	Essex County Council, UK	2012	Implementation	7 GBP	3.1 GBP	8
United Kingdom	Manchester	Children in care	Manchester City Council, Cabinet Office Social Outcomes Fund	2014	Implementation	Undisclosed	1.2 GBP	8
United Kingdom	North Somerset	Children on the edge of care	Big Lottery Commissioning Better Outcomes Fund, North Somerset Council	2017	Implementation			4
United Kingdom	London	Homelessness	Greater London Authority, Department for Communities and Local Government (DCLG)	2012	Completed	2.4 GBP	1.2 GBP	3
United Kingdom	London	Homelessness	Greater London Authority, Department for Communities and Local Government (DCLG)	2012	Completed	2.4 GBP	1.2 GBP	3
United Kingdom	Newcastle	Long-term health conditions	NHS NWCCG, Big Lottery Fund, and the Cabinet Office's Social Outcomes Fund	2015	Implementation	3 GBP	1.7 GBP	7
United Kingdom	Haringey, Staffordshire & Tower Hamlets	Mental health and employment	Cabinet Office Social Outcomes Fund, Haringey Council and CCG, Tower Hamlets CCG, Staffordshire County Council and CCGs	2016	Implementation	Undisclosed	0.4 GBP	3
United Kingdom	Peterborough	Recidivism	Ministry of Justice, Big Lottery Fund	2010	Completed	8 GBP	5 GBP	7
United Kingdom	Worcestershire	Social Isolation	Clinical Commissioning Groups, Worcestershire County Council and the Cabinet Office	2015	Implementation	2 GBP	0.85 GBP	4,5
United Kingdom	Lambeth (London)	Special Educational Needs	Lambeth Council and Big Lottery Comissioning Better Outcomes Fund	2017	Implementation	Undisclosed	0.42 GBP	1
United Kingdom	Cardiff and Newport	Workforce development	Department of Work and Pensions	2012	Completed	1.9 GBP	0.4 GBP	3,5
United Kingdom	East London	Workforce development	Department of Work and Pensions	2012	Completed	3.2 GBP	0.9 GBP	3,5
United Kingdom	East London	Workforce development	Department of Work and Pensions	2012	Completed	1.3 GBP	0.37 GBP	3,5
United Kingdom	Nottingham City	Workforce development	Department of Work and Pensions	2012	Completed	2.9 GBP	1.7 GBP	3,5
United Kingdom	Perthshire and Kinross, Scotland	Workforce development	Department of Work and Pensions	2012	Completed	1.2 GBP		3,5

United Kingdom	Thames Valley (South West England)	Workforce development	Department of Work and Pensions	2012	Completed	3.7 GBP	0.9 GBP	3,5
United Kingdom	West London	Workforce development	Department of Work and Pensions	2012	Completed	3.0 GBP		3,5
United Kingdom	West Midlands (Birmingham)	Workforce development	Department of Work and Pensions	2012	Completed	3.4 GBP	3 GBP	3,5
United Kingdom	Greater Manchester	Youth Engagement	Department of Work and Pensions	2012	Completed	3.3 GBP	0.8 GBP	3,5
United Kingdom	Greater Merseyside	Youth Engagement	Department of Work and Pensions	2012	Completed	Undisclosed	1.5 GBP	3,5
United Kingdom	Greater Manchester	Youth Engagement	Cabinet Office, Department of Work and Pensions and the Ministry of Justice	2015	Implementation	3 GBP	0.9 GBP	3
United Kingdom	Greater Merseyside	Youth Engagement	Cabinet Office, Department of Work and Pensions and the Ministry of Justice	2015	Implementation	Undisclosed	1.4 GBP	3
United Kingdom	London	Youth Engagement	Cabinet Office, Department of Work and Pensions and the Ministry of Justice	2015	Implementation	Undisclosed	0	3
United Kingdom	Sheffield	Youth Engagement	Cabinet Office, Department of Work and Pensions and the Ministry of Justice	2015	Implementation	Undisclosed	0.9 GBP	3
United Kingdom	Gloucestershire, Tewkesbury, Forest of Dean, Stroud, Cheltenham, Gloucester City and Cotswold	Youth Homelessness NEETs	Department of Communities and local Government, and the Cabinet Office's Social Outcomes Fund	2014	Completed	1.5 GBP	0.3 GBP	3
United Kingdom	Greenwich, Manchester, Oldham, and Rochdale	Youth Homelessness NEETs	Department of Communities and local Government, and the Cabinet Office's Social Outcomes Fund	2014	Completed	1.6 GBP	0.6 GBP	3
United Kingdom	Leicester, Leicestershire, Derby and Derbyshire	Youth Homelessness NEETs	Department of Communities and local Government, and the Cabinet Office's Social Outcomes Fund	2014	Completed	3 GBP	0.6 GBP	3
United Kingdom	Liverpool and Knowsley	Youth Homelessness NEETs	Department of Communities and local Government, and the Cabinet Office's Social Outcomes Fund	2014	Completed	1.2 GBP	0.6 GBP	3
United Kingdom	Newcastle, Northumberland, South Tyneside, North Tyneside, Gateshead, Durham, and Sunderland	Youth Homelessness NEETs	Department of Communities and local Government, and the Cabinet Office's Social Outcomes Fund	2014	Completed	Undisclosed	0.5 GBP	3
United Kingdom	West Yorkshire	Youth Homelessness NEETs	Department of Communities and local Government, and the Cabinet Office's Social Outcomes Fund	2014	Completed	Undisclosed	0.9 GBP	3
United Kingdom	Birmingham, Coventry, Solihull, Walsall, and Wyre Forest	Youth Homelessness NEETs	Department of Communities and local Government, and the Cabinet Office's Social Outcomes Fund	2014	Implementation	2.5 GBP	1 GBP	3,5
United States	Cuyahoga County, Ohio	Child welfare and family homelessness	County of Cuyahoga	2014	Implementation	5 USD	4 USD	6
United States	Salt Lake, Utah	Criminal Justice Recidivism	Salt Lake County	2016	Implementation	5,95 USD	4,60 USD	6
United States	South Carolina	Early childhood development	State of South Carolina	2016	Implementation	7,50 USD	30 USD	4

United States	Salt Lake County, Utah	Early Childhood Development	United Way of Salt Lake, Salt Lake County (first year) and State of Utah	2013	Implementation	Undisclosed	7 USD	7
United States	New York State	Employment for formerly incarcerated	US Dept. of Labor and NY State	2013	Implementation	21,50 USD	13,50 USD	5,5
United States	Connecticut	Family Stability	Connecticut Department of Children and Families	2016	Implementation	14,80 USD	11,20 USD	4
United States	Washington DC	Green infrastructure	DC Water and Sewer Authority	2016	Implementation	28,30 USD	25 USD	5*
United States	Denver	Homelessness	City and County of Denver	2016	Implementation	11,40 USD	8,70 USD	5
United States	Massachusetts	Homelessness	Commonwealth of Massachusetts	2014	Implementation	6 USD	3,50 USD	6
United States	Santa Clara County, California	Homelessness	County of Santa Clara	2015	Implementation	8 USD	6,90 USD	6
United States	Salt Lake, Utah	Homelessness	Salt Lake County	2016	Implementation	5,50 USD	4,40 USD	6
United States	Massachusetts	Immigrant and refugee employment	Commonwealth of Massachusetts	2017	Implementation	15 USD	12,40 USD	6
United States	Massachusetts	Juvenile Recidivism	Commonwealth of Massachusetts	2014	Implementation	27 USD	18 USD	7
United States	Chicago	Pre-school education	City of Chicago Board of Education and City of Chicago	2014	Implementation	34,50 USD	16,90 USD	4
United States	New York City	Recidivism	New York City	2013	Completed	11,70 USD	9,60 USD	3
United States	Oklahoma	Women recidivism	State of Oklahoma	2017	Implementation	2 USD	2 USD	5

Source: Based on Instiglio Database (2017)

Table 21: SIBs in Continental Europe

Date	Stage	Countries	Topic	Investment Needed or Raised	Typology of Service Provider
2014	Completed	Belgium	Unemployment among youth migrants	0.23 EUR	SE
2013	Completed	Germany	Youth unemployment	0.3 EUR	na
2013	Completed	Netherlands	Youth unemployment	0.7 EUR	SE
2015	Completed	Portugal	Computer literacy	0.12 EUR	SE
2015	Implementation	Austria	Female victims of domestic violence	0.8 EUR	na
2017	Implementation	Finland	Migrant and refugee employment	10 EUR	na
2015	Implementation	Finland	Workplace absenteesim	0.7 EUR	na
2017	Implementation	France	Job creation in deprived areas	Undisclosed	SE
2017	Implementation	France	Rural Employment	Undisclosed	SE
2016	Implementation	Netherlands	Recidivism and employment	1.2 EUR	SE
2016	Implementation	Netherlands	Youth unemployment	1.7 EUR	SE
2016	Implementation	Netherlands	Regional unemployment	1.1 EUR	SE
2015	Implementation	Netherlands	Youth unemployment	13 EUR	na
2015	Implementation	Netherlands	Youth unemployment	2.1 EUR	SE
2015	Implementation	Netherlands	Youth unemployment	0.73 EUR	SE
2017	Implementation	Portugal	Children on the edge of care	0.5 EUR	SE
2017	Implementation	Portugal	Youth unemployment	0.7 EUR	SE

2017	Implementation	Portugal	Youth unemployment	0.4 EUR	SE
2016	Implementation	Sweden	Early Childhood Development	10 SEK	na
2015	Implementation	Switzerland	Migrant and refugee unemployment	0.27 CHF	SE
2013	Implementation	Germany	Unaccompanied minor refugees	Undisclosed	SE
2017	Design	Germany	Reduced referrals to social care system	Undisclosed	SE

Source: Elaborated by the author, based on the date of the Instiglio dataset (2017)

6.3.Findings and Discussion

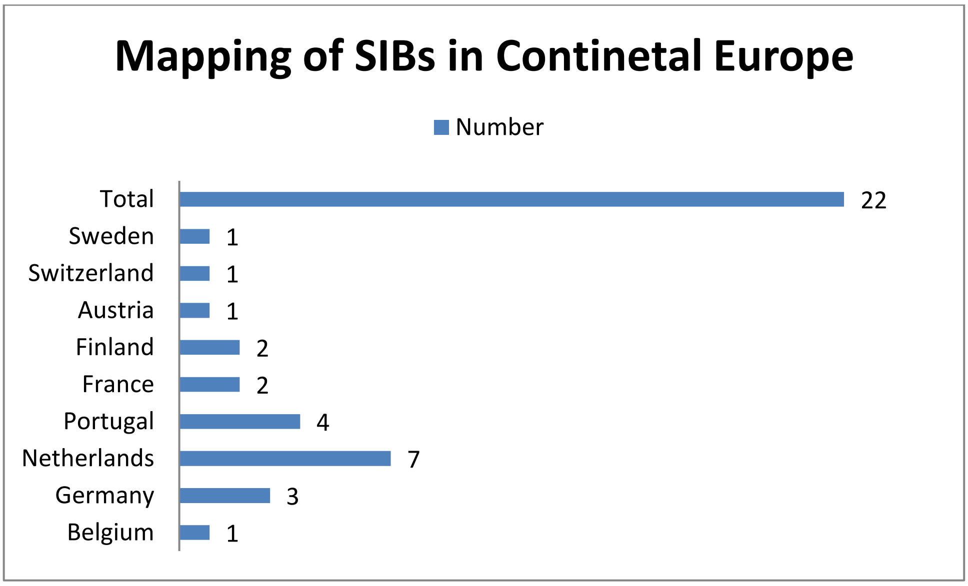
The results of this mapping exercise are:

- The Netherlands and Portugal are the countries with the highest number of SIB projects (7 out of 22 and 4 out 22);
- employment is the topic most addressed in the SIB projects (15 out of 22);
- the data and information on service providers are not easily accessible and, in the majority of the cases, are unavailable;
- social enterprises organisations are primarily involved as service providers in SIBs,
- the Netherlands has the SIB programme with the highest amount of investment in the whole of Europe.

Another remarkable result is the geographical distribution of the European SIBs; as a matter of fact, most of these projects are in the western central regions (see Graph 3 below).

Hence, to understand the factors and motivation that led to SIBs development in certain countries instead of others, I have applied two dimensions of analysis: the welfare regime and the national programme supporting SEs and impact investing.

Graph 1: Mapping of SIBs in Continental Europe



Source: Elaborated by the author

Many authors in the SIB literature (such as Dowling (2017); McHugh et al. (2013) Whitfield, D. (2015)) have stressed the link between the emergence of SIBs and the welfare state crisis. Notably, as described in chapter 4, some scholars have highlighted the SIBs alignment with neoliberalism, austerity and financialisation (Cooper, Graham, & Himick, 2016; Dowling, 2017; Joy & Shields, 2018). Thus, it appears essential to analyse SIB within the broader political-economic context. Hajer (2020) explains the emergence of SIB by examing the governance and welfare regimes and alignment with the neoliberal approach. Accordingly, SIBs appeared for the first time in UK and US due to synergies with the governance regime. In this regard, Chiapello & Knoll(2020) noted that welfare structures and regimes affect how SIBs are developed and implemented. In the UK, for example, SIBs are part of a broader plan of reforms, interesting third sectors, social investments, and the welfare state's role (Hajer, 2020).

Esping-Andersen offered a categorisation of welfare regime by identified three typologies:

- Liberal: countries like the US and UK with modest social transfers or insurance plans; mainly use the benefits of social schemes targeting vulnerable or needy groups. This typology of welfare regime encourages access to the market as a social solution.

- Corporatist: countries like Germany, Netherlands, France, Austria with medium/high public support: Particularly, the social schemes address income maintenance and occupational status.
- Social Democratic: countries like Finland are characterised by a universalistic welfare state pervading all aspects of people's lives.

Ferrera (1996) added the fourth archetype to the Esping-Andersen typologies, which is the Mediterranean type. This welfare regime has limited social security and a strong orientation on family and community support.

The following table summarises the crucial elements of each welfare regime.

Table 22: Characteristics of welfare regimes

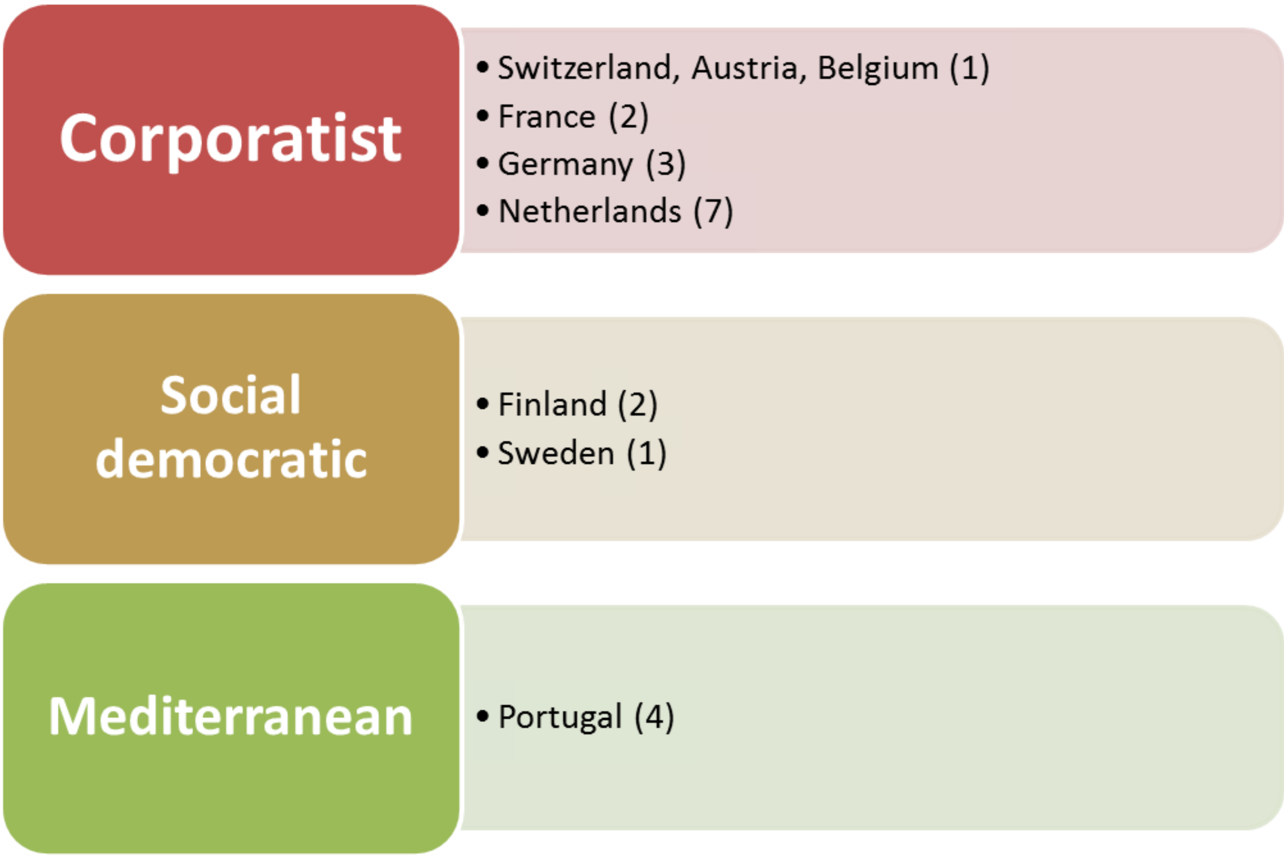
Typology	Target Population	Levels of state interventions	Source of funding	Principal actor
Liberal	Poor or vulnerable groups	Low	Social insurance and Taxes	Market
Corporatist	Workers and families	Medium	Social Insurance and Taxes	State and Family
Social Democratic	All citizens	High	Taxes	State
Mediterranean	Employed workers	Low	Taxes and social insurance	Family

Source: Elaborated by the author

Applying Esping-Andersen’s well-known welfare types (Esping-Andersen, 1990) and - the Ferrera (1996) integration, the countries presenting a significant number of SIBs fit in the Conservative-Corporatist category (see Figure 15 below).

The Conservative-Corporatist typology focuses on protecting workers and their families from risks such as illness, disability, age, and unemployment. More generally, the social schemes provided under this regime are related to the employment position of the population.

Figure 15: Welfare regimes in Continental Europe and SIB distribution



Source: Elaborated by the author

Interestingly, all SIB projects developed in the Corporatist countries focus on employment. The primary motivation is because unemployment represented in the period 2013 – 2017 (and represents still today) the most significant issues in all Europe. The other reason is related to the fact that employment is relatively easy to measure and monitor.

Regarding the employment situation in the EU (as the majority of the continental countries belong to the EU), the Employment and Social Developments in Europe (ESDE) 2013 Report ((European Commission, 2013) stressed that a quarter of the EU population was at risk of poverty or exclusion. The most significant increase has been among working-age groups. At the same time, the ESDE 2015 Report stressed long-term unemployment as a significant EU challenge. Specifically, the report pointed out that nearly 30% of long-term unemployed were outside the Public Employment Services, while less than 30% of them received employment benefits. Furthermore, migrants from third countries had lower opportunities of being employed than native EU people. Mainly, migrants were at risk of working under worse conditions than native EU people. Within this framework, the EU agenda focused on entrepreneurship as a tool for boosting job creation and improving the participation of vulnerable groups. Furthermore, the EU and the Member States have promoted policies encouraging managerial skill training and innovation capacity-building.

The downturn in the unemployment rate represented a complex and expensive issue for the conservative welfare regime countries. On the one hand, States faced budgetary limitations and financial sustainability; on the other, new social problems and risks – including various forms of social exclusion and dimensions of inequality – put under pressure the traditional structure of the conservative regime.

Unlike the UK and US, in Conservative Countries, SIBs adoption represented the experimental testing for unproven solutions in the social sector. Thus, between 2013 – 2017, several EU countries with a conservative regime implemented and designed SIBs projects like France, Austria, Germany, Belgium, and the Netherlands.

Interestingly, it is worth noting that they acted as a laboratory of experimentation of EU policies in social investments. In February 2013, the Commission published a Social investment Communication[35] (COM(2013) 83 final) that pointed out the pressure on the Member State welfare systems and encouraged modernisation of social policies. Amongst

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[35] For more information on "Communication from the commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions - Towards Social Investment for Growth and Cohesion – including implementing the European Social Fund 2014-2020" COM(2013) 83 final please see here: https://www.europarl.europa.eu/registre/docs_autres_institutions/commission_europeenne/com/2013/0083/COM_COM(2013)0083_EN.pdf

other initiatives, the Commission promised the support of innovative financial mechanisms and the exchange between the experience of Members States with SIBs. The subsequent European Parliament response[36] to the European Commission Communication invited the Member States to use an innovative financial approach such as social impact bonds (and other schemes).

By following the EU Communication, several countries with conservative regimes started to adopt national programmes calling for the modernisation and innovation of social policies by exploring new opportunities and initiatives. France and Austria proclaimed and developed specific social programmes, while in Belgium, the Netherlands and Germany, individual actors played a relevant role in introducing the SIB scheme.

The table below shows the social issue addressed for each conservative country, the context, and the solution implemented.

[36] For more information on "European Parliament resolution of 12 June 2013 on the Commission Communication 'Towards Social Investment for Growth and Cohesion – including implementing the European Social Fund 2014-2020' (2013/2607(RSP)), please see here: https://www.europarl.europa.eu/doceo/document/TA-7-2013-0266_EN.html?redirect

Table 23 The emergence of SIBs in the EU Conservative Countries

Country	Social Issues	Context	Solution
France	Unemployment in deprived areas	From 2013 to 2016, France's unemployment rate has oscillated around 10.3% to 10.1%. The number was higher than the EU 28 average of 8.2%.[37] As reported in the Impact Invest Lab, (2020) Case study[38], the unemployment rate appeared to be worse in rural areas, with low job opportunities than in the rest of the regions.	The government launched between 2016 and 207 a call for proposal of " "*Contrats à impact social*" (French term to designate the Social Impact Bonds).

[37] For further information, please visit these links https://fr.statista.com/statistiques/474093/taux-de-chomage-france/ (last access 8th May 2021); https://ec.europa.eu/eurostat/documents/2995521/7844069/3-31012017-CP-EN.pdf/f7a98d76-13bc-4586-9e25-9e206e9b6f02 (last access 8th May 2021).

[38] For further information please visit the study "ADIE'S SOCIAL IMPACT CONTRACT CASE STUDY OF A SOCIAL IMPACT CONTRACT" by Impact Invest Lab, 2020.

Austria	Women affected by violence	In the 2013-2018 working program, the Austrian government proclaimed to support innovative approaches in delivering social policies, mainly to address poverty and marginalisation (Schneider, 2017).	The public actor initiated the SIB project involving private foundations and social organisations.
Germany	Unemployment of marginalised young people	In 2105 Germany presented a higher number of poor among unemployment people than the other EU countries (Hanesch & Trabert, 2015).	SIB was identified as an innovative scheme to test social interventions.
Belgium	Labour inclusion of young people with a migrant background	From 2013 to 2017, the unemployment rate ranged from 8,43% to 7,09%[39].	The SIB was a pilot targeting youth unemployment and serving as a test for further development.
Netherlands	Unemployment	The 2015 Participation Act decentralised the social assistance from the national government to	Starting from 2013, individuals acting in the social sphere and impact investing introduced and

[39] For further information please visit the webpage https://www.statista.com/statistics/328818/unemployment-rate-in-belgium/ (last Access 9th May 2021)

		municipalities. Notably, the local authorities are legally and financially responsible for unemployed citizens. The budget constraints obliged public sector and civil society organisations to find alternative funding opportunities, especially concerning the employment sectors.	tested SIBs to reduce unemployment.

Source: Elaborated by the author.

Within this group, it is remarkable the case of the Netherlands, which is in between the corporatist and liberal welfare regimes (Goodin & Smitsman, 2007). Despite the absence of any public document stating the modernisation of public policies and adopting social investment programmes, starting from 2010, Dutch policies focused on early childhood education and childcare, family benefits and the active labour market (Blommesteijn, 2015). The Dutch welfare state contains traits belonging to the liberal regime, such as those reforms regarding the privatisation of social security and the decentralisation of the public policies (Blommesteijn, 2015). In the last few years, the Dutch welfare regime focused on labour participation as the best form of social protection (Blommesteijn, 2015). Thus, it is explained the adoption of a significant number of SIBs in a relatively short time. The scheme represented experimentation for testing new public policies given the budget constraints and the need to guarantee labour participation.

In the same Communication, the European Commission stressed the importance of social enterprise and entrepreneurship. Precisely, social enterprises and, more generally, the third sector movement act as allied of the public sector helping in developing news services and supporting the public administration. The Communication required the Member States to implement enabling schemes for social enterprises, from improving the regulatory framework to expanding the funding opportunities. As a matter of fact, the European Commission launched in 2013 the Mapping Study on the social enterprise and their ecosystem in Europe. The report assessed the state of the art and the gaps in social enterprise development in the EU.

In the period 2013-2017, several Member States adopted measures and initiatives supporting the development of the social enterprise. Notably, countries like France and Portugal supported the creation of *ad hoc* frameworks and enabling conditions

Table 24: SEs ecosystem in France and Portugal

France	There is a robust political recognition of SEs shown by the government of specific authorities and adopting policies and programmes supporting SEs.
Portugal	While the regulatory framework is still limited, in the last years, Portugal has adopted different innovations in the public policies and emerged several initiatives from the civil society like the *Portugal Inovacão Social*

Source: Based on European Commission (2016)

However, countries like the Netherlands, Germany and Belgium, with a limited institutionalisation of SEs, presented a vitality at civil society and individuals (European Commission, 2016). In fact, by linking the emergence of SIBs and the SEs state of the art, it seems that in Europe, SIBs were promoted by active individuals or organisations willing to experiment and provide alternative social services rather than public actors.

It is also the case of the impact investing practice. Despite the fragmentation of the sector in the EU (Eurosif, 2018), in the last few years, a series of European and national initiatives addressed the development and support impact investing market. The primary motivation has been to catalyse public and private money towards social and "impact-oriented" business. At European and National levels, public actors recognised the opportunity to have private resources for funding efficiently and effectively social services. Thus, the collaboration with civil society organisations, third sector or social economy entities and the private and financial sectors led to adopting new financial schemes. Hence, at the national level, just a few countries like France, Germany and Netherlands developed specific programmes trying to address the demand and the supply of the so-called "impact finance" (Eurosif, 2018; OECD, 2019).

Interestingly, in countries like the Netherlands or Belgium, the specific activism of social enterprise and impact investing movements led to the introduction and experimentation of alternative funding schemes.

6.4.Country case study selection: the Netherlands

By crossing the different information publicly available on the SIBs implemented or designed in Continental Europe between 2013 and 2017 with the analysis provided in the previous chapter, it is possible to highlight the following aspects:

- in some countries of Continental Europe, the SIBs were initiated directly by the public actor within the framework of specific public policies oriented towards the modernisation of the welfare regime;
- in other countries, the social enterprise movement had a proactive role in introducing SIBs to the public actor ;
- in some experiences, the “intermediary” actor acted as the originator of the SIB by linking the public actor with the social enterprise organisations.

Generally, the social enterprises involved in SIBs as service providers are primarily nonprofit organisations like ONGs, associations, foundations, or cooperatives. In other experiences, the social enterprises have a for-profit orientation or are in their start-up's phase. The typology of SEs depends on the national framework and the political recognition that social enterprises have in each country.

Thus, the Netherlands appears as the country of Continental Europe with remarkable features for this research. In between conservative and liberal regimes, SIBs found fertile ground in the Netherlands. In addition, the robust and evolved financial sector and the activism of the civil society contributed to introducing the scheme in the country. Specifically, the Netherlands developed most SIBs in Continental Europe: on the one hand, it resulted from a bottom-up proposal to experiment with new impactful initiatives; on the other, SIBs seemed the perfect public policy tool within a context of budgetary constraints and welfare regime changes. Furthermore, in many cases, SEs initiated or proposed the SIBs to the public actors. In this sense, the SEs involved represent the variety of the Dutch SEs landscape.

Table 25: Details of SIBs in Continental Europe

Country	SIB originator	Typology of SE	Public policies promoting SIBs (2013/2017)	Public policies promoting SEs (2013 /2017)	The activism of SE/ Impact investing movement in originating SIBs
France (x2)	Public actor	Nonprofit	Yes	Yes	No
Austria	Public actor	Nonprofit	No	No	No
Germany (x3)	Intermediary actor and SE actor	Nonprofit	No	No	Yes
Belgium	Intermediary actor and SE actor	Nonprofit	No	Yes	Yes
Switzerland	Intermediary actor and SE actor	Nonprofit	No	NA	Yes
Netherlands (x7)	Public actor Intermediary actor SE actor	For-profit/cooperative/	No	No	Yes
Finland (x2)	Intermediary actor	For-profit	Yes	No	Yes
Sweden	Public actor	NA	No	No	No
Portugal (x4)	Intermediary actor	Start-up	Yes	Yes	Yes

Source: Elaborated by the author

6.5. Conclusion

This chapter has illustrated the mapping exercise and the subsequent analysis of the results carried out by the author in 2017.

SIBs appeared for the first time in Continental Europe in 2013, and in a couple of successive years, several countries started with its implementation. At the EU level, the Commission supported its adoption as the scheme for improving social enterprises' funding and improving the delivery of social services in a context of severe budget crisis and complex societal challenges.

So, to identify the country where the case study is located, I have performed mapping and analysis of the European SIBs experience. The countries that presented the high number of SIBs developed in 2013 and 2017 were the Netherlands and Portugal. By analysing the results through the lens of the welfare regime and the activism of SEs, and the impact investing movement, the country selected is the Netherlands.

Expressly, as it will be shown in the next chapter, the Netherlands represent an interesting country where a mix of public support and bottom-up activism led to the experimentation of a new form of collaboration between the public actor, the SE, and the private financial sector.

7. The ecosystem in the Netherlands: Social enterprises as a tool for achieving a "participating society."[40]

"A Civil, Caring and Responsible Society" (Dekker, 2019)

7.1. Introduction

The Netherlands implemented the first SIB in Continental Europe in 2013, counting today 13 SIBs. The main issue addressed in the majority of the developed SIBs is unemployment. This growth and development of SIBs have resulted from the 2014 Participation Act, which has meant that since 2015 local authorities have been responsible for providing social services (EP, 2016). The decentralisation of responsibility for poverty and social exclusion from national to local government raised strong criticisms and created the possibility for new solutions to be explored. Municipalities collaborated with social enterprises (SEs) and third sector organisations (TSOs) in this context.

The Dutch government encourages collaboration, solidarity, collectivism, and citizens' engagement (OECD/EU, 2019). The Netherlands has a long tradition of Corporate Social Responsibility (CSR), the co-operative movement, volunteering and, more recently, social entrepreneurship (European Commission, 2020). However, despite a growing social impact investing ecosystem and public support (McKinsey and Company, 2016), there has been a gap in funding for growing and scaling social entrepreneurship initiatives (European Commission, 2020).

[40] This chapter is partially based on the article Patetta, Valentina & Enciso Santocildes, Marta. (2021). Social impact bonds and their implications for third sector organisations: experiences from the Netherlands. Voluntary Sector Review.

Furthermore, community-based organisations providing more traditional services have faced challenges accessing working capital (OECD/EU, 2019). These factors combined have created a fertile ground for the development of SIBs.

This is a background chapter aiming to describe the context of the first and most developed SIBs in Europe. This work is preparatory for the setting of the case study presented in the next chapter.

The purpose of this brief is to introduce the political, social, cultural, and legislative framework, which led to the establishment of 7 Social Impact Bonds (SIBs) from 2013 to 2017. The introduction of this new type of financial mechanism is strictly related to decentralising social services delivery, especially regarding social security and assistance (EP, 2016). In this sense, this reform opened the doors to social enterprise organisations as actors entitled to support (and fill) public authorities in addressing social needs.

7.2.The provision of welfare services

As stressed in the previous chapter, the Dutch welfare system is the corner of corporatist and liberal regimes (Goodin & Smitsman, 2007).

The first model of the dutch welfare system emerged in 1945 with the ambition to ensure proper living conditions for the population “from the cradle to the grave” (Eleveld and van Vliet, 2013). Nevertheless, between the 1970s and the 1980s appeared quite clear the unsustainability of such model. Thus, the social security provisions addressed specific situations (Eleveld and van Vliet, 2013). In the first years of the 1990s, the critical Buurmeijer Committee report (Buurmeijer Committee, 1993) on social security revealed the inefficiency of the Dutch welfare system. The report advocated for a new shift towards activation policies[41] and introducing a quasi-market approach in the active labour policy. So, it started years of reforms as the 2004 Work and Welfare giving local authorities more autonomy and responsibilities concerning social assistance. The 2007 Dutch Social Support Act (also called Wmo, *wet maatschappelijke ondersteuning*) marked a further shift in the decentralisation of social care tasks and duties (Meurs, 2010). In particular, its adoption introduced the paradigm shift from vertical, from the central government to the local authorities to horizontal relationship from municipalities to citizens (Meurs, 2010). The Dutch Social Support aim was the participation of all citizens in the welfare services. This meant that citizens are no anymore entitled to receive care by right because they are the first responsible for their care. The 2014 Participation Act overcame the limitation of the Wmo with the purpose to reform the entire social security and assistance policy (Buiskool, Broek, & Dente, 2016)

The 2014 Participation Act (*Participatiewet*) reformed the field of social and employment policy with a specific focus on social security and assistance. Remarkably, the act provides some measures to overcome the limitation of the Dutch job market. The 2008 crisis increased the unemployment rates, especially for specific (vulnerable) groups of people (EP, 2016). People's poverty and exclusion rates increased in size, making the distance from the labour market more considerable. (EP, 2016).

In the specific, the Participation act aims to back unemployed people to work. Hence, municipalities were entitled to support and assist groups who experienced social, financial, and labour exclusion. The rationale behind this choice is that cities can better provide tailored solutions for solving sensitive issues because of the proximity and the coordination with all local actors.

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[41] "The activation policies are policies designed to encourage unemployed to step up their job search after an initial spell of unemployment, by making receipt of benefit conditional on participation in programmes" Eurostat; for further information please visit the following webpage https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Glossary:Activation_policies#:~:text=The%20activation%20policies%20are%20policies,conditional%20on%20participation%20in%20programmes. (last access on 30/05/2021)

Since 2015 local authorities must offer measures to foster integration, employment of youth and older people, health-care and social services, adult learning (EP, 2016).

Thus, the decentralisation of the poverty and social exclusion responsibility from national to local government raised strong criticisms and offered new solutions. On the one hand, local authorities felt unskilled, unprepared, and had an insufficient budget to handle these duties (Buiskool et al., 2016). Furthermore, the Act did not solve the employment issue of groups with complex needs or backgrounds (Bierbaum & Gassmann, 2016)

Because of the lack of knowledge and budget in performing the new tasks provided by the 2014 regulation, municipalities started to seek collaboration with different actors and organisations such as social enterprise and, more in general, the third sector (or social economy) organisations (EP, 2016; Smeets, 2017; Brandsen et al., 2016). The process of decentralisation makes municipalities more dependent on external partnerships than in the past. The collaboration with private actors such as investors, third sector organisations, financial providers offer either the economic resources and the knowledge required for performing the new tasks (EP 2016; Smeets, 2017; Brandsen et al., 2016). The substantial risk with this proliferation of "mandatory" collaborations is distortive incentives in all actors involved.

Beyond the criticism, this reform makes room for innovative experimentation in the co-creation and co-design of social services with other actors (Brandsen et al., 2016). Furthermore, as pointed out by Brandsen et al. (2016) - within the framework of the research project Third Sector Impact funded by the EC - this regulation may strengthen local ownership and open the door to small organisations in the social sector.

7.3. The Dutch civil society

The Dutch civil society, intended as the combination of private and voluntary sectors, is historically quite active in the public sphere and delivers welfare services (OECD/EU, 2019). The Netherlands has a long tradition of corporate social responsibility (CSR), the cooperative movement, volunteering and, more recently, social entrepreneurship (Bosma, 2019.) Generally, as a coordinated economy, the Dutch government has always encouraged collaboration, solidarity, collectivism and citizens' engagement

As Karré (2019) stressed, actors from civil society, instead of the public, have always cared for the community by delivering services with public money. In other words, despite the supportive welfare regime, the dutch civil society has a long tradition of providing social services and producing social goods.

Karrè (2019) noted that this participation in the welfare sphere resulted from the fragmentation of the Dutch civil society. Indeed, the Netherlands as a consociational state, a form of power-sharing, was organised in pillars: several social blocs with their own culture within a nation (Bogaards, 2021). In practice, Catholics, Protestants, Calvinists, Socialists, and Liberals had their owns schools, hospitals, newspapers, universities, associations, etc. Nevertheless, none of them was large enough to form a majority ethnic group, and for this reason, all blocs were interested in cooperating to maintaining political, social and economic stability (Bogaards, 2021). Within this framework, which lasted until 1967, each group was responsible for providing social services and care without interfering with the other groups. In other words, instead of nationalising private activities in crucial sectors, the governments decided to finance them with public money to carry out these services (Karrè, 2019). Thus, in a certain way, the Dutch private sector resulted as encapsulated in the State structure.

Furthermore, the so-called Polder Model *(poldermodel* in Dutch), a consensus decision-making process, reinforced the collaboration amongst the different social parties. The Polder Model has its modern roots in the reconstruction period after World War II; the principal political and economic forces worked together to rebuild the Netherlands. Then, between the 1980s and 1990s, governments, entrepreneurs and worker organisations collaborated to solve unemployment and the financial crisis.

Recently, the Dutch government facilitated the institutionalisation of the well-known "do-democracy" approach (OECD/EU, 2019). Do-democracy (or do-ocracy) refers to a participatory process in a democracy where citizens contribute to the public sphere by intervening in the realisation of concrete projects (Van de Wijdeven, 2012). Notably, in the 2013 Report, the Dutch

Minister of the Interior (Cabinet, 2013) introduced do-democracy as a further step in the relationships between civil society and the public sphere. However, as Dekker (2019) pointed out, the projects implemented deliver and provide social services in most cases. The author revealed that, still today, this civic participation is firmly institutionalised through public support as funding. Thus, there is a serious risk that this active engagement is forced involvement because of the long tradition of civic participation and recent budgetary cut (Dekkar, 2019)

7.4.Social Enterprise in NL

The social enterprise (SE) concept is relatively a recent and complex concept in the Dutch landscape (Brandsen et al., 2016; European Commission EC, 2015). The Duch SE movement encompasses the country's non-profit tradition, including non-profit organisations and individual activities such as volunteering and civic participation and mutual, cooperative, social enterprises (Brandsen et al., 2016).

The debate on SE is developing around the concept of "*sociale ondernemingen*" (social enterprises) or "*sociale firma's*" (social firms) borrowed by the Anglo-Saxon tradition on (innovative) entrepreneurship with a social aim (EC, 2015; Brandsen et al., 2016). On the other hand, the reference to "*maatschappelijke organisaties*" (societal organisations) is widely accepted. In this sense, organisations such as public benefit companies, housing corporations and health and educational institutions that deliver public services or good work in close cooperation with the public sector are considered social enterprises (EC, 2015; Brendsen et al., 2016).

The Dutch government implemented measures to align the Netherlands' legislation and ecosystem to the EU social enterprise trend in the last few years. The Social and Economic Council of the

Netherlands[42] (SER) explored the concept (see Table 2), providing a definition, and issued a list of recommendations to scale the social enterprise sector. The working definition adopted by the Dutch government is the same adopted by the European Commission (2011:3), stating :

"*a social enterprise is an operator in the social economy whose main objective is to have a social impact rather than make a profit for their owners or shareholders. It operates by providing goods and services for the market in an entrepreneurial and innovative fashion and uses its profits primarily to achieve social objectives. It is managed in an open and responsible manner and, in particular, involve employees, consumers and stakeholders affected by its commercial activities.*"

As previously noted, the Dutch landscape encompasses a different legal form of social enterprise. The Netherlands does not have a particular legal position for social enterprises (Social Enterprise NL, 2016; Social Enterprise NL, 2018). Here, a list of the different forms of the legal structure adopted by social enterprises:

1. Association (*Vereniging*)
2. Foundation (*Stichting*)
3. Cooperative (*Cooperatie*)
4. Private limited liability company (*Besloten Vennootschap*, BV)
5. Public company (*Naamloze Vennootschap*, NV)´

[42] Established in law by the Social and Economic Council Act (Wet op de Sociaal-Economische Raad), the SER is the main advisory body to the Dutch government and the parliament on national and international social and economic policy. The SER is financed by industry and is wholly independent from the government. It represents the interests of trade unions and industry, advising the government (upon request or at its own initiative) on all major social and economic issues.

Table 26: Summary of Council advisory report on social enterprises (June 2015)

Social value						Financial value
Charities/citizen initiatives/ civil society		Traditional non-profits	Social enterprises		"Mainstream" businesses	
Survive purely on the strength of donations or subsidies	Donations/subsidies/membership fees and commercial revenue	Most revenue derived from commercial transactions (sale of goods or services). Objective is not to make a profit	Most revenue derived from commercial transactions. All profits reinvested	Most revenue derived from commercial transactions. Limited share of profits paid out	Most revenue derived from commercial transactions. Core business includes CSR	Most revenue derived from commercial transactions. Mainly financially driven
Exclusively social impact		Social impact prioritised			Financial value prioritised	

Source: Retrieved from https://www.ser.nl/~/media/files/internet/talen/engels/2015/2015-social-enterprises.ashx (15/01/2018)

The 2016 Social Enterprise Monitor, published by Social Enterprise NL[43], reported a positive picture of the sector. The level of employment in social enterprises grew by 24% between 2014 and 2016. Simultaneously, 54% of SE involved in the survey declared that they offer non-existing products or services to the market. Unfortunately, the local government is considered an obstacle to scaling social impact. Also, in Brendsen (2016), public authorities are perceived as a potential barrier to the sector's growth because of bureaucratisation. However, the 2014 Participation Act and the decentralisation process are considered tools to raise awareness among the citizens. Generally, funding is no anymore considered an obstacle compared to the past. This is especially true for SEs at the seed and start-ups phase, but it is still a big challenge for Early-stage and later-stage growth SEs (McKinsey, 2016). The 2018 Social Enterprise Monitor highlighted the success of obtaining external capital: 84% of social enterprises received the requested funding.

[43]For further information, please see at https://www.social-enterprise.nl/beleid/publicaties/intern/management-summary-social-enterprise-monitor-672

Furthermore, the majority of the funding requested is about working capital (46%), then growth capital (33%), and finally starting capital (22%). However, the funding aspect is still a sensitive issue for social enterprises working in the public sector. For example, the accountability requirements for grants and contracts are time and money consuming (Brendsen et al., 2016). Additionally, public funding often works a one-year funding cycle making complicated long-term plans for growth and sustainability (Brendsen et al., 2016). In this sense, the Social and Economic Council of the Netherlands (SER) recommended creating a supportive financing ecosystem by experimenting with innovative forms of finance (2015:7).

In the last few years, the Dutch government recognised the importance of social enterprises by facilitating an enabling framework. In 2017, the Coalition Agreement[44] announced the intention to build "*more space for enterprises with a social or societal goal*." Beyond the public recognition, Dutch social enterprises have more awareness about their role, especially in the transition towards a more sustainable and social economy. The 2020 Social Enterprise Monitor showed that 96% of SEs aims to influence other organisations to act more sustainably actively. In other words, Dutch social enterprises are today aware of their influencer roles in the community.

7.5. Analysing the SIBs experience in the Netherlands: insights from 2013 - 2018

The Netherlands implemented the first SIB in Continental Europe in 2013, and from 2013 and 2018, other six have been established. The issue addressed in most SIBs developed is unemployment (6 out of 7 SIBs), while just one is in the criminal justice sector. Interestingly, but in line with the current Dutch context, the SIBs operating in the unemployment area have been promoted locally (at the municipal level). Moreover, as shown by the 2016 and 2018 Social

[44] The coalition Government consist of: People's Party for Freedom and Democracy (VVD), Christian Democratic Alliance (CDA), Democrats 66 (D66) and Christian Union (CU).

Enterprise Monitor Report, around 44% of Dutch SEs mission is to improve labour participation. In contrast, the Minister of Security and Justice has enabled criminal justice with national coverage.

At first glance, the possible explanation for adopting 7 SIBs in five years is related to the 2014 Participation Act. As previously explained, since 2015, the Dutch municipalities are in charge of social and employment policy and have started to collaborate with other actors in performing the new competencies; maybe the implementation of SIBs results from this new context of local welfare experimentation. Then, the success of the first SIB (Rotterdam SIB) demonstrated the instrument's efficacy for tackling employment issues. Thus, following Rotterdam's experience, other employment-based SIBs were implemented in Utrecht (x2), Rotterdam again, Enschede and Eindhoven. Notably, 3 out of 7 SIBs are delivered by the same service provider (Buzinezzclub) without intermediaries, proving that SIBs allow the repeatability and scalability of successful interventions. The Netherlands has also launched the first cross-border SIBs (Working in Germany SIB), connecting the Dutch unemployed with the German job market.

Here, a list of the SIBs implemented in the period 2013 – 2018:

1) **Rotterdam Buzinezzclub**[45], 2013. It has been launched in the Netherlands involving the City of Rotterdam, Buzinezzclub, ABN AMRO Social Impact Fund, the Start Foundation, Bonds Rotterdam Foundation, Deloitte, Ortec Finance. Rotterdam Buzinezzclub SIB's purpose was to get 160 young people aged 17 to 27 off government benefits. Buzinezzclub, the social impact bond's service provider, mentored the beneficiaries over six months by identifying skills, devising personalised career paths, and developing business plans. As a result, Buzinezzclub was able to scale up its services for young people in Rotterdam through the social impact bond, allowing the city to test an innovative service with little risk. An exciting feature of the first SIB launched in the Netherlands is that investors

[45] For more information about the SIB strategy of the city of Rotterdam, please visist the website https://www.rotterdam.nl/werken-leren/sib/

provided only 60% capital. Buzinezzclub supplied the remainder, thus sharing the risk of the investment.

2) **WORK AFTER PRISON**, 2016. The first national Dutch SIBs pool together the Ministry of Security and Justice, Oranje Fonds, ABN AMRO, Start Foundation, Work-Wise Direct Consortium, and Society Impact. Thus, SIB is intended to decrease dependence on social benefits and lower recidivism by supporting former prisoners in finding sustainable jobs and eliminating obstacles on the road to reintegration. Fundamental for this SIB, the Society Impact's role is to support social entrepreneurship and innovative financing in the Netherlands, which acted as a matchmaker in the transaction by bringing all parties to the table.

3) & 4) **Utrecht Buzinezzclub and The Color Kitchen**, 2015. The Municipality of Utrecht decided to engage with social enterprises in order to address unemployment actively. In 2014, the local authorities organised a meeting where they presented their new policy on social enterprises and invited social enterprises to develop and hand in business cases to provide jobs to people with a distance to the labour market. The government stated that they did not have any format for a business case, and their primary goal was to get people to work. Within this framework, two SIBs were launched: Utrecht Buzinezzclub involving ABN AMRO Social Impact Fund Oranje Fonds Buzinezzclub and Utrecht municipality; and The Color Kitchen, with Rabobank Foundation; Start Foundation, the Color Kitchen Municipality of Utrecht; Society Impact and Pimbaa. The Buzinezzclub aim was to reduce unemployment by encouraging and supporting young people to start their own business, focusing on developing confidence and skills. While the Color Kitchen goal was to educate and coach – during four consecutive years – 252 youngsters without any essential educational qualification.

5) **Buzinezzclub Eindhoven**, 2016. After the success of Rottermdam Buzinezzclub and Utrecht Buzinezzclub SIBs, and similar projects implemented in The Hague, and Drechtsteden, a new branch of Buzinezzclub opend in Eindhoven. The data shows that 10% start their own business on average, 20% start their education, and 30% of the young people find a job that suits them. Until 2019, approximately 100 young people from Eindhoven were eligible to participate free of charge in the intensive half-year program of the Buzinezzclub.

6) **Working in Germany**, 2016. This SIB, involving Start Foundation, ABN AMRO and BOAS Works, Municipality of Enschede, Kennispunt Twente (evaluator), is the first cross-border impact bond. Specifically, Enschede job seekers and put in relation with German employers. Thanks to BOAS Works and its German partners, the target is to support around 138 jobseekers in finding available jobs across the border.
7) **Werkplaats Rotterdam-Zuid' (Southern Rotterdam Workshop)**, 2015. AM & P Group, Deloitte, City of Rotterdam, Finance and Social Impact Fonds DBL align with unemployment in Rotterdam. From 2015 to 2020, the WRZ aims to find jobs for approximately 750 people who have become distant from the job market in Rotterdam South. Here, entrepreneurs appointed job seekers to a temporary position with one of the participating companies. The candidates are allowed to use their talents and develop their skills. At the same time, employers have the chance to get a good impression of their prospective new employees. A crucial element in this approach is collaboration reminiscent of a master and his apprentice: experienced professionals share their knowledge and experience with these young talents.

Table 27: SIBs developed in the Netherlands between 2013 - 2018

Stage	Name	Year	Location	Topic	Outcome Payer	Investor(s)	Intermediary Matchmaker	Service Provider(s)	Max Outcome Payment	Investment	Duration
Completed	Rotterdam Buzinezzclub	2013	Rotterdam	Youth unemployment	Municipality of Rotterdam	ABN AMRO Social Impact Fund; Start Foundation	The Social Impact Bond Rotterdam Foundation	Buzinezzclub	0.85 EUR	0.7 EUR	2
Implementation	WORK AFTER PRISON	2016	Country-wide	Recidivism and employment	Ministry of Security and Justice	Start Foundation	Society Impact	The Work-Wise Direct Consortium (Foundation 180, Exodus Foundation and Restart)	1.3 EUR	1.2 EUR	2.5
Implementation	Buzinezzclub Eindhoven	2016	Eindhoven	Youth unemployment	Municipality of Eindhoven	Start Foundation, ABN-AMOR, Buzinezzclub	NO	Buzinezzclub	Undisclosed	1.7 EUR	3
Implementation	Working in Germany	2016	Enschede	Regional unemployment	Municipality of Enschede	ABN-AMRO Social Impact Fund Start Foundation BOAS Werkt	NO	BOAS Works	1.4 EUR	1.1 EUR	2.5
Implementation	Werkplaats Rotterdam-Zuid' (Southern Rotterdam Workshop)	2015	Rotterdam	Youth unemployment	Municipality of Rotterdam	Fonds DBL	Deloitte, Social Impact Finance	Workplace Rotterdam South (WRZ)	Undisclosed	3 EUR	5
Implementation	Utrecht Buzinezzclub	2015	Utrecht	Youth unemployment	Municipality of Utrecht (Gemeente Utrecht)	ABN AMRO Social Impact Fund Oranje Fonds	NO	Buzinezzclub	Undisclosed	2.1 EUR	6
Implementation	The Colour Kitchen	2015	Utrecht	Youth unemployment	Municipality of Utrecht (Gemeente Utrecht)	Rabobank Foundation, Start Foundation	Society Impact	The Colour Kitchen	Undisclosed	0.73 EUR	4

Source: Based on Instiglio database (2017) adapted by the author

Generally, in the literature on the topic (Fox & Albertson, 2012; Jackson, 2013; Nicholls & Tomkinson, 2013), three main drivers are currently used to explain the adoption of such instrument:

1) SIB as additional funding for social services delivering when lack of public budget negatively affects welfare;
2) SIB as a tool for increasing the efficiency of public intervention and public expenditure (Smeets, 2017) fostering innovation in the delivery;
3) SIB as a return opportunity for a new class of investors interested in balancing financial and social investment returns.

Within the Dutch framework, these drivers were absorbed because of the supportive environment for partnerships (Smeets, 2017:11). These collaborations resulted from the new regulation on social and employment policy at the national level; and, internationally, by the momentum of social entrepreneurship, impact investing and social investment as a tool for achieving social and financial return in the new class of investors.

In the Netherlands, the drivers enabling the adoption of SIBs were:

- A political framework enabling more than ever the citizens' participation (the do-ocracy) and a progressive dismantling of the welfare state also as results of budget constraints and intrinsic characteristics:

- A decentralised approach towards the provision of public services, with municipalities with limited resources and capabilities;

- A new season for social-based organisations and the emergence of social enterprises;

- A developed and innovative financial system with the presence of philanthropists, funds, and social investors.

7.6.Conclusion

This background chapter illustrated the political and social context that facilitated 7 SIBs from 2013 to 2018. The analysis shows that collaboration and partnerships among public actors, private sector, and social enterprises (intended as an umbrella term incorporating from third sector organisation to social businesses) are intrinsic features of Dutch society. The change in the welfare approach and the high involvement and responsibilities of Dutch citizens for the community can partially explain the emergence and adoption in such a short time of so many SIBs. The social enterprise's momentum contributed to experimenting with new schemes and instruments to this background situation.

8. SIBs and social enterprises: insights from the Netherlands[46]

"The really significant question is whether the presence or absence of nonprofit organizations makes a difference, and, if so, what kind and how much."

(*Salamon, Lester M., Leslie C. Hems, and Kathryn Chinnock, 2000*[47])

8.1. Introduction

This exploratory study documents and examines the motivation and implications of SEs participating in SIBs in Continental Europe. It offers a robust understanding of social enterprises' involvement in this scheme. The case study presented in this chapter serves for exploring SIBs as funding instruments for social enterprises. Specifically, the chapter covers SIB perspectives by adding voices and experiences of social enterprises from the Netherlands.

This chapter presents the findings and discusses the motivations and implications for social enterprises involved in SIBs. The first part of this research addressed how the case studies identify themselves with the third sector/social enterprise discourse and their financial management. Then, the study focused on their experience of SIB participants by highlighting both the positive and negative aspects. Finally, it presents the overall feedback of the experience.

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[46] This chapter is based on Patetta, V. and Enciso Santocildes, M. (2021) Social impact bonds and their implications for third sector organisations: experiences from the Netherlands, Voluntary Sector Review, vol 00, no 00, 1–10, DOI: 10.1332/204080521X16104823141700

[47] Salamon, Lester M., Leslie C. Hems, and Kathryn Chinnock. "The Nonprofit Sector: For What and for Whom?" Working Papers of the Johns Hopkins Comparative Nonprofit Sector Project, no. 37. Baltimore: The Johns Hopkins Center for Civil Society Studies, 2000.

Beyond documenting the social enterprise experience, this chapter discusses the results and share some lessons learned and suggestions for further involvement.

This chapter contributes by adding social enterprise experience to SIB literature and presenting a different context from UK or US.

8.2. Objectives, Research questions and study assumption

The study's objectives are.

- To reveal and examine the motivation of SEs participating in SIBs in a European context different from the Anglo-Saxon world;
- To detect the implications, either positive and negative, for SEs under SIBs;
- To include the voices of SEs on SIBs;
- To evaluate SIBs as the funding instrument for SEs.

So, the main research questions of the qualitative study associated with the objectives are:

1) What are the motivations for social enterprises in participating under SIBs?

2) What are the implications for social enterprises in participating under SIBs?

3) How do social enterprises in the Netherlands use SIBs as a tool to fund their organisations?

4) In what ways can SIBs spur on how social enterprises measure and scale their impact?

As explained in Chapter 5, the rationale behind these research questions is to consider and evaluate SIBs as social enterprise financial instruments. The first research questions address social enterprises' motivations behind the choice to participate in a SIB project. The aim is to identify the drivers that encourage social enterprises' participation. While the second aims to discover what are the actual consequences of participating in SIBs. In the end, the last two questions explore if and how social enterprises consider SIBs as a financial tool and the implications on the social impact measurement and scalability.

This work of analysis took under consideration the conceptual framework developed in Chapter 4. In this sense, the study contemplated both the nature and the scope of SIBs.

Notably, the assumption behind this work is to recognise SIB as a funding instrument; and, specifically, a funding tool working also for SEs.

Marcin Wiśniewski (2018) stressed the difficulty in classifying SIB as a financial instrument because it does not fall under the conventional categories of financing contracts. As already mentioned in this dissertation, SIBs are not a bond intended as a financial obligation, but the name is associate with the idea of "link" and "tie" amongst different stakeholders. Thus, despite the name, the SIB is a structured product between a debt instrument and a derivative product (Marcin Wiśniewski, 2018). The debt part of SIB implies that the issuer (generally the public authority or the intermediary depending on the structure) takes the obligation to pay out the owner (in this case, it is the investor) only if the achievement of pre-fixed conditions. It is this conditionality the specific feature of derivatives products and SIBs (Marcin Wiśniewski, 2018). In SIBs, the issuer decides when all the conditions for payment have been achieved (Marcin Wiśniewski, 2018). So, if when the funded social enterprises (the service provider) accomplish the pre-fixed result, then the issuer will pay back to investor(s).

But in which way do SIBs represent a funding instrument for SEs? In a certain way, SIBs denote the new approach in the financing of social enterprises. On the one hand, SIBs must be read and understood outside the traditional financial markets and products, especially those targeting social enterprises. Together with other innovative schemes (crowdfunding, loan guarantees, quasi-equity debt, etc.), Impact Bonds uniquely combines several aspects of conventional finance. As pointed out by Bugg-Levine et al. (2012) in his seminal work, SIBs: "stretching the boundaries of social enterprise financing". Under this scheme, social enterprise – by offering the investors the social return – have access to capital without any claim on assets or indebtedness. It is possible because SIB introduces a new class of investors – the social investor - to obtain a new typology of return – the social impact.

On the other, SIBs renovate the classical funding relationship between the social enterprise movement and the public administration. Especially in social services, many social enterprises are government-reliant depending on public grants or contracts. Notably, these contracts are in exchange for social service delivery and provision. In most cases, social enterprises (especially the small ones) cannot fix the price because of the public and redistributive nature of the goods and services. So, the reality of this relationship is very complex and variegate. Social enterprises can receive a lower price for their intervention or advocate for improving the overall services, or their action is complementary with that of the public actor (Dennis R. Young, 2017). Thus, SIBs modernise the funding relationship with public administration shifting the focus on the impact instead of the activity and providing up-front capital. Social enterprises can sustain current operations and fund strategic investments in the organisation’s capacity by receiving the money for the intervention before. Finally, SIBs make available working capital allowing organisations to use capital productively without recoursing to the banking market or personal reserve.

Social impact bonds enable social enterprises to receive working capital before implementing the intervention in collaborative projects with public authorities and other subjects. By acquiring the money before, social enterprises can organise the work and design the intervention with a certain degree of freedom and without worries. Besides this aspect, social enterprises conceive the interventions by creating the projects' elements according to the expected impact. It means overcoming the traditional logic of activity-based management. These characteristics allow identifying SIBs as a social enterprise financial scheme of a new generation.

Table 28 Nature and Scope of SIBs as a financial tool for SEs

Nature	A hybrid financial tool is a contract negotiable in the financial market. This scheme allows a social enterprise to access capital (especially working capital) without claiming assets or indebtedness. Furthermore, it represents an evolution of the payment for the delivery of social services.
Scope	Through SIBs, social enterprises can access working capital for building their capacity and sustain their operations. The money can represent a way to scale and experiment on projects.

Source: Elaborated by the author

8.3. Linking narratives to motivations: the different typology of the Dutch Social Enterprises

To address the first research question: "What are the motivations and the implication for social enterprises in participating under SIBs?" I have connected the different social enterprise models to the narrative associated with each of these typologies. Thus, once identified, I have linked these narratives to the motivations for participating in SIB.

Shortly, I examined the connection between motivations triggering social enterprise in being involved under SIBs and the characteristics of these organisations, such as the legal form, the social orientation, the principles inspiring the activities, and so on. The objective is to understand better "why" social enterprises decided to join in SIB and if these decisions are affected by their intrinsic characteristics or organisational model. As seen in Chapter 2, the centrality of the social enterprise mission affects how these organisations access funding and the variety of funding instruments available. Resource hybridisation[48] (Laville and Nyssens, 2001) means securing social enterprise's mission. Thus, the rationale behind the first research question is to find a possible link between the motivation and social enterprise typologies'

From the results of the mapping exercise presented in Chapter 6, the service providers can assume the form of a social enterprise (in this dissertation, social enterprise is an umbrella term including a variety of non-profit, voluntary, third sector and social business organisations). Notably, for the case study, I have selected only organisations identified as social enterprises.

The identification process has followed these steps:

- The pre-field phase and the desk-based mapping of the Dutch SIB ecosystem allowed identifying all relevant stakeholders and SEs;

[48] For further information please see the Chapter 2

- Once I placed the possible SEs, I matched their characteristics with the definition of social enterprises delivered by the European Commission and explained in Chapter 1.
- From the list of the service providers, I selected the cases corresponding to the definition of social enterprises of EC.

The three cases, identified as social enterprises, were selected due to the following features:

- Acting as the social provider under a SIB;
- Representing the variety of the Dutch SEs;
- Operating in different sectors and geographical areas;
  Existing before the SIB design.

The semi-structured questionnaire conducted in the pre-field analysis and interviews analysis allowed us to outline specific configurations for each organisation involved in the research.

During the interview, I asked all the organisations questions like:

1. Are you a social enterprise?
2. What is for you a social enterprise?
3. Do you identify as a social enterprise according to the EU definition?

These questions helped me verify if the organisations identify themself as social enterprises and understand their subjective definition of SE. Furthermore, I have asked to share the background behind the foundation of the entity and the mission pursuit.

By analysing the pre-field and interview results, it emerged that the different organisations representing the social enterprises and third sector movement of the Netherlands. With diverse backgrounds, they operate targeting groups in need in comparison with the average population. For this reason, these organisations are active in different locations and territories of the Netherlands. The starting point is to have a deep knowledge of the target population. All their actions have a shared mission to provide a social change in the field of employment integration.

Here is a brief overview of each one of these.

Table 29 Overview of the organisations

Name	Description	Legal Status	Location	Number of employees	Year of foundation
Organisation 1	It was launched informally in 2009 thanks to the vision and ambition of its founder, who had some ideas to tackle youth unemployment. The organisation is an impact first for-profit entity whose primary mission is to provide a social impact. With its sister organisation, they belong to a foundation registered to the national Social Enterprise Register	Private company with limited liability	Municipal-basis	23	2013, but starting informally operative since 2009
Organisation 2	It is a social enterprise by definition and legal status operating across all the Netherlands. It employs people with complex backgrounds struggling in finding jobs. After a training period, these people work there until they cannot find a stable job.	Private company with limited liability acting as WISE (work integration SE)	National Basis	160	2007

Organisation 3	It is a small organisation located in a cross border territory working with municipalities and private sectors in the field of employment and training. The director had a long and extensive experience with training and employment issues and managed big companies.	Private company with limited liability	Municipal/cross border basis	6	2012

Source: Elaborated by the author

To identify the narrative behind each organisation of this case study, I have applied the Nicholls (2010) discourse of social entrepreneurship. Specifically, Nicholls (2010) identified two discourses: the hero social entrepreneur and the community "enterprise". The first discourse is about the role played by a commercial entrepreneur in delivering successful actions with a positive impact. The second is related to a bottom-up process and the third sector tradition. Within the framework of the community enterprise, the author associated two distinct logics, the Business Model Ideal Types, a business with a social orientation, and the Community Models/Social Change Logics that is a third sector organisation more innovative.

From the analysis of the interviews, it emerges that:

- Organisation 1 identifies itself around the action of the "*passionate and visionary*" social entrepreneur, who is genuinely interested in delivering social change through innovation. The pro-active and take-risk attitude of its founder and director pushes and drives the organisation action;
- Organisation 2 highlights the bottom process behind its establishment, and it recognises its activity in the Netherlands and EC social enterprise definitions; in fact, Organisation 2, established in 2007, is an active member of the Social Enterprises NL platform organisation, and it is one of the first Dutch SEs adopting the Code of Conduct, known as the Code of Social Enterprises.

"*We solve social issues because it is what social enterprises do. Once we have solved these issues, we can stop existing* [...] *we have decided to operate using an entrepreneurial structure. Still, our goal is to generate social benefits for the community."*

- Organisation 3 presents itself as a "*responsible business*" delivering welfare services and acting for social responsibility and civic engagement in line with the Dutch tradition of CSR;

"We are a responsible business taking care of the community [...] "

By applying the Nicholls (2010) narrative logic to this case-studies, the result is that Organisation 1 identifies itself around the action of the hero social entrepreneur; while, organisations 2 and 3 identify themselves as having emerged as a result of a collective and bottom-up process.

Table 30 Typology of SEs involved in the study

ID Organisation	Narrative according to Nicholls typology (2010)	Business Configuration	Characteristics
1	Hero Entrepreneur	Social innovator	Strong emphasis on social innovation
2	Community -	Social Enterprise	Social change as the ultimate goal
3	Community	Responsible Business	Focus on public service provision and delivery

Source: Elaborated by the author

8.4.Motivations for participating in SIBs

After exploring the narrative and central motivations to be a social entrepreneur or social enterprise, I have investigated why the entities involved in the studies participated in SIBs.

Both Organisations 1 and 2 had a leading role in the SIB development process by proposing the scheme to the commissioners and investors. Organisation 3, on the contrary, was involved by the commissioner because of its experience in the field of action.

When asking "Why do you decide to participate in SIB?" the answer of Organisation 1 was the following:

"*The SIB has been the opportunity to approach the social problems in a complex way*. "

Thus, in Organisation 1, the primary driver has been mobilising resources to bring social innovation when solving social issues. The SIB gave the chance to experiment and scale the programme, for the first time, in a more holistic way:

Nevertheless, a second reason to start a SIB appeared from the conversation and informal dialogue with the founder and director of Organisation 1. The choice of introducing in the Netherlands this financial scheme is related to the behaviour and attitudes of its "*hero entrepreneur*". In fact, since 2009, as an entrepreneur, the Organisation 1 founder started to seek a solution for addressing societal issues, especially those related to the NEETs. Once SIBs appeared in the Anglo-Saxon world, he understood the potential and the innovation of the model. With his persuasion and pragmatism, he convinced the Municipality to develop a SIB to implement its programme. Driven by vision and ambition, he decided to also be a co-investor – through his holding - in the SIB, showing his engagement to the project. Thus, there is also a motivation linked to the social entrepreneur aspect and social enterprise typology behind the resource mobilisation driver.

Table 31Motivation to participate in SIB - Organisation 1

Driver	Reason
Resource mobilisation	SIB represents a tool for catalysing resources around social innovation initiatives
Intrinsic characteristics of the social entrepreneur/ typology of social enterprise	The social entrepreneur played a crucial role in developing the vision and mission of the social enterprise. His features of *hero entrepreneur*, open and genuinely interested in fostering social innovation in the Netherlands, contributed to proposing and adopting SIBs.
Stage of social enterprise growth	In its start-up phase, Organisation 1 saw in SIB the opportunity to access finance and relationships

Source: Elaborated by the author

Organisation 1 was a forerunner in introducing SIBs in the Netherlands, and its experiences served as encouragement for the entire Dutch third sector and SE ecosystem, including Organisation 2.

One of the managers of Organisation 2 explained that the introduction of the first SIBs animated them in further exploring this scheme. When discussing the reason to be involved in a SIB, she revealed that the crucial motivation has been to access growth finance. As the SE moved to a more mature stage, it looked for patient working capital, and the SIB represents a striking scheme:

"*Starting a SIB was a good way to find working capital and expand our programme to a large group.*"

Another driver, as shared by Organisation 2, was to enter into a more solid and long-lasting collaboration with the local authority. The administrative entity, considered a strategic partner, could facilitate Organisation 2's access to resources and expansion to other municipalities or regions. Thus, Organisation 2 saw in the SIB the potential for future opportunities.

"*After many years of attempts, with the SIB, we eventually engaged the municipality on this issue for many years."*

Table 32 Motivation to participate in SIB - Organisation 2

Driver	Reason
Resource mobilisation	SIB represents a tool for accessing working capital
Stage of social enterprise growth	Organisation 2 needed growth capital for scaling up and expanding its operations
Collaboration with local authority	SIBs could facilitate long-lasting partnerships with local authority

Source: Elaborated by the author

The opportunity to foster collaboration with the public sector and build new relationships with a broader range of (new) actors drove Organisation 3 to participate in a SIB.

"We already had relationships with municipalities and the private sector, but we decided to participate for reinforcing these links and showing our value to other stakeholders like foundations, venture philanthropists […] a new type of players for us."

Also, the size and the organisation growth stage influenced the decision to be involved in a SIB.

"*We saw SIB as our opportunity to improve our dimension and growth."*

Table 33 Motivation to participate in SIB - Organisation 3

Driver	Reason
New partnership	SIB as a tool for reinforcing relationships and building new alliances and collaborations
Stage of social enterprise growth	SIB could help Organisation 3 in growing and improving its business activity
Collaboration with local authority	SIBs could facilitate long-lasting partnerships with local authority

Source: Elaborated by the author

To sum up, the motivations to participate in SIBs emerged:

- Individual and personal characteristics of the social "hero" entrepreneur, like for example, a strong orientation towards social innovations and experimentation;
- Support the growth and the scaling-up of the social enterprise from start-up to growth phase as well as expansion to mature stage;
- Resource mobilisation to improve the resources available, for the present and the future, to an organisation combing different strategies and tools;
- Collaboration with local authorities and new partnerships with strategic network ties to reinforce or build new relationships with public actors and new actors of the social economy landscape.

Accessing resources, including money and strategic network ties, appeared as the principal driver of SIB. All the three case studies presented above decided to engage in the SIBs with the motivation to have access to a wide range of tangible (money) and intangible (new partnerships) resources in a way that exceeds what they could have achieved individually. On the one hand, SIB offered economic support for (almost partially)“unbankable” initiatives providing upfront capital to organisations; on the other, SIB represented an opportunity to build relationships and gain valuable legitimacy for future collaborations. In line with the Resource Dependence Theory (see Chapter 2), the social enterprises involved in the research acted as multiple-resource organisations managing several funding sources. In this way, they are less dependent on one provider and have many opportunities to secure future funding.

Nevertheless, the motivation to be part of SIB is not just related to resource dependence. From the conversation with the actors involved and the analysis of the answers, it results that the typology of social enterprises affected the decision to participate in SIBs. This means that intrinsic characteristics and the narrative behind the social enterprises played a role in the decision. It is especially true and visible for Organisation 1, with a high orientation towards innovation and heroic gestures. The initial “win-win” discourse around SIB – a promising tool increasing the effectiveness of social programs and benefits for all involved – attracted the visionary social entrepreneur willing to experiment and capture the attention of the public actors and the other stakeholders involved. Organisations 2 and 3were more attracted to the “communitarian” aspect of the SIB. The participation of a wide range of actors in the scheme determined and influenced their motivation. In a certain way, they considered the SIB as a room for the experiment, a particular type of partnership and collaboration.

Table 34 Social enterprise narrative and motivations to participate in SIB

Narrative	Typology	Stage of growth when involved in SIB	Motivation
Hero Entrepreneur	Social innovator	Start-up	• Individual characteristics and curiosity towards the instrument; • Resource mobilisation
Community -	Social Enterprise	Growth	• Resource mobilisation • Collaboration with local authority
Community	Responsible Business	Start-up	• Resource mobilisation • New partnerships and collaborations with public and private actors

Source: Elaborated by the author

8.5. Financial management and income sources

The third research question of this dissertation is:

"*How do social enterprises in the Netherlands use SIBs as a tool to fund their organisations?"*

Thus, to investigate SIBs as a funding instrument for social enterprises, I have explored the financial management and income source of the organisations involved in the study in 2013 - 2018.

Prior to exposing the details that emerged from the interviews, it is crucial to highlight these organisations' internal and external differences. Despite all the three being social enterprises, they are diverse from each other and (at the time of the study) they were at a different growth stage.

Organisation 1was formally established with the launch of the first SIB. With its sister organisation, it is currently part of Group – Foundation. Since its creation, Organisation 1 employed people formally hired by the Foundation devoted to launching this start-up. Organisation 1 offers an educational – mentoring programme to the NEETs (Neither in Employment or Education or Training) group, helping them find their inspiration and vocation.

At the beginning of its activity, in 2013, Organisation 1 relied on Foundation resources and gift income from different donors. With the launch of the first SIB, the money covered all the costs (staff, equipment, fixed costs, etc.) for the intervention. After the years, Organisation 1 launched other SIBs and participated in several calls for projects. All the SIBs implemented were successfully producing an interest rate to Organisation 1 as co-investor of the initiatives.

So, the income sources of Organisation 1 is a mix of personal resources coming from the Foundation, the payment for the services (projects in this case) implemented by the entity and gift income coming from the participation to specific calls for grants. The capital structure is predominantly internally, coming from personal resources. Also, investment capitals are funded through the Foundation or grants for scaling-up initiatives.

Table 35Financial Management and Income Sources - Organisation 1

Beneficiaries	**Direct: vulnerable groups outside the job market** **Indirect: the whole community**
Benefits	Group goods Public goods
Income source	Personal resources (Group holding) Fees – Payment for services (public actor or philanthropic entity) Gift income (foundation/philanthropic entity)
Capital structure	Internal (personal resources) External (for a specific situation)

Source: Elaborated by the author and based on Dennis Young (2017)

Organisation 2 is the oldest among the three, with a consolidated business and stability. It can be defined as a work integration enterprise by employing people with a distance to the labour market. Before hiring, Organisation 2 offers an educational path. At the end of the cycle, students are engaged in the chain of restaurants and in-house services or are ready for finding a job in the market.

The social enterprise relies mainly on commercial income; that is, the income earned plays a significant role in the financing of Organisation 2. The profit-generation orientation has been part of the business model and the financial structure of Organisation 2 since the beginning of its activity. Nevertheless, an entity with an income earned structure requires considerable expertise in managing transaction costs, marketing the services and a deliberate assessment.

Thus, the income earned through the commercial activity is part of the entity's mission because it allows achieving and maximising the social impact. Part of this income (50%) is reinvested in the enterprise, while the other is for the stakeholders (funders, donors, etc.). In case of extra benefits, the money goes into the educational and training projects with students. Generally, these projects received a national contribution from the National Ministry for Education. Nevertheless, these funds are subject to the achievement of the educational cycle; that is, the students must conclude the academic path and get the diploma.

In addition, the pricing structure of the commercial activity (boh restaurants and catering services) considers the costs of the goods and services and the contribution to the overall programme and the mission.

Regarding the public contribution, Organisation 2 receives the funds for the training part of the programme, but these funds are a sort of payment for services. Regarding gift income, Organisation 2 receives it just in a residual part as participation a call for grant launched by foundations or philanthropic actors.

The capital structure of Organisation 2 is a mixture of internal and external sources of income. It pursuits a mixed-income strategy showing the capacity to administrate and manage different sources of revenue. As a multi-stakeholders social enterprise (Young, 2017) - serving at the same time diverse group of direct and indirect beneficiaries - Organisation 2 draw on a variety of income streams, including earned income from clients of restaurants and catering, payment for services from the Ministery of Education, grant income from foundations and philanthropic entities. While for investment capital, Organisation 2 relies on the surplus accumulation and debt income from specific social banking. For example, in 2018, it received support in the form of an EU-guaranteed loan from Triodos Bank, financed by the European Commission and implemented by the EIF under the Investment Plan for Europe.

Table 36 Financial Management and Income Sources - Organisation 2

Beneficiaries	**Direct: vulnerable groups outside the job market** **Indirect: the whole community accessing the restaurant and in-house catering services.**
Benefits	Group goods Public goods Private goods
Income source	Income earned from commercial activity (private users) Fees – Payment for services (public actor) Gift income (foundation/philanthropic entity)
Capital structure	Internal (surplus accumulation) Debt (for a specific situation)

Source: Elaborated by the author and based on Dennis Young (2017)

Organisation 3, in practice, is more a for-profit responsible business working in the field of training and employment. Specifically, it offers solutions for both private sectors looking for employees and unemployed individuals looking for a job; given its experience in the Netherlands and Germany, Organisation 3 bridges these two realities.

The income source is a mix of earned income from the ordinary intermediation activity and payment for services regarding public initiatives like the SIB. The capital structure is predominantly internal.

Table 37Financial Management and Income Sources - Organisation 3

Beneficiaries	**Direct: groups outside the job market** **Indirect: the whole community improving the employment rate**
Benefits	Group goods Public goods Private goods
Income source	Income earned from commercial activity (private users) Fees – Payment for services (public actor)
Capital structure	Internal (surplus accumulation or personal resource in the form of equity)

Source: Elaborated by the author and based on Dennis Young (2017)

8.6.Process of SIB structuring and involvement of SEs

To all organisations, I asked how they approached SIBs and shared (if possible) the principal insights of the structuring process.

Organisation 1 exposed that its interest in the tool after he discovered the UK experiences. He believed that SIB could help realise its project on NEETs people because of innovative potential and win-win characteristics. Thus, he proposed his idea and business case to the municipality first and the funders later. However, the founder had to work intensively prior to convince the municipality. In fact, he had to design and re-design the intervention several times; he also took care of all details regarding venues, number of employees involved, volunteers, and the impact measurement system and impact metrics to submit to potential investors as repayment basis. As it was the first Dutch SIB, all the steps of the design and structuring process have been studied and negotiated several times from scratch. The structuring process lasted two years, and the founder had to put a lot of effort and energy to conclude the deal. The decision to be a co-investor (40% of the equity) further convinced the potential investors to put money in the SIB.

The first SIB served as a valuable experience for the others implemented by Organisation 1 over the years. Even though the lesson learned were fundamental to avoid mistakes, the founder highlighted as

"Each SIB involves a lot of new and additional work – because the city, context, people are different. It is not a matter of replication, and you cannot replicate the same SIB in another place."

After the first experimentation, Organisation 1 implemented other SIBs (with the same model as the original one) in other Dutch cities. In the successive experiences, the SE involvement was through a call for tender launched by municipalities. Thus, the structuring process followed the European and national procurement rules on welfare services. The new approach may hinder the spirit of collaboration in the SIB and confine the provider initiative. However, Organisation 1 noted that they had the space and room for making their proposals and re-design the intervention in all SIB structuring processes.

Table 38 Structuring process in the first SIB- Organisation 1

Type of SIB	Actor proposing SIB	Actor in charge of the design and structure process	Co-investor	Number of SIBs developed from 2013 - 2018
Provider-led SIB	Organisation 1	Organisation 1	Yes	3

Source: Elaborated by the author

Organisation 2 implemented the 2nd SIB in the Netherlands after the experience of the initiative carried out by Organisation 1. As explained in the previous paragraph, SIB seemed an excellent tool for raising working capital for their scaling-up. Thus, they contacted the public actors of their city proposing this scheme and their idea of intervention. In reality, Organisation 2 proposed the programme already successful and implemented through their social enterprises and already known by the municipality. In fact, Organisation 2 had in the past different types of unstructured collaborations with the local authority. Thus, Organisation 2 had in charge of the structuring process, and thanks to the collaborative efforts of all actors involved, the deal was closed in four months.

Organisation 2 was a co-investor to the initiatives to show the engagement and the credibility of their intervention.

Table 39 Structuring process - Organisation 2

Type of SIB	Actor proposing SIB	Actor in charge of the design and structure process	Co-investor	Number of SIBs developed from 2013 - 2018
Provider-led SIB	Organisation 2	Organisation 2	Yes	1

Source: Elaborated by the author

Differently from the two above experiences, Organisation 3 did not propose the scheme to the local authority, but I had an invitation to participate in a call for tender. Organisation 3 won the tender because of its extensive expertise in unemployment and knowledge of the German labour market. The structuring process lasted 18 months and required considerable time and effort for designing the intervention. As pointed out by Organisation 3, the local authority in charge of the structuring process showed confusion and an internal misalignment. Unfortunately, the lack of coordination and clarity internally to the municipality negatively affected the overall result.

Also, in this case, Organisation 3 was the co-investor of the initiative.

Table 40Structuring process - Organisation 3

Type of SIB	Actor proposing SIB	Actor in charge of the design and structure process	Co-investor	Number of SIBs developed from 2013 - 2018
Commissioner-led SIB	Municipality	Municipality	Yes	1

Source: Elaborated by the author

8.7. Impact on internal growth and partnerships

At the beginning of the interviews with the three Organisations, I investigated the motivations in participating under SIBs. From the answers, it was pretty clear that the initial push was about scaling their initiatives to a superior level and reinforcing their relationships with public actors.

So, I asked what they particularly valued about their participation in SIBs. The objective was to identify the positive aspects of their involvement and verify if they met their initial expectations.

Although this work applies an inductive methodology, the literature on SIBs implications helped frame and elaborate their answers. The purpose is not to assess the correspondence between the literature and the empirical work but instead to improve the overall debate on SIBs, adding others voices and experiences.

To my question, "What do you particularly value about participation in the SIB?" they all recognised that the SIB helped to boost internal growth:

"*Thanks to our participation in the SIB, we were able to create an ICT unit, to hire dedicated staff for measuring the social impact, to buy software for internal control and system management*" (Organisation 2)

"*Now with the SIB, there is an internal education unit and an ICT unit*" (Organisation 1)

"*The SIB allows us to improve our activities: new offices, people working with us.. Yes, it helps grow our activities.*" (Organisation 3)

Thus, all the organisations highlighted as participating in SIBs have meant to increase size and scope, improve the staff's skills and knowledge, and progress in their mission through a solid and robust internal structure. Thanks to this scheme, the organisations involved in the study experienced an upgrade in their processes and systems. This organisational growth led to the scaling-up of social impact as expressed by Organisation 3:

"*The SIB has been the most effective and efficient way to increase our social impact*" (Organisation 3)

Often the literature scaling social impact is associated with the idea of serving more beneficiaries (Dees et al., 2004) or serving more significant numbers of people in new and larger geographic areas (Kickul, Griffiths, Bacq, and Garud, 2018). However, the entities involved in the research stressed the qualitative dimension of scaling social impact, enhancing beneficiaries' lives (Nason, Bacq, & Gras, 2018).

"*Scaling does not mean to replicate the same intervention to a bigger number of users; on the contrary, it means to re-adjust re-design the intervention making a new impact*" (Organisation 1)

Despite different scholar orientations, it is clear that achieving scaling social impact is crucial to mix both quantitative and qualitative dimensions and combine internal factors and external ones (Dees et al., 2004; Lee & Restrepo, 2015; Smith & Stevens, 2010). In fact, Organisation 1, 2 and 3 stressed the fact that:

"*SIB helps to scale if you want and plan to grow*" (Organisation 1)

"*Scaling-up it is not an automatism – on the one hand, it depends on the volume and the amount of money you put in the SIB. On the other, as a social enterprise, you need to be prepared for managing the scaling.*" (Organisation 2)

"*SIB helps the scaling process because it provides funding for doing it –but you must be able to manage your scaling*" (Organisation 3)

Thus, it is clear that SIB can support the scaling-up process only if both the social provider and the intervention are scale-ready. From a social enterprise perspective, it means focusing on own capacity-building and evaluating the proposed intervention's scale potential.

However, another aspect that emerges regarding the process of scaling social impact, already highlighted by Han & Shah (2019), is the importance of a systemic level of support. Without external factors from the system (such as relevant stakeholders, policies and programmes, a favourable ecosystem), the process of scaling social impact results in mere organisational growth.

Indeed, from the interviews, organisations pointed out that the introduction of the SIB helped reinforce the relationship with the public sector and make contact with other stakeholders with whom it may be possible to partner in the future.

"*SIB serves for having a stable contract with the municipality*" (Organisation 3)

"*With the SIB, we proved our value, and it seems that we have today more funding opportunities compared to the past*" (Organisation 2)

"*Today, we partnering with actors that without SIB were impossible to reach.*" (Organisation 1)

Thus, participation in this scheme opened new possibilities for the SEs involved. The first tangible result was the growth in the organisational structure: more employees hired, new offices, formal procedures, the introduction of technological instruments and systems of monitoring and control. This upgrade in the internal configuration of the organisations allowed to progress and refine the interventions giving more credibility to the entities' capabilities. The second result, interconnected with the first, has been a renovate relationship with the public authority and the enlargement of the contacts for future collaborations. Finally, all organisations mentioned the funding aspects of SIB participation: more resources to grow, a stable cash flow giving long-term perspectives, additional future economic resources.

"*SIB created extra-confidence also in the employees because it gave long-term perspectives and funding stability.*" (Organisation 1)

Internal growth, partnerships and collaborations, government support, more funding opportunities appeared as the most appreciate results of SIBs participation. Nevertheless, it is not clear from the interviews if this scaling process ended up with an improvement of the lives of beneficiaries or it is just related to the quantitative dimension of the scaling-up.

Table 41Positve effects of SIBs participation

Organisation 1	Organisation 2	Organisation 3
Internal growth (scope and size of the organisation)	Internal growth (scope and size of the organisation)	Internal growth (scope and size of the organisation)
More financial and contractual opportunities	More financial and contractual opportunities	More financial and contractual opportunities
New partnerships and collaborations	New partnerships and collaborations	New partnerships and collaborations

Source: Elaborated by the author

8.8. Complexity and Service User referral issues

By investigating the overall implications for SEs involved in SIB projects, I addressed the negative aspects of this involvement.

All the organisations stressed the complexity of the SIB structuring process and mechanism, especially in the case of provider-led SIBs. Designing from scratch without a reference model and implemented a scheme with multiple actors and factors requires long work and engagement.

Furthermore, it takes time and resources to build a partnership of interested actors who are willing to go forward with the SIB and with the financial risks associated and, fundamentally, who trust each other:

"We took two years to start with the SIB; it has been hard to convince the investors. The decision to be also co-investor gave them further evidence about the validity of programme" (Organisation 1)

Building a mutual trust relationship among the social provider, the commissioner and the investors and aligning their values and interest are essential requirements for the SIB to work. Because of this, a solid due diligence procedure needed to be performed. This implies the fact that SIBs come with overhead and transaction costs:

"*All the money you receive for the SIB intervention are dedicated for the setup and functioning of the SIB itself*" (Organisation 3)

Given the complexity and high cost associated, developing and being part of a SIB is a delicate process that requires a set of internal solid management capabilities and willingness:

"SIBs are convenient if the scale of operations is large to cover the costs – for this, it is better for experienced and structured social enterprises" (Organisation 2)

Beyond the initial efforts to set up the scheme, build trustworthy relationships, and cover the costs, there have been other complexities during the SIB journey.

An essential element of SIBs is that social impact measurement. This vital part of the scheme places further demand on SEs. In some cases, it is perceived as a top-down requirement that organisations must comply with:

"*In addition to our tasks, we also collect data for social impact measurement because the investors require it; but we have a different view on what it is social impact and how and when to measure it*" (Organisation 3)

In this case, Organisation 3 differs from the views and orientation of investors about social impact and social impact measurement. Despite policymakers and impact investors considering social impact measurement a powerful tool for accountability, other voices stressed the potential risks and cultural resistance against this practice (Arvidson & Lyon, 2014b).

"*We do not need to measure our social value because we are working in the social field, working with people with whom none work. This is enough for demonstrating our value and what we create.*" (Organisation 3)

Despite Organisation 1 and 2 recognised the complexity added by the social impact measurement requirement, they stressed the importance of this practice for their activities:

"*Social impact measurement is a vital part for continuous adjustments of the project*" (Organisation 1)

"Social impact measurement helps you a lot and we are learning a lot from the results.*"* (Organisation 2)

Nevertheless, both organisations stressed as social impact measurement has been a practice strongly promoted by SIB social investors:

"The investors were really interested in social impact measurement." (Organisation 1)

"In the end, investors pay for social impact measurement." (Organisation 2).

All three organisations have pointed out as the social impact measurement was an investor requirement. In a certain way, the impact measurement practice is a control measure allowing investors surveillance and protect their investment (Arvidson & Lyon, 2014b).

The social enterprises involved in this study also experienced problems with service user referrals to SIBs. In our case studies, the contract obliged the public sector to refer people considered suitable for the programme. While the commissioners had control over which participants to include in the programmes, the service providers were exposed to the risk of having few service users referred.

"*We helped with the participants* ..." (Organisation 1)

"*The real challenge is to have participants in our programme […] we received few applications for our project*" (Organisation 2)

"*We started to seek for participants to our project; the municipality was unable to do it*" (Organisation 3)

This challenge was due to the commissioner having limited knowledge of the target population. As seen in the previous chapter, Dutch municipalities were only involved in providing social service since 2015. This means it will take time for the local public sector to understand which service users to refer to a SIB. The limited knowledge of the target population created disincentives to serve the neediest beneficiaries and facilitated the easiest ones.

In our case studies, all the social enterprises had an essential part in solving these referral issues and overcoming the risks of creaming and cherry-picking. In fact, all the organisations managed the risk by changing the referral mechanisms and adjusting the interventions to the new group of participants.

Unfortunately, Organisation 3 (commissioner-led SIB) experienced some misalignments and conflicts with the commissioner:

"*We provided contacts of potential participants, we did our best, and what the municipality allowed to do [...] we proposed some improvements, but municipality had its ideas very different from ours ... because of the scarce participation the municipality told us that maybe it is better to stop the programme. We will see what it will happen in the future*" (Organisation 3)

Table 42 Negative aspects of SIB participation

Organisation 1	Organisation 2	Organisation 3
Structuring process	High transaction costs and complexity	Costly
Resource and time-consuming	Service user referred	Social impact measurement
Service user referred		Conflicts and misalignment with PA
		Service user referred

Source: Elaborated by the author

8.9. Personal evaluation of the experience and national context

After exploring the primary motivation to be involved in SIBs, identifying the typology of organisation and narrative, and the implications of SIB participation, I addressed the personal evaluation of the experience and the national context. Due to the sensitivity of the topic, I avoided posing a direct question during the interview. Instead, I gave the possibility to social enterprises to express their feelings and report their experience with their words by following the conversation flow. While I addressed the topic of the national ecosystem supporting SEs directly.

All three organisations recognised that participating in SIB has been a positive experience. Despite the complexity, the efforts to implement the scheme and to receive participants, or relationships with the other actors, the organisations expressed positive feelings about their involvement.

Nevertheless, Organisation 2 and Organisation 3 remarked that:

"*the money invested in a SIB can be used for more effective and innovative interventions*" (Organisation 3)

"*SIB is a good opportunity, but not for all and not always.*" (Organisation 2)

I asked Organisation 2 and Organisation 3 if they would have repeated the experience, and they both answer "*No.*"

Conversely, Organisation 1 stressed the importance of having participated in SIBs:

"*SIB helped a lot in improving and doing great.*" (Organisation 1)

Regarding the national context and the ecosystem for social enterprises and impact investing, all organisations noted how the Netherlands lived a particular *momentum*.

"*When we started as a social enterprise, we were alone and years later just the platform Social Enterprise NL supporting us and organisation like us. Today, the context has* *changed dramatically: many public initiatives promote social enterprises with diverse funding opportunities. Also, the financial system is more oriented to social entities with a variety of social banking specialised in funding them. It seems easier to work today compared to the past. At least in terms of resources accessing and recognition of our role"* (Organisation 2)

However, Organisation 1 and Organisation 3 showed some perplexity:

"Yes, the context seems different. But we will see in the future how it will change. The public administration seems more open and interested in innovation, but it is far from the level of the UK". (Organisation 1)

"*Today, you have more actors in the private sectors helping us, more spaces .. but with the public administration, there are still limitations. Maybe it is different at the national level, but it depends on the municipality at the local level. And not all are open and ready for supporting some social initiatives."* (Organisation 3)

8.10. Discussion of the findings

This paragraph discusses the implications of the results of this study both for the literature and policy. The case study of this fieldwork have addressed four objectives:

- To reveal and examine the motivation of SEs participating in SIBs in a European context different from the Anglo-Saxon world;
- To detect the implications, either positive and negative, for SEs under SIBs;
- To evaluate SIBs as the funding instrument for SEs;
- To include the voices of SEs on SIBs;

The themes explored to address the above objectives have been:

- Typology of social enterprise and narrative associated;
- Motivation to participate in SIBs;
- The funding structure of the SEs involved in the study;
- Positive aspects of SIB participation;
- Negative aspects of SIB participation;

- Scaling and measurement of social impact;
- National context.

8.10.1. Motivations of European SEs participating in SIBs

The Dutch context has experienced a considerable policy momentum behind SIBs, impact investing, and social enterprises in the last year. The 2008 financial crisis and the 2015 decentralisation of government functions led to the realisation that a welfare intensive society was too costly and complicated to fund. Thus, an alliance between the state, SEs and potentially private (social) investors were considered essential for achieving the welfare functions for municipalities.

SIB emerged as an innovative scheme for testing new forms of collaboration amongst different actors while realising budgeting savings and guaranteeing labour participation. All the SIBs implemented in the Netherlands, differently from the Anglo-Saxon experiences, had the involvement of social enterprises.

Generally, in the SIBs literature, there is limited knowledge about SEs involvement. Usually, the practitioner literature presents the "benefits" of SIB participation (So & Jagelewski, 2013; Go-Lab website[49], Good Finance[50]) such as partnerships and collaboration, stable flow of funding, scaling-up, innovation and flexibility in service delivery. Conversely, there is little evidence about the motivation pushing social enterprises and social organisations to be part of this scheme.

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[49] For further information about SIBs and the benefits associated with this scheme, please see the webpage of Go Lab dedicated to the topics https://golab.bsg.ox.ac.uk/the-basics/impact-bonds/#the-benefits-and-limitations-around-impact-bonds (last accessed 5/09/2021)

[50] For further information please visit the website of Good Finance https://www.goodfinance.org.uk/latest/post/social-impact-bond-sib-provider-toolkit (last accessed 5/09/2021)

The results of this study highlight as the motivations are linked to the intrinsic features of the organisation, but also the necessity to broader the funding opportunities (for working or growth capital) and collaborations.

The three cases discussed in this paper are symbolic of the evolution of the Dutch third sector and social enterprise landscape. This research suggests that the typology developed by Nicholls (2010) can explain the motivation for participating in a SIB. While newer generation SEs may recognise the innovative potential of the SIB model, those with closer historical ties to the Dutch tradition of CSR and community interest may approach SIBs as an opportunity to work more closely with the public sector.

Beyond the differences, all the social enterprises involved in the study expressed a motivation linked to resource mobilisation. Despite the fertile terrain in the Netherlands, social organisations experienced challenges in accessing working capital for operating and growing. Thus, participating in SIBs seemed a good option for improving their funding choices and opportunities. The uncertainty of public spending and the limited access to the banking system have led social enterprises to explore different options to secure their survival and continue to scale. Thus, SIBs form part of an income diversification strategy that facilitates the pursuit of a social mission by attracting new sources of support. In a certain way, as stressed by Bugg-Levine et al. (2012), SIBs represent a new category of social enterprise financing.

In fact, the third driver for participating in a SIB is creating new partnerships or reinforcing old ones. The SIB enables collaboration between social enterprises and public and private actors. From the resource dependency perspective, alliances help SEs be less dependent on one type of provider or income source (Pfeffer and Salancik,1978) and may create future opportunities.

8.10.2. Implications for SEs under SIBs

The findings partially align with current scholarly debates regarding the broader implications of participating in the SIB initiative.

Using as reference the ten claims about SIBs highlighted in the 2015 Report of the Brooking Institute (Gustafsson-Wright et al., 2015), this study has confirmed that from SEs perspectives, SIBs facilitate internal growth and the creation of partnerships.
Regarding the scaling-up of social impact and the performance management measurement, the results are less clear. As already stated by Gustafsson-Wright, Gardiner, & Putcha (2015) in the 2015 Brooking Institute Report, there is no evidence that SIBs sustain social impact scale. If it is true that this tool facilitates internal growth and more beneficiaries touched, it is less clear the results in terms of social value created and social change.

All the organisations involved affirmed that SIB promoted internal growth and quantitative improvements in terms of beneficiaries numbers. Nevertheless, if scaling social impact means achieving quantitative and qualitative positive changes in the targeting population, it is unclear what the qualitative changes have occurred through SIBs. On the one hand, it is because the outcome indicators referred to quantitative aspects. On the other hand, an ex-post evaluation report of the SIB initiatives was unavailable at the research time. Moreover, as stressed by Organisation 2 and 3, scaling is not a quick and easy process; it demands readiness to scale. In a certain way, as mentioned in the first chapter of this dissertation, the crucial factors for scaling are funding, administrative capacities and strategies (El Ebrashi, 2017; Han & Shah, 2019; Lunenburg, Geuijen, & Meijer, 2020). If SIB offers to fund, the other aspects should be in the social enterprises. In the end, it is possible to point out that SIBs help organisations be ready to scale. This means that SIBs offer an opportunity to check the internal structure by facilitating resources to improve it and prepare for the following steps: scaling up the impact.

Regarding performance management and social impact measurement, undoubtedly, SIBs impose a revolutionary change in social enterprise operations. SIBs imply robust data collection and rigorous reporting. All the organisations stressed that impact measurement was an investor requirement revealing the practice's control measure aspects (Arvidson & Lyon, 2014b). However, if Organisation 1 and 2 recognised the benefits of impact measurement, Organisation 3 stressed the complexity associated with this practice. In line with Edmiston and Nicholls (2017) findings, data collection and reporting create an ‘additional burden for social providers’.

Furthermore, from the results emerged that the complexity and the high transactions costs of SIBs – because of protracted negotiation periods and the need for robust due diligence and internal and relationship management capabilities – may affect whether and how to participate in a SIB. The findings are in line with Fox & Albertson (2012), Fraser et al. (2016), Maier & Meyer (2017), Warner (2013), Whitfield (2015b), Williams (2018), Tan et al. (2015) and Tse and Warner 2018. They stressed specific challenges such as high administrative and transaction costs.

Lastly, this study cannot confirm if the SIB model can create distortive incentives on the non-profit service providers as mentioned by several authors (Edmiston & Nicholls, 2018; Fox & Albertson, 2012; Joy & Shields, 2013; Loxley, 2015; McHugh et al., 2013; Warner, 2013; Williams 2018; Tse and Warner 2019).

Unlike the literature, this study has revealed that under-referral is among the significant challenges experienced by the social enterprises, creating tensions and misalignment with the commissioner. Unfortunately, given the commissioner's limited knowledge of the target population, the beneficiaries' risk of “creaming and parking” (Edmiston & Nicholls, 2018; Lowe and Wilson, 2017; Tse and Warner, 2019) come true.

8.10.3. SIB as the funding instrument for SEs

One of the objectives of this dissertation is to evaluate SIBs as a funding scheme for social enterprises. The current scholarly debate considers the funding aspect of SIB only for public actors and private investors. The literature on the topic ignores the funding aspects for social enterprises. However, as already pointed out by Bugg-Levine et al. (2012), SIBs can stretch the boundaries and modernise social enterprise financing.

The behaviour of the organisations involved in the study is quite in line with Dees (1998) when talking about the “centrality of social mission” in social enterprises. These organisations have put in place several strategies and have tried to access many resources to secure the social mission pursued.

Indeed, this study has revealed that funding has been the main factor influencing the decision to participate in a SIB. From the social enterprises' perspective involved in the study, the SIB is just a finance scheme providing working or growth capital. The uncertainty of public spending and the limited access to the banking system have led social enterprises to explore different options to secure their survival and continue to scale. Thus, SIBs form part of an income diversification strategy that facilitates the pursuit of a social mission by attracting new sources of support.

By applying the Resource-Based View theory, the resource mobilisation strategy followed by the case studies served to acquire future advantage and secured the organisations' life. The acquisition of tangible (funding) and intangible (relationships and networks) resources through SIBs facilitated the growth and the scale-up phase of the organisations involved. Nevertheless, Akingbola (2013) stressed that if resources are essential, it is critical how to use and combine them. In this sense, SIBs allow the social enterprise to combine different resource typologies to maximise the results.

From the analysis of the case studies behaviour, the organisations involved applied a bricolage approach. Baker and Nelson (2005) describe the bricolage process as an intense combination of resources to make something out of nothing. Additionally, this process boosts the degree of innovativeness of an organisation. Moreover, this behaviour means that social organisations do not seek conventional business credit because they can reconfigure redundant resources (Sunley & Pinch, 2012).

If back to our case studies, all social enterprises involved have mixed the various resources made available from SIBs, creating something original such as an intervention, a relationship, or a different internal structure. Thus, within a resource-constrained context, social enterprises through SIBs had the opportunity to innovate, improve, and grow. Mainly when asking because they prefer to experiment with SIB instead of asking for a grant or debt, they underlighting that beyond all the constraints given by the context, SIBs gave us more opportunities.

Although the banking services play a vital role in financing Dutch companies, especially SMEs[51], social enterprises still face challenges accessing traditional finance. On the one hand, conventional banks showed some resistance to consider social enterprise reliable. On the other hand, social enterprises are not satisfied with banking products and services because looking for something more tailored-made. Furthermore, the public sector's budgetary crisis makes it more complicated and longer to establish a long and lasting relationship with the public actor. Thus SIB has represented a new financial product within the framework of the so-called impact investing, and social enterprises decided to give it a chance.

The external environment and context affect organisations, especially for social enterprises characterised by multiple relationships. Social enterprises make strategic choices trying to handle the external environment best to secure their survival and access to vital resources. Indeed, the resource dependence theory affirms that organisations interact and exchange to survive and control critical resources (Hodge & Piccolo, 2005; Rasmussen, 2013).

The organisations of the case study tried to manage at their best the external context and relationships and made their strategic decisions to secure critical resources. Participating in SIB facilitated creating "control situations" (Pfeffer and Salancik, 1978) and developing relationships with other external actors like public authorities and investors. The primary motivation to be involved in SIB was to establish connections with external actors and diversify funding sources. In a certain way, they tried to build different relationships to be less dependent on a provider (the public actor) or a resource (grant) and manage better uncertainty (Froelich, 1999). Thus, this revenue diversification strategy helped improve stability and mitigate the financial risk (Berrett & Holliday, 2018).

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[51] For further information on Dutch banking industry please see https://www.ebf.eu/the-netherlands/ (last accessed 11/09/2021)

It is interesting to note how SIB met the needs of the social enterprises involved in the study under different funding profiles:

- Funding for growing and scaling;
- Funding for innovating and experimenting;
- Funding for establishing strategic relationships and partnerships;
- Funding for creating control situation;
- Funding as a revenue diversification strategy.

More interesting is that social enterprises choose SIB as funding opportunities instead of exploring other alternatives. On the one hand, SIB attracted and captured the organisations' attention; on the other, traditional funding instruments revealed their limits and constraints.

8.11. Lessons learned

Finally, the analysis of this study has highlighted the potential of provider-led SIBs. In the cases where social enterprises took a leading role in the set-up and development of a SIB, it is possible to identify:

- more innovative, effective, and tailor-made interventions,
- a closer alignment with other actors,
- more pertinent metrics for the specified outcome,
- more flexibility and greater awareness of the scheme in cases of problems and adjustments.

In conclusion, it is possible to draw a set of lessons and suggestions from this research that may be of use to social enterprises, but also practitioners and policymakers with an interest or involvement in SIBs:

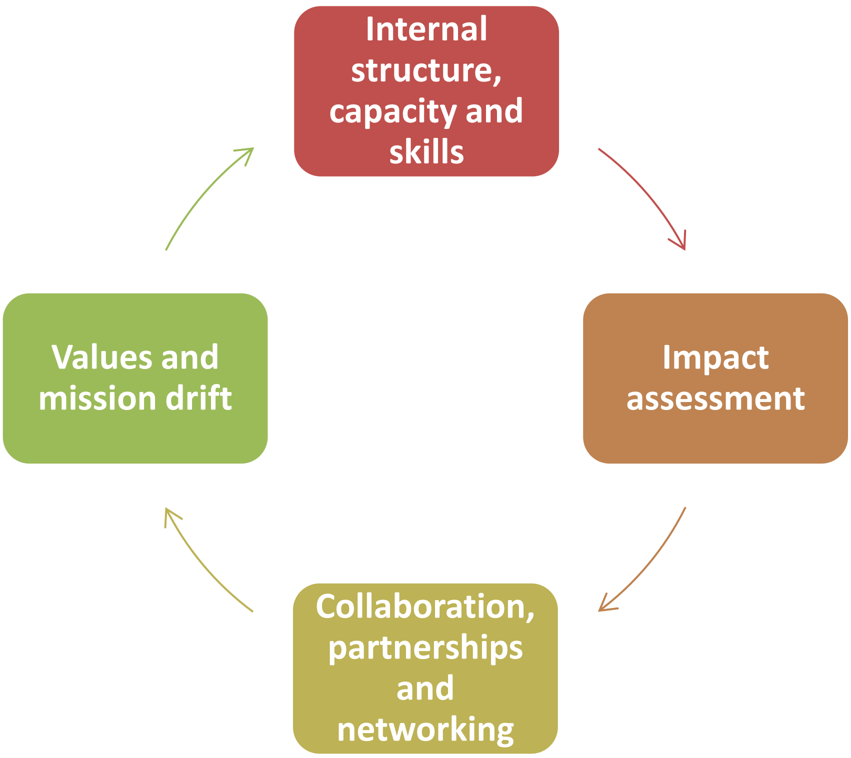
- Internal structure, capacity, and skills. Before starting a SIB, social enterprises must be aware of their structure and capacity to implement the intervention and deliver the pre-agreed outcome. Social enterprises should be aware of their managerial and financial skills and their ability to scale the intervention and collect and analyse performance data.

- Impact assessment. Programme evaluation is at the core of the SIB scheme. For this reason, social enterprises must be committed to implementing and following a rigorous evaluation methodology. Experiences of other payment-by-results schemes or impact assessment methodologies may help social organisations engage with SIBs effectively.

- Collaboration, partnerships, and networking. The complexity of a multiparty and cross-sector scheme like a SIB requires a clear commitment from and strong communications with partners. For a SIB to be successful, each party involved must understand the perspective and needs of the other party. All the parties must be on board and agree with the aims of the SIB as well as there must be engagement between all parties. Furthermore, the networking activities should be continuous to share experiences, overcome problems and help achieve the desired result.

- Values and (possible) mission drift. The missions and values of the social enterprises must be aligned with the service and the outcome and be compatible with the other parties. Otherwise, the risk of mission drift or an unsuccessful programme is high.

Figure 16 Key aspects to consider for SIB



Source: Elaborated by the author

The case study has highlighted a need for more provider-led SIBs and more widespread involvement of the social enterprise movement and sector to improve interventions that foster innovative solutions with real social impacts in impact investing and social finance. In this case, it is interesting to note that social enterprises can stimulate more tailored-made financial solutions.

Back to the SIBs, perhaps many distortive incentives emerged because social providers do not have a leading/initiator role in the projects. Although the Netherlands has been a perfect case study with a vibrant and active social enterprise movement, it is an exception. Globally, commissioners or intermediaries are usually the initiators of these types of projects. This means that the developed literature is primarily based on countries with different SIB structures and experiences.

In effect, this study broadens the international debate on SIBs by adding other voices (such as the social enterprise voice) from different contexts (the Netherlands).

8.12. Conclusion

This chapter has presented the case study conducted in the Netherlands in 2018 exploring the involvement of social enterprises in SIB initiatives. From the mapping exercise, the Netherlands appeared the perfect country where rooted the investigation on social enterprises and SIBs.

The first objective of this research has been to reveal and examine the motivation of SEs participating in SIBs in a European context different from the Anglo-Saxon world. In this sense, this case study demonstrated that the reasons to participate are linked to social enterprises. This research suggests that the typology developed by Nicholls (2010) can explain the motivation for participating in a SIB. While newer generation SEs may recognise the innovative potential of the SIB model, those with closer historical ties to the Dutch tradition of CSR and community interest may approach SIBs as an opportunity to work more closely with the public sector.

The principal motivations to be involved in SIBs are resource mobilisation, building strategic collaborations with local authorities and other key actors, and collecting resources for scaling.

The second objective of the disseration has been to detect the positive or negative implications for SEs under SIBs; the results partially align with the current SIB literature. Nevertheless, this study contributes by adding two essential results. Firstly, this study cannot confirm if the SIB model can create distortive incentives on the non-profit service providers as mentioned by several authors (Edmiston & Nicholls, 2018; Fox & Albertson, 2012; Joy & Shields, 2013; Loxley, 2015; McHugh et al., 2013; Warner, 2013; Williams 2018; Tse and Warner 2019). Secondly, this study has revealed that under-referral is among the significant challenges experienced by the social enterprises, creating tensions and misalignment with the commissioner.

The third objective is to evaluate SIBs as funding instruments for SEs. The research has revealed that the primary motivation to be involved in SIBs has been as an income diversification strategy. In a certain way, SIB represented a valid financial scheme to access funding for scaling and growing. But, at the same time, it represented a tool able to build a strategic relationship and control critical resources. So, unless the development of specific banking or financial products aiming at serving social enterprises more totally, SIBs can represent a good tool.

Finally, the overall objective of this study has been to add and include a voice scarcely represented in SIB literature, that is, social enterprises. The result has been that the SIB and its effects have been described from another perspective. Despite the overall positive experiences, the tool is too complicated and costly for achieving the prefixed goals. Furthermore, SIB is not for all social enterprises but just for those committed and ready for the journey.

Lastly, a significant contribution is about the involvement of the social enterprise sector in developing SIB initiatives. When social organisations are leading the process, the results are positive with higher innovation and satisfaction. So, this research call for more involvement of the social enterprise movement in impact investing initiatives.

Part III – Conclusion

The third and last section of this dissertation has presented the case study on social enterprises and SIBs. As pointed out in the preface of this part, this research has accepted the call launched by Nicholls, Paton and Emerson (2015: p.1) in creating a solid understanding of the "*appropriate type of capital*" for social enterprises. Thus, this section delivers, amongst other details, the results and findings of social enterprises involved in SIB initiatives.

This exploratory and inductive study added a new voice in the SIB literature and deepened our knowledge about social enterprise funding. What emerged is that SIBs can represent an option of financing within a strategy of income diversification and resource dependence. Nevertheless, the complexity associated makes this scheme suitable for social enterprises mature and ready to manage all aspects of scaling-up. Another relevant side that emerged from the study is related to the leadership of social enterprises in SIB projects. When the initiatives are provider-led, distortive incentives affecting social organisations appear reduced. Thus, the leadership and involvement of social enterprise (or third sector or voluntary sector) improve the quality of projects implemented with a constant focus on the beneficiary. Finally, this research has described what happened in other contexts rather than the UK or the US. Adding other voices and experiences is fundamental for improving SIB literature currently focused on the Anglo-Saxon world.

This case study is not representative because it is focused on a specific context with particular features. At the same time, the results show that SIB is used from SEs as a financial tool because of the restrictions and constraints of the current banking and financial products and services. Despite improvements, the financing landscape presents limitations. Social enterprises are looking for money and a mix of financial and non-financial resources when looking for funding. In a certain way, SIBs satisfy this need, but certainly, it is not the best tool.

Despite social enterprise funding being a very talked-about and explored topic, the reality is far from the expectations. To date, limited academic production focuses on a punctual evaluation of the different financial and non-financial products and services and how they impact these organisations. Beyond specific theory developed on the non-profit finance, like one of Dennis R. Young and presented in the first part of this research, no other theoretical contributions are currently available. Moreover, the financial landscape is full of initiatives aiming at “boosting social enterprises' potential” with low impact and no results in terms of long-term effects in social improvements.

Thus, the third part of the dissertation has explored what happens to social enterprises when using one “innovative and powerful” scheme, the SIB in this case.

Why SIBs? First of all, because it is the one more controversial and debatable. Simultaneously, it is an attractive tool for policymakers and social investors looking for saving money, the first one, and making money, the second while creating social value. Second, even though SIBs provide funding and know-how to projects aiming at tackling urgent social problems, the voices of the who implement (social enterprises) these projects are neglected in the academic discourse. Third, SIBs are anyway presented as a funding option for social enterprises. Fourth, all the SIBs debate and results are predominately related to the Anglo-Saxon world.

Conclusion

a) Contribution of the dissertation

This work has enriched the social enterprise funding, presenting:

- the demand and supply of financial resources;
- the implications for social enterprises when using SIBs.

The dissertation has offered a deep understanding of the demand for finance by exploring:

- the functioning of social enterprises;
- the most pressing themes in the management of social enterprises;
- the theoretical conceptualisation of the social enterprise funding behaviour.

On the other hand, the research described the current supply of social enterprise funding, adding in the debate:

- a profound analysis of the most recent form of finance established for addressing social enterprises' needs;
- a comprehensive description of SIB.

The novelty of this research is to present the demand and supply analysis in the same piece of work. Furthermore, this dissertation has added a case study about a financial product (supply) from the user's perspective (demand).

Nevertheless, the principal contribution is related to the SIB dimension and social enterprises. This thesis adds in the SIB debate experiences, motivations and implications of social enterprises participating under this scheme. As stressed in the previous chapters, the current discussion of SIBs, if related to non-profit service providers, is about the distortive incentives that the SIB model can create (Edmiston & Nicholls, 2018; Fox & Albertson, 2012; Joy & Shields, 2013; Loxley, 2015; McHugh et al., 2013; Warner, 2013; Williams 2018; Tse and Warner 2019). Thus, this dissertation offers - for the first time – a detailed report on SIB experience from the social enterprise perspective.

The dissertation is not only about adding the voice of social enterprise in the SIB debate. Another novelty of this research is to have analysed SIB as a funding product for social enterprises. In this sense, it is the first research exploring how SIB can work for social enterprise funding.

b) Limitations

The novelty of the topics addressed, and the scarcity of data-set available made most suitable a qualitative methodology. Specifically, to answer the third research question[52], this dissertation has presented a multiple comparative case study.

This research dissertations focus on and compare three case study sites - belonging to the social enterprise movement – and involved in SIBs projects. The cross-case analysis highlights convergence and differences in the three organisations about structure, motivations in participating in SIBs, and overall experience. One of the primary reasons for studying multiple organisations is detecting the narrative around their being "social enterprises." Each narrative identified is associated with a specific typology of SEs. Thus, the second motivation to undertake a cross-case comparison is to reveal the reason and the experiences of being under a SIB. The multiple cases helped to discover different patterns and build a comprehensive understanding of social enterprise funding.

Although the multiple cases enrich the academic debate on a specific issue adding contrasts and similarities and building a more reliable theory grounded in the empirical evidence (J. Gustafsson, 2017), this approach presents some limitations.

Firstly, this research is deeply rooted in the Netherlands with an implication in terms of findings generalisation. The organisations involved in the study are part of the SE Dutch movement with specific characteristics. Their motivations in participating in SIBs are related to the context situation and proper SE Dutch social enterprise. The same for the

[52] How does SIB work for social enterprises? What is the social enterprise perspective under SIBs?

implications: these are valid for the organisations involved, but they cannot be generalised in other contexts and other organisations.

Secondly, this inductive study applied mainly interviews and participants observations. Nevertheless, the people involved were primarily those of the management, with limited involvement of the front-line staff. This implies a partial point of view captured during the fieldwork.

Finally, even though the research has applied triangulation, it has been challenging and complicated to triangulate some private information related to the financial aspects or more personal aspects of the relationships with the others involved in the SIB initiative.

c) Concluding Thoughts

The dissertation has served as the opportunity to reflect on the "*appropriate capital for social enterprise.*" Of course, the research does not suggest that SIB is the *panacea* for social enterprise funding. Instead, it is undoubtedly an innovative scheme addressing some unmet financial needs of social enterprises.

It is essential to clarify that the supply of financial resources for social enterprise is today wider than ever, almost "excessive", considering all the range of products and services from the conventional ones to alternatives or impactful. Nevertheless, the demand for finance by social enterprises is quite unclear (Lyon & Baldock, 2014) and little developed. Furthermore, some studies (see Lyon & Baldock, 2014; Borzaga and Fontanari, 2020; Tiresia Social Impact Outlook Report, 2018) have focused on the demand-side, highlighting that it is not totally accurate that social enterprises experienced challenges in accessing resources (Borzaga and Fontanari, 2020); other have stressed the fact that just a tiny percentage of social enterprise (6,5%) presents high levels of investment readiness (Tiresia Social Impact Outlook Report, 2018). Other studies report that social enterprises prefer grant finance instead of debt finance (Lyon and Baldock, 2014), presenting a low appetite for investment (UBI Banca, 2020). Thus, the demand-side debate is quite multifaceted due to the geographical context and the lens of academic analysis.

The "*centrality of the social enterprise mission*" affects how they address the funding process. So, social enterprises need to acquire and combine resources and manage funding relationships in order to realise and secure their mission(s). So, they must access a broader range of resources. This resource hybridisation means balancing market, non-market, and non-monetary relations (Laville and Nyssens, 2001). For this reason, the funding process is not just a matter of money. It is about a mix of financial and non-financial resources and relationships. It is a matter of external regulations and culture. It is a matter of capabilities and values shared.

The emergence of social finance and impact investing, despite the limitations and ideological problems of the latter, has offered tailor-made and innovative solutions specified for social enterprises. These new forms of finance go beyond financial considerations by incorporating collective logic and acting with different behaviour compared to traditional finance or banking. And it seems that social enterprises are interested in these new funding opportunities.

The case study confirmed this behaviour of the social enterprise. The organisations involved decided to participate in SIBs for expanding their - present and future - funding and market opportunities. In a certain way, given the current banking and financial choices, they decided to try with SIB.

Undoubtedly SIB has not been created to answer social enterprise needs, but it actually addresses some social enterprise needs. For example, the necessity to innovate the social service delivery or the scaling-up of the initiatives carried out or to enter in more solid relations with public actors. So, it is essential to ask why these organisations saw in SIB a funding opportunity instead of choosing traditional banking or financial instruments.

The reality is that the supply of social enterprise funding is designed with a top-down approach and no involvement of social enterprises in creating specific tools. So, the result is that social enterprises are pushed to try different solutions to satisfy their needs.

It is the case to reflect on the meaning of "*appropriate type of capital*"[53]. Firstly, the appropriate type of finance for social enterprises should consider the coexistence of social and economic objectives. In fact, the right finance should include a part of gift income or patient capital to allow the social enterprise to focus on generating social benefits instead of the economic return. Furthermore, the predominancy of the social objectives does not allow strict financial performance measures. Secondly, the entrepreneurial activity of these organisations - characterised by a continuous flow of production and delivery of goods and services - require a constant flow of finance. Furthermore, the scaling process requires financial instruments able to accelerate the social impact created.

Moreover, given the presence of non-paid work within social enterprises is vital to design non-economic incentives for workers. Thirdly, social enterprises' communitarian aspects imply a type of finance deeply rooted in civil society. On the one hand, this means involving citizens in funding social enterprises through equity and non-equity crowdfunding. On the other hand, it means using local tax for funding initiatives to improve connectivity or financial intermediaries close to the social enterprises. Lastly, the participatory governance of social enterprises makes more suitable the involvement in the funding process of individuals or organisations close to social enterprises instead of one biggest shareholder.

So, the central message of these final thoughts is to re-think how to fund social enterprises by changing the finance instead of social enterprises. It is crucial to understand that finance for working and being useful should be appropriate and proper for the organisations. Otherwise, it is only money without any values and visions for the future.

[53] This paragraph is based on a paper Valentina Patetta, Virginia Cecchini Manara (2019), "Which finance for social enterprises? Looking for a theoretical perspective" presented at Social Impact Conference 2019

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Annexe I – PhD Consent Form

·EDOLAD·

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INFORMED CONSENT TO PARTICIPATE IN RESEARCH

- New financial mechanisms for enhancing the impact of social enterprises: the case of SIBs -

You are invited to participate in a research study conducted by Valentina Patetta (valentina.patetta@deusto.es), who is a Marie Curie doctoral candidate from the Deusto University, and part of EDOLAD program. Ms. Patetta is conducting this study for her doctoral dissertation. Dr. Laura Gomez (laura.gomez@deusto.es) is her faculty sponsor for this project. This study is funded by the European Union's Horizon 2020 program.
Your participation in this study is entirely voluntary. You should read the information below and ask questions about anything you do not understand, before deciding whether or not to participate. You are being asked to participate in this study because of your expertise and knowledge of the Dutch ecosystem concerning social investment, SIBs, social enterprises, impact investing and social finance.

- **PURPOSE OF THE STUDY**

The purpose of this study is to learn more on the SIBs developed in the Netherlands, understanding better the role played by the actors involved, the dynamics of this collaboration, the drivers, and the obstacles behind the Dutch SIBs. Furthermore, we hope to use what we learn from the study to see whether and how social enterprises have been affected by this instrument, especially in terms of social impact measurement.

- **PROCEDURES**

If you volunteer to participate in this study, we will ask you to take part in an interview with Ms. Patetta

- **POTENTIAL RISKS AND DISCOMFORTS**

The researcher expects that any risks, discomforts, or inconveniences will be minor and we believe that they are not likely to happen. You may decline to answer any or all questions and you may terminate your involvement at any time if you choose.

- **POTENTIAL BENEFITS TO SUBJECTS AND/OR TO SOCIETY**

There will be no direct benefit to you for your participation in this study. However, the researcher hopes that the information obtained from this study may improve the state of the art and the understating of the topic.

- **COMPENSATION FOR PARTICIPATION**

You will not receive any payment or other compensation for participation in this study.

- **CONFIDENTIALITY**

Any information that is obtained in connection with this study and that can be identified with you will remain confidential and will be disclosed only with your permission or as required by law. Confidentiality will be maintained by means of a code number to let Ms. Patetta know who you are. Information that can identify you individually will not be released to anyone outside the study. Ms. Patetta will, however, use the information collected in her dissertation and other publications. We also may use any information that we get from this study in any way we think is best for publication or education. Any information we use for publication will not identify you individually, unless we have your prior consent

The recording that we make will not be released outside the study unless we have you sign a separate permission form allowing us to use them.

- **PARTICIPATION AND WITHDRAWAL**

You can choose whether or not to be in this study. If you volunteer to be in this study, you may withdraw at any time without consequences of any kind. You may also refuse to answer any questions you do not want to answer. There is no penalty if you withdraw from the study.

- **CONSENT**

I have read and I understand the provided information and have had the opportunity to ask questions. I understand that my participation is voluntary and that I am free to withdraw at any time, without giving a reason and without cost. I understand that I will be given a copy of this consent form. I voluntarily agree to take part in this study.

Participant's signature ________________________________ Date __________

Investigator's signature _______________________________ Date __________

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Annexe II – Semi-structured guide to conducting interviews

SIBs in the Netherlands: understanding the ecosystem

- Interview 2

Info

Participants	[redacted]
Organizations	[redacted]
Address	Utrecht, Orteliuslaan 982, room 1.15
Day and Time	28th February, 11.30

[redacted]

1. Can you give us a short biography of yourself? What is your position at [redacted]?
2. What is the role of [redacted] in SIBs process? Why is it interested? Which type of services provided for the actors involved in a SIB scheme?
3. How did [redacted] approach the first SIB? Why? Who started the process? How did the implementation of the Social Impact Bond project work?
4. Could you please explain the 3 SIBs in which [redacted] is involved? What is the role of [redacted]? Do you support social enterprises in the scheme, helping with the social impact measurement?
5. Could you please explain [redacted] SIBs' experience? It is a positive/negative experience? What does [redacted] think on SIBs?
6. How was the relationship with the other actors within the SIBs? With the (social) enterprises involved? Did you know the social providers before starting the SIBs? With the beneficiaries?
7. According to your experience, which was (is) the role played of social enterprises in SIBs?
8. Differently from the UK and US experience, in the Netherlands almost all SIBs are developed in the employment field (except one, the national one). According to your experience, why?
9. How does [redacted] define SIB? Is it a form of impact investing? Is it a financial instrument for funding ... what? And who? Is SIB helpful for the scalability of social impact projects?
10. In the UK and US there is a strong focus on the cost-savings aspect for public administration, in the Netherlands?
11. What was the role of the 2014 Participation Act in developing SIBs? Is there an ecosystem (political framework and regulatory system) for promoting SIBs?