

SOCIAL IMPACT INVESTMENT IN GREECE: EXPLORING THE CHALLENGES AND OPPORTUNITIES FOR A MORE SUSTAINABLE SOCIETY

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Abstract

This study explores the challenges and opportunities of Social Impact Investment (SII) in Greece with a focus on promoting a more sustainable society. It examines the application of Social Impact Bonds (SIBs) by the public administration to support sustainable development and social integration, while also aiding Social Economy Organizations in fulfilling their missions of sustainable and socially inclusive development. Drawing insights from case studies in the UK, USA, and Israel, this research sheds light on the importance of Socially Responsible Public Procurement (SRPP) and the role of SIBs in fostering an inclusive and environmentally respectful society. The study delves into the theoretical underpinnings of SIBs, their relationship with public procurement, and the outcomes achieved in different contexts. By presenting the results of SIB utilization for contracting authorities, the Social Economy, and broader public policies such as employment and social inclusion, it provides valuable insights into the effectiveness of this financial instrument. In addition to its findings, this study offers proposals for improving the institutional framework of Social Impact Bonds in Greece, highlighting the advantages and disadvantages of SIBs as a means to support Social Economy Entities. By addressing the challenges and opportunities in SII, this research contributes to both theory and practice, offering valuable insights for policymakers, stakeholders, and investors interested in advancing SII in Greece.

INTRODUCTION

Socially Responsible Public Procurement (SRPP) is Public Procurement that takes into account one or more of the following social aspects: employment opportunities, decent work, compliance with social and labour rights, social inclusion (including people with disabilities), equal opportunities, designing accessibility for all, taking into account sustainability criteria, including ethical trade issues and wider voluntary compliance with corporate social responsibility (CSR), while respecting the principles of social justice and social inclusion. SRPPs can

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therefore be a powerful tool for promoting both sustainable development and the achievement of the European Union's social objectives (Amitsis, 2022; Lamprinidis, 2022, 2023a, 2023b). In other words, whereas traditionally public sector purchasers have chosen products or services by comparing their price and quality, with SRPPs contracting authorities are asked to consider how they can use their purchasing power to make a positive impact on society (Lamprinidis, 2022, 2023a, 2023b).

Social Economy Actors (Social Enterprises, Cooperatives, Foundations, Mutual Aid Associations) are now seen as key actors in addressing a number of important social issues, such as social protection, social services, health services, local services, education, culture, sport and other creative activities, and therefore enjoy the support of the European Institutions (Pirvu & Clipici, 2015). In this light, Public Procurement can be used as a tool for the development of Social Economy Entities within the framework of competition and efficiency that characterizes the European Market.

The interest in Social Enterprises is not only limited to the EU, but the OECD also attaches particular importance to their development. According to the International Organisation, a Social Enterprise is defined as the development of a private activity in the public interest by an entrepreneur or a group of entrepreneurs, having a business strategy and the capacity to develop innovative solutions to address social exclusion, unemployment and to achieve specific economic and social objectives (apart from profit maximization) (Noya, 2009). In more recent studies Social Enterprises appear as the business dimension of the Social Economy (Defourny et al., 2014). In a study under the auspices of the EU Member States, Social Enterprise is defined as (Pirvu & Clipici, 2015):

- The Social Economy Entity whose main purpose is to create social impact rather than to create profit for the owners or shareholders
- It conducts its business by providing goods and services to the market in an entrepreneurial and innovative way and the profits are intended to achieve social outcomes.
- Exercise management in an open and accountable manner, through the involvement of employees, consumers and stakeholders affected by its business activities.

With the above in mind, the subject of our present study is Social Impact Bonds (SIBs), which constitute an alternative source of financing for Social Economy Bodies. This financing model, which is a Public-Private-Partnership (PPP), was first introduced in England in 2010 with the Peterborough Prison Social Impact Bond (SIB) and has since been extended to several Countries (USA, Australia, Canada, etc.) (Grimwood et al., 2016). Through this presentation, stakeholders will be able to know about this new financial instrument and the possibilities to support Social Economy Institutions through Public Procurement.

This paper consists of five parts. The first part concerns the introduction. The second part is about Payment Based on Results (PBR), the theory and the reasons for the utilization of Social Impact Bonds (SIBs) by the contracting authorities and Public Agencies. In the third part we will briefly refer to the organizational structure of SIBs, how it works and the role of stakeholders. In the fourth part we will refer to representative case studies from UK and USA in order to understand the functioning of SIBs and their social and financial impact on the economy and society in general. Finally, in the fifth part, the conclusions present the advantages and disadvantages of SIBS and their challenges in order to become useful tool for contracting authorities, social investors and Social Economy Actors.

Payments Based on Results

Increasing income inequality, an ageing population, high levels of childhood obesity, changes in family size and structure, declining competitiveness of the secondary sector, new labour market practices, labour mobility and the decline in social capital are issues that require particular attention with multiple impacts (social, economic

and health) on the lives of individuals and their families (Albertson et al, 2018). However, since 2008 (as a consequence of the international economic crisis), on both sides of the Atlantic, public services on both sides of the Atlantic have had limited funds at their disposal due to cuts in public spending (Albertson et al, 2018). As a consequence of these cuts, it is impossible or difficult to meet these challenges. Payment by Results (PBR) is an alternative to address social problems by a State with limited financial resources.

The following are achieved through the PBR (Adatto & Brest, 2020):

- Improving the efficiency of public services and service providers
- Achieving measurable social outcomes for beneficiaries
- Use of evidence of the project's potential for success
- Monitoring and evaluation of the programme in real time in order to ascertain whether the planned results are being achieved and to correct any deviations
- Reducing the isolation between public services in order to enhance cooperation and coordination both between them and with stakeholders to better serve the beneficiaries
- Strengthening the active management of the programme through cooperation (holding meetings, etc.) between public services and providers

SIBs are a type of PBR contract, where the financing required to execute the contract is provided, initially, by private investors (Albertson et al, 2018). In this case, the financing is provided by social investors, who are interested in both the return on their investment and its social impact (Albertson et al, 2018). In other words, SIBs are related to social investment. SIBs, *which are "...loan contracts issued by government, local government and public agencies, in which the financier is paid by the economic benefits that accrue from the achievement of the financed purpose."* (Andrikopoulos, 2019), allow foundations, social sector organisations and governments to work in new ways and create new partnerships (Social Finance, 2009). Through the alignment of stakeholders' interests to achieve outcomes, the most difficult social problems can be addressed (Social Finance, 2009). PBR which is a form of *outcomes-based* commissioning can be seen through three theoretical approaches: a. New Public Management, b. Complexity and Risk Management and. c. Supporting Social Innovation.

New Public Management

Over the last 30 years a number of reforms have taken place in the UK and the US as well as in other countries to modernise and improve the delivery of public services (Albertson et al, 2018). This is the New Public Management (Hodd, 1991) where three are its key features:

- Replacement of the large hierarchical structures of public services by smaller decentralised structures, so that decision-making and service delivery are taken at a lower level
- Creation of competition, as the buyer and the provider of the services are no longer the same Entity, thus allowing various forms of provision
- Providing Incentives, where the emphasis is on achieving specific results/ yields These are further enhanced by the development of Information and Communication Technology (ICT) (Albertson et al., 2018). However, criticisms have been made about the ability of SIBs to achieve in practice what New Public Management theory advocates (Le Pendeven, 2019):
- As for Replacement/Decentralisation: in theory, SIBs can help reduce the need for public services, to the extent that the former are more effective in reducing social problems. Preliminary research by *Joy and Shields* (2013) showed that the use of SIBs would not reduce bureaucracy or public sector costs
- In terms of creating competition: According to the New Public Management theory, by separating the buyer from the provider of services, it will result in the creation of competition and the emergence of various

forms of provision. The consequence of this will be the substitution of some structures and the shrinking of the public sector. Lastly, SIBs also include the dimension of cooperation and co-creation between private and public sector bodies, in an effort to set priorities and achieve common objectives

- As regards incentives: incentives in SIBs are not the same for all stakeholders. Incentives to achieve targets are given to the financiers, because otherwise, if they are not achieved, as we will see in the next section, they will lose the capital invested (in addition to any return). The service providers risk their reputation and as far as the State is concerned, if the agreed results are not achieved, it will not pay the amount of money **Complexity and Risk Management**

New Public Management theory answers the question of how policy makers can seek innovative solutions (Albertson et al, 2018). The question of why policy makers seek innovation is answered by the theory of Complexity and Risk Management (Albertson et al, 2018).

The complexity of modern life has resulted in the adaptation of social programmes. Social programmes are designed and implemented, for example, in response to demographic changes, conditions in the post-industrial era, changes in the labour market, the impact of globalisation, climate change and changes in ICT (Albertson et al., 2018).

Public administration bureaucrats, according to the international literature, are highly conservative and avoid risk-taking and due to the increasing complexity of contemporary societal problems they wish through appropriate agreements to transfer political and financial risk to third parties (Albertson et al., 2018). The consequence of complexity and fear of risktaking is the decentralization of services, the transfer of political/financial risk to others, the provision of services by third parties and the focus

Supporting Social Innovation

At the opposite end of the New Public Management theory is the theoretical approach of Supporting Social Innovation (Albertson et al, 2018). The State acts to correct market failure in the production of public goods. At the same time, philanthropists provide time and money (donations) to produce social goods, goods that are not properly priced by traditional markets (Albertson et al, 2018).

To the extent that foundations, non-profits, charities, etc. promote the common good, the State saves money. In this context, the Government can contribute financially to the support and development of these social interventions (Albertson et al., 2018). The development of SIBs is driven, in many cases, by service providers and intermediaries (Ronicle et al, 2016). Through SIBs, the possibility of creating an equal relationship between public services and providers is enhanced.

SIBS represent an investment opportunity for both private philanthropists or foundations and for credit institutions and pension funds, where a new investment market is being created (Mulgan et al, 2011). According to *the Social Impact Investment Taskforce* (2014), investments include a third dimension - in addition to return and risk - impact. Under these developments, a new pool of resources is being created to invest in measurable social impact outcomes (Social Impact Investment Taskforce, 2014).

Finally, the government can support the development of social investment in two ways through *Outcome-Based Procurement*, either directly by contracting with Institutions to provide the services or as an intermediary/broker facilitating collaboration between Philanthropic Capitalists who, alongside the pursuit of profit, are also interested in the social impact of their investment (Albertson et al , 2018). In conclusion, SIBs are a social innovation, as the government's efforts to address social problems are supported by new forms of financing and the involvement of social, and not only, investors (Andrikopoulos, 2019).

The Organisational Structure and Functioning of the Social Impact Bonds and the Role of Stakeholders

Social Impact Bond (SIB) is a type of financing that can be used to address social problems and are based on the PBR (Grimwood et al., 2016). In this section we will examine how SIBs work, their organisational structure and the involvement of stakeholders.

SIBs are a special mechanism for financing the Social Economy and are a form of Social Innovation, as social problems are addressed through Social Economy Entities and with the support of investors (Andrikopoulos, 2019). In these contracts, the Public Sector identifies a social problem and private investors provide the relevant funding to address it. This money is not provided directly to the government or local government, but to an intermediary that coordinates the whole process and provides the relevant funds to social enterprises (Andrikopoulos, 2019; Carè, 2019; United States Government Accountability Office, 2016). Private investors will receive their initial capital along with a return, to the extent that the agreed outcomes of the SIBs were achieved (Andrikopoulos, 2019; Carè, 2019; United States Government Accountability Office, 2016).

In other words, SIBs are a form of Public-Private Partnership (PPP) (Joy & Shields, 2013) involving actors from the Public, Private and Social Economy. The figure below shows the organisational structure of SIBs, the parties involved and their relationships with each other. As can be seen from the figure, there are five main parties involved in the development and operation of CSOs: the Government (or Local Government), the Investors, the Service Providers, the Evaluators and the Intermediary (United States Government Accountability Office, 2016; Warner, 2015).

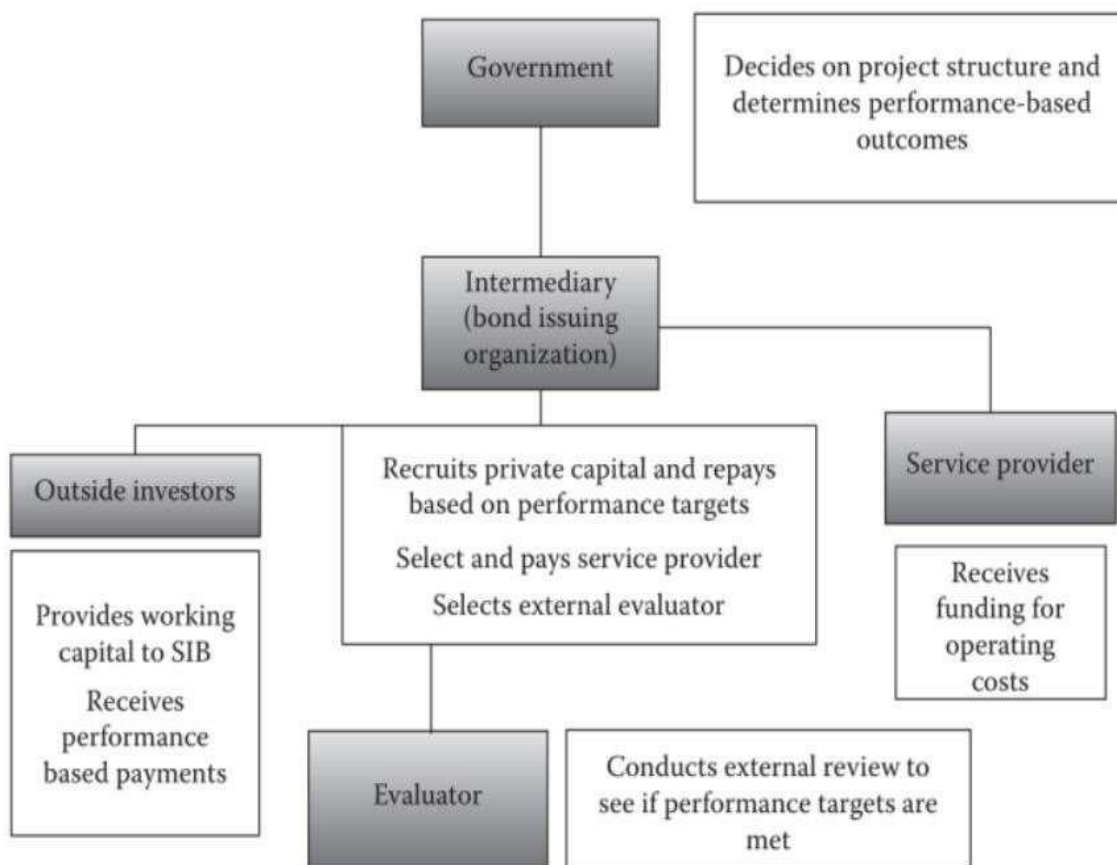


Figure 1: The Organizational Structure of Social Impact Bonds

Source: Warner, 2015, pg. 150

Government: it is the one that takes the initiative to conclude the SIB contracts and sets the objectives to be achieved, which will form the basis for the payment of investors. The concept of Government includes the Federal, National and State Governments as well as local government (United States Government Accountability Office, 2016)

Outside Investors: provide the funds to finance the project, on the condition that they receive them back with a return to the extent that the agreed outcomes of the SIBs are achieved (Proietti, 2020; Andrikopoulos, 2019). In the UK, social investors fund SIB programmes, while in the US their funding comes from a mix of investors that may include Banks, Foundations, Individuals with large financial assets, etc. (Albertson et al, 2018; United States Government Accountability Office, 2016).

Intermediary: they contract with the Government and receive a fee (commission) for the services they provide for the particular SIB. Typically, Intermediaries are Non-Profit Organizations with knowledge and experience in public policy, financial management and the provision of services in similar programs to local communities. Among the services that intermediaries can provide are the following (United States Government Accountability Office, 2016):

- Technical Support to the Government on the preparation of a study on the sustainability of the programme
- Identification of prospective service providers
- Fundraising by Investors
- Evaluator's Choice (Warner, 2015)
- Negotiating the terms of contracts with the Government, service providers and Investors
- Provision of amounts to service providers
- Management, Coordination and monitoring of the performance of the programme
- Payment to Investors, if the intended results are achieved and the Government pays the corresponding amounts (Proietti, 2020; Warner, 2015)

Service providers: they contract either directly with the Government or with the Intermediary to provide the relevant services to the beneficiaries of the programme (United States Government Accountability Office, 2016) and receive upfront payments to cover operational costs (Proietti, 2020; United States Government Accountability Office, 2016). Typically, nonprofit organizations (NGOs) or charitable foundations with proven experience implementing similar programs, such as vocational training or addressing homelessness issues, are selected to provide the services (United States Government Accountability Office, 2016).

Evaluator: assesses the results of the programme or the impact on the target population of that programme, on the basis of which any payments will be made (United States Government Accountability Office, 2016; Warner, 2015). The purpose of the Evaluator is to ensure that the agreed results were achieved and are attributable to the specific program, rather than to other factors (United States Government Accountability Office, 2016). In some cases, a Validator, who is independent of the Evaluator, is responsible for certifying the latter's results (Andrikopoulos, 2019; United States Government Accountability Office, 2016).

Service Users: although they do not appear in the organisational structure of the SIB, they are the most important ones, as they are the beneficiaries, the service recipients and the reason for the development of the programme. Due to SIBs, the services provided are flexible, tailored to the needs of the beneficiaries (Nicholls & Tomkinson, 2015). Payments from the government are based on the positive impact the intervention has on the target group of beneficiaries. Due to the SIBs, the services provided are flexible, tailored to the needs of the beneficiaries (Nicholls & Tomkinson, 2015).

The figure below shows the flows of funds and the relationships between the entities involved. The Investors provide the funds to the Intermediary who coordinates the project and pays the money to the service providers. The latter receive the money in advance to cover their operating costs, thus facilitating their service delivery and innovation, as they do not have to worry about securing their funding. The services provided to beneficiaries and their impact on them are evaluated. With the conclusion of the Evaluator and/or the Certifier, the Government may or may not grant the agreed amounts. This is the essential difference between this financing instrument and the others. In SIBs, the (financial risk) of non-success of the program is passed from the Government to the Investors (Proietti, 2020; Andrikopoulos, 2019; Albertson, 2018). In case of failure to achieve the agreed results the Government will not pay money to the latter. Therefore, the term Bond that characterizes this financial instrument is misleading, as it is not a usual type of Bond that gives a fixed return to investors along with the repayment of the principal (Proietti, 2020; Spiess-Knafl & Scheck, 2017). Instead, its return is linked to the achievement of specific results and in essence, the lenders become "shareholders" of the program, since only by achieving certain results, they will receive the expected returns along with the return of their capital (Spiess-Knafl & Scheck, 2017; Davies, 2014). In the case of the positive scenario, the Government pays the relevant amounts to the Intermediary and the Intermediary in turn pays the investors.

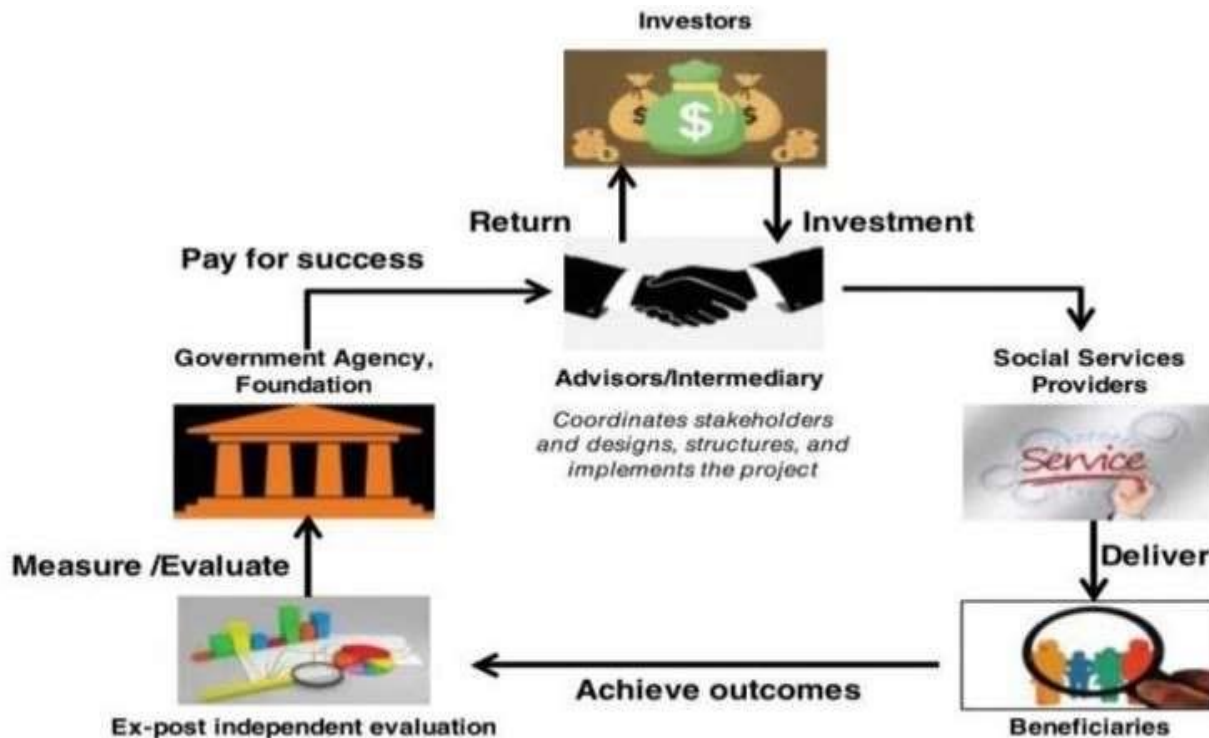


Figure 2: The Social Impact Bond Flows

Source: Basilio, 2021, pg. 503

Case Studies

This section will briefly present case studies concerning SIBs or PBRs, in order to link theory to practice and provide a comprehensive picture for the interested party.

The Peterborough Prison Social Impact Bond

The *Peterborough* Prison Pilot Programme in the UK is the first SIB developed in the world (Davies, 2014), since its implementation in 2010, similar programmes have been developed in different corners of the world. Peterborough's SIB, launched in 2010, lasting 7 years, aimed to provide assistance to prisoners with short

sentences (up to 12 months), both during their stay in prison and after their release, in order to ensure their smooth integration into society and reduce the crime rate (Andrikopoulos, 2019; Davies, 2014).

Organizations and individuals funded the Program with 5,000,000.00 GBP or 8,000,000.000.00 USD, to pay in advance Third Sector Organizations that would provide services to 3,000 prisoners divided into three groups of 1,000 people (Andrikopoulos, 2019; United States Government Accountability Office, 2016; Davies, 2014). A similar programme had not been implemented previously (Davies, 2014). The funds were raised by the NGO Social Finance with experience in social finance projects in the UK (Andrikopoulos, 2019). Social Finance came to an agreement with the Ministry of Justice, as an intermediary, the former would have a central role in coordinating the whole Programme (Andrikopoulos, 2019). The *Ministry of Justice* together with the *Big Lottery Fund* (a public body that manages lotteries in Britain) would repay the loan once the agreed outcomes had been achieved (Andrikopoulos, 2019). The set of actions of this SIB was called *One Service* (Andrikopoulos, 2019). The agreed outcomes on the basis of which the investors would be paid were the following: a reduction in the crime rate of at least 10% in one of the three groups or 7.5% overall for all three (Andrikopoulos, 2019; Carè, 2019). For lower rates, no payment would be made by the state. The returns to investors depending on the success of the programme ranged from 2.5% to 13% in annual returns (Andrikopoulos, 2019). It goes without saying that the higher the crime reduction rate (relative to a reference group), the higher the return would be. The maximum amount that the government could pay was 8,000,000.00 GBP or 12,000,000.00 USD (Andrikopoulos, 2019; Carè, 2019; United States Government Accountability Office, 2016). After two years of the Program, in 2013, the evaluation results for the first group were encouraging, as the crime rate from this group decreased by 8.4% (Carè, 2019). A significant rate, but not enough for early payment as it was below 10% (Andrikopoulos, 2019; Carè, 2019). Investors would be paid at the end of the project if the crime reduction was 7.5% for all three groups (Andrikopoulos, 2019; Carè, 2019).

In the Summer of 2015 the project was abandoned due to the reform of the British prison system, but because the second group's crime rate decreased by 9.74%, resulting in a reduction in crime for both groups by about 9%, the investors were fully repaid (Andrikopoulos, 2019). The annual return they received amounted to 3%. The figure below shows the structure and operation of the Peterborough SIB.

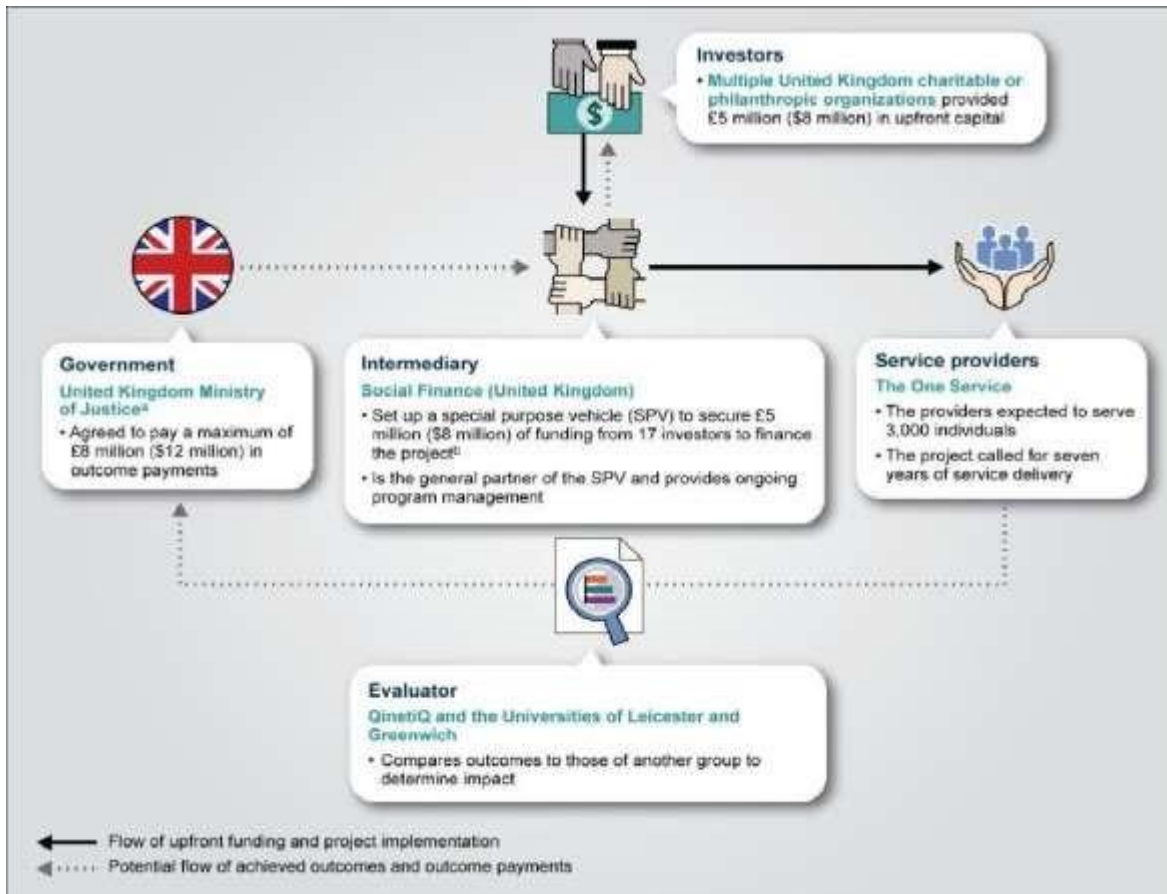


Figure 3: The Peterborough Prison Social Bond Model

Source: United States Government Accountability Office, 2016, pg. 22

The Rikers Island Prison Social Impact Bond

On the other side of the Atlantic, in New York, in 2012, the first SIB for *Rikers Island* Prison was issued under the mayoralty of *Mike Bloomberg* (Andrikopoulos, 2019). The program aimed to reduce recidivism among youth aged 16-18, who after release from Rikers Island had a 47% chance of returning to prison within a year (Andrikopoulos, 2019; United States Government Accountability Office, 2016). Three thousand individuals each year were expected to participate in the program (United States Government Accountability Office, 2016).

The main contributors to the Programme were (Andrikopoulos 2019; Blum et al, 2015):

- **Ombudsman:** The NGO *Manpower Demonstration Research Corporation* (MDRC) had the role of facilitator and was responsible for program design, oversight of day-to-day operations, management of service providers and repayment to Goldman Sachs who had the role of investor.
- **Service Provider:** *Osborne Association* and *Friends of Island Academy* (Blum et al, 2015), NGOs with extensive experience in working with and supporting young people who have been incarcerated, were commissioned to provide the services for the Programme
- **Investor:** The lead lender for this Program was *Goldman Sachs*, which provided the necessary capital of US\$9.6 million backed by a financial guarantee from Bloomberg Philanthropies. The latter, undertook to indemnify Goldman Sachs up to the amount of USD 7.2 million or 75% of the invested capital, in the event that the agreed results were not achieved, to be paid by the City of New York
- **Evaluator:** The *Vera* Institute for Justice, an independent, non-profit organization, was the evaluator of the Program

- **City of New York:** The City has administrative and policy responsibility for the Jail and will pay (principal and reimbursement) to the Ombudsman if recidivism is reduced by at least 10%. For a reduction in recidivism of 8.5% to 10%, the City would pay \$4.8 million and for less than 8.5% the City would pay nothing

A measure of the Program's effectiveness was the youth's overnight stays in jail after they attended the Program (Andrikopoulos, 2019). In the table below, we see the payments and gains for the City of New York as a function of the recidivism reduction rate (Blum et al., 2015). The maximum amount the City would pay is US\$11,712,000.00 for a reduction rate greater than 20% (Andrikopoulos 2019; Blum et al, 2015), while its profits are estimated, after investor payments, at US\$20.5 million (Blum et al, 2015). **Table 1: Payments and Profits for the City of New York**

Percent Reduction in Reincarceration Rate	City Payment to MDRC (\$)	Project Long-Term City Net Savings (\$)*
≥20.0 percent	\$11,712,000	\$20,500,000
≥16.0 percent	\$10,944,000	\$11,700,000
≥13.0 percent	\$10,368,000	\$7,200,000
≥12.5 percent	\$10,272,000	\$6,400,000
≥12.0 percent	\$10,176,000	\$5,600,000
≥11.0 percent	\$10,080,000	\$1,700,000
≥10.0 percent (breakeven)	\$9,600,000	\$≥1,000,000
≥8.5 percent	\$4,800,000	\$≥1,000,000

*Savings after repayment and continued funding for program delivery.

However, developments were not positive for this Program, as the conclusions of the evaluation by the Vera Institute in the summer of 2015 led to its termination and the nonpayment of the Investor by the Municipality.

The positive aspects of the Programme, according to the donors, are the following:

- No financial burden on New Yorkers to address a social problem
- Data collection by the Municipality for the redesign of social policy
- Launched the use of innovative sources of funding to address social problems in a period of fiscal austerity

The Figure below shows the structure and operation of the Rikers Island SIB

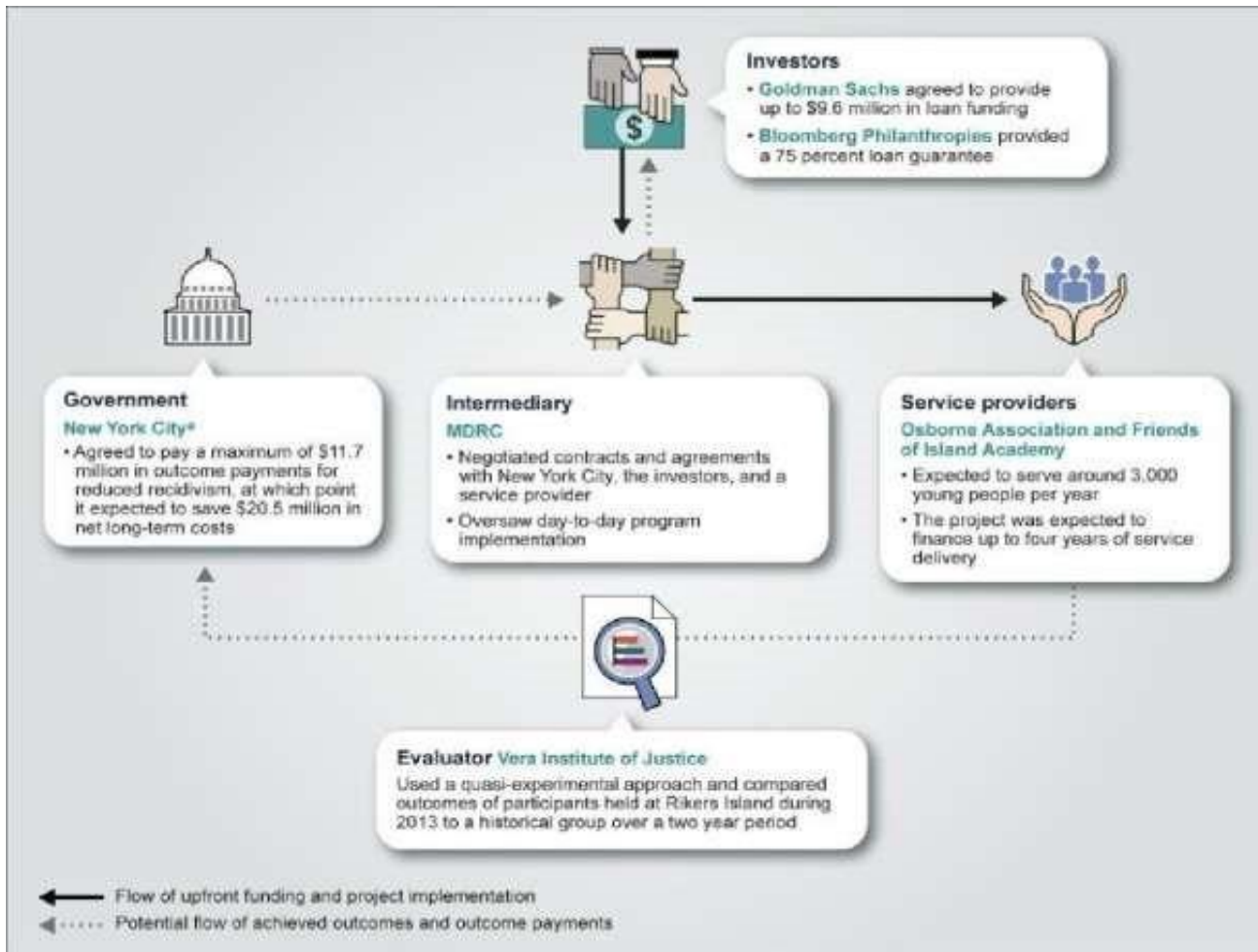


Figure 4: The Rikers Island Prison Social Bond Model

Source: United States Government Accountability Office, 2016, pg. 16

It's All About Me (IAAM) Project

Many children, according to the *Government Outcomes Lab* website (<https://golab.bsg.ox.ac.uk/knowledge-bank/case-studies/its-all-about-me/>), in the care of local authorities suffer from neglect, developmental disability and traumatic experiences and need additional support to build a normal developmental pattern and address their trauma. In these circumstances it is quite difficult for local authorities to find suitable permanent homes for them (<https://golab.bsg.ox.ac.uk/knowledge-bank/case-studies/its-all-about-me/>). In many cases where children are either older, with other siblings or from ethnic minorities, it makes it even more difficult to find foster families for them (<https://golab.bsg.ox.ac.uk/knowledgebank/case-studies/its-all-about-me/>). Finally, the likelihood of finding a family is further reduced for children who have been waiting for more than a year

(<https://golab.bsg.ox.ac.uk/knowledge-bank/case-studies/its-a>

The *It's All About Me* (IAAM) child adoption project, launched in October 2013 and running for 10 years, was designed to find families for children who would otherwise be difficult to impossible to find, based on the above (United States Government Accountability Office, 2016). The project funds Adoption Agencies to find parents who will adopt these children (United States Government Accountability Office, 2016). In addition, the agencies will provide support to the parents (United States Government Accountability Office, 2016).

Intermediaries and Service Providers are made up of Voluntary Organizations active in the field of adoption (United States Government Accountability Office, 2016). Funders of the project are Big Society Capital and *Bridges Ventures* (Griffiths, 2014) to the tune of £3 million or US\$5 million (United States Government Accountability Office, 2016) and Outcome Payers are Municipal Authorities and the Social Outcomes Fund (Griffiths, 2014).

The goal of the program is to adopt up to 140 children each year (United States Government Accountability Office, 2016). Local government in Great Britain will pay service providers, following assessments, set amounts based on the following milestones (Griffiths, 2014):

- Inclusion of children in the Programme
- Placing them in a Family
- First anniversary of staying in the Family
- Second anniversary of staying in the Family

According to the project intermediary, while the maximum cost is greater than what a LSIBI authority typically pays to adoption services, it is also estimated to be about half the cost of a child remaining in foster care for 2 years (United States Government Accountability Office, 2016; <https://www.bridgesfundmanagement.com/10-lessons-from-bridges-on-strictly-socialinvestment/>).

Finally, the maximum amount that Final Payers will pay for each child is £53,400.00 / US\$87,000.00 (United States Government Accountability Office, 2016), and it is estimated that if extended to 2,000 children, it could generate revenues for local government of up to £1,5 billion.

(<https://www.bridgesfundmanagement.com/10-lessons-from-bridges-on-strictly-social-investment/>) .

The figure below shows the structure and operation of this SIB.

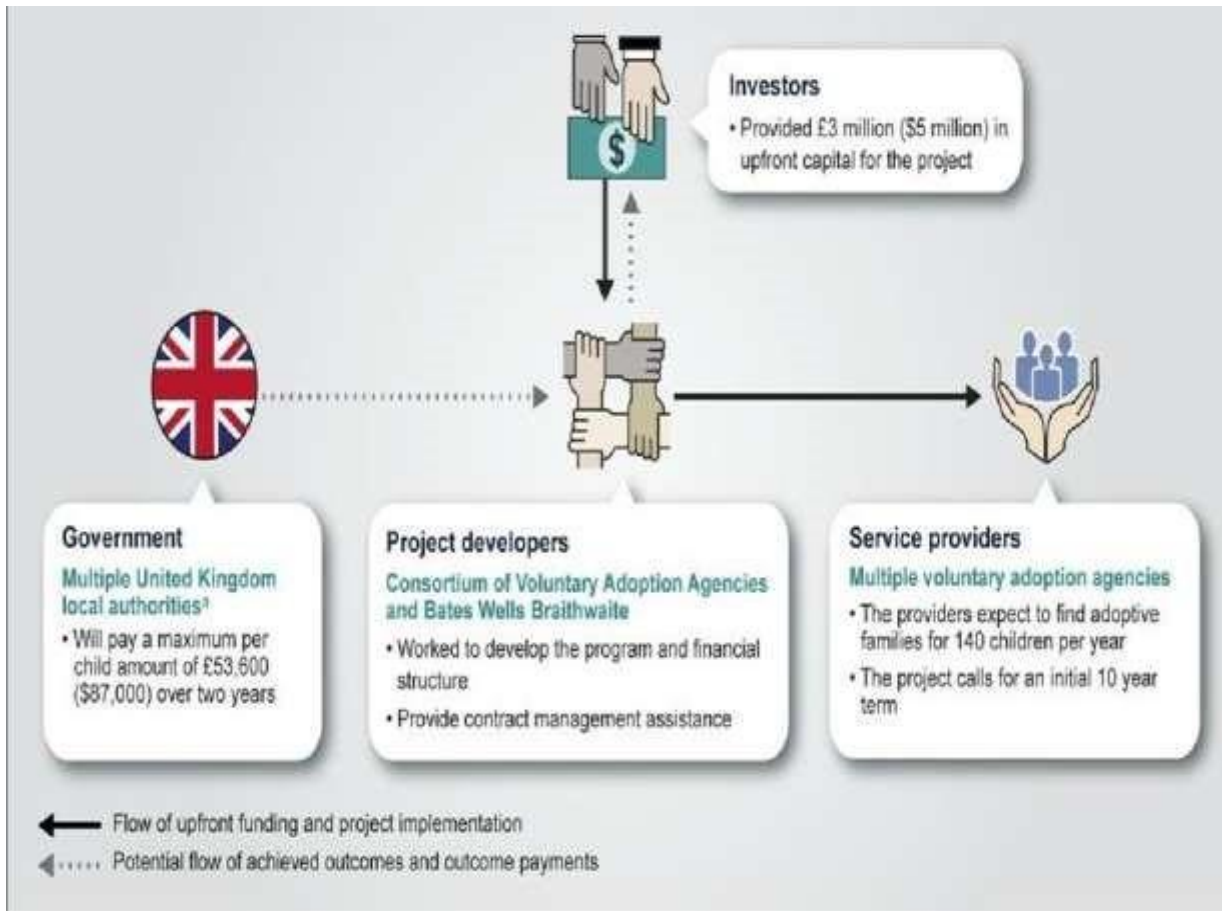


Figure 5: The Model for the IAAM Social Bond

Source: United States Government Accountability Office, 2016, pg. 26

Conclusions and Development Proposals for Social Impact Bonds

According to the international literature, the advantages of SIB are as follows (Andrikopoulos, 2019; Dear et al, 2016):

- Proactively tackling social problems, targeting the causes and impact rather than treating the symptoms
- Ability of speculative social investors to pursue social goals beyond profit
- Broadening the Portfolio of Traditional Investors
- Expanding the social investment capital market through private participation in social policy financing
- Ensuring that NGOs have access to the necessary capital, through the amounts paid to them in advance, for the uninterrupted continuation of their mission
- Providing citizens with necessary social services while avoiding the additional burden on the budget of the General Government bodies
- Because of social impact payments: SIBs help to a. expand the available metrics on social policy and well-being issues, b. ensure accountability of social policy implementers, and c. provide clear incentives for investors, i.e. rewarding them if successful results are achieved
- Strengthening Social Innovation both in terms of developing new financial instruments and in addressing social problems through the cooperation of Social Economy Institutions with private investors and the Government

However, the development of the SIB model faces a number of difficulties and problems, indicatively the following (Proietti, 2021; Andrikopoulos, 2019):

- Imbalance of financial risk exposure between the parties involved in the Programme, due to different incentives of the latter (e.g. transfer of financial risk from the State to investors)
- Lack of incentives for investors (e.g. tax deductions for social investments)
- Difficulty in measuring the social impact of the investment in order to

it is established that social change was brought about by the specific intervention and not by other factors (See Rikers Island case study). The problem is exacerbated by the development of similar programmes by the State

- As a consequence of the above, difficulty in finding a reference group against which to compare the results of the intervention in the target group
- Change in Government Policy towards SIBs (see Peterborough case)
- Complexity of SIB contracts when stakeholders negotiate terms, objectives and measurement of results
- High implementation costs due to the complexity of the SIBs and evaluation of results.
- Increase in costs, due to the participation of the Intermediaries, due to the absence of standardization of the process
- States in political or financial crisis do not provide guarantees to investors
- Inability of investors to exit from the SIBs, due to the lack of development of a mechanism for disinvestment and disengagement
- Problems created by the existing institutional framework for public procurement, making it necessary to adapt it
- Problems of citizen acceptance and commercialization (Joy and Shields, 2013) of social services through the prevalence of market logic
- There is insufficient data on the development of SIBs, as they are a recent funding mechanism

SIBs are important because through them social problems such as poverty, prison recidivism, economic inequality, home care, migration, child welfare and health service provision can be addressed (Proietti, 2021). However, the above problems need to be addressed to the extent that the development of SIBs is desirable. The institutional framework and the reduction of complexity and costs are arguably some of the most important problems. The harmonisation of the rules governing public procurement, but also the standardisation of the procedures of the SIBs (which may lead to the absence of the Intermediaries) are possible solutions to reduce costs and further develop the financial instrument. Tax deductions for investments in SIBs (such as the UK Treasury's 2014/3066/UK regulation on social investment) would be an additional incentive for investors. It is also critical to measure the social impact and link it to the specific social investment, however the difficulty of measuring it should not be a disincentive for social policy funding for Investors and Providers.

An important problem that can be solved is the transfer of financial risk from the State to the Investors. The latter are financing the Programme and will receive a return on their capital if the agreed results are achieved, results which they cannot influence, as they have no say in the actions of the providers. The providers secure the funds in advance for their operating costs and, apart from the risk to their reputation, they risk nothing else in the event of failure to achieve the agreed results. The State, on the other hand, does not risk taxpayers' money, since in the event of failure to achieve the results, it will not pay the funds to the Investors. In these circumstances, there is a risk that the latter will not finance the SIBs. A proposed solution, by *Proietti* (2021), is the replacement of the SIBs by Profitable Impact Bonds (PIBS). Under the proposed solution, Investors would have a direct relationship with the service providers (without the presence of intermediaries) and would lend to the latter. As a consequence, the providers, in the event of failure to achieve the agreed results, would have to repay the Investors (at least a percentage of the money) or grant equity to them. So, to a certain extent, the Investors are compensated (Proietti,

2021). The additional positives of the proposal, are the reduction of the cost of the Bonds, as there are no Intermediaries, the existence of a kind of guarantee of the Investors' funds and further incentives for the service providers to achieve the results (Proietti, 2021). In this way a balance between the interests and incentives between stakeholders is brought about.

At this point it is worth mentioning a "hybrid" form of social financing that combines Crowdfunding with Social Impact Bonds (SIBs). Specifically, for the first time in the world, and specifically in Israel, a SIB was issued that is also financed through Crowdfunding . This SIB, called "New Era", is the result of a collaboration between the Social Finance and Tel Aviv Foundations, while the platform from which the funds were raised is Fundit. Funds of AUD 653,000.00 Australian Dollars had already been raised through SIB and through the platform it was expected to raise funds of 285,000.00 Australian Dollars in 2021, with a term of 2.5 years, with an expected return of 5% and to provide services to 200 elderly people experiencing loneliness in Jaffa, Tel Aviv. Ultimately, more than 400,000.00 Australian Dollars was raised. Through the project, social work workers and volunteers will assist these elderly people in their homes to help them bond with their community.

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