Challenges for European welfare systems -
a research agenda on social impact bonds

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Abstract. First, the Social Business Initiative of the European Commission and then the G8 Social Impact Investment Taskforce: these are meaningful indicators of a novelty overlooking the scene of European public policies. While many advocate the numerous benefits that social finance, and especially Social Impact Bond (SIB), will bring in the welfare systems, it seems useful to point out a considerable and comprehensible confusion. The complexity of the instruments at issue and the difficulties arisen in the first trials, require designing a depth exploration, in particular with regard to SIBs. A SIB is a financial transaction that brings together seemingly contrary forces that turn out to be uniquely capable of producing new life forms when taking advantage of their interdependencies: through a complex partnership between investors, social service providers and public administrations, SIBs develop a contractual structure that provides reimbursement and remuneration of investments by virtue of potential savings related to the social outcomes reached by social service providers. Therefore, at the same time SIB may acts as leverage for social service providers, a tool for the sustainability of public spending and an asset class for investors. The implementation of these financial instruments raises a number of important challenges to deal with, both from the point of view of its economic features and the related legal issues. The main goals this paper aims to pursue are: (i) find the socio-economic rationale of SIBs, (ii) outline an introductory and theoretically acceptable framework for the study of SIBs, (iii) indicate a possible agenda of the crucial and outstanding problems to be addressed. In other words, the aim of this paper is to sketch a possible road map to meet the challenges that Europe is facing, in the belief that an essential contribution will come from socio-economic research.

Keywords: social impact bonds, social finance, impact investing, project financing, public-private partnership, welfare system, social service, public policy.

JEL Codes: G23, G24, G32, K12, K23, L31, L32.

1. Introduction

First, the Social Business Initiative of the European Commission and then the G8 Social Impact Investment Taskforce: these are meaningful indicators of a novelty overlooking the scene of European public policies. While many advocate the numerous benefits that social finance, and especially Social Impact Bond
(SIB), will bring in the welfare systems, it seems useful to point out a considerable and comprehensible confusion. On a general level we can identify at least two reasons that characterize the current state-of-the-art.

First, it is worth mentioning that studies concerning SIBs belong mainly to the category usually defined as “grey literature” and are mostly developed by stakeholders operating in the sector, strongly interested in seeing realized these kind of tools as soon as possible. These studies lack of a theoretically developed approach that enables to address the challenges inevitably posed by the use of any new instrument. Moreover, it should be recognized that the investigation purpose of this grey literature is often overlapped by promotional intents: the consequence is the underestimation of both the complexity of the issue and the need for a prior and adequate reflection. Indirect evidence of this assertion is that crucial profiles such as those relating to both the allocation of risks and the legal issues of a SIB are often neglected.

Second, with regard to academic literature, it can be outlined how it is composed of a small circle of scholars and how this group is mainly characterized by researchers in sociology and political science, inevitably oriented to the theoretical understanding of broad and general dynamics (Salamon 2014). Some economic studies focus mainly on the impact that SIBs will have on the economic development of areas in which they will work and on the meaning that the role played by these new tools will bring in terms of political economy and public management (Bellanca and Pierri 2013). In the context of economic studies, could be noted also some attempt to compare different contract models generally used for the implementation of welfare policies: the outcomes of this experiment seem to confirm the greater efficiency of the SIB model compared to that of the more traditional contractual patterns (Wong et al. 2013). Nevertheless a small number of scientific works is devoted both to the concrete operational modalities of SIBs and the issues that must be addressed to achieve them. The general attitude of the scientific literature is documented by the fact that law and finance scholars seem to be on the margins of the debate on SIBs, with some rare exceptions (Cox 2012; Baliga 2013; Burand 2013; Dagher 2013; Davilmar 2014; Humphries 2014).

The general state-of-the-art appears as a first justification for developing a contribution able to go towards a deepening of what appeared meaningful within the reflections on SIBs and – at the same time – to fill the abovementioned gaps of scientific literature. In other words, the aim of this paper is to provide some useful insights to understand, on the one hand causes and characteristics of the problems so far recorded in addition to those inherent in the very nature of a SIB, on the other hand, ways and forms of possible developments and solutions.

2. Preliminary remarks on defining a SIB and its socio-economic rationale

A SIB is frequently defined as a tool to move from public sector to private investors the risk of successful intervention with a social purpose. Even when such an expression is not assumed as the main and only definition of SIB, it is often used to underline one of the main advantages of this instrument. However, it should be useful wondering if this statement is correct. The answer heavily depends on the perspective assumed.

As a preliminary point, it could be useful to generally describe what is a SIB and how it works. SIBs are

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1 There are numerous reports by companies like Social Finance, which is a subject acting as an intermediary for the first SIB experiments and that aims to promote the use of this tool. Consider in this regard also documents published by the Rockefeller Foundations and McKinsey & Company. Some references can be found in the bibliography that closes this brief work.
a form of outcomes-based contract in which public sector commissioners commit to pay for significant improvement in social outcomes for a defined population. Through a SIB, private investment is used to pay for interventions, which are delivered by service providers with a proven track record. Financial returns to investors are made by the public sector on the basis of improved social outcomes. If outcomes do not improve, then investors do not recover their investment. Therefore it should be notice that it is quite a stretch to call these outcomes-based contracts “bonds”. The term “social impact bond” is a misnomer for the SIB structure actually known, because these are not characterized by those typical bond features such as scheduled principal payments, designated interest rates (or coupons), and ease of transfer in secondary market. Nevertheless a SIB is a financing structure for social services that involves at least an investor (lender), a social service provider that needs upfront capital to work and develop its service (borrower) and a public sector that undertakes to purchase, for a price defined on an outcomes-based agreement, the social service.

From the point of view of the public sector, SIB has the significance of transferring the risk of a successful intervention with a social purpose to private investors. But the intervention with a social purpose, in turn, will even have itself a purpose. Here a distinction is needed: on the one hand, there are preventive-based social purposes interventions, aiming at reducing subsequent costs arising from emergency management, on the other hand, there are interventions with a social purpose that act for the fulfillment of the obligations that the public sector (welfare state) implicitly assumed through the tax levy. Beyond appearances, the distinction is not a sophism: on one side it requires to reformulate the SIB definition, focusing on the ability in generating savings for the public sector, on the other side, it suggests a feature that the service provided through the SIB contractual scheme should have. From the public sector perspective, therefore, a SIB will be a tool that – through a different mechanism for the allocation of resources, given the equal quality of service – allows generating savings, possibly bringing the public sector action within the fold of economic sustainability.

From the point of view of private investors, a SIB is an instrument through which it is possible to realize a return on their capital while it contributes to achieve a social goal (even though with a preventive-based approach) and unlike other mechanisms, a SIB seems to ensure the maximum commitment of both the debtor (the social service provider) and the subject that factually guarantees the loan engaging itself in the financial obligation to pay for the service (the public sector). These two subjects, through the capital reimbursement and a return on it, increase their accountability to the investor. Indeed, through a complex and balanced system for the SIB governance, the public sector may have – perhaps indirectly – the power to contribute in achieving the levels of performance necessary to realize the return on investments. Moreover, a SIB is a tool that – in addition to what described above – allows investors to participate in a common project with the public sector, and therefore and at least indirectly influencing its activity, “forcing” the public sector to an equal relationship in which each subject clearly assumes its responsibilities. For this reason, a SIB contractual scheme makes an important contribution to a comprehensive review of public spending, offering an additional interest rate that may be in the hands of the investor.

From the point of view of social service providers, a SIB is a tool that allows devoting all energies in

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2 The intent here is not to enter into the debate about the relationship between privatization and social justice principles, which will eventually be taken up elsewhere. On the relationships between the instrument of SIB and the phenomenon of privatization, it could be seen MICHAELS, J. D. 2013. “Privatization’s Progeny.” The Georgetown Law Journal 101 (4): 1023-88.

3 However, not all savings seems to be equal to one another: instead the reduction in variable and accessories costs of welfare activities carried out by the public sector, the real goal should be savings related to the structural costs.

4 In this perspective, it seems here enough to point out how SIBs are contractual devices that enter into competition with similar contractual forms, albeit different in some aspects and more often applied in different fields. As shown in the following pages, these similar contractual forms are really useful to understand the field in which SIBs are growing.
delivering the social service and in improving its quality, avoiding the set of distractions that arise from the need to address endemic phenomena of undercapitalization. In other words, for social service providers a SIB is a useful tool that represents leverage up to now little known and little used by the subjects generally dedicated to the provision of social services. Moreover, as underlined by some scholars, in a SIB contractual structure, the social service provider undertakes itself in a long-term and outcome-based performance, instead the more classical short-term and input-based one: this means that the social service provider has more flexibility over how services are delivered, therefore «the service is enabled, even required, to improve and adapt to performance information and changes in the delivery environment in a dynamic way» (Nicholls and Tomkinson 2013, p. 5).

It seems clear that the difficulty of giving an unambiguous and actually useful definition of SIB, since every possible definition would be partial with respect to the multiple characters and multiple reasons a SIB could be of some interest. One could venture observing that a SIB is in all respects a multi-purpose tool. Therefore, the point does not seem to be the development of a general and adequate definition, maybe even meeting the needs of conciseness of speech, but rather to consider organically the various interests and the different purposes that with a SIB can be pursued, and thus to imagine a tool that will satisfy all objectives that can be reached simultaneously. As someone said, a SIB is a “yin-yang” deal, which is a deal that «bring[s] together [...] seemingly contrary forces that turn out to be uniquely capable of producing new life forms when taking advantage of their interdependencies» (Salamon 2014, p. 1). This dynamic is the backbone of the idea of SIB, which, applied to the needs of each of the involved parties, is the innovative power of this tool and its socio-economic rationale.

Hence, more than looking for a close definition, what should be noted is that SIBs, rather than constitute a financial instrument fully defined for being applied to a range of activities related to certain types of social services, looks more like a basic framework, a general, flexible and open scheme, in the sense that – like any structure – it requires specific content to be identified and – more importantly – should be evaluated for the load-bearing capacity that each owns pillar has.5

3. First sketchy and critical issues identified and inherent the nature of SIBs

A first comparative analysis of current experiences shows that the main critical profile of a SIB lays on the fact that is a long-term and illiquid investment.6 These characteristics make a SIB investment appealing for a restricted circle of investors, which is already operating in the sector: these investors are often characterized by a strong philanthropic spirit (foundations) or they are institutional investors that have lent themselves to the first experiments with a considerable boost in image (investment banks).7

The risks that investors other than those who until now have been mobilized would face are manifold.

5 The characteristics of each context can help to specify the socio-economic rationale of the SIBs, thus implying the construction of different models with different subjects. For instance, in the Italian context there are the so-called fondazioni di origine bancaria, which – in a certain way – already play an important role in the social system.

6 On the basis of a general overview, it is possible to observe that the duration of a SIB project is more than 5 years in average, with frequent cases of projects that provide a longer life. None of the considered projects seem to have foreseen and prepared disinvestment strategies, thus excluding the possibility for investors to get out in advance by the program. For some data, relating to the duration of each SIB, see the analytical and useful framework available at: https://docs.google.com/spreadsheet/pub?key=0AoRYN7f_7ejDdEVLe0ZwMUNjVXY2MHhlY3dyRmxLYXc&gid=17.

7 In Peterborough SIB investors are philanthropic foundations (Barrow Cadbury Trust, Esmée Fairbairn Foundation, Friends Provident Foundation, The Henry Smith Charity, Johansson Family Foundation, LankellyChase Foundation, The Monument Trust, Panahpur, Paul Hamlyn Foundation and Tudor Trust), while for Rikers Island SIB, the only investor is Goldman Sachs, which is also covered by a capital guarantee offered by the Bloomberg Philanthropies.
First, the risks can be related to the object of the intervention (i.e. concerning the specificity of the service to be delivered, and the type, difficulty and complexity of the performance). Second, the risks can be related to the subjects and for each of these they can be “labeled” and evaluated with a specific intensity. Think in sketchy terms to risks of intervention, execution risks, political and financial risks, and even the risk related to the intermediary’s activities or those of reputation (Burand 2013). Each type of risk (each “label”) can then be made up of sub-categories that, like any other, must be evaluated in reference to the parties involved. Therefore identifying and classifying the risks is a crucial passage of a serious attempt to deal with the very nature of SIBs. This path of research should be developed on the basis of empirical observation of designed and so far implemented SIB as well as in comparison with similar experiences.

A further critical profile of a SIB basic model is the identification of the so-called trigger event, i.e. the event which – once happened – allows the return on invested capital: the complexity of identifying appropriate parameters for measuring the social impact of a particular action or a certain intervention is surely a factor to be reckoned with, because on this relies the ability to “build” an appealing product for investors. The issue of measuring social impact seems to arise as a prerequisite for characterizing a SIB as an asset class.8

4. Endeavor for a preparatory and theoretically adequate framework for SIBs

A SIB basic model although shows innovative features, recovers and connects in new ways existing mechanisms and contractual arrangements, traditionally used in other areas. Identifying the common elements between SIBs and other types of contract, will enables to proceed with an analysis also based on those data sets available for other contractual structures and that also apply to a SIB arrangement. In this sense, dealing with SIBs, it is essential to look at the world of project finance. As some scholars pointed out, «governments have long used public-private partnerships to crowd private sector resources (both financial resources and know-how) into building large-scale infrastructure projects. Public-private partnerships can also be used to tackle development issue» (Burand 2013, p. 449). In fact, the analogies between SIB and project finance suggest that between these two forms may exists a relationship of genus and species. In terms of definition, of roles played by involved subjects, and of the implementation process there are important overlaps between SIBs and project finance: indeed the phenomenon of public-private partnerships, of which SIBs are clear expression, was born as an evolution towards a more adequate risk management within the world of project finance, in order to expand its boundaries into new asset classes (Pinto 2013, p. 11).

To give a well grounded foundation to the above mentioned analogy, with awareness of the need of a more accurate demonstration, among the elements of similarity that exist between project financing and SIBs it should be useful point out at least some profiles related to their definition and conceptualization. Project financing can be defined in several ways, but it could be generally said that «it is the structured financing of a specific economic unit that the sponsors create by means of share capital, and for which the financier considers cash flows as the source of reimbursement, whereas project assets only represent collateral» (Gatti 2005, p. 38). If one considers the savings, or part of the savings, that a social service provider is able to generate for the public sector budget as cash flow and, at the same time, if the assets of the project can be represented, at least in part, by some guarantee items (for example, the sum that public sector undertakes to

8 The need for accurate and reliable measurement can be tempered through the use of some variations on the SIB basic contractual model or by using a number of parameters and indicators, maybe “indirect” but more easily measurable. However, it does not seem possible avoiding further discussion on this crucial aspect, that – regardless of its placement in a SIB structure and relatively to the general theme of policy making process – make possible verifying the effectiveness of specific interventions and therefore establishing ex ante which policies have to be implemented and which do not.
pay whatever the performance outcomes, or any pledges offered by other parties, such as banks or philanthropic foundations, or furthermore, the social service provider reliability in achieving optimal performance outcomes), then it is reasonable state that the definition of project financing is not so inconsistent in comparison to that of SIB.

Even with regard to the analogies in defining project financing and SIBs, it may be recalled, as some have pointed out, that project financing is a transaction «that involves the creation of a legally independent project company financed with equity from one or more sponsoring firms and non-recourse debt for the purpose of investing in a capital asset» (Esty 2004, p. 213). Hence, if the achievement of predetermined performance outcomes has a demonstrate positive economic impact for the public sector, and the social service provider track record allows to consider very likely that the performance outcomes will be realized, in a certain sense, it is possible to consider the activities for which the social service provider has already received an express request by the public sector as a “capital asset”. It should also be pointed out that the reference to equity should not confuse respect to the analogy that here is being illustrated: in project finance, unlike in the classical corporate finance, equity is not synonymous with ownership, rather it can combine various direct investments including cash, subordinated or mezzanine debt, grants, or other forms of unexpended funds. Moreover, in project finance studies has clearly emerged that the projects «are funded with small amounts of private equity contributions and much larger amounts of non-recourse syndicated loans, which are the principal external, capital-market financing» (Meggison 2010, p. 47). Therefore, a project finance transaction, such as a SIB transaction, can be considered as a nexus of contracts between the players involved in the deal: «this nexus of contracts [...] is intended to ensure loans repayment when the project is solvent and loan recoverability when the project is in default» (Esty and Meggison 2003, p. 40).

To follow up the analogy here suggested and only partially shown, it will be necessary – as far as possible – an analytic approach, within which all those common contractual items can be collected and interpreted, in a comparative perspective, with the aim of designing a theoretically well oriented framework (economic and legal). This also seems to be the preliminary and crucial point for any attempt to develop a comprehensive system to evaluate and classify SIBs.9 Thus, this endeavor for a preparatory and theoretically adequate framework for SIBs should be carried out in two steps: first, it will be required a detailed comparison between project finance and SIBs, i.e. must be verified which characterizing elements of project financing operations also apply to SIBs or SIB-like structures; second, it will be useful shaping a synoptic reading of the bundles of contracts underlying each SIB (both SIBs in execution and those just designed). Hence, while strengthening and deepening a theoretically valid interpretative framework, it will also be possible to single out – mostly in legal terms – the essential and the accessories elements of a SIB.

5. The importance of distributing and managing the risk

If SIBs can be properly placed in the context of project financing, then it should be considered how the risks distribution assumes a considerable weight in defining the roles that each subject has to play within the contractual relationships underlying the SIB. In a SIB structure, the main typologies of risk can be taken from the classical project financing risk management categories and are risks associated with the intervention model, execution risks, financial risks, intermediary risks, political risks and reputational risks (Gatti 2005; Burand 2013). What appears crucial to deal with is therefore a detailed study of the types of risk that a SIB

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9 The research is clearly interdisciplinary and – equally clearly – aims to enhance the legal profiles inherent a particular type of agreement. However, the need to identify appropriate tools and mechanisms to be integrated in a SIB basic model can not be satisfied without a preliminary analysis based also on a quantitative approach (not only, even the pricing of a SIB, that is crucial to its success, can not avoid to deal with a quantification of the risks).
implies, of course, relating them each category of stakeholders. In other words, the question is what are the risks faced by those involved in a SIB, evaluate their appropriateness and, if not, before proceeding anyway with the identification of adequate tools for their management or mitigation, transfer the risks into the hands of those subjects most suitably equipped to take charge of them.

Therefore, should be identified and included in the discipline of SIB specific contractual guarantee instruments, in part of an insurance nature, aimed at reducing and managing some of the risks mentioned above (in particular the financial and political risks) and inherent the nature of SIB. In this sense – and only with reference to the category of political risks – it is enough recall the possibility to integrate the contractual scheme of a SIB with mechanisms such as the Non-Honoring of Sovereign Financial Obligations\textsuperscript{10} or instruments such as the currency inconvertibility coverage or political violence coverage (Burand 2013, p. 485). Moreover, it should be important insisting on the identification of financial tools and mechanisms (from the world of traditional project finance) that may – or with certain adjustments could – complement or be integrated in SIB scheme for the credit enhancement (for example, think to the World Bank and International Development Agency performance-based debt buy-down mechanism or the more common surety bonds) and thus mitigate the risks of a financial nature (Burand 2013, p. 492).

Then, with regard to the intermediary risks it is clear that – in addition to further measures that may be related to the governance structure – it could be useful to imagine a special purpose vehicle with its own management that fulfills the functions of the intermediary within the SIB arrangement. This perhaps is not the only solution to managing the intermediary risk, since as mentioned above, in some context exist several subjects that are well established to play as intermediaries, such as some kind of philanthropic foundations in Italy and several other countries. Even the execution risks – among other possible strategies for their management – must be faced working on the selection of the social service providers, identifying parameters and criteria through which conduct adequate due diligences and promoting proper tools for the accountability of these subjects.

Finally, it will be crucial to think about the ways in which it could be realized an effective and complementary secondary market for SIBs, namely identifying and building the terms and conditions under which investors will eventually exchange their “bonds”, perhaps with diversified interest rates according to the time of “entry” and “exit”, always with the concern to mitigate – also in this way – some of the harshness that, from the point of view of its appeal, characterize SIBs (one above all: the duration). Obviously, the development of a sort of rating system for SIBs seems to be a prerequisite for the release of these financial products on secondary markets (probably ad hoc built). A mention must also be dedicated to the permanence of SIBs in secondary markets, i.e. the usefulness of drawing a regulatory framework specifically “tailored” on the nature and characteristics of these products, with particular regard to the need for limiting the “socially” dangerous volatility.

6. Focus on the Italian system

Any serious research on SIBs or SIB-like structures that aims to develop a deeper reflection for the construction and running of social finance tools and therefore acting as a point of comparison for policymakers, will have to eventually compete with some critical issues related to the current state of national laws. Indeed national laws matter a lot for the adoption of tools such as SIBs in a specific country.

\textsuperscript{10}Non-Honoring of Sovereign Financial Obligations is a new political risk insurance product issued by the Multilateral Investment Guarantee Agency, a member of the World Bank Group. For a more specific knowledge of this and similar products, see http://www.miga.org/investmentguarantees/index.cfm?stid=1797.
In particular and with reference to the Italian context it will be useful indicating some issues that must be addressed. First, it should be considered how a SIB, that finds most of its meaning on the ability to generate savings for public sector (from which arises the space for a return on the investment), requires the principles and rules of public finance and public accounting to be effectively structured as incentives for generating savings. Currently, some doubt could be advanced in referring to the Italian accounting system, since on the one hand the accounting department of the public sector should find out the technical accounting modalities to record the block of certain sums for a long-term period and, simultaneously, the possible and partial use of these when the predetermined period expired, to cover the costs – let’s say – direct (repayment of capital) and indirect (return on capital), unless of course a margin of savings that the administration could decide (reasonably) to take for itself (public budgets and related adoption laws are formed on an annual basis and even if they can establish expenditure commitments exceeding one year, they have anyway a time limit); on the other hand it must be understood how the remaining sums, obtained once repaid the capital and paid the agreed interest, may be reused, given the rigidity and the segmentation of public budgets (without mentioning the term of the internal stability pact). Second, it is important to deal with the complexity of the Italian discipline for developing public-private partnerships: indeed the present discipline of public contracts, even under the pressure of important changes in the European context (Pellizzari 2014) establishes as a general rule the public procurement procedure, and only as a limited exception the possibility of direct procurement of works, services and supplies.11 Third, it can not be avoided a careful and specific examination of national finance law (in Italy, for instance, the “Testo Unico della Finanza”) and the banking authority directives, as well as previous or subsequent relevant regulatory acts, with the aim to develop SIBs in compliance with the whole sector regulations.

7. Conclusions

In conclusion, it seems useful to summarize and provide an overview of the research that should be carried out. The reasons for considering SIB structures rely on the need to find new forms for sustainable welfare systems. On the one hand should be pointed out the increasingly scarce public resources, on the other hand should not be ignored the growing demand for welfare services among the population.

Beyond the rhetoric that surrounds the current debate on SIBs and the phenomenon of impact investing, it should be noted that SIBs appear from both an economic and a legal perspective, as tools closely related to the theme of project financing. Of course, such a theoretical framework is less appealing than the one that represents SIBs as new tools directly descending from cultural movements for social innovation. However, the common elements between SIBs and project financing are too many to be ignored. Furthermore, considering SIBs as a species of the genus “project financing” allows to easily finding a possible path of research aimed at deepening the precise ways in which to implement and manage such tools.

From this theoretical perspective, it is clear the need to take the first steps through the comparison of the bundles of contracts underlying each SIB. From this passage it will be possible to recover the specificity of each SIB and, at the same time, to extrapolate the common elements of these new financing instruments for welfare services. In addition, the legal comparison between the different SIBs will allow to more precisely appreciating the adopted “variants” according to specific contexts within which each SIB is designed. Such work has the advantage of bringing the debate on a technical level, without renouncing to validate the theoretical approach above mentioned. In fact, the outcomes of the comparison between the different

11 It is known the European reform of public private partnerships with recent directives (2014/23/ UE, 2014/24/UE, and 2014/25/ UE), aiming in developing a more valuable legal framework for non-profit organizations and social enterprises.
contracts underlying each SIB, will also lead to a more well-grounded foundation with regard to the close relationship between SIB structures with “traditional” project financing operations.

Once verified the theoretical framework within which SIBs are located and in-depth fixed and variable characters of these tools, it will be possible to proceed in examining the possible forms that a SIB can take on the basis of the context and the associated risks. As it was pointed out above, the SIB models currently in circulation are basic models, defined by some scholars as “proof of concept”, rather than “pilot” (Nicholls and Tomkinson 2013): in the light of the contexts and the faced risks, both general and specific, it will be needed to consider which further mechanisms (drawn from the experience of project financing) is useful to install and “mount” on the SIB basic model.

Finally, clarified the essential and the accessories characteristics of a SIB or a SIB-like structure, on the basis of any needs that were identified for the wider development of this instrument, it can be identified appropriate strategies to make each SIB more appealing for investors, even imagining a path that takes this form of investment in secondary markets (as mentioned above, even ad hoc built).

Therefore, the challenge is to rethink the classic paradigms of the financing of welfare services in accordance with preventive approaches and logics of social services co-production. Indeed, SIBs can make an important contribution to the growing demand for democratic processes in the construction of a new inclusive and bottom-up designed welfare (Bovaird 2007). This contribution is accomplished through involving private individuals in the construction of the public utility services supply (Pestoff et al. 2012). Moreover this view of the construction of welfare services corresponds to the concept of co-production, which gathers in itself a series of elements: the co-planning, co-design, co-prioritization, co-financing, co-management and co-assessment (Orlandini et al. 2014, p. 3). Among possible tools, a SIB structure seems to fully exploit these aspects of a new inclusive welfare and therefore appears as an essential tool to develop – in the coming years – a more adequate response to the needs of each person. Even rethinking the traditional paradigms and boundaries of welfare systems.

8. References


